

STATE OF ARIZONA

FY 2022

Appropriations Report

August 2021

JLBC

FY 2022 APPROPRIATIONS REPORT

This annual *Appropriations Report* provides detailed information on FY 2022 appropriations, as provided in the General Appropriation Act (Laws 2021, Chapter 408) and other legislative acts. The *Report* also includes the economic and state revenue forecast upon which the budget was based. This *Report* provides information relative to the legislative intent of appropriations.

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BUDGET HIGHLIGHTS

HIGHLIGHTS OF THE FY 2022 BUDGET

The FY 2022 budget is based primarily upon the actions of the 55th Legislature's 1st Regular Session. On June 30, 2021, the Governor signed into law the FY 2022 General Appropriation Act for the year beginning July 1, 2021.

The state's FY 2022 General Fund budget is \$12.83 billion. After accounting for non-General Fund monies, the state's "all funds" budget is \$53.34 billion. *(See the Summary of Appropriated Funds by Agency and Summary of Total Spending Authority for more details.)*

Revised FY 2021 Budget – At the time of publication of the *FY 2021 Appropriations Report* in July 2020, the FY 2021 budget was anticipated to have a \$729 million ending balance.

The negative economic impact of the coronavirus pandemic, however, was substantially less than expected. By January 2021, we estimated the projected FY 2021 ending balance to be \$1.8 billion. By June 2021, the ending balance was adjusted upward by another \$1.1 billion due to accelerating revenue collections. At least in part, this revenue growth was related to over \$77 billion in federal COVID-19 assistance. This aid resulted in Arizona personal income growing by over 10%. *(See the Economic and Revenue Forecast and FY 2021 General Fund Adjustments sections for more information.)*

Due to the large available balance, the budget funded \$2.7 billion for several major one-time FY 2021 supplementals, including:

- \$1.0 billion to pay down pension debt for Department of Public Safety (DPS) and Arizona Department of Corrections retirement systems,
- \$977 million to pay off state debt from the 2009-2010 Great Recession as well from the lease-purchase financing of state buildings,
- \$321 million for transportation infrastructure and pavement preservation,
- \$200 million for drought mitigation efforts, and
- \$100 million for wildfire mitigation efforts.

At the time of passage, this revised FY 2021 budget was estimated to have an ending balance of \$442 million.

Actual FY 2021 General Fund revenues, however, were substantially higher than forecast even in the enacted budget. Based on preliminary results, FY 2021 revenues grew by 29%. As a result, the JLBC Staff expects the final FY 2021 ending balance to significantly exceed \$442 million.

The FY 2022 Budget – Based on \$13.03 billion in revenue and \$12.83 billion in spending, the FY 2022 General Fund cash balance is projected to be \$202 million.

The ending cash balance estimate does not reflect the Budget Stabilization Fund (BSF) reserve. The BSF is expected to have a balance of \$982 million at the end of FY 2022.

Total FY 2022 General Fund revenues are projected to decline by (7.3)% compared to FY 2021. But after adjusting for the beginning balance, urban revenue sharing, the tax deferral and newly-enacted reductions, the base growth rate is 2.1% above FY 2021. The low base growth rate is primarily due to the expectation that the federal COVID 19 relief will be one-time in nature, which in turn will negatively affect Arizona personal income growth.

The state enacted \$(886) million in new tax law changes. The primary reduction was \$(836) million to cap the state's maximum individual income tax rate at 4.5%. Tax filers with incomes above \$250,000 (single) and \$500,000 (married) would have otherwise paid an 8.0% marginal tax rate due to the state's new Proposition 208 3.5% surcharge. *(See the Future Tax Reductions section below for changes in FY 2023 and beyond.)*

FY 2022 General Fund spending of \$12.8 billion consists of a \$840 million increase in ongoing initiatives and a \$(1.7) billion decrease to eliminate the one-time FY 2021 expenditures.

FY 2022 General Fund spending would change as follows:

- \$311 million for Arizona Department of Education (ADE) spending, including \$82 million for 0.4% student growth, \$87 million for 1.21% inflation adjustment, \$68 million for a previously-approved Additional Assistance funding increase, and \$50 million for additional Special Education funding.
- \$17 million for the School Facilities Board, including \$113 million for an increase in new school construction including higher new cost-per-square-foot rates, offset by \$(57) million in savings from retirement of debt service payments.
- \$137 million for the Universities, primarily for operating budget increases.
- \$43 million for Community Colleges, including \$28 million for rural community college districts and \$13 million for urban districts.

- \$(36) million in AHCCCS savings reflecting caseload growth more than offset by savings from the enhanced federal match rate continued through December 31, 2021 and \$13 million for Long Term Care provider rate increases.
- \$18 million for the Department of Child Safety, including \$25 million for congregate care expenses partially offset by \$(10) million in federal match rate savings.
- \$38 million for the Department of Economic Security, including \$13 million for Developmental Disabilities (DD) formula increases and \$15 million in additional DD provider rate increases.
- \$79 million for the Arizona Department of Corrections, including \$31 million for a correctional officer salary increase, \$28 million for private vendor contract increases, \$19 million for new private beds associated with the closure of the Florence state prison, \$17 million for radio replacements, and \$15 million for medical staffing augmentation.
- \$201 million to the Department of Public Safety, including \$161 million to backfill lost revenues from the previously-approved repeal of the Highway Safety Fee as of June 2021, \$24 million for salary adjustments, \$7 million for a new body camera program, and \$7 million for more overtime expenses.

(See FY 2022 State General Fund Budget - A Narrative Summary for a more detailed list of changes.)

Future Tax Reductions – Beyond the tax law changes described above, the budget also makes the following adjustments:

- \$(1.3) billion in Tax Year 2022/FY 2023 General Fund tax reductions based on lowering the 4 current individual income tax rates to 2.55% and 2.98% along with the 4.5% maximum tax rate policy begun in Tax Year 2022.
- Contingent upon General Fund revenue collections of \$12.8 billion in FY 2022, the 2 rates would further decline to 2.53% and 2.75% in FY 2024 at a cost of \$1.5 billion in TY 2023/FY 2024.
- Contingent upon General Fund revenue collections of \$13.0 billion in FY 2023 or any year thereafter, the 2 rates would be collapsed into a single 2.5% rate (plus the 4.5% maximum tax rate) at a cost of \$1.8 billion in TY 2024/FY 2025.
- The income tax reduction estimates include the impact of SB 1783, which will allow taxpayers to shift certain types of income to a lower tax rate than their regular tax rate.

In addition, the Class 1 commercial property tax assessment ratio will decline from 18% to 16% over 4 years starting in TY 2022/FY 2023. The homeowner's

rebate on Class 3 residential property will increase from 47.2% to 50.0% beginning in TY 2022.

Long-Term Projections – A.R.S. § 35-125 requires that the General Appropriation Act delineate the revenue and expenditure estimates for the budget year and the following 2 years. The expenditure estimates are based on statutory revenue and funding requirements as well as eliminating any initiatives labeled as one time in the FY 2022 budget.

FY 2023 revenues are projected to be \$12.89 billion compared to FY 2023 spending of \$12.84 billion with an ending cash balance of \$40 million. FY 2024 revenues are projected to be \$13.51 billion compared to FY 2024 spending of \$13.09 billion with an ending cash balance of \$417 million. These estimates exclude the contingent tax reductions described above.

Federal and State COVID relief programs – In response to the coronavirus pandemic, the federal government provided the state with substantial resources to address the disease itself as well as the associated economic downturn. *(Please see the COVID-Related Spending Summary section for more information.)*

**Enacted Budget - Statement of General Fund Revenues and Expenditures
With One-Time Financing Sources**

	<u>FY 2021 Enacted</u>	<u>FY 2022 Enacted</u>	<u>FY 2023 Estimate</u>	<u>FY 2024 Estimate</u>
REVENUES				
Ongoing Revenues	\$14,467,390,400	\$14,143,074,500	\$14,723,605,600	\$15,371,218,800
Newly Enacted Tax Reductions		(50,495,800)	(1,058,695,800)	(1,064,595,800)
Newly Enacted Changes/Other Revenue		67,099,300	281,096,300	381,095,100
Urban Revenue Sharing <u>1/</u>	(828,492,900)	(756,391,100)	(948,581,500)	(907,536,900)
Net Ongoing Revenues	\$13,638,897,500	\$13,403,286,900	\$12,997,424,600	\$13,780,181,200
One-time Financing Sources				
Balance Forward	372,457,000	441,739,700	202,292,900	40,400,700
4.5% Maximum Tax Rate (Ongoing in FY 25)		(836,000,000)	(487,800,000)	(487,800,000)
SB 1783 Impact (Ongoing in FY 25)			173,400,000	173,400,000
Water Infrastructure Repayment		20,000,000		
Other Fund Transfers	40,905,700			
Subtotal One-time Revenues	\$413,362,700	(\$374,260,300)	(\$112,107,100)	(\$273,999,300)
Total Revenues	\$14,052,260,200	\$13,029,026,600	\$12,885,317,500	\$13,506,181,900
EXPENDITURES				
Ongoing Operating Appropriations	\$11,469,755,900	\$12,321,812,800	\$12,742,778,200	\$13,075,404,600
Administrative Adjustments	55,000,000	120,000,000	158,000,000	158,000,000
Reversions	(150,000,000)	(192,000,000)	(203,000,000)	(203,000,000)
Subtotal Ongoing Expenditures	\$11,374,755,900	\$12,249,812,800	\$12,697,778,200	\$13,030,404,600
One-time Expenditures				
Capital Outlay	11,000,000	92,632,900		
Transportation Funding	321,001,500			
Reduce K-12 Rollover		65,000,000		
Debt Payoff	977,100,000			
Pension Payoff	1,000,000,000			
Operating One-Time Spending	275,373,600	666,235,900	147,138,600	58,427,700
New FY 2021 Supplementals	276,266,500			
Drought Mitigation/Water Supply Funding	200,000,000			
New Medicaid Federal Match Reversion <u>2/</u>	(431,940,800)	(267,000,000)		
New ADE Enrollment Reversion <u>2/</u>	(436,114,800)			
27th Pay Period (Enacted)	43,078,600	20,052,100		
Subtotal One-time Expenditures	\$2,235,764,600	\$576,920,900	\$147,138,600	\$58,427,700
Total Expenditures	\$13,610,520,500	\$12,826,733,700	\$12,844,916,800	\$13,088,832,300
Ending Balance <u>3/</u>	\$441,739,700	\$202,292,900	\$40,400,700	\$417,349,600
Ongoing Balance <u>4/</u>	\$2,264,141,600	\$1,153,474,100	\$299,646,400	\$749,776,600

1/ Reflects the revised April revenue forecast, but not the impact of any new tax reductions. The FY 2024 URS increase to 18% has no net cost to the forecast.

2/ Reflects reversionments of savings for a higher federal Medicaid match rate and lower K12 enrollment. FY 2021 savings were not ex-appropriated.

3/ Reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

4/ Reflects the difference between ongoing revenues and ongoing expenditures. The 3-year spending plan makes the ongoing/one-time classifications.

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

EXPENDITURES	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
Operating Budget				
-- Department of Administration	\$7,828,900	\$8,155,000	\$8,155,000	\$8,155,000
-- Office of Administrative Hearings	885,000	891,800	891,800	891,800
-- African-American Affairs Commission	127,700	128,800	128,800	128,800
-- Arizona Department of Agriculture	10,124,500	12,415,700	12,415,700	12,415,700
-- AHCCCS	1,942,797,800	2,095,630,200	2,235,021,600	2,291,239,600
-- Attorney General	24,472,000	25,239,800	25,239,800	25,239,800
-- State Board for Charter Schools	2,102,000	2,103,000	2,103,000	2,103,000
-- Department of Child Safety	384,596,300	390,590,600	390,590,600	390,590,600
-- Commerce Authority	16,175,000	16,175,000	16,175,000	16,175,000
-- Community Colleges	62,895,400	79,404,700	81,612,600	83,919,600
-- Corporation Commission	615,500	623,100	623,100	623,100
-- Department of Corrections	1,173,247,600	1,243,120,300	1,244,915,000	1,252,141,800
-- County Funding	10,650,700	10,650,700	10,650,700	10,650,700
-- Schools for the Deaf and the Blind	23,069,700	23,255,700	23,255,700	23,255,700
-- Office of Economic Opportunity	466,700	470,300	470,300	470,300
-- Department of Economic Security	807,967,500	917,578,500	979,902,200	1,048,301,900
-- State Board of Education	1,307,600	2,340,000	2,340,000	2,340,000
-- Department of Education	5,511,824,600	5,761,522,700	6,045,365,600	6,245,724,000
-- Dept. of Emergency & Military Affairs	12,182,800	12,846,600	12,846,600	12,846,600
-- Department of Environmental Quality	10,000,000	15,000,000	15,000,000	15,000,000
-- State Board of Equalization	657,300	663,900	663,900	663,900
-- Board of Executive Clemency	1,147,300	1,153,300	1,153,300	1,153,300
-- Dept. of Forestry and Fire Management	13,143,000	14,227,600	49,248,800	46,257,400
-- Department of Gaming	1,779,500	13,029,500	14,029,500	14,029,500
-- Office of the Governor	8,667,600	8,807,100	8,807,100	8,807,100
-- Gov's Ofc of Strategic Planning and Budgeting	2,684,900	2,695,200	2,695,200	2,695,200
-- Department of Health Services	92,503,800	98,259,200	98,259,200	98,259,200
-- Arizona Historical Society	3,091,500	2,906,000	2,906,000	2,906,000
-- Prescott Historical Society	830,700	900,600	900,600	900,600
-- Independent Redistricting Commission	500,000			
-- Industrial Commission		95,000	80,000	80,000
-- Dept. of Insurance and Financial Institutions	7,604,700	7,663,400	7,663,400	7,663,400
-- Judiciary	135,371,200	145,093,000	145,152,100	145,152,100
-- Department of Juvenile Corrections	28,996,500	30,696,600	30,696,600	30,696,600
-- State Land Department	12,084,400	11,815,100	11,815,100	11,815,100
-- Legislature				
Auditor General	20,144,500	20,808,500	20,808,500	20,808,500
House of Representatives	16,319,600	16,429,300	16,429,300	16,429,300
Joint Legislative Budget Committee	2,825,400	2,841,900	2,841,900	2,841,900
Legislative Council	8,791,600	9,090,400	9,090,400	9,090,400
Senate	12,889,900	12,969,100	12,969,100	12,969,100
SUBTOTAL - Legislature	\$60,971,000	\$62,139,200	\$62,139,200	\$62,139,200
-- State Mine Inspector	1,263,500	1,558,200	1,558,200	1,558,200

GENERAL FUND SPENDING BY BUDGET UNITS 1/
ONGOING FUNDING

	FY 2021	FY 2022	FY 2023	FY 2024
	Enacted	Enacted	Estimate	Estimate
-- Navigable Stream Adjudication Commission	128,200	129,300	129,300	129,300
-- Commission for Postsecondary Education	1,680,900	1,680,900	1,680,900	1,680,900
-- Department of Public Safety	88,304,700	287,300,400	287,300,400	287,300,400
-- Public Safety Personnel Retirement System	6,000,000	6,000,000	6,000,000	6,000,000
-- State Real Estate Department	2,897,500	2,922,100	2,922,100	2,922,100
-- Department of Revenue	31,118,400	53,076,100	53,076,100	53,076,100
-- School Facilities Board	85,559,600	28,323,400	28,323,400	28,323,400
-- Secretary of State	16,909,200	12,907,700	16,907,700	16,977,700
-- Tax Appeals, State Board of	280,800	283,300	283,300	283,300
-- Office of Tourism	8,216,100	8,231,500	8,231,500	8,231,500
-- State Treasurer	1,509,500	3,010,200	3,010,200	3,010,200
-- Governor's Office on Tribal Relations	62,600	63,500	63,500	63,500
-- Universities	736,805,700	831,829,500	832,710,100	833,248,800
-- Department of Veterans' Services	7,770,100	8,625,500	8,583,500	8,583,500
-- Department of Water Resources	14,178,600	17,074,400	17,074,400	17,074,400
-- Phoenix Convention Center Payment	23,997,900	24,498,500	24,999,400	25,498,600
-- Rio Nuevo District	16,000,000	16,000,000	16,000,000	16,000,000
-- Asset Sale/Lease-Back Debt Service	53,701,800			
-- Pension Payoff Savings			(110,000,000)	(110,000,000)
-- Unallocated Risk Management Adjustments		6,400	6,400	6,400
-- Unallocated AFIS Transaction Fee Adjustments		4,700	4,700	4,700
-- Unallocated FY 2021 Retirement Adjustments	100			
Total - Operating Budget	<u>\$11,469,755,900</u>	<u>\$12,321,812,800</u>	<u>\$12,742,778,200</u>	<u>\$13,075,404,600</u>
-- FY 2021 One-Time Supplementals	276,266,500			
-- Drought Mitigation/Water Supply Funding	200,000,000			
-- New Medicaid Federal Match Reversion	(431,940,800)	(267,000,000)		
-- New ADE Enrollment Reversion	(436,114,800)			
-- Capital Outlay	11,000,000	92,632,900		
-- Reduce K-12 Rollover		65,000,000		
-- Debt Payoff	977,100,000			
-- Pension Payoff	1,000,000,000			
-- Transportation Funding	321,001,500			
-- Operating One-Time Spending	275,373,600	666,235,900	147,138,600	58,427,700
-- Additional (27th) Pay Period	43,078,600	20,052,100		
-- Administrative Adjustments	55,000,000	120,000,000	158,000,000	158,000,000
-- Revertments	(150,000,000)	(192,000,000)	(203,000,000)	(203,000,000)
Total Spending	<u>\$13,610,520,500</u>	<u>\$12,826,733,700</u>	<u>\$12,844,916,800</u>	<u>\$13,088,832,300</u>

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 Adjustments" table (see page BH-7).

SUMMARY OF ONE-TIME ADJUSTMENTS 1/

	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
Operating				
ADOA - Permitting Dashboard		\$ 100,000		
ADOA - Accounting System Upgrade			\$ 490,000	\$ 560,000
ADOA - K-12 Transportation Grants		10,000,000	20,000,000	
ADOA/Automation Projects Fund - K-12 Financial Transparency		614,100		
ADOA/Automation Projects Fund - Charter Board Upgrade		3,000,000	1,500,000	1,500,000
Agriculture - Cloud Migration		2,000,000		
Agriculture - State Agriculture Lab Equipment		2,500,000		
AHCCCS - Children's Behavioral Health Services Fund Deposit	\$ 8,000,000			
DCS - Higher Congregate Care Provider Rates		19,238,200	19,238,200	
DCS - Backfill Potential Loss of Federal Funds		5,900,000	5,900,000	
Commerce - Blockchain/Wearables (\$2.5 M Each)		5,000,000		
Commerce - Major Events Fund Deposit (4-Year Pilot)		7,500,000	7,500,000	7,500,000
Commerce - Competes Fund Deposit		50,000,000		
Commerce - Frankfurt Germany Trade Office		250,000		
Community Colleges - Rural Funding		14,000,000		
Community Colleges - Maricopa/Pima Funding		13,000,000		
Community Colleges - Maricopa/Pima STEM Funding	2,000,000	2,000,000		
Community Colleges - Out-of-County Reimbursement Aid		500,000		
Corrections - Radio Replacement		17,329,500		
Corrections - Ballistic and Stab Vest Replacement		3,851,900		
Corrections - Substance Abuse Treatment Expansion		5,000,600		
Corrections - Medical Staff Augmentation Funding		15,000,000		
Counties/ADOA - Re-Entry Planning Services		10,000,000	7,000,000	7,000,000
ACJC - Re-Entry Planning Services		1,000,000		
DES - Return to Work Grants		7,500,000		
DES - Adult and Aging Services Funding		1,474,000		
DES - After School/Summer Youth Program		500,000		
ADE - Proposition 301 Brldge	14,100,000			
ADE - High Quality Teacher Scholarships	400,000	400,000		
ADE - CTED Incentive Program	5,000,000	5,000,000		
ADE - Fully Restore Additional Assistance Funding	67,774,700	67,774,600		
ADE - Extraordinary Special Needs Fund Deposit		5,000,000		
ADE - Statewide Assessment Funding		5,000,000		
ADE - Procure Statewide Gifted Assessment		850,000		
DEMA - Aircraft Communication Equipment		220,500		
DEMA - National Guard Cyber Response Funding		300,000		
DEQ - WQARF Funding	5,000,000			
Forestry - Rural Fire District Reimbursement		2,500,000		
Forestry - One-Time Vehicle Purchases			3,190,000	
Gaming - County Fair Promotion	730,000	730,000		
Gaming - County Fair Racing Promotion		2,000,000		
Governor - Arizona Civics Corp		1,000,000		
DHS - Rural Hospital Prenatal Equipment	500,000	500,000		
DHS - Board of Medical Student Loans		2,000,000		
DHS - Cognitive Decline/Caregiver Modules		160,000		
DHS - Adoption/Birth Certificate Records Release		1,000,000		
DHS - Family Health Pilot Program		1,500,000	1,500,000	
IRC - Commission Funding		7,900,000		
DIFI - Mental Health Parity Implementation Costs	250,000			
Judiciary - Supreme Court - Digital Evidence Storage		400,000	490,000	
Judiciary - Superior Court - One-Time Vehicle Purchase		187,500		
Land - Appraisal Development		1,500,000	1,500,000	
Legislature - Auditor General - K-12 Federal Funds Oversight		250,000	200,000	
Legislature - Auditor General - Audit Non Gov't Election Funding		165,000		
Legislature - Legislative Council - IT Improvements		1,000,000		
Legislature - House of Representatives		5,000,000		
Legislature - Senate		5,000,000		
Parks - Heritage Fund Deposit		5,000,000		
Parks - State Lake Improvement Fund Deposit		4,000,000	4,000,000	
DPS - Training of K-9 Dogs		250,000		
DPS - Civil Asset Forfeiture Offset		3,500,000		
DPS - Rapid DNA Testing Equipment		600,000		
DOR - Pass Through Business Tax Change IT Upgrade		466,300		
SFB - Building Renewal Grants	90,832,100	90,832,100		
SFB - New School Construction (FY 20 Authorization)	45,805,900			
SFB - New School Construction (FY 21 Authorization)	12,980,900	11,730,900		

SUMMARY OF ONE-TIME ADJUSTMENTS 1/

	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
SFB - New School Construction (FY 22 Authorization)		76,881,700	47,950,000	
SFB - New School Construction (FY 22 Budget - Retroactive Increase)		63,526,200		
SFB - New School Construction (FY 22 Budget - Yuma HS Project)		16,515,200	16,515,200	
SFB - New School Construction (FY 22 Budget - Kirkland Elementary)		3,000,000		
SFB - New School Construction (FY 23 Authorization)			11,065,200	11,065,200
SFB - New School Construction (FY 23 To Be Determined)			(1,400,000)	
SFB - New School Construction (FY 24 Authorization)				30,802,500
Tourism - Southern Arizona Study Committee		250,000		
Transportation - Rental Vehicle Surcharge/VLT Hold Harmless		3,300,000		
Treasurer - Election Integrity Fund Deposit		12,000,000		
Universities - ASU - Operating/Capital Funding		18,831,300		
Universities - NAU - Operating/Capital Funding		9,006,300		
Universities - UA - Operating/Capital Funding		9,600,000		
Universities - ASU - Eastern Europe Cultural Collaborative		250,000		
Universities - ASU - School of Civic and Economic Thought and Leadership		2,750,000		
Universities - ASU - Political History and Leadership School		250,000		
Universities - NAU - Economic Policy Institute		250,000		
Universities - UA - Center for the Philosophy of Freedom		1,250,000		
Universities - UA - Wind Tunnel		3,500,000		
Universities - UA - Agriculture Workforce Program		500,000	500,000	
Universities - UA - Kazakhstan Exchange Program		250,000		
DWR - Water Protection Fund Deposit		1,000,000		
DWR - Agua Fria Insurance Study		350,000		
WIFA - Water Supply Development Revolving Fund Deposit		6,000,000		
WIFA - Water Project Assistance Grants		5,000,000		
WIFA - Small Water Systems Fund Deposit		1,000,000		
Other - HITF Deposit	22,000,000			
Subtotal - Operating Funding	\$ 275,373,600	\$ 666,235,900	\$ 147,138,600	\$ 58,427,700
27th Pay Period (Enacted)	\$ 43,078,600	\$ 20,052,100		
Debt Payoff	\$ 977,100,000			
Pension Payoff	\$ 1,000,000,000			
New Medicaid Federal Match Reversion	\$ (431,940,800)	\$ (267,000,000)		
New ADE Enrollment Reversion	\$ (436,114,800)			
Reduce K-12 Rollover (\$30 M Enacted + \$35 M New Funding)		\$ 65,000,000		
Drought Mitigation/Water Supply Funding	\$ 200,000,000			
Capital Outlay				
Capital - ADC - Lewis/Yuma Locks, Fire, HVAC	11,000,000			
Capital - ADOA - ADC Building Demolition		2,800,000		
Capital - ADOA - Air Handler Replacement - Phase 2		3,500,000		
Capital - ADOA - Building Renewal Funding		6,200,000		
Capital - ADOA - Taylor Rodeo Arena		1,000,000		
Capital - ADOA - Fountain Hills Discovery Center/Observatory		2,500,000		
Capital - ADC - Eyman Fire/Life Safety Projects (Plus \$15.6 M OF)		10,000,000		
Capital - ADC - Building Renewal Funding		22,205,800		
Capital - DEMA - Fire Suppression System Upgrades		927,100		
Capital - State Fair - Building Renewal		1,000,000		
Capital - State Fair - Coliseum Fire Alarm Replacement		1,000,000		
Capital - Leg Council - Historic State Capitol Renovation		11,500,000		
Capital - Veterans - Northwest Veterans Home		25,000,000		
Capital - Yuma Fairgrounds Relocation		5,000,000		
Subtotal - Capital Outlay	\$ 11,000,000	\$ 92,632,900	\$ -	\$ -
FY 2021 Supplementals				
Community Colleges - Diné College One-Time FY 20 Payment	1,750,000			
ADC - Named Claimants	2,300			
DEMA - Border Security Fund Deposit	55,000,000			
Forestry and Fire Mgmt - Fire Mitigation Personnel	16,999,300			
Forestry and Fire Mgmt - Fire Mitigation Personnel - Vehicle Oper. Costs	1,382,500			
Forestry and Fire Mgmt - Contracted Hazardous Vegetation Removal	2,250,000			

SUMMARY OF ONE-TIME ADJUSTMENTS 1/

	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
Forestry and Fire Mgmt - Vehicle Purchases	3,910,000			
Forestry and Fire Mgmt - Wildfire Emergency Response Funding	75,000,000			
Forestry and Fire Mgmt - Fire Suppression Funding	2,170,100			
SFB - Building Renewal Grants	38,759,000			
Other - Transwestern Settlement	17,043,300			
Other - Unemployment Trust Fund Deposit	62,000,000			
Subtotal - FY 2021 Supplementals	\$ 276,266,500	\$ -	\$ -	\$ -
Transportation Funding				
Additional Projects	231,001,500			
Pavement Preservation Funding	90,000,000			
Subtotal - Transportation Funding	\$ 321,001,500	\$ -	\$ -	\$ -
Total - One-time Spending	\$ 2,235,764,600	\$ 576,920,900	\$ 147,138,600	\$ 58,427,700

1/ The displayed amounts reflect one-time General Fund adjustments included in the FY 2022 enacted budget's multi-year spending plan. The Legislature makes the one-time classification as part of its 3-year spending plan. These items are not included in the ongoing agency spending amounts listed on pages BH-5 and BH-6.

Enacted General Fund Budget 4-Year Analysis \$ in Millions

	A	B	C	D
	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
1 Beginning Balance	\$ 372.5	\$ 441.7	\$ 202.3	\$ 40.4
2 Ongoing Revenues				
3 Ongoing Revenues - January Baseline	12,492.9	12,508.4	12,899.8	13,541.4
4 Base Revenue Adjustment	1,146.0	878.3	875.2	922.3
5 Reduce Existing Rates to 2.55%/2.98% (Plus Future Triggers)		Start in TY 22/FY 23	(1,016.6)	(1,016.6)
6 Maximum Marginal Tax Rate of 4.5% - Ongoing in FY 25		One-Time Revenue	One-Time Revenue	One-Time Revenue
7 SB 1783 Impact (Applied Against Max Tax Rate Cost) - Ongoing in FY 25		One-Time Revenue	One-Time Revenue	One-Time Revenue
8 Increase Urban Revenue Sharing From 15% to 18% - Start in FY 24		Start in FY 24	Start in FY 24	No Cost to Baseline
9 Increase Percentage of Charitable Contributions for Non-Itemizers		Start in TY 22/FY 23	(2.0)	(3.9)
10 Other Sources (Gaming Revenue)		Score Starting in '23	200.0	300.0
11 Score Additional Prop 207 Revenues - GF Sales Tax Collections		32.0	46.0	46.0
12 Lottery Revenue Bond Payoff Savings - Increased Lottery GF Allocation		34.5	34.5	34.5
13 Veterans Pension Exemption (Full Exemption)		(48.3)	(37.9)	(37.9)
14 Affordable Housing Tax Credit - 4 Award Groups of \$4 M (Cost Begins in FY 24)		Cost Begins in '24	Cost Begins in '24	(4.0)
15 DHS - Radiation Regulatory - Eliminate GF Deposit and Reduce Fees By \$300k		(0.3)	(0.3)	(0.3)
16 School Tuition Organizations - Switcher/Low-Income/Out-of-State		(0.4)	(0.4)	(0.4)
17 School Tuition Organizations - Increase Displaced/Disabled Cap From \$5 M To \$6 M		(1.0)	(1.0)	(1.0)
18 Contributions in Aid of Construction		(0.4)	(0.4)	(0.4)
19 Forest Product Processing Tax Credit		(0.4)	(0.4)	(0.4)
20 Flagstaff Minimum Wage Charge		1.1	1.1	1.1
21 Treasurer Accountant Reclassification		(0.1)	(0.1)	(0.1)
22 Treasurer Payment Card Industry Compliance Officer (1 FTE)		(0.1)	(0.1)	(0.1)
23 Subtotal - Ongoing Revenues	\$ 13,638.9	\$ 13,403.3	\$ 12,997.4	\$ 13,780.2
24 One-Time Revenues				
25 Maximum Marginal Tax Rate of 4.5% - Score As One-Time Thru FY 24		(836.0)	(487.8)	(487.8)
26 SB 1783 Impact (Applied Against Max Tax Rate Cost) - Score One-Time Thru FY 24		No Cost to Baseline	173.4	173.4
27 <u>Previously Enacted Fund Transfers</u>				
28 Water Infrastructure Repayment		20.0		
29 Prescription Drug Rebate Fund Transfer - Enacted/Baseline	16.7	Ongoing Fund Shift	Ongoing Fund Shift	Ongoing Fund Shift
30 <u>New Proposed Fund Transfers</u>				
31 DPS Highway Patrol Fund Transfer	24.2			
32 Extend Veterans Income Tax Settlement Fund Program Deadline	Yes			
33 \$100k of Vet. Income Tax Settlement Fund to DVS for Veteran Suicide Prevention	Yes			
34 Subtotal - Newly Enacted Fund Transfers	\$ 24.2	\$ -	\$ -	\$ -
35 Subtotal - One-Time Revenues (Including Beginning Balance)	\$ 413.4	\$ (374.3)	\$ (112.1)	\$ (274.0)

Enacted General Fund Budget 4-Year Analysis
\$ in Millions

	A	B	C	D
	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
36 Total Revenues	\$ 14,052.3	\$ 13,029.0	\$ 12,885.3	\$ 13,506.2
37 JLBC Baseline - Ongoing Spending	\$ 11,374.8	\$ 12,104.3	\$ 12,546.6	\$ 12,903.8
38 Ongoing Changes to JLBC Baseline				
39 ADOA - Permitting Dashboard		0.3	0.3	0.3
40 Agriculture - State Agriculture Laboratory Scientist (1 FTE)		0.1	0.1	0.1
41 Agriculture - Cloud Migration		1.0	1.0	1.0
42 Agriculture - Plant Services Division Salary Increase (\$170k)		0.2	0.2	0.2
43 Agriculture - Meat Inspection Staff (2 FTE) [\$220k]		0.2	0.2	0.2
44 Agriculture - Salary Increase (12 Ag Lab Positions)		0.3	0.3	0.3
45 AHCCCS - Formula		(76.1)		
46 AHCCCS - IT Operating Funding		3.0	3.0	3.0
47 AHCCCS - Enacted GME Increase (Fund \$6 M FY 22, \$9 M Baseline After)		(3.0)		
48 AHCCCS - Elderly/Physically Disabled (EPD) Provider Rate Increase (\$7 M to SNF)		13.3	13.3	13.3
49 AHCCCS - Prescription Drug Rebate Fund Shift		(16.7)	(16.7)	(16.7)
50 AHCCCS - Newborn Screening General Fund Costs		0.5	0.6	0.8
51 Attorney General - Unreported In-Kind Contributions Task Force		0.5	0.5	0.5
52 DCS - Caseworker Salary Increase (Step 1 - 11% / All Other Steps - 5%)		5.4	5.4	5.4
53 Comm Colleges - Formula		0.7	0.7	0.7
54 Comm Colleges - Rural Community College Aid (By Student Count)		14.0	14.0	14.0
55 ADC - Braille Program Expansion ('22- \$250k/23' and '24 - \$200k)		0.3	0.2	0.2
56 ADC - Florence Bed Closure/Shift		18.7	21.1	28.3
57 ADC - Correctional Officer Salary Increase (5% + \$2k Sergeant Increase)		30.7	30.7	30.7
58 ADC - New Corporal Classification		1.6	1.6	1.6
59 ADC - Transition Program		1.3	1.3	1.3
60 ADC - Contracted Increases		28.0	28.0	28.0
61 ADC - Rent Savings From Building Demolition		Savings in '23	(0.6)	(0.6)
62 ADC - Debt Payoff Savings (Kingman 2016 Issuance)		(17.5)	(17.5)	(17.5)
63 DES - State Long-Term Care Ombudsman		1.0	1.0	1.0
64 DES - Area Agencies on Aging (AAA) Funding (Provider Rate Increases)		1.0	1.0	1.0
65 DES - DD Provider Rate Increase (Also Reallocate \$15 M Base Funding)		15.4	15.4	15.4
66 DES - Homeless Youth (\$1 M Ongoing GF Starting in FY 24)				1.0
67 DES - 5% Salary Increase (4,900 Positions)		2.3	2.3	2.3
68 SBE - Investigations Unit Expansion/Move Investigations Unit From ADE to SBE		0.5	0.5	0.5
69 ADE - Formula		(32.7)	(62.7)	(106.8)
70 ADE - Phase In 16% Class 1 Assessment Ratio Over 4 Years (Property Tax/Formula Cost)		Start in TY 22/FY 23	4.4	9.0
71 ADE - Increase Homeowner's Rebate From 47.2% to 50.0% (Property Tax/Formula Cost)		Start in TY 22/FY 23	30.0	30.8
72 ADE - CTED Certification Exam Fee Reimbursement (\$1 M Ongoing GF in FY 24)				1.0

Enacted General Fund Budget 4-Year Analysis
\$ in Millions

	A	B	C	D
	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
73	ADE - College Placement Exam Fee Waiver	1.3	1.3	1.3
74	ADE - College Credit By Examination Incentive Program	2.5	2.5	2.5
75	ADE - Literacy Coaches (25 FTE)			3.1
76	ADE - Kindergarten Entry Assessment			1.5
77	ADE - Dyslexia Screening/Training			1.3
78	ADE - Teacher Reading Instruction Exam			1.0
79	ADE - Jobs for Arizona Graduates			0.4
80	ADE - Alternative Teacher Development Program			0.5
81	ADE - Adult Education State Match	0.4	0.4	0.4
82	ADE - Special Ed Funding (Group B Weights)	50.0	50.0	50.0
83	ADE - Gifted Funding	1.0	1.0	1.0
84	ADE - 4th Year CTED Funding	5.0	5.0	5.0
85	DEMA - Cyber Task Force	0.5	0.5	0.5
86	DEQ - Continue \$5 M WQARF Funding As Ongoing (One-Time in '21 Budget)	5.0	5.0	5.0
87	Forestry - Fire Mitigation Personnel - 122 FTE	See FY 21 One-Time	28.0	25.0
88	Forestry - Fire Mitigation Personnel - Vehicle Operating Costs	See FY 21 One-Time	2.6	2.6
89	Forestry - Contracted Hazardous Vegetation Removal	See FY 21 One-Time	4.5	4.5
90	Forestry - Fire Suppression Funding	See FY 21 One-Time	See FY 21 One-Time	See FY 21 One-Time
91	Forestry - Fire Marshal Personnel	0.3	0.3	0.3
92	Forestry - Additional Fire School Funding	0.1	0.1	0.1
93	Gaming - Racing Division - County Fair Promotion (\$1.25 M FY 22/\$2.25 M FY 23)	1.3	2.3	2.3
94	Gaming - Racing Division - Racing Purse Enhancement	5.0	5.0	5.0
95	Gaming - Racing Division - Racetrack Purse/Maintenance/Operations Funding	5.0	5.0	5.0
96	DHS - Long-Term Care Surveyor Team (16 FTE)	1.6	1.6	1.6
97	DHS - High Risk Perinatal - Additional Visits	0.3	0.3	0.3
98	DHS - Alzheimer's Research	1.0	1.0	1.0
99	DHS - Move Biomedical Research Support to General Fund	2.0	2.0	2.0
100	DHS - Guilty Except Insane Monitoring (\$40k)	0.1	0.1	0.1
101	IRC Commission Funding (Remove Baseline Ongoing \$/See One-Time \$)	(3.0)		
102	Industrial Comm. - Municipal Firefighter Reimbursement Admin. (\$80k Ongoing/\$15k One-Time)	0.1	0.1	0.1
103	Judiciary - Supreme Court - Case Management IT System Operating Costs	0.2	0.3	0.3
104	Judiciary - Supreme Court - Order of Protection IT Staff	0.3	0.3	0.3
105	Judiciary - Supreme Court - Dependency Alternative Program	0.2	0.2	0.2
106	Judiciary - Supreme/Superior Court - Water Adjudication Personnel and Support	2.4	2.4	2.4
107	Judiciary - Superior Court - Probation Incentive Payments	1.0	1.0	1.0
108	Judiciary - Superior Court - State Fleet Initiative Ongoing Costs	0.1	0.1	0.1
109	Judiciary - Superior Court - Adult Intensive Probation Growth	0.2	0.2	0.2
110	Judiciary - Superior Court - Probation Salary Increases (Prior Deficits/FY 22)	4.3	4.3	4.3
111	DJC - Land Trust Lease Adjustment	0.1	0.1	0.1
112	DJC - Youth Correctional Officer Salary Increase - 5% Increase	1.6	1.6	1.6

Enacted General Fund Budget 4-Year Analysis \$ in Millions

	A	B	C	D
	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
113 Legislature - Auditor General - Voter Registration Database Auditing		0.5	0.5	0.5
114 Legislature - Ombudsman - Additional FTE and Operating Costs		0.2	0.2	0.2
115 Mine Inspector - Inspection and Reclamation Land Programs		0.2	0.2	0.2
116 Postsecondary Education - Consolidate Into ABOR		Yes		
117 Prescott Historical Society - Sharlot Hall Funding (\$50k)		0.1	0.1	0.1
118 DPS - Body Camera Funding [29 FTE] (Also See One-Time Funding)		6.9	6.9	6.9
119 DPS - Overtime Funding (21 Add'l Hours/Trooper + Civilian)		6.6	6.6	6.6
120 DPS - Increased Recruitment Funding		0.4	0.4	0.4
121 DPS - Salary Increase (Troopers and Civilians) - 10% Increase		23.5	23.5	23.5
122 DOR - Repeal Local Cost Sharing Charge/Backfill DOR Budget		20.8	20.8	20.8
123 DOR - E-Commerce Compliance and Outreach		0.9	0.9	0.9
124 SFB - Debt Payoff Savings (2015 Issuance)		(57.2)	(57.2)	(57.2)
125 Universities - ASU - Ongoing Operating Funding		33.4	33.4	33.4
126 Universities - NAU - Ongoing Operating Funding		16.0	16.0	16.0
127 Universities - UA - Ongoing Operating Funding		19.2	19.2	19.2
128 Universities - UA - School of Mining Funding		4.0	4.0	4.0
129 Universities - UA - Natural Resource Users Law and Policy Center		0.5	0.5	0.5
130 Universities - UA - AZ Geological Survey Funding (2 FTE)		0.2	0.2	0.2
131 Universities - Backfill HITF Tuition Costs (Footnote)		11.8	11.8	11.8
132 Universities - Promise Scholarship		7.5	7.5	7.5
133 Universities - Higher CIF Inflation - Technical Adjustment		Adjustment in '23	0.1	0.1
134 Vet. Services - Additional Benefits Counselors (12 FTE) - [\$732k Ongoing/\$42k One-Time]		0.8	0.7	0.7
135 DWR - Salary Increase (Selected Positions)		2.8	2.8	2.8
136 Other - Debt Payoff Savings (2019A Sale/Leaseback Issuance)		(53.7)	(53.7)	(53.7)
137 Other - Pension Payoff Savings (DPS \$500 M/ADC \$500 M = \$1.0 B)		Savings in '23	(110.0)	(110.0)
138 Other - State Employee Health Insurance Funding - Ongoing (Also See Univ. HITF Row)		11.2	11.2	11.2
139 Other - Retirement Rate Adjustment		3.6	3.6	3.6
140 Other - State Building Rental Rate Adjustment		(0.2)	(0.2)	(0.2)
141 Other - AFIS Transaction Fee Increase (State Accounting System)		0.4	0.4	0.4
142 Other - Risk Management Funding Adjustment		(1.1)	(1.1)	(1.1)
143 Other - ADOT Vehicle Fleet Fee Increase		2.5	2.5	2.5
144 Other - Revise Admin Adjustment/Revertment Estimates		Adjustment in '23	(9.0)	(9.0)
145 Other Adjustments		(0.5)	(0.3)	(0.4)
146 Subtotal - Ongoing Changes to JLBC Baseline	\$ -	\$ 145.5	\$ 151.2	\$ 126.6
147 Total Ongoing Spending	\$ 11,374.8	\$ 12,249.8	\$ 12,697.8	\$ 13,030.4
148 JLBC Baseline - One-Time Spending	\$ (269.2)	\$ 202.1	\$ 46.4	\$ 37.4

Enacted General Fund Budget 4-Year Analysis \$ in Millions

	A	B	C	D
	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
149 One-Time Changes to JLBC Baseline				
150 ADOA - AFIS (Accounting System) Upgrade		See FY 23/FY 24	0.5	0.6
151 ADOA - Permitting Dashboard		0.1		
152 ADOA - K-12 Transportation Grants (2-Year Pilot)		10.0	20.0	
153 ADOA/APF - ADOA - K-12 Financial Transparency Reporting System		3.0	1.5	1.5
154 ADOA/APF - Charter Board - IT Platform Upgrade		0.6		
155 ADOA/APF - ADE - School Finance Payment System Replacement		OF (ESA Fund) - \$7.2 M		
156 Agriculture - State Agricultural Laboratory Equipment		2.5		
157 Agriculture - Cloud Migration		2.0		
158 AHCCCS/DES/DCS - Additional Federal Match Rate Reversion	(134.0)	(267.0)		
159 AHCCCS - PMMS Roadmap (\$78k)		OF (PDRF) - \$0.1 M		
160 AHCCCS - Health Care Investment Fund Supplement (Maintain Provider Rates)		OF (PDRF) - \$4.0 M		
161 Attorney General - Child and Family Advocacy Centers		OF (CPCF) - \$0.5 M		
162 Attorney General - Antitrust		OF - \$1.0 M		
163 DCS - Higher Congregate Care Provider Rates/New Settings (Fund in '22/'23)		19.2	19.2	
164 DCS - Backfill Potential Loss of Federal Funds/14 Day Reimbursement (Fund in '22/'23)		5.9	5.9	
165 Commerce - Blockchain/Wearables (\$2.5 M Each)		5.0		
166 Commerce - Special Event Promotion (4-Year Pilot Program)		7.5	7.5	7.5
167 Commerce - Competes Fund Deposit		50.0		
168 Commerce - Frankfurt Germany Trade Office (\$250k)		0.3		
169 Comm Colleges - Urban Community College Aid (Maricopa/Pima STEM Formula)		13.0		
170 Comm Colleges - Rural Community College Aid (By Student Count)		14.0		
171 Comm Colleges - Out of County Reimbursement Aid		0.5		
172 Comm Colleges - Diné College One-Time FY 20 Payment (Allocated in FY 21)	1.8			
173 Counties/ADOA/ACJC - Re-Entry Planning Services		11.0	7.0	7.0
174 ADC - Radio Replacement (8,182 Radios)		17.3		
175 ADC - Ballistic and Stab Vest Replacement (294/7,351 Vests)		3.9		
176 ADC - Substance Abuse Treatment Expansion		5.0		
177 ADC - Medical Staffing Augmentation (Non-Lapsing)		15.0		
178 DES - Area Agencies on Aging (AAA) Funding [Draw Down Additional Federal Funds]		1.5		
179 DES - After School/Summer Youth Program Funding		0.5		
180 DES - Return to Work Grants		7.5		
181 ADE - Additional One-Time Enrollment Reversion (+\$300 M Savings in Baseline)	(135.4)			
182 ADE - Statewide Assessment Funding		5.0		
183 ADE - Procure Statewide Gifted Assessment (\$850k)		0.9		
184 ADE - Extraordinary Special Needs Fund Deposit		5.0		
185 ADE - Reduce K-12 Rollover (Eliminate For Districts Up to 2,000 ADM)		35.0		
186 DEMA - National Guard Cyber Response Funding		0.3		
187 DEMA - Aircraft Communication Equipment		0.2		

Enacted General Fund Budget 4-Year Analysis

\$ in Millions

		A	B	C	D
		FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
188	DEMA - Border Security Fund (\$8.9 M Yuma/Cochise/Zero Trafficking Pilot, \$1.1 M Border Cameras, \$20 M Jail/Prosecution Costs, \$25 M National Guard Deployment)	55.0			
189	Forestry - Fire Suppression Funding (FY 21 Supplemental)	2.2	See FY 21 Funding		
190	Forestry - Rural Fire District Reimbursement		2.5		
191	Forestry - Fire Mitigation Personnel - 122 FTE	17.0			
192	Forestry - Fire Mitigation Personnel - Vehicle Operating Costs	1.4			
193	Forestry - Contracted Hazardous Vegetation Removal	2.3			
194	Forestry - One-Time Vehicle Purchases	3.9	See FY 21 Funding	3.2	
195	Forestry - Wildfire Emergency Response Funding	75.0			
196	Gaming - Racing Division - County Fair Racing Promotion		2.0		
197	Governor's Office - Arizona Civics Corps		1.0		
198	DHS - Alzheimer's Research (Also \$1 M GF Ongoing/Remove \$1 M TT)		OF (PDRF) - \$2.5 M	OF (PDRF) - \$2.5 M	
199	DHS - Board of Medical Student Loans		2.0		
200	DHS - Cognitive Decline/Caregiver Modules for Risk Factor Survey		0.2		
201	DHS - Mobile Heart Screening Rural AZ	Crisis Fund - \$0.3 M	See FY 21		
202	DHS - Adoption/Birth Certificate Records Release - IT Upgrades		1.0		
203	DHS - Family Health Pilot Program		1.5	1.5	
204	DHS - Homeless Pregnant Women Services		OF (HSLF) - \$100k	OF (HSLF) - \$100k	
205	IRC - Commission Funding (\$7.9 M One-Time Non-Lapsing In FY 22)		7.9		
206	Judiciary - Supreme Court - Digital Evidence Storage		0.4	0.5	
207	Judiciary - Superior Court - One-Time Vehicle Purchases (\$188k)		0.2		
208	Land - Appraisal Development (Due Diligence Fund/Increase Balance Limit)		1.5	1.5	
209	Legislature - Aud. General - K-12 Fed Funds Oversight ('22 - \$250k/'23 - \$200k)		0.3	0.2	
210	Legislature - Aud. General - Financial Audit (Non-Gov't Election Funding) [\$165k]		0.2		
211	Legislature - Legislative Council - IT Improvements		1.0		
212	Legislature - House - One-Time Funding		5.0		
213	Legislature - Senate - One-Time Funding		5.0		
214	Parks - Heritage Fund Deposit		5.0		
215	Parks - State Lake Improvement Fund Deposit		4.0	4.0	
216	Parks - Arizona Trail		OF (SPRF) - \$250k		
217	DPS - One-Time Body Camera Equipment Funding		OF (HPF) - \$6.9 M		
218	DPS - Microwave Backbone Replacement Funding		OF (HPF) - \$48.2 M		
219	DPS - Active Shooter Equipment		OF (HPF) - \$3.0 M		
220	DPS - New DPS Training Academy		OF (HPF) - \$3.0 M		
221	DPS - Training of New K-9 Dogs (\$250k)		0.3		
222	DPS - Civil Asset Forfeiture Offset		3.5		
223	DPS - Rapid DNA Testing Equipment		0.6		
224	DOR - Pass Through Tax Changes - IT Upgrades (Tax Change - Separate Bill)		0.4		
225	SFB - Building Renewal Funding (Includes FY 21 Supplemental)	38.8	90.8		
226	SFB - New Construction - Lower Exec Land Estimate (Sahuarita 9-12/Tanque Verde K-6)		(6.7)		

Enacted General Fund Budget 4-Year Analysis
\$ in Millions

	A	B	C	D
	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
227 SFB - New Construction - Other FY 23/FY 24 Differences			(1.4)	
228 SFB - New Construction - Increase Formula Cost Per Square Foot to Market Rate		89.4	29.1	14.7
229 SFB - New Construction - Accelerate Yuma Union HS Project From '23 to '22 Start		10.3		(10.3)
230 SFB - New Construction - Kirkland Elementary School		3.0		
231 Tourism - Southern AZ Study Committee		0.3		
232 ADOT - Rental Vehicle Surcharge/VLT Reimbursement - Hold VLT Harmless		3.3		
233 Treasurer - Election Integrity Fund Deposit		12.0		
234 Treasurer - School Safety Interoperability Funding		OF (HPF) - \$2.5 M		
235 Treasurer - Allocate Interoperability Fund Balance to Graham/Greenlee/Gila/Pinal Sheriffs		OF - \$1.5 M		
236 Universities - ASU - One-Time Operating Funding		18.8		
237 Universities - NAU - One-Time Operating Funding		9.0		
238 Universities - UA - One-Time Operating Funding		9.6		
239 Universities - ASU - Eastern Europe Cultural Collaborative (\$250k)		0.3		
240 Universities - ASU - School of Civic and Economic Thought and Leadership (\$2.75 M)		2.8		
241 Universities - ASU - Political History and Leadership School (\$250k)		0.3		
242 Universities - NAU - Economic Policy Institute (\$250k)		0.3		
243 Universities - UA - Center for the Philosophy of Freedom (\$1.25 M)		1.3		
244 Universities - UA - Wind Tunnel		3.5		
245 Universities - UA - Agriculture Workforce Program		0.5	0.5	
246 Universities - UA - Kazakhstan Studies Program (\$250k)		0.3		
247 Other Water Issues - Drought Mitigation Fund (\$160 M)/Water Supply Fund (\$40 M)	200.0			
248 DWR - Water Protection Fund Deposit		1.0		
249 DWR - Agua Fria Insurance Study (\$350k)		0.4		
250 WIFA - Office Of Economic Opportunity - Water Supply Development Fund Deposit		6.0		
251 WIFA - Office Of Economic Opportunity - Water Project Assistance Grants		5.0		
252 WIFA - Office Of Economic Opportunity - Small Water Systems Fund Deposit		1.0		
253 Capital - ADOA - ADC Building Demolition/Physical Plant Conversion		2.8		
254 Capital - ADOA - Air Handler Replacement - Phase 2		3.5		
255 Capital - ADOA - Building Renewal Funding		6.2		
256 Capital - ADOA - Taylor Rodeo Arena		1.0		
257 Capital - ADOA - Fountain Hills Discovery Center/Observatory		2.5		
258 Capital - ADC - Eyman Fire/Life Safety Projects (Plus \$15.6 M OF)		10.0		
259 Capital - ADC - Building Renewal Funding		22.2		
260 Capital - DEMA - Fire Suppression System Upgrades		0.9		
261 Capital - State Fair - Building Renewal		1.0		
262 Capital - State Fair - Coliseum Fire Alarm Replacement		1.0		
263 Capital - Leg Council - Historic State Capitol Renovation/ADA Compliance		11.5		
264 Capital - Veterans - Northwest Veterans Home		25.0		
265 Capital - Transportation - Repave SR 69 (Prescott Valley)	4.7			
266 Capital - Transportation - US 95 Improvement (Near Yuma Proving Ground)	10.0			

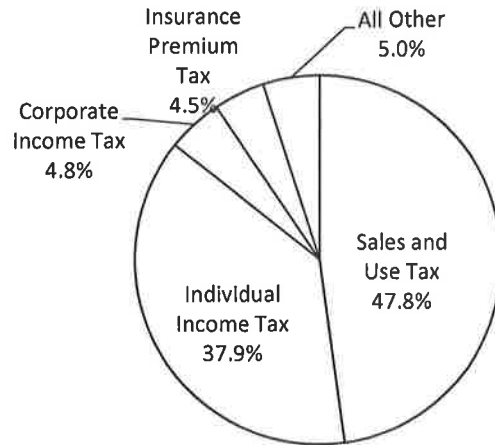
Enacted General Fund Budget 4-Year Analysis

\$ in Millions

	A	B	C	D
	FY 2021 Enacted	FY 2022 Enacted	FY 2023 Estimate	FY 2024 Estimate
267 Capital - Transportation - Repave SR 95 (Bullhead City/Mohave Valley/Lake Havasu City)	46.7			
268 Capital - Transportation - SR 303 study (On/Off ramps at Grand intersection)	0.2			
269 Capital - Transportation - Riggs Road/SR 347 Design Study and Construction	25.0			
270 Capital - Transportation - Riggs Road/SR 347 Environmental Study	2.5			
271 Capital - Transportation - Riggs Road/SR 347 Final Design and Easements	7.5			
272 Capital - Transportation - Pinal North/South Corridor Study	4.0			
273 Capital - Transportation - SR 87 Improvements State Match (Near Eloy) [\$750k]	0.8			
274 Capital - Transportation - SR 377 Study (Guardrail/Shoulder) [\$140k]	0.1			
275 Capital - Transportation - I-10 Widening (Revert If Right of Way Not Addressed)	50.0			
276 Capital - Transportation - 67th Avenue Drainage Improvement	8.5			
277 Capital - Transportation - Camelback Widening (Between SR 303 & Litchfield Rd.)	8.0			
278 Capital - Transportation - State Aviation Fund Deposit	18.0			
279 Capital - Transportation - SR 88 Study (\$300k Vegetation Study/\$400k Design Report)	0.7			
280 Capital - Transportation - Safford 20th Avenue	1.0			
281 Capital - Transportation - I-10 Improvements (Marana)	5.0			
282 Capital - Transportation - Ocotillo Road Bridge (Design and Land Acquisition)	7.9			
283 Capital - Transportation - SR 186 Willcox (Repairs on SR 186/SR 10 in Wilcox)	3.5			
284 Capital - Transportation - SR 77 Repavement (Oro Valley)	13.6			
285 Capital - Transportation - SR 90 Repavement (Fort Huachuca)	10.6			
286 Capital - Transportation - Butte Ave. Bridge Near Eyman Prison (Florence)	1.0			
287 Capital - Transportation - Jerome Improvements	0.6			
288 Capital - Transportation - Hill Street Corridor Project (Globe)	1.2			
289 Capital - Transportation - Statewide Pavement Preservation Projects	90.0			
290 Capital - Yuma Fairgrounds Relocation		5.0		
291 Other - Debt Payoff (SFB 2015/ADC Kingman 2016/Lottery Bond Issuances) - FY 21 Supp.	507.1			
292 Other - Debt Payoff (2019A Sale/Leaseback Issuance) - FY 21 Supplemental	470.0			
293 Other - State Pension Payoff (DPS \$500 M/ADC \$500 M) - FY 21 Supplemental	1,000.0			
294 Other - Transwestern Settlement	17.0			
295 Other - Unemployment Trust Fund Deposit	62.0			
296 Other Adjustments	(0.2)	(0.5)		0.1
297 Subtotal - One-Time Changes to JLBC Baseline	\$ 2,505.0	\$ 374.8	\$ 100.7	\$ 21.1
298 Total One-Time Spending	\$ 2,235.8	\$ 576.9	\$ 147.1	\$ 58.5
299 Total Spending	\$ 13,610.6	\$ 12,826.7	\$ 12,844.9	\$ 13,088.9
300 Cash Balance	\$ 441.7	\$ 202.3	\$ 40.4	\$ 417.3
301 Ongoing Balance	\$ 2,264.1	\$ 1,153.5	\$ 299.6	\$ 749.8

FY 2022 General Fund Revenue - Where It Comes From

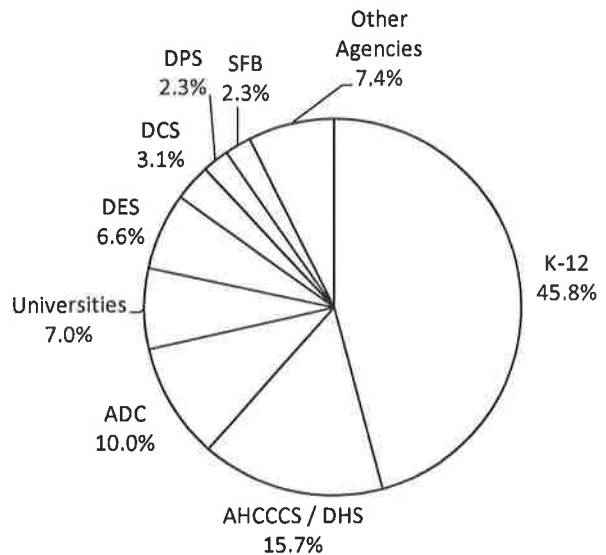
Source	Revenue (Millions)
Sales and Use Tax	\$ 6,380.4
Individual Income Tax	5,054.2
Corporate Income Tax	644.5
Insurance Premium Tax	602.0
All Other	662.6
TOTAL REVENUE	<u>\$ 13,343.7</u> ^{1/}



^{1/} Excludes FY 2021 balance forward. \$756 million of this amount is distributed as urban revenue sharing.

FY 2022 General Fund Appropriations - Where It Goes

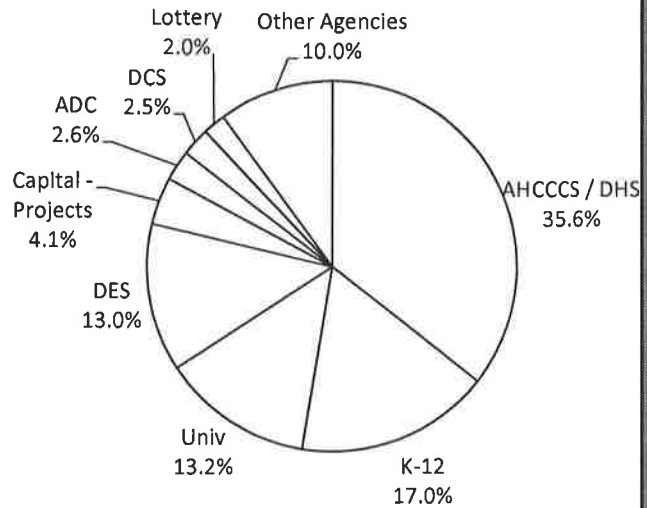
Budget Unit	Appropriation (Millions)
K-12 Education (ADE)	\$ 5,910.5
AHCCCS / DHS	2,019.0
Corrections	1,284.3
Universities	898.3
Economic Security	850.1
Child Safety	405.7
DPS	291.7
SFB	290.8
Other Agencies	948.2
TOTAL BUDGET	<u>\$ 12,898.7</u> ^{1/}



^{1/} Does not include administrative adjustments and revertsments.

FY 2022 Total Spending - All Sources ^{1/}

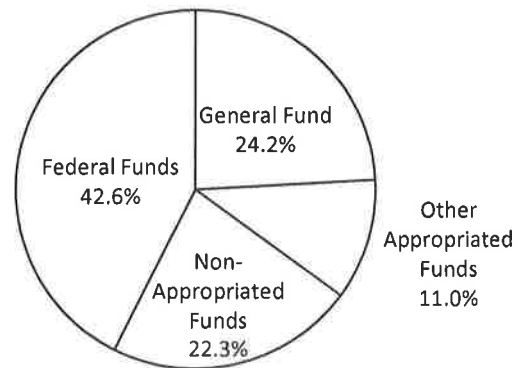
Budget Unit	Spending (Millions)
AHCCCS / DHS	\$ 19,039.0
K-12 Education (ADE)	9,056.7
Universities	7,045.8
Economic Security	6,919.2
Capital - Projects	2,210.8
Corrections	1,398.1
Child Safety	1,327.5
Lottery	1,062.5
Other Agencies / Distributions	5,349.8
TOTAL	\$ 53,409.4



^{1/} Does not include administrative adjustments and revertments.

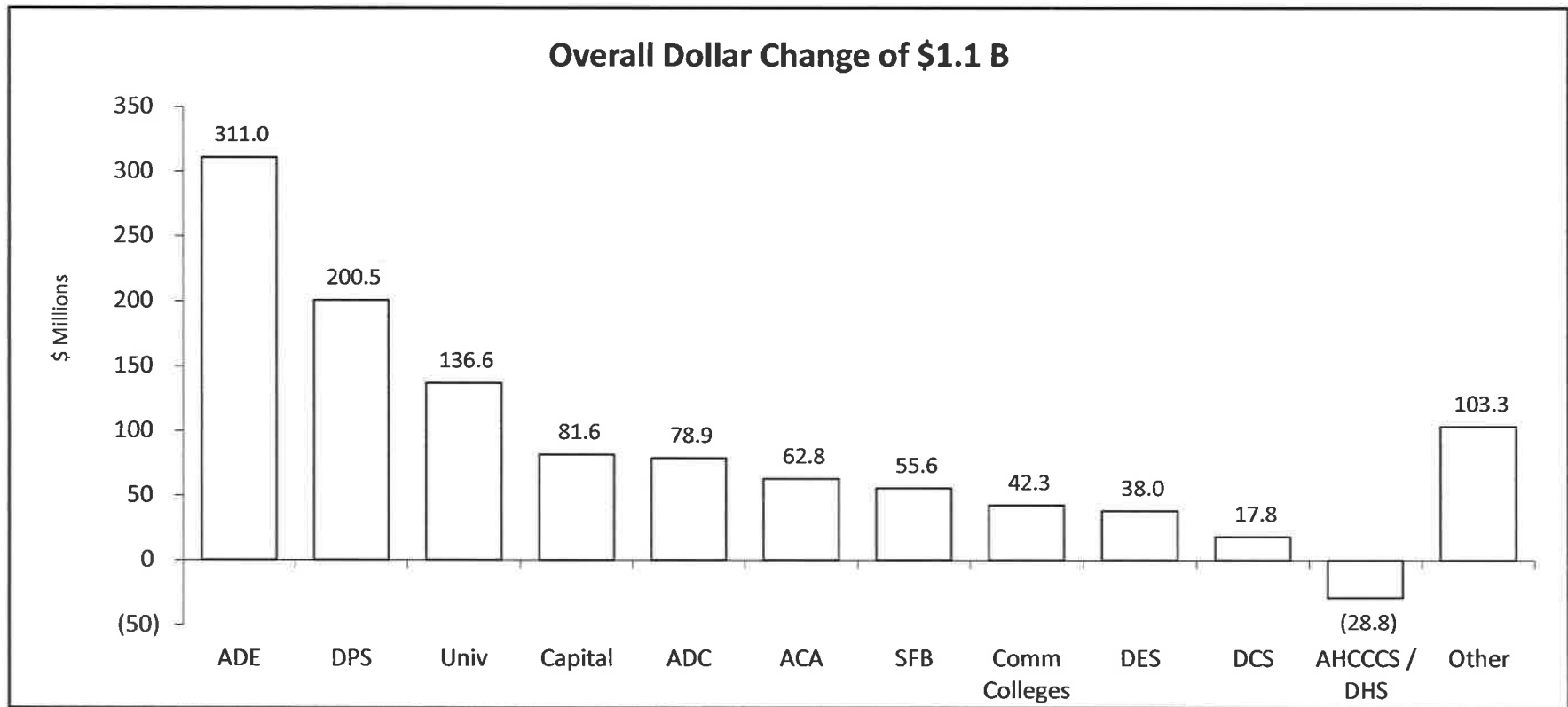
FY 2022 Total Spending by Fund Source ^{1/}

Fund Source	Spending (Millions)
General Fund	\$ 12,898.7
Other Appropriated Funds	5,856.0
Non-Appropriated Funds	11,895.9
Federal Funds	22,758.8
TOTAL	\$ 53,409.4



^{1/} Does not include administrative adjustments and revertments.

Changes to Major Agencies' General Fund Budget 1/ FY 2021 to FY 2022



1/ Represents change in General Fund spending from FY 2021 (excluding supplementals, ex-appropriations, or FY 2021 FMAP and ADE enrollment reversions) to FY 2022. Excludes changes in administrative adjustments and revertsments.

FY 2022 STATE GENERAL FUND BUDGET – A NARRATIVE SUMMARY

General Fund and Budget Stabilization Fund Balances

- Under the 3-year budget plan, the projected cash balance is \$202.3 million in FY 2022, \$40.4 million in FY 2023 and \$417.3 million in FY 2024.
- In addition, the Budget Stabilization Fund will have an estimated balance of \$974.8 million in FY 2022. These monies are separate from any General Fund balance.

General Fund Revenues

- FY 2022 General Fund revenues are projected to be \$13.0 billion, or a decrease of (7.3)% from FY 2021. This estimate is based on the following assumptions:
 - ⇒ Base revenues are projected to increase by 2.1% after adjusting for the beginning balance, urban revenue sharing, the tax deferral and new tax reductions.
 - ⇒ There is \$(886.5) million in new tax reductions, including \$(836.0) million to cap Tax Year 2021/FY 2022 individual income tax rates at no higher than 4.5% and \$(48.3) million to fully exempt military pensions from state income tax.

Tax Reductions

Beyond the tax law change described above, the budget also makes the following adjustments:

- \$(1.3) billion in TY 2022/FY 2023 tax reductions based on lowering the 4 current individual income tax rates to 2.55% and 2.98% along with the 4.5% maximum tax rate for single tax filers with income above \$250,000 and married tax filers with incomes above \$500,000.
- Contingent upon General Fund revenue collections of \$12.8 billion in FY 2022, the two rates would further decline to 2.53% and 2.75% in FY 2024 at a cost of \$1.5 billion in TY 2023/FY 2024.
- Contingent upon General Fund revenue collections of \$13.0 billion in FY 2023 or any year thereafter, the 2 rates would be collapsed into a single 2.5% rate (plus the 4.5% maximum tax rate) at a cost of \$1.8 billion in TY 2024/FY 2025
- The income tax reduction estimates include the impact of SB 1783, which will allow taxpayers to shift certain types of income to a lower tax rate than their regular tax rate.
- The Class 1 commercial property tax assessment ratio will decline from 18% to 16% over 4 years starting in TY 2022/FY 2023. In addition, the homeowner's rebate on Class 3 residential property will increase from 47.2% to 50.0% beginning in TY 2022.

General Fund Spending

- FY 2022 General Fund spending is projected to be \$12.8 billion based on the following assumptions:
 - ⇒ A \$840 million increase in ongoing spending.
 - ⇒ A \$(1.7) billion decrease in one-time spending.
- The budget funded \$2.7 billion in one-time FY 2021 supplemental adjustments for a) reductions in pension and state building debt, b) transportation infrastructure, c) drought mitigation and d) wildfire suppression.
- Compared to the original FY 2021 budget, the revised FY 2021 spending level would decline by \$(432) million for federal Medicaid match rate savings and a \$(436) million reduction due to lower K-12 enrollment.
- The entire FY 2022 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$53.4 billion.

Education

Department of Education

- ADE General Fund spending increases by \$311.0 million, or 5.6%, including:
 - ⇒ \$81.7 million for 0.4% unweighted student growth (0.8% weighted) for a total unweighted student count of 1.12 million (1.56 million weighted). These estimates do not account for changes in student enrollment associated with the COVID-19 pandemic.
 - ⇒ \$86.5 million for a 1.21% inflation adjustment of funding levels for the per pupil base level, transportation and charter additional assistance.
 - ⇒ \$67.8 million for an increase in Additional Assistance funding as required by last year's budget. This adjustment would result in full funding of Additional Assistance for the first time since FY 2008.
 - ⇒ \$(53.2) million for growth in property taxes from new construction.
 - ⇒ \$65.0 million to eliminate the rollover for districts with between 600 and 2,000 ADM. The total rollover from FY 2022 to FY 2023 would now be \$865.7 million.

- ⇒ \$50.0 million to increase Basic State Aid formula funding for Special Education.
- ⇒ \$5.0 million for a one-time deposit in the Extraordinary Special Education Needs Fund.
- ⇒ \$5.0 million to authorize Basic State Aid funding for 4-year funding of CTED pupils.
- ⇒ \$3.2 million for other adjustments.
- The budget assumes ADE will revert \$(436.1) million in FY 2021 for Basic State Aid savings associated with lower-than-budgeted enrollment and reduced funding for distance learning.

School Facilities Board

- SFB General Fund spending increases by \$16.8 million, or 6.1%, including:
 - ⇒ \$112.8 million for an increase in new school construction costs. The budget funds a total of \$171.6 million for new construction, including the completion of 2 FY 2021 schools and the initial funding for 7 FY 2002 schools. The budget also includes funding to increase new school cost-per square foot rates by 60%.
 - ⇒ \$(57.3) million for a decrease in debt service payments.
 - ⇒ \$(38.8) million for a decrease in one-time building renewal grant monies.
- SFB will be consolidated into the Arizona Department of Administration beginning January 1, 2022.

Universities

- University General Fund spending increases by \$136.7 million, or 18.4%, including:
 - ⇒ \$68.5 million for ongoing operating funding.
 - ⇒ \$37.4 million for one-time operating funding.
 - ⇒ \$11.8 million to backfill tuition costs associated with the FY 2022 employer health insurance premium increases.
 - ⇒ \$7.5 million for the Arizona Promise Program.
 - ⇒ \$4.3 million for one-time freedom school funding.
 - ⇒ \$495,600 for adjustments to capital appropriations.
 - ⇒ \$9.5 million for other various funding increases.
 - ⇒ \$(2.8) million for statewide adjustments.
- The budget also includes \$20,052,100 from the General Fund for an additional 27th pay period that will occur in FY 2022.
- Fall 2020 enrollment increased by 6,371 full-time equivalent students, or 3.5% above 2019, for a total enrollment of 190,931.

Community Colleges

- Community College General Fund spending increases by \$43.3 million, or 66.8%, including:
 - ⇒ \$1.8 million for formula growth.
 - ⇒ \$28.0 million in aid to rural community college districts.
 - ⇒ \$13.0 million in aid to urban community college districts.
 - ⇒ \$500,000 to increase the out of county reimbursement subsidy.
- The Community College funding formula is based on student counts from 2 years prior. FY 2020 rural district enrollment decreased by (782) full-time equivalent students, or (2.8)%, for a total enrollment of 26,826. Including the Maricopa and Pima districts, total enrollment decreased by (992), or (0.9)%, for total enrollment of 108,172.

Health and Welfare

AHCCCS

- AHCCCS General Fund spending decreases by \$(36.4) million, or (1.9)%, including:
 - ⇒ \$(27.8) million for formula adjustments, including aggregate caseload growth of 4.6% and a 3.0% capitation rate increase. Those costs will be more than offset by savings from the 6.2% enhanced federal match which is currently scheduled to be in effect through December 31, 2021.
 - ⇒ \$(16.7) million for a cost shift from the Prescription Drug Rebate Fund.
 - ⇒ \$13.3 million for Arizona Long Term Care System provider rate increases.
 - ⇒ \$(8.0) million for removal of one-time funding of Behavioral Health Services in School for low-income, non-Medicaid students.
 - ⇒ \$3.0 million for ongoing IT projects.
 - ⇒ \$(148,900) for other adjustments.
- AHCCCS enrollment is projected to grow to 2.2 million recipients by June 2022.

Department of Child Safety

- DCS General Fund spending increased by \$17.8 million, or 4.6%, including:
 - ⇒ \$25.1 million for Congregate Care expenses.
 - ⇒ \$5.4 million for caseworker salary increases.
 - ⇒ \$(10.0) million for savings from the 6.2% enhanced federal Medicaid match rate.
 - ⇒ \$(2.7) million for statewide adjustments.

Department of Economic Security

- DES General Fund spending increases by \$37.9 million, or 4.3%, including:
 - ⇒ \$15.4 million for ongoing DD provider rate increases plus \$15 million redirected from the FY 2021 base budget.
 - ⇒ \$13.0 million for Developmental Disabilities (DD) formula adjustments, including 5.0% enrollment growth and a 2.0% capitation rate increase.
 - ⇒ \$2.3 million for 5% salary increases to 6,000 program service evaluators and human services workers in DD.
 - ⇒ \$7.5 million for Return to Work grants for child care scholarships to part-time community college students.
 - ⇒ \$1.5 million for one-time Area Agencies on Aging funding to allow the state to draw down additional one-time federal monies for adult services authorized by federal COVID legislation.
 - ⇒ \$1.0 million for ongoing Area Agencies on Aging provider rate increases.
 - ⇒ \$1.0 million for costs associated with increased site visits for the Long-Term Care Ombudsman program.
 - ⇒ \$(3.3) million for statewide adjustments.
- Medicaid Developmental Disability caseloads are projected to grow to 39,339 by June 2022. This level represents a caseload increase of 1,873, or 5.0%, above June 2021. These estimates do not account for adjustments related to a higher federal match rate associated with the COVID-19 pandemic.
- The budget includes a one-time \$62.0 million FY 2021 General Fund supplemental deposit to the Unemployment Insurance Trust Fund. In addition, the Executive has deposited \$759 million of federal American Rescue Act fund to the trust fund to restore the fund balance after the higher use of UI benefits during the pandemic.

Criminal Justice/Public Safety

Department of Corrections

- ADC General Fund spending increases by \$78.9 million, or 6.5%, including:
 - ⇒ \$30.7 million for a 5% correctional officer salary increase.
 - ⇒ \$28.0 million for contract increases.
 - ⇒ \$18.7 million for new private prison beds associated with the closure of the Florence state prison.
 - ⇒ \$17.3 million for radio replacements.
 - ⇒ \$15.0 million for medical staffing augmentation.
 - ⇒ \$5.0 million for substance abuse treatment.
 - ⇒ \$3.9 million for ballistic and stab-proof vests.
 - ⇒ \$1.6 million to convert 286 correctional officer II positions to correctional corporals.
 - ⇒ \$1.3 million for the mental health transition program.
 - ⇒ \$(17.5) million for the elimination of a prison lease-purchase payment.
 - ⇒ \$(25.4) million for statewide adjustments.
- The systemwide prison population at the end of FY 2021 was 35,993, a decrease of (4,158) or (10.4)% below the population at the end of FY 2020.

Department of Emergency and Military Affairs

- The budget includes a one-time \$55.0 million FY 2021 General Fund supplemental for deposit into the newly-created Border Security Fund. These funds may be used for costs near the border, including National Guard deployment, jail/prosecution costs and border cameras

Judiciary

- Judiciary General Fund spending increases by \$8.9 million, or 6.5%, including:
 - ⇒ \$4.3 million for prior-year probation officer salary and benefit deficits.
 - ⇒ \$1.0 million for probation incentive payments.
 - ⇒ \$2.0 million for the first-year deposit to the General Adjudication Personnel and Support Fund
 - ⇒ \$1.6 million for other small adjustments.

Department of Juvenile Corrections

- DJC General Fund spending increases by \$80,400, or 0.2%, including:
 - ⇒ \$1.6 million for Youth Correctional Officer salary increase.
 - ⇒ \$(1.6) million for statewide adjustments.

Department of Public Safety

- DPS General Fund spending increases by \$200.5 million, or 220.0%, including:
 - ⇒ \$160.7 million to backfill the lost revenues from the Highway Safety Fee in the Highway Patrol Budget. Under current law, the \$32 Highway Safety Fee was repealed as of June 2021.
 - ⇒ \$23.5 million for salary adjustments.
 - ⇒ \$6.9 million for the department's new body camera program.
 - ⇒ \$6.6 million for an increase in the department's overtime budget.
 - ⇒ \$3.5 million for a one-time increase to offset lost anti-racketeering revenues.
 - ⇒ \$(2.0) million for statewide adjustments.

Natural Resources

Department of Forestry and Fire Management

- The budget includes a one-time \$24.9 million FY 2021 General Fund supplemental for 122 fire mitigation FTE Positions, equipment and contracted hazardous vegetation removal.
- The budget also includes a one-time \$75.0 million FY 2021 General Fund supplemental for several wildfire emergency response purposes including fire suppression, mitigation efforts, emergency shelter, landowner infrastructure assistance and state/local reimbursement of disaster declaration expenses.

Department of Emergency and Military Affairs

- The budget includes a one-time \$55.0 million FY 2021 General Fund supplemental for deposit into the newly-created Border Security Fund. These funds may be used for costs near the border, including National Guard deployment, jail/prosecution costs and border cameras.

Department of Water Resources

- DWR General Fund spending increases by \$3.7 million, or an increase of \$25.1%, including:
 - ⇒ \$2.7 million for targeted DWR staff salary increases.
 - ⇒ \$1.0 million for a one-time deposit to the Water Protection Fund.
 - ⇒ \$(439,900) for statewide adjustments.

Drought Mitigation Board

- The budget includes a one-time \$160.0 million FY 2021 General Fund supplemental to the newly-created Drought Mitigation Board. The appropriation can provide financial assistance for drought mitigation efforts and water supply development, State Land Department grants and low-cost long-term loans to create the capacity to import water supplies from outside Arizona.

Water Infrastructure Finance Authority

- WIFA spending increases by \$12.0 million including:
 - ⇒ \$6.0 million for a one-time appropriation to the Water Supply Development Revolving Fund
 - ⇒ \$5.0 million for water assistance grants, including \$3.0 million for cities and towns in Navajo and Apache Counties and \$2.0 million for irrigation districts in Cochise and Graham Counties, with \$1.0 million allocated for each county.
 - ⇒ \$1.0 million for a one-time deposit to the Small Drinking Water Systems Fund.
- The budget includes a one-time \$40.0 million FY 2021 General Fund supplemental for a deposit to the Water Supply Development Revolving Fund.

Local Issues

- The budget appropriates \$10.0 million in one-time monies for counties to establish a coordinated reentry planning services program. The budget allocates \$5,000,000 of this funding to Mohave County, \$4,000,000 to Pinal County, and \$1,000,000 to Yavapai County. The 3-year budget plan includes \$7,000,000 in both FY 2023 and FY 2024 for this purpose.

- The budget 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 budget continues to appropriate \$3.0 million for distribution to counties to offset increased Elected Officials' Retirement Plan (EORP) liabilities.
- Beginning in FY 2024, cities will receive 18% of income tax collections rather than 15% under the urban revenue sharing program.

State Employee Issues

FTE Positions

- The budget increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 267 FTE Positions in FY 2022. These adjustments would bring the total FTE Position ceiling to 53,886.9 in FY 2022.

Statewide Adjustments

- The budget includes a decrease of \$(22.0) million from the General Fund and \$(43.5) million in Total Funds for the removal of a one-time FY 2021 health insurance adjustment. In its place, the budget includes an increase of \$11.2 million from the General Fund and \$36.2 million in Total Funds for an ongoing health insurance premium increase in FY 2022.
- The budget includes a one-time decrease of \$(43.1) million for costs of the 27th pay period in FY 2021. Approximately every 10 years, the state has 27 pay periods in a fiscal year rather than 26. Universities will receive a separate appropriation of \$20.1 million for their 27th pay period in FY 2022, for a net spending change of \$(23.0) million in FY 2022.
- The budget increases state agency budgets by \$5.2 million from the General Fund the following statewide adjustments:
 - ⇒ Risk Management Premium adjustments.
 - ⇒ Arizona Financial Information System Fees.
 - ⇒ Revised rent payments.
 - ⇒ Employer retirement contributions.
 - ⇒ State Fleet Rate Adjustments

Capital

- The budget includes \$608.5 million for building renewal and capital projects. Of this amount, \$92.6 million is financed from the General Fund and \$515.9 million is financed from Other Funds. These amounts include the following:
 - ⇒ \$28.4 million from the General Fund and \$40.9 million Other Appropriated Funds for building renewal at ADC, ADOT, ADOA, Game and Fish, and the State Lottery.
 - ⇒ \$100.1 million including \$64.2 million from the General Fund and \$35.9 million from Other Appropriated Funds for new projects for the Attorney General, ADC, ASDB, DEMA, Game and Fish, DHS, DJC, Legislative Council, Parks, and DPS.
 - ⇒ \$439.0 million from Other Appropriated Funds for new ADOT capital projects.
- The budget includes a \$321.0 million FY 2021 General Fund supplemental for transportation initiatives, including \$213.0 million for 23 specific road projects, \$90 million for pavement preservation and \$18.0 million for local aviation improvements.

Debt Payoff

- The budget includes a one-time \$470.0 million FY 2021 General Fund supplemental for full debt payoff of the 2010 state building sale-leaseback, which eliminates \$53.7 million in annual debt service payments starting in FY 2022.
- The budget includes a one-time \$507.1 million FY 2021 General Fund supplemental for full debt payoff of certain School Facilities Board, ADC and Lottery Bond debt financing instruments. This payoff will eliminate \$109.2 million in annual debt service payments in FY 2022.
- The budget includes a one-time \$1.0 billion FY 2021 General Fund supplemental to reduce the unfunded actuarial liability of the ADC CORP and DPS PSPRS systems. This reduction will reduce annual employer pension payments by \$110.0 million starting in FY 2023.

FY 2022 FUNDING FORMULA SUSPENSIONS 1/

	FY 2022 Formula Requirement
<u>Statutory</u>	
Community Colleges - STEM and Workforce Programs State Aid Suspension	\$ 11,112,800 <u>2/</u>
Community Colleges - Operating State Aid	N/A <u>3/</u>
Department of Environmental Quality - Water Quality Assurance Revolving Fund (WQARF)	0 <u>4/</u>
Universities - Arizona Financial Aid Trust	32,931,000 <u>5/ 6/</u>
 Total - FY 2022 Statutory Funding Formula Suspensions	 \$ 44,043,800
 <u>Non-Statutory</u>	
Department of Administration - Building Renewal	\$ 25,231,500 <u>6/</u>
Department of Corrections - Building Renewal	0 <u>6/</u>
Universities - Building Renewal	186,100,000 <u>6/</u>
 Total - FY 2022 Non-Statutory Funding Formula Suspensions	 \$ 211,331,500

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 \$618,100 (86.5%) for Pinal, \$1,771,700 (81.6%) for Pima, and \$8,723,000 (84.5%) 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 2021.

4/ A.R.S. § 49-282 requires that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The FY 2022 Environment Budget Reconciliation Bill transfers the \$15,000,000 for WQARF, but does not permit any additional corporate income tax adjustment above that level.

5/ Based on the required 2:1 match of state funds for student fees levied by the universities, the total FY 2022 General Fund contribution would be \$42,972,200. Of this amount, the budget assumes the continuation of \$10,041,200 in General Fund support.

6/ Based on agency estimates. Reflects amount above the appropriation in the FY 2022 budget.

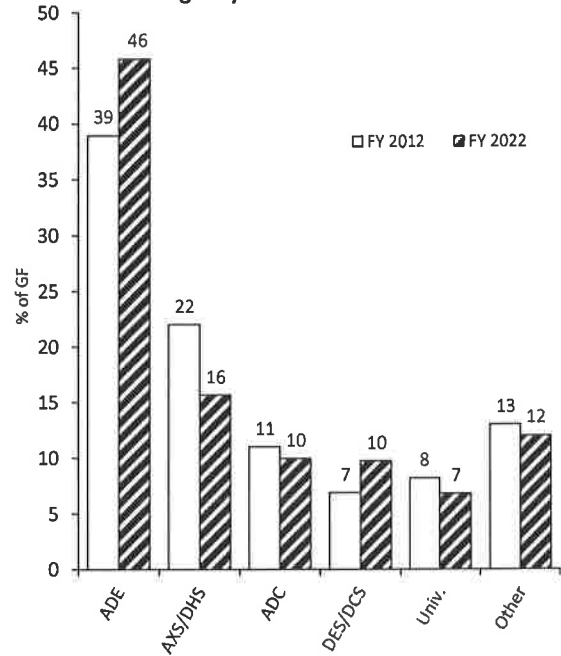
"THEN AND NOW" - FY 2012 vs. FY 2022 General Fund Spending

Comparison of 10 Largest General Fund Budgets ^{1/}
(\$ in Millions)

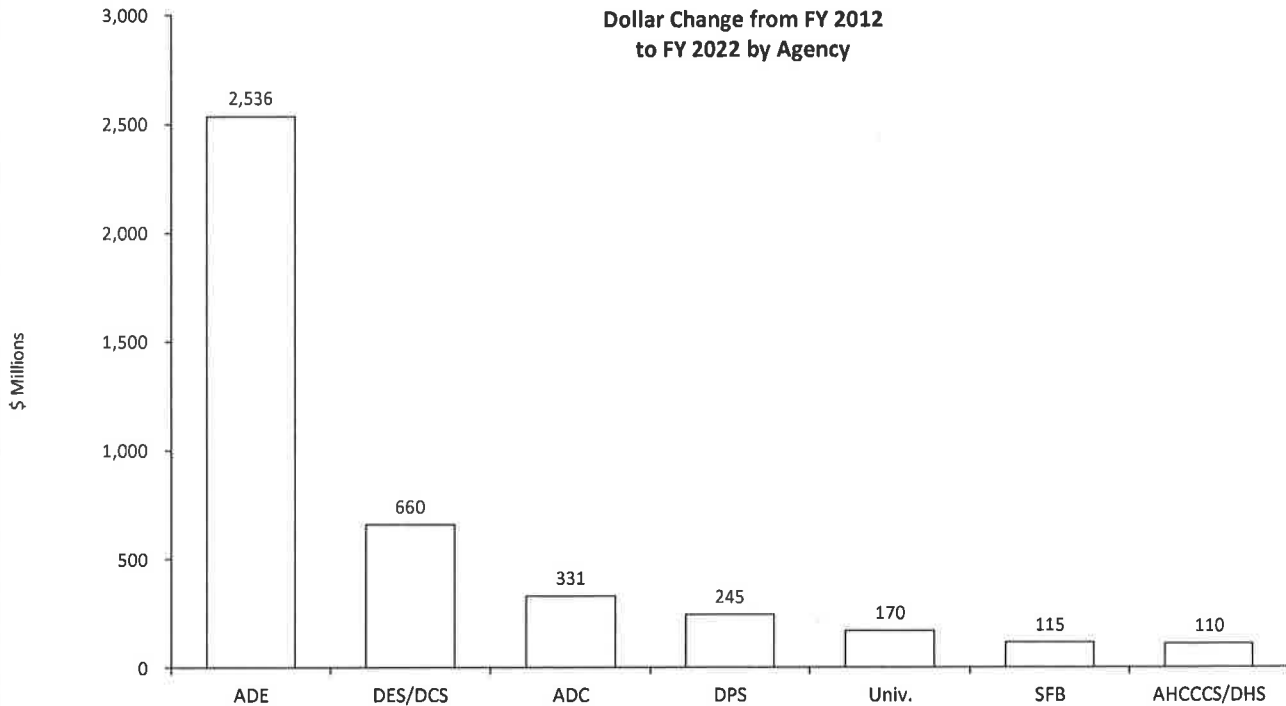
	FY 12 Actuals	FY 22 Approp.	\$ Change FY 12-22	% Change FY 12-22
K-12 Education (ADE)	\$ 3,374.7	\$ 5,910.5	\$ 2,535.8	75.1
AHCCCS / DHS ^{2/}	1,909.1	2,019.0	109.9	5.8
Corrections	953.8	1,284.3	330.5	34.7
Universities	708.0	878.3	170.3	24.0
Economic Security	596.1	850.1	254.0	^{3/} 42.6
Child Safety	-	405.7	405.7	^{3/} NA
School Facilities Board	175.6	290.8	115.3	65.6
Judiciary	109.9	145.7	35.8	32.6
Public Safety	47.1	291.7	244.5	518.9
Other	795.5	822.7	27.2	3.4
TOTAL	\$ 8,669.7	\$ 12,898.7	\$ 4,229.0	48.8%

- ^{1/} Represents individual agency General Fund spending only. Excludes administrative adjustments and revertsments.
^{2/} AHCCCS and DHS budgets displayed together to provide comparison of total healthcare spending in FY 2012 and FY 2022.
^{3/} DCS was part of DES prior to FY 2015.

Agency Share of General Fund



**Dollar Change from FY 2012
to FY 2022 by Agency**



"THEN AND NOW" - FY 2012 vs. FY 2022 General Fund Revenue and Ending Balances

General Fund Revenue, Expenditures and Ending Balances
(\$ in Millions)

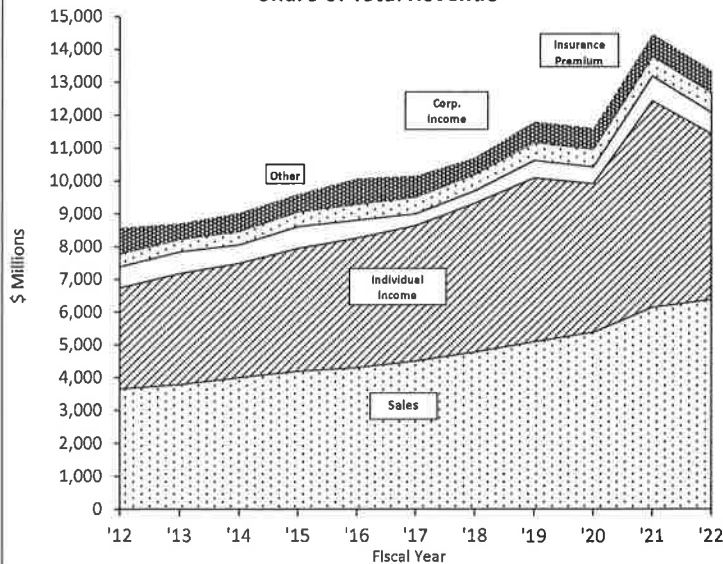
Fiscal Year	Revenue	Expenditures	Ending Balance	Ending Balance as a % of Revenue
2012	9,066.7	8,669.7	397.0	4.4%
2013	9,559.5	8,664.0	895.5	9.4%
2014	9,381.3	8,803.9	577.4	6.2%
2015	9,581.9	9,269.6	312.3	3.3%
2016	9,796.6	9,512.6	284.0	2.9%
2017	9,786.5	9,635.6	150.9	1.5%
2018	10,258.1	9,808.5	449.6	4.4%
2019	11,681.4	10,724.1	957.2	8.2%
2020	11,927.3	11,554.8	372.5	3.1%
2021	14,052.3	13,610.5	441.7	3.1%
2022	13,029.0	12,826.7	202.3	1.6%

General Fund Major Tax Sources as a Percent of Total Revenue 1/2/3/

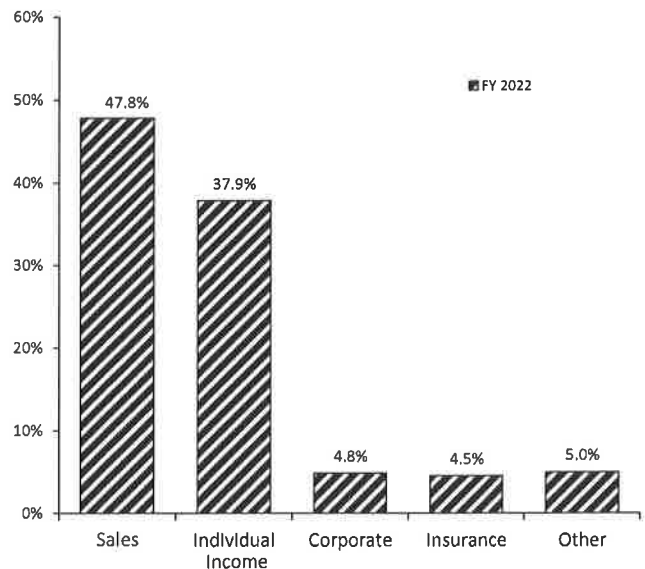
Fiscal Year	Sales	Indiv. Income	Corp. Income	Ins. Premium	Other
2012 <u>4/</u>	42.6%	36.0%	7.5%	4.6%	9.3%
2013 <u>4/</u>	43.4%	39.0%	7.6%	4.4%	5.6%
2014	44.2%	38.6%	6.4%	4.6%	6.3%
2015	43.6%	39.1%	6.9%	4.7%	5.7%
2016	42.6%	39.2%	5.4%	4.9%	7.9%
2017	44.3%	40.6%	3.6%	5.0%	6.5%
2018	44.7%	42.4%	3.5%	4.8%	4.7%
2019	43.2%	42.4%	4.4%	4.7%	5.4%
2020	46.4%	39.0%	4.4%	4.6%	5.6%
2021	42.5%	43.5%	5.2%	4.2%	4.7%
2022	47.8%	37.9%	4.8%	4.5%	5.0%

1/ Excludes balance forward from prior year.
2/ Excludes Budget Stabilization Fund transfers and withdrawals.
3/ Excludes Urban Revenue Sharing distributions.
4/ Excludes temporary 1-cent sales tax.

General Fund Major Tax Sources as a Share of Total Revenue



Major Tax Sources as a Percent of Total Revenue



Federal Coronavirus Response Funding

Overview

The federal government has taken several major actions in response to the COVID-19 pandemic:

- The 2020 Coronavirus Preparedness and Response Supplemental Appropriations Act (P.L. 116-123), a stimulus package valued at \$8.3 billion, was enacted on March 6, 2020. (Referred to in this Program Summary as COVID 1)
- The Families First Coronavirus Response Act (P.L. 116-127), enacted on March 18, 2020, is estimated at \$192 billion. (COVID 2)
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) is estimated at approximately \$2.2 trillion and was enacted on March 27, 2020. (COVID 3)
- The Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139), estimated at \$484 billion, was enacted on April 24, 2020. (COVID 3.5)
- The Paycheck Protection Program Flexibility Act of 2020 (P.L. 116-142) was enacted on June 5, 2020.
- A presidential memorandum issued on August 8, 2020, established the Lost Wages Assistance Program.
- The 2021 Consolidated Appropriations Act (P.L. 116-260) contains \$900 billion in COVID-related relief and was enacted on December 27, 2020. (COVID 4)
- The American Rescue Plan (ARP) Act of 2021 (P.L. 117-2), estimated at \$1.9 trillion, was enacted on March 11, 2021.

Provisions

We estimate that the state will receive \$18.9 billion and local governments will receive \$4.0 billion, for a total of \$22.9 billion in aid to Arizona governments.

The \$22.9 billion estimate excludes direct aid to individuals and businesses. Arizona individuals and businesses will receive \$54.5 billion in direct federal aid.

Unless otherwise indicated, this document addresses the 2020 federal coronavirus response programs and the 2021 American Rescue Plan Act separately.

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2020 Federal Coronavirus Response Programs

Summary – From the federal coronavirus response programs enacted in 2020, we estimate that the state will receive \$7.7 billion and local governments will receive \$1.4 billion, for a total of \$9.1 billion in aid to Arizona governments. (See Table 2 for a summary of Arizona's share of funding from the 2020 coronavirus response legislation.)

The \$9.1 billion estimate excludes direct aid to individuals and businesses. Arizona individuals and businesses will receive \$41.4 billion in direct federal aid. (See *Direct Aid to Individuals and Businesses* section and Table 3 for more information.)

Most of the following provisions were enacted as part of COVID 3. Funding included in other pieces of legislation or actions by the federal government are noted as such.

Coronavirus Relief Fund

A total of \$150 billion in federal funding was distributed to state and local governments. States are allocated funding based on their share of population, with each state guaranteed a minimum funding amount of \$1.25 billion. Based on this formula, Arizona's total allocation from the Coronavirus Relief Fund (CRF) is \$2.82 billion for both its state and local governments combined.

Monies from the CRF may only be used for costs that are: 1) necessary expenditures incurred due to the public health emergency; 2) not accounted for in the state/local government's budget most recently approved as of March 27, 2020; and 3) incurred from March 1, 2020, to December 31, 2021, as the result of COVID 4. The state budget for FY 2021 was signed into law after the federal legislation was enacted. These funds may not be used to offset revenue shortfalls.

- Of Arizona's total allocation, the state received \$1.86 billion of the \$2.82 billion. These monies have been deposited in the state's Operating Fund and are controlled by the Executive. As of March 19, 2021, of the state's CRF monies, \$1.73 billion has been committed, leaving \$122 million remaining. The following have been disclosed:
 - \$441 million to local governments.
 - \$416 million to reimburse state agency public health and public safety expenses.
 - \$370 million for school districts and charter schools through the Enrollment Stabilization Grant Program.
 - \$224 million to DHS for direct COVID-19 expenses, including testing, contact tracing, and surge capacity.
 - \$115 million to the universities for general expenses. This amount consists of \$46 million for Arizona State University, \$46 million for the University of Arizona, and \$23 million for Northern Arizona University.
 - \$78 million for the Arizona Express Pay Program, which will be repaid using Federal Emergency Management Agency (FEMA) Public Assistance grant monies (see Stafford Act assistance under Emergency Relief section for more information).
 - \$58 million for deposits into the UI Trust Fund.
 - \$15 million for administrative costs, including single audit and legal services.
 - \$8 million to the universities for testing, surveillance, and other response efforts.
 - \$6 million to the Secretary of State and counties for COVID-19 response efforts and early voting opportunities for the 2020 elections.
 - \$2 million for the Arizona Virtual Teacher Institute, a partnership among Arizona State University, the Arizona Department of Education, and the non-profit Helios Education Foundation.
 - \$0.8 million for the AZ Stay Connected Program to provide \$10,000 technology grants to skilled nursing facilities and intermediate care facilities.

Table 1	
CRF Executive Allocations ^{1/}	
(\$ in millions)	
	<u>Amount</u>
Initial State-Level CRF Allocation	\$ 1,857
<u>Agency/Funding Use</u>	
Local Government Aid	441
State Government Agency Offsets	416
K-12 Enrollment Stabilization Grant	370
Department of Health Services	224
- Direct COVID-19 expenses, including testing, contract tracing, and surge capacity	
Universities (General Expenses)	115
Arizona Express Pay Program	78
UI Allocation	58
Universities (Testing, Surveillance, Other Response Efforts)	8
Elections	6
Arizona Virtual Teacher Institute	2
AZ Stay Connected Program	0.8
- \$10,000 technology grants to skilled nursing facilities/intermediate care facilities	
Amount Remaining from Initial State-Level CRF Allocation	122
<u>1/ As reported by the Executive on March 19, 2021.</u>	

- Local governments (counties, cities, and towns) with populations over 500,000 were eligible to receive direct payments totaling \$965 million of the \$2.82 billion. The local governments in Arizona that received direct payments are Maricopa County (\$399 million), City of Phoenix (\$293 million), Pima County (\$87 million), City of Tucson (\$96 million), and City of Mesa (\$90 million).

U.S. Treasury/Federal Reserve Lending Programs

The U.S. Treasury has \$500 billion in loan capacity for business and governmental entities. This amount includes \$46 billion in set-asides for certain industries and \$454 billion for Federal Reserve programs.

Of the \$454 billion for Federal Reserve programs, \$35 billion from the U.S. Treasury has been allocated for the Municipal Liquidity Facility (MLF). The Federal Reserve has allocated an additional \$465 billion of its own funds to the MLF, for a total of \$500 billion.

The MLF purchased short-term (maturity of 3 years or less) notes from states, counties with a population of at least 500,000, cities with a population of at least 250,000, and multi-state entities, with at least 2 eligible local governments per state. In Arizona, eligible governments were the state, Maricopa County, City of Phoenix, City of Mesa, City of Chandler, City of Scottsdale, City of Glendale, Pima County, and City of Tucson.

The Federal Reserve had the capacity to purchase up to \$4.2 billion in eligible notes from the state and a total of \$1.5 billion from local governments in Arizona. No governments in Arizona utilized the MLF.

This program terminated on December 31, 2020.

For more information, see the Coronavirus State/Local Government Loan Programs attachment.

Unemployment Insurance

COVID 3 established several unemployment insurance (UI) programs that are funded by the federal government. COVID 4 amended these and established an additional UI program. These programs were later extended. For an estimate of federal UI benefits to individuals, see Direct Aid to Individuals and Businesses section and *Table 3*.

- Federal Pandemic Unemployment Compensation (FPUC) (\$7.6 billion): In Arizona, the maximum state-funded weekly UI benefits are \$240. COVID 3 provided 100% federally-funded UI benefits of \$600 per week, in addition to what the individual would otherwise receive. From March 27, 2020, through July 31, 2020 (weeks ending April 4 through July 25), enrollees were eligible for a combined maximum of \$840 per week. COVID 4 re-established the program with a weekly benefit of \$300. Enrollees received these benefits from December 27, 2020, through March 14, 2021 (weeks ending January 9 through March 13). From COVID 3 and COVID 4, Arizonans received a total of \$7.6 billion in FPUC.
- Pandemic Emergency Unemployment Compensation (PEUC) (\$371 million): Under Arizona law, individuals may receive up to 26 weeks of UI benefits. COVID 3 provided enrollees that already exhausted their regular 26 weeks of UI benefits with an additional 13 weeks, for a total of 39 weeks of UI benefits. The additional 13 weeks are 100% federally-funded and were initially effective through December 31, 2020 (week ending December 26). COVID 4 extended the program and allowed enrollees to receive up to 24 weeks beyond regular state benefits, for a total of 50 weeks of UI benefits. Individuals could enroll through March 14, 2021 (week ending March 13), and continue receiving benefits through April 5, 2021 (week ending April 10). Individuals receiving these benefits were also eligible for FPUC. From COVID 3 and COVID 4, Arizonans received a total of \$371 million in PEUC.
- Pandemic Unemployment Assistance (PUA) (\$2.3 billion): COVID 3 allowed individuals who are otherwise ineligible for UI benefits, such as self-employed workers, contractors, and gig workers, to receive 100% federally-funded benefits for up to 39 weeks from March 27, 2020, through December 31, 2020 (weeks ending April 4 through December 26). COVID 4 extended the program and allowed enrollees to receive up to 50 weeks of benefits. Individuals could enroll through March 14, 2021 (week ending March 13), and continue receiving benefits through April 5, 2021 (week ending April 10). First-time applicants who enrolled after December 27, 2020, could receive payments retroactive to December 1, 2020 (week ending December 12). Guidance issued by the U.S. Department of Labor on February 25, 2021, expanded eligibility to include individuals who refuse unsafe work, provide services to educational institutions, or are experiencing a reduction of hours or a lay-off. Individuals receiving PUA benefits were also eligible for FPUC. From COVID 3 and COVID 4, Arizonans received a total of \$2.3 billion in PUA.
- Mixed Earner Unemployment Compensation: Under COVID 3, an individual with income through both traditional employment and through self-employment was eligible for either regular UI benefits based on income from traditional employment or Pandemic Unemployment Assistance based on income from self-employment, but not a combination of both programs. COVID 4 allowed self-employed individuals with at least \$5,000 in self-employment income in the prior year to receive an additional \$100 per week, above regular UI benefits. These benefits are 100% federally-funded. States must elect to participate in this program, with benefits paid the week beginning on or after the date of the state's election through March 14, 2021 (week ending March 13). Arizona elected to participate in the program. Individuals receiving these benefits were also eligible for FPUC and PEUC.
- Waiting week (\$4 million): In Arizona, individuals may not receive UI benefits in the first week that a weekly claim is filed. COVID 3 provided 100% federally-funded benefits for the waiting week. States must elect to participate in this program, with benefits paid for waiting weeks beginning on or after the date of the state's election through December 31, 2020 (week ending December 26). Arizona elected to participate in the program. COVID 4 provided 50% federally-funded benefits for waiting weeks through March 14, 2021 (week ending March 13). Arizona also elected to participate in the COVID 4 program, with the federal government and state each contributing an estimated \$3.8 million over 11 weeks.
- UI administration (\$19 million): Under COVID 2, Arizona will receive an initial grant of \$10 million. A supplemental grant of \$10 million will be made available if the number of UI claims increases by 10% or more over the same quarter in 2019. This threshold has been exceeded in Arizona.
- UI extension implementation grants (\$0.7 million): Arizona received approximately \$0.7 million to implement extensions of UI provisions in COVID 4.
- Short-Time Compensation (STC) administration (\$2 million): The Arizona Shared Work program allows employees working reduced hours to receive a pro-rated portion of UI benefits. Employers may qualify for the program if employees' hours have been reduced by at least 10% and no more than 60%, and employers must continue to provide health and retirement benefits to participating employees. Employees in the program received a \$600 weekly increase from March 29, 2020, through July 25, 2020. UI benefits paid through the STC program and the \$600 increase were 100% federally-funded. DES received \$2 million for administrative costs. Of the \$2 million award, one-third of funds (\$0.6 million) are for improved administration of the STC program

and two-thirds (\$1.3 million) are for the promotion of the STC program and enrollment of employers in the program.

- Dislocated Worker Grants (\$1 million): DES received funds for disaster-relief cleanup, humanitarian assistance, and employment and training activities. These monies may also be used for contact tracing.
- Reimbursing employers (\$47 million): State and local governmental entities, certain nonprofits, and tribes were to be refunded 50% of the cost of unemployment claims made against the reimbursing employer between March 13, 2020, and March 14, 2021, as established by COVID 3 and amended by COVID 4. As of February 20, \$47 million has been reimbursed. While a portion of these dollars may have been reimbursed to non-governmental entities, we have included this entire figure in *Table 2*.
- Fraud investigation (\$2 million): Arizona received \$2 million in funding for fraud investigation activities in the PUA and PEUC programs.

For the remaining program descriptions, the amounts indicated below in parentheses represent estimates of Arizona's share of funding.

Education

The Education Stabilization Fund (ESF) allocates \$112.6 billion to states, school districts/charter schools, and higher education institutions. Of this amount, \$30.75 billion was appropriated by COVID 3 and \$81.88 billion by COVID 4. Arizona is expected to receive a total of \$2.3 billion in ESF monies from COVID 3 and COVID 4. The federal legislation does not contain "supplement-not-supplant" language, but the state must meet maintenance-of-effort (MOE) requirements to receive ESF monies for the Governor's Fund, K-12 Education Fund, and Private Schools Fund. The MOE requirements differ between COVID 3 and COVID 4 monies.

- Governor's Emergency Education Relief Fund (\$100 million): These funds may be allocated at the Governor's discretion to local education agencies, higher education institutions, or other education-related entities. Monies must be allocated to eligible entities within 1 year of receipt. Arizona received \$69 million from COVID 3 and will receive \$31 million from COVID 4 for these entities. COVID 3 monies must be spent by September 30, 2022, and COVID 4 monies by September 30, 2023.
 - To receive the Governor's Fund monies, the state must meet certain MOE requirements. See the bullets under MOE requirements for discussion of these levels of spending.
 - The COVID 3 monies are allocated as follows:
 - \$40 million for installation of broadband infrastructure along I-17 between Sunset Point and Flagstaff and along I-19 between Tucson and Nogales.
 - \$19 million for Acceleration Academy Grants, which are one-time grants to high-need schools for contracted services and training for existing teaching staff.
 - \$6 million for the Arizona Teachers Academy to provide tuition grants to postsecondary students in exchange for a commitment to teach in Arizona K-12 public schools after graduation.
 - \$2 million in grants to support innovative practices responding to the COVID-19 pandemic. A for Arizona, a nonprofit organization, will oversee the program and provide a private match of these monies.
 - \$1 million for vehicles for the Arizona State Schools for the Deaf and the Blind.
 - \$0.7 million for leadership development in rural and underperforming schools through the Beat the Odds School Leadership Academy.
 - \$0.5 million for tutoring from Teach for America.
 - \$0.5 million for the Arizona Virtual Teacher Institute.
- Emergency Assistance to Non-Public Schools (EANS) grants (\$54 million): Arizona will receive \$54 million in EANS grants from the private school set-aside in COVID 4. These funds will be distributed by the Governor and administered to private schools by ADE, which may retain up to 0.5%, or \$0.3 million, for administrative costs. Private schools receiving these funds may not receive a Paycheck Protection Program loan on or after December 27, 2020. (In *Table 2*, these monies are listed separately from the Governor's Fund line.) To receive the EANS monies, the state must meet certain MOE requirements. See the bullets under MOE requirements for discussion of these levels of spending.
- Elementary and Secondary School Emergency Relief Fund (\$1.4 billion): Arizona received \$277 million from COVID 3 and \$1.1 billion from COVID 4. School districts and charter schools will receive at least 90% of the state allocation, in proportion to the amount of Title I-A funding received. Schools received \$250 million from COVID 3 and \$1.0 billion from COVID 4, for a combined total of \$1.3 billion. The state may retain up to 0.5%

for administrative costs, or \$1 million from COVID 3 and \$6 million from COVID 4, for a combined total of \$7 million. Up to 9.5% will be distributed at ADE's discretion to address coronavirus-related emergency needs. ADE received \$26 million from COVID 3 and \$109 million from COVID 4, for a combined total of \$135 million. Monies must be allocated to schools within 1 year of receipt. COVID 3 monies must be spent by September 30, 2022, and COVID 4 monies by September 30, 2023.

- To receive the K-12 Education Fund monies, the state must meet certain MOE requirements. See the bullets under MOE requirements for discussion of these levels of spending.
- The \$26 million portion controlled by ADE from COVID 3 is allocated as follows:
 - \$15 million for schools that are not eligible for formula funds from the K-12 Education Fund. Over 180 schools will receive monies based on the number of low-income students and the size of the school, with each entity receiving at least \$50,000.
 - \$6 million for distance learning grants to school districts and charter schools. Awards will be based on need and impact of COVID-19.
 - \$5 million for special education compensatory education.
 - \$0.3 million for social-emotional learning and trauma-informed training for school teachers and leaders.
- Funds from the \$109 million portion controlled by ADE from COVID 4 are allocated to provide a minimum of \$150,000 for all school districts and charter schools, with rural schools (not in Maricopa or Pima Counties, or located more than 10 miles from a municipality with a population of 50,000 or more) receiving a minimum of \$175,000 and rural and remote schools (in a census-defined rural territory) receiving a minimum of \$200,000.
- Higher Education Emergency Relief Fund (\$736 million): Federal Funds are distributed directly to institutions of higher education (IHEs). Arizona IHEs received \$304 million from COVID 3. Of this amount, approximately \$122 million went to public universities, \$82 million to community colleges, and \$101 million to private institutions. So far, Arizona IHEs have been allocated \$432 million from COVID 4 and are expected to receive additional funds. Of the \$432 million, \$198 million will be distributed to public universities, \$167 million to community colleges, and \$67 million to private institutions. For both COVID 3 and COVID 4, some of these monies must be used for student grants, while the remainder may be used to offset revenue shortfalls. For public universities, a total of at least \$118 million must be distributed as student grants. COVID 3 monies must be spent by September 30, 2022, and COVID 4 monies by September 30, 2023.
 - The MOE requirements may affect the state's eligibility to receive GEERF, EANS, and ESSERF monies, but do not impact HEERF monies distributed directly to IHEs.
 - See the Higher Education Emergency Relief Fund Allocations attachment for a breakdown of HEERF funds received by Arizona IHEs.
- MOE requirements:
 - To receive COVID 3 Governor's Fund and K-12 Fund monies, the state must (1) keep its General Fund spending for K-12 in FY 2020 and FY 2021 at or above the average levels of K-12 spending in FY 2017-FY 2019 and (2) keep its General Fund spending for higher education in FY 2020 and FY 2021 at or above the average levels of higher education spending in FY 2017-FY 2019.
 - According to the COVID 3 MOE, the state must maintain a spending level of \$4.33 billion for elementary and secondary education in FY 2020 and FY 2021. The FY 2020 budget provides \$866 million in state support above the MOE spending level, and the FY 2021 budget provides \$1.27 billion in state support above the MOE spending level. Therefore, all of the K-12 Education Fund monies could potentially be used to supplant state General Fund spending for K-12. The state also has the option to use some or all of the monies to supplement current K-12 funding levels.
 - According to the COVID 3 MOE, the state must maintain a spending level of \$721 million for higher education in FY 2020 and FY 2021. The FY 2020 budget provides \$66 million in state support above the MOE spending level, and the FY 2021 provides \$22 million in state support above the MOE spending level. Therefore, up to \$66 million in FY 2020 and \$22 million in FY 2021 could potentially be supplanted.
 - To receive COVID 4 Governor's Fund, K-12 Fund, and EANS monies, the state must (1) keep its General Fund spending for K-12 in FY 2022 at or above the average proportional levels of K-12 spending relative to overall spending in FY 2017-FY 2019 and (2) keep its General Fund spending for higher education in FY 2022 at or above the average proportional levels of higher education spending relative to overall spending in FY 2017-FY 2019.

- Head Start (\$16 million): Arizona received \$12 million from COVID 3 and is estimated to receive \$4 million from COVID 4.

Health

- Temporary Medicaid Match Rate Increase (\$506 million): COVID 2 includes a temporary increase of 6.2% in each state's Federal Medical Assistance Percentage (FMAP) used to fund the Medicaid program and Title IV-E child welfare services. The increase is retroactive to January 1, 2020, and is effective for the duration of the federally-declared public health emergency in response to COVID-19. We estimate that the 6.2% increase reduced Arizona's state General Fund costs by \$(208) million in FY 2020, including \$(153) million for Medicaid services provided by AHCCCS, \$(45) million for DES, and \$(10) million for Title IV-E child welfare services provided by DCS. The actual net savings to the General Fund, however, will be lower, as the above savings do not account for caseload growth and other technical factors that impact General Fund spending for Medicaid and Title IV-E. We anticipate that savings in FY 2021 through March 2021 will be \$(298) million, spread across AHCCCS, DES, and DCS. The combined projected FY 2020 and FY 2021 savings is \$(506) million. Actual savings due to this provision are expected to be higher, as the FMAP increase will be in effect through December 2021.
- Medicare State Survey and Certification (\$0.2 million): DHS received \$0.2 million in formula grants.
- CDC grants (\$672 million): DHS received \$16 million in Public Health Emergency Preparedness Grants from COVID 1, \$8 million in Immunization Cooperative Agreements from COVID 3, and \$13 million in Epidemiology and Laboratory Capacity Grants from COVID 1 and COVID 3. Funding may be used for lab capacity, infection control, and other preparedness and response activities. COVID 3.5 provided an additional \$150 million in Epidemiology and Laboratory Capacity Grants to DHS for testing and contract tracing. Arizona will also receive \$66 million for vaccine distribution and \$419 million for testing and contact tracing from COVID 4. See Tribal Relief section for monies distributed to tribal entities. ADE also received \$0.3 million from COVID 3 to address student health.
- Emergency Response Grants (\$5 million): AHCCCS received \$2 million from COVID 3 and \$3 million from COVID 4, for a total of \$5 million, to address mental health, substance use disorders, and to support youth and the homeless.
- Emergency Response for Suicide Prevention grants (\$0.8 million): AHCCCS received these funds to address suicide prevention during the COVID-19 pandemic. In addition, tribal entities received \$0.8 million, and the EMPACT-Suicide Prevention Center received \$0.8 million (see Tribal Relief section and *Table 3*). COVID 4 provided an additional \$50 million nationwide for suicide prevention programs.
- Hospital Preparedness Program (\$5 million): DHS and AHCCCS received approximately \$1 million in total from COVID 1 and \$4 million in total from COVID 3 to assist hospitals and the health care system in preparing for and responding to public health emergencies, including bioterrorism.
- Ryan White HIV/AIDS (\$0.4 million to the state, \$0.4 million to local governments, and \$0.4 million to non-governmental entities): State funds (Part B) improve HIV health care and support services, including AIDS Drug Assistance Program grants. Monies received by local governments (Part A) fund medical and support services in counties and cities that are the most severely affected by the HIV/AIDS epidemic. Local community-based organizations use funds (Parts C, D, and F) to provide outpatient health care services and clinician training.
- Substance Abuse Prevention and Treatment Block Grant (\$38 million): Arizona received \$38 million from COVID 4. At least 20% of funds, or \$8 million, must be spent on primary prevention.
- Community Mental Health Services Block Grant (\$23 million to the state): Arizona received \$44 million from COVID 4. At least 50% of funds, or \$23 million, are provided directly to facilities (see *Table 3*).
- For funds directed to hospitals and community health centers, see Direct Aid to Individuals and Businesses section.

Emergency Relief

- Emergency Management Performance Grants (\$2 million): ADOA and DEMA are eligible to apply to FEMA for these grants, which support coordination of communications and logistics among state, local, and tribal governments. The 50% state match requirement is not waived.
- Emergency Food and Shelter Program (\$0.6 million to the state and \$5 million to local governments): Grants are given to jurisdictions to provide food, lodging in a mass shelter or hotel, one month's rent or mortgage payment, one month's utility bill, or equipment necessary to feed or shelter people, up to a \$300 limit per item, for individuals or families in economic crisis.

- Assistance to Firefighters Grants (\$0.8 million to local governments): Assistance to Firefighters Grants (AFG) can be used by firefighters and other first responders to obtain equipment, protective gear, emergency vehicles, training, and other necessary resources.
- Stafford Act assistance (\$154 million to the state and \$11 million to local governments): The national emergency declaration on March 13, 2020, and the major disaster declaration for Arizona on April 4, 2020, made Arizona eligible for Stafford Act assistance. Arizona is eligible to receive FEMA funding for Public Assistance emergency protective measures. The 25% state cost share requirement has been waived. As of July 22, 2021, FEMA has obligated \$146 million in federal support to the state and \$11 million to local governments. Tribal governments and nonprofits also received some funds (see Tribal Relief section and *Table 3*). Arizona has also received \$8 million in grants for the Crisis Counseling Program. We anticipate that these amounts of federal assistance will grow as additional expenses are approved by FEMA. This amount includes federal funding for National Guard deployments. For more information, see the FEMA Stafford Act Assistance attachment.

Food Assistance

- The Emergency Food Assistance Program (TEFAP) commodities (\$14 million): TEFAP provides emergency food and nutrition assistance. Funding came from COVID 2 (\$7 million) and COVID 3 (\$7 million).
- TEFAP administration (\$16 million): TEFAP is administered by DES. Funding was provided by COVID 2 (\$2 million) and COVID 3 (\$4 million). Arizona is also estimated to receive an additional \$10 million from COVID 4. These monies are for commodities and administration.
- Special Supplemental Nutrition Program for Women, Infants, and Children (\$10 million): COVID 2 provides \$10 million in funding. WIC provides assistance to low-income women and mothers with young children who are unemployed due to the COVID-19 pandemic.
- National School Lunch Program (\$140 million)
- Supplemental Nutrition Assistance Program (SNAP) administration (\$2 million): Arizona received \$2 million from COVID 4.
- Reimbursement for nutrition programs: COVID 4 allows states to be reimbursed for 55% of emergency operational costs incurred between March and June 2020 for school meal programs and child and adult care food programs. States may use 1% of funds for administrative costs. Monies remain available until September 30, 2021.

Children and Families

- Child Care and Development Block Grant (\$337 million): Funding assists child care providers and provides child care subsidies for essential employees. These funds require legislative appropriation and may not supplant child care assistance for low-income families. Arizona received \$88 million from COVID 3, and these funds will remain available through September 30, 2021. Payments of COVID 3 monies may be obligated from FY 2020-FY 2022. Arizona also received \$249 million from COVID 4, and the state must report how the funds were spent by October 31, 2022.
- Title IV-B (\$3 million): DCS uses Title IV-B monies primarily to fund caseworkers and other DCS staff. The state match requirement is waived. For child welfare services, DCS received \$1 million from COVID 3. For the Promoting Safe and Stable Families Program, DCS received \$2 million and the courts received \$0.2 million from COVID 4 for FY 2021. See Tribal Relief section for monies distributed to tribal entities.
- Chafee Foster Care Program for Successful Transition to Adulthood (\$12 million): Arizona received \$10 million for the Chafee program and \$2 million for education and training vouchers for youth who age out of foster care from COVID 4. See Tribal Relief section for monies distributed to tribal entities.
- Family violence prevention and services formula grants (\$1 million): The non-federal match requirements are waived.

Elderly and Community Living

- Older Americans Act:
 - Congregate and Home-Delivered Meals (\$20 million): COVID 2 provides \$5 million in funding for congregate and home-delivered meals. Arizona received an additional \$11 million from COVID 3 and \$4 million from COVID 4 for home-delivered meals. These programs are run by DES. The non-federal match requirements are waived.
 - Supportive services (\$4 million)

- Supportive services for family caregivers (\$2 million)
- Title VII Protection of Vulnerable Older Americans activities (\$0.5 million): Arizona received \$0.4 million from COVID 3 and \$0.1 million from COVID 4 for the long-term care ombudsman program.
- Discretionary projects (\$1 million): These funds will be used by DES for the Arizona Bridges of Care project.
- Low Income Home Energy Assistance Program (\$29 million): Funding provides energy assistance to low-income residents. Arizona received \$16 million from COVID 3 and \$13 million from COVID 4. See Tribal Relief section for monies distributed to tribal entities.
- Community Services Block Grants (\$8 million): DES received monies for various programs related to poverty. Federal law requires 90% of these monies, or \$7 million, to be passed through to local entities.
- Aging and Disability Resource Centers (\$1 million)
- Adult Protective Services (\$2 million): Arizona received \$2 million from COVID 4.
- Vaccine Access (\$2 million): Arizona received a total of \$2 million from COVID 4.

Housing and Urban Development

- Community Development Block Grants (\$32 million to the state and \$74 million to local governments): Funding is used to provide housing and expand economic opportunities for persons of low or moderate income.
- Homeless Assistance/Emergency Solutions Grant (\$22 million to the state and \$50 million to local governments): The \$72 million to state and local governments represents Arizona's share of the \$2 billion in federal funding distributed according to FY 2020 allocations and the additional \$2 billion distributed by the Secretary. Funding is used to increase the number and quality of emergency shelters which provide short-term accommodations for people who are homeless or experiencing a housing crisis, and to assist in operating those shelters. Of the state's allocation, \$4 million was distributed to shelters, programs, and services that assist individuals and families experiencing homelessness, \$2 million to services and programs that work to prevent homelessness. The remaining \$16 million was used to support organizations that provide emergency shelter and connect those experiencing homelessness with needed services, as well as fund a non-competitive grant program through DES.
- Public Housing Operating Fund (\$3 million to local governments): Funding supports public housing agencies to help maintain normal operations as well as take necessary action to minimize the impacts of COVID-19 on public housing services. These monies are awarded directly to local Public Housing Authorities.
- Tenant-Based Rental Assistance (\$3 million to local governments): Funding provides rental assistance to low-income Arizonans to cover the monthly cost of rental units. These monies are used for adjustments to Section 8 renewal funding allocations due to the COVID-19 pandemic. Local governments received approximately \$3 million. The Arizona Department of Housing received \$22,500, and the Arizona Behavioral Health Corporation received \$16,300 (see *Table 3*).
- Supportive Housing for Persons with Disabilities (\$0.7 million to local governments): Funding subsidizes rental housing and provides supportive services for very low- and extremely low-income adults with disabilities. Local governments received \$0.7 million, and the Arizona Behavioral Health Corporation received \$0.1 million (see *Table 3*).
- Housing Opportunities for Persons with AIDS (\$0.1 million to the state and \$0.8 million to local governments): Funding provides housing assistance and supportive services to low-income persons living with HIV/AIDS who are or at risk of being homeless. The state received \$0.1 million and local governments received \$0.6 million in formula funding. Pima County and Cochise County also received \$0.2 million in competitive grants.
- Rental assistance (\$290 million to the state and \$202 million to local governments): The \$25 billion nationwide in rental assistance from COVID 4 will be distributed to states and localities using the Coronavirus Relief Fund allocation formula. States are allocated funding based on their share of population, with each state guaranteed a minimum funding amount of \$200 million. Arizona's total allocation is \$492 million for both its state and local governments combined. Of this amount, the state received \$290 million, and local governments received \$202 million. Beginning on September 30, 2021, the Secretary may reallocate funds to grantees that have obligated at least 65% of their original allocation. Funds will remain available through December 31, 2021.
 - Local governments with populations over 200,000 are eligible to receive direct payments. The local governments in Arizona that received direct payments are: Maricopa County (\$46 million), Mohave

County (\$6 million), Pima County (\$15 million), Pinal County (\$14 million), Yavapai County (\$7 million), Yuma County (\$6 million), Chandler (\$8 million), Gilbert (\$8 million), Glendale (\$8 million), Mesa (\$16 million), Phoenix (\$51 million), and Tucson (\$17 million). Scottsdale was also eligible but did not receive rental assistance monies.

Transportation

- Public Transit Grants provide funding for capital, planning, and operating assistance to state, local, and tribal governments to support public transportation. Arizona entities received \$313 million from COVID 3 and is estimated to receive an additional \$102 million from COVID 4, for a total of \$415 million.
 - Urbanized Areas (\$372 million): Arizona received a total of \$268 million from COVID 3 and \$103 million from COVID 4. Cities with populations of 50,000 or more are eligible for funding. Phoenix-Mesa received \$188 million from COVID 3 and \$85 million from COVID 4, for a total of \$273 million. Tucson received \$44 million from COVID 3 and \$18 million from COVID 4, for a total of \$62 million. The other urbanized areas that received monies are: Avondale-Goodyear, Casa Grande, Flagstaff, Lake Havasu City, Prescott Valley-Prescott, Sierra Vista, and Yuma. Allocations for these areas totaled \$36 million from COVID 3. Urbanized areas may not receive combined allocations from COVID 3 and COVID 4 in excess of 75% of that area's 2018 operating costs.
 - Nonurbanized (Rural) Area Formula (\$42 million): Grant funding is allocated to state and tribal governments to distribute to areas with populations of less than 50,000. Funds are apportioned to states based on a formula that includes land area, population, revenue vehicle miles, and low-income individuals in rural areas. States may not receive combined allocations from COVID 3 and COVID 4 in excess of 125% of that state's total rural operating costs.
 - See Tribal Relief section for monies distributed to tribal entities.
- Highway Infrastructure Program (\$150 million to the state and \$32 million to local governments): Arizona received \$182 million from COVID 4. Of this amount, Phoenix-Mesa received \$25 million, Tucson \$6 million, and all other areas \$150 million. Monies for rural areas fall under the jurisdiction of ADOT. Of the \$150 million to the state, \$33 million has been allocated for the Gila River Bridge project and \$117 million for pavement rehabilitation of 19 projects and 648 lane miles statewide. These funds must be spent by September 30, 2024.
- Grants for airports (\$225 million): Airports in Arizona received \$225 million from COVID 3. COVID 4 provided an additional \$2 billion in funds nationwide. Airports that received funds in excess of 4 years of operating costs from COVID 3 are not eligible to receive grants from COVID 4. Through February 15, 2021, airports must maintain at least 90% of employees as of March 27, 2020.
- Airport Improvement Program (\$71 million): Arizona received \$21 million from COVID 3 and is estimated to receive \$50 million from COVID 4.
- Supplemental Discretionary grants (\$10 million)
- Surface Transportation Block Grant Program (\$182 million): ADOT is estimated to receive \$182 million in formula funding from COVID 4. Funds are available until September 30, 2024.
- Enhanced Mobility of Seniors and Individuals with Disabilities (\$0.4 million to the state and \$0.8 million to local governments): Arizona is estimated to receive \$0.4 million in formula funding from COVID 4. In addition, Phoenix-Mesa is allocated \$0.6 million and Tucson is allocated \$0.2 million.
- The Real ID deadline for states is extended from October 1, 2020, to September 30, 2021.

Other

- Byrne Justice Assistance Grants (\$12 million to the state and \$6 million to local governments): The U.S. Department of Justice announced that state, local, and tribal governments in Arizona will receive a total of \$19 million. Funding supports a range of program areas, including law enforcement, prosecution, indigent defense, courts, crime prevention and education, corrections and community corrections and drug treatment and enforcement. The Arizona Criminal Justice Commission receives the state's allocation. Of the \$7 million to local governments, approximately \$1 million is allocated for Arizona tribes. (See Tribal Relief section.)
- Coronavirus Emergency Supplemental Funding Program (\$12 million to the state and \$7 million to local governments): Funding may be used for PPE and supplies, personnel expenses, and medical needs of inmates in state, local, and tribal prisons, jails, and detention centers. The Arizona Criminal Justice Commission received the state's allocation. Economic Adjustment Assistance grants (\$1 million to local governments): The Recovery Assistance grant recipients are the Central Arizona Governments, Northern Arizona Council of

Governments, and Southeastern Arizona Governments Organization. For information on grants to businesses, see Direct Aid to Individuals and Businesses section.

- Elections (\$8 million): These election security grants are to prevent, prepare for, and respond to coronavirus in the 2020 federal election cycle. To receive these monies, Arizona must provide a 20% match (\$2 million) within 2 years of receiving funds. In-kind sources by state and local jurisdictions may be used to meet the state match. These Federal Funds may not be used to pay for expenses currently paid with state or local funds, such as regularly-anticipated demand for mail ballots. Instead, allowable costs would include such items as the marginal cost of printing additional ballots, cleaning supplies and protective masks, deep cleaning of polling places, and upgrades of statewide or local databases. These monies require legislative appropriation. Monies not used by December 31, 2020, reverted to the Treasury. These monies were not appropriated, and the Governor has allocated \$9 million from the Coronavirus Relief Fund for this purpose (see Coronavirus Relief Fund section).
- Manufacturing Extension Partnership (\$0.7 million): The Arizona Commerce Authority will receive \$0.7 million from the National Institute of Standards and Technology's Manufacturing Extension Partnership to assist small- and medium-sized manufacturers. The state match requirements have been waived for these monies.
- Institute of Museum and Library Services Grants (\$0.7 million): These monies will be distributed to the Arizona State Library within the Arizona Secretary of State's office. Funds are used to expand digital network access and provide technical support. As Arizona's State Library Administrative Agency, the Arizona State Library may distribute the \$0.7 million through competitive subawards or cooperative agreements. Amerind Museum in Cochise County received \$0.2 million as a direct award (see *Table 3*).
- Arts and humanities (\$0.5 million to the state and \$0.5 million to non-governmental entities): Of the \$60 million in federal funding that is distributed to states, Arizona's allocation is \$1 million. The Arizona Commission on the Arts will receive \$0.5 million, and the Arizona Humanities Council, which is not a state entity, will receive \$0.5 million (see *Table 3*). An additional \$90 million in federal funding will be distributed through direct grants.

Tribal Relief

We do not have a comprehensive list of tribal allocations for specific programs, but relief includes:

- Education Stabilization Fund (\$7 million): Diné College and Tohono O'odham Community College received \$7 million from the Higher Education Emergency Relief Fund from COVID 3. See Education section for more details. These monies are included in *Table 2* and are allocated through a different formula than the Tribal Colleges and Universities (TCUs) set-asides.
- \$409 million nationwide in Education Stabilization Fund set-asides to Bureau of Indian Education-operated and funded schools and TCUs from COVID 4.
- \$750 million nationwide to tribes, tribal organizations, urban Indian health organizations, and health service providers to tribes for coronavirus testing from COVID 3.5.
- \$210 million to the Indian Health Service for vaccine distribution from COVID 4.
- \$790 million to the Indian Health Service for coronavirus testing and contact tracing from COVID 4.
- \$500 million nationwide to the Indian Health Service and tribal hospitals, clinics, and urban health centers.
- At least \$125 million nationwide for tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes for Substance Abuse and Mental Health Services Administration programs from COVID 4.
- \$115 million nationwide for the Tribal Transportation Program.
- \$1 billion nationwide for tribal broadband programs from COVID 4.

For a breakdown of Federal Funds received by each Arizona tribal entity for other programs, see the Federal Coronavirus Response Funds to Tribal Entities attachment.

Direct Aid to Individuals and Businesses

- UI benefits (\$11.2 billion): See Unemployment Insurance section for more information on federally-funded UI programs. As of March 13, 2021, individuals in Arizona had received \$11.2 billion in federally-funded UI benefits through these programs. This amount includes the \$949 million in benefits from the Lost Wages Assistance Program (established by a presidential memorandum), which provided a federally-funded \$300 increase above Arizona's regular UI benefits between the weeks ending August 22, 2020, and September 12,

2020. While UI programs were later extended by ARP through September 6, 2021, the \$11.2 billion amount excludes ARP UI benefits.

- SNAP emergency allotments (\$759 million): SNAP benefits are 100% federally-funded. Under COVID 2, SNAP households may receive emergency allotments, which increase the household's allotment up to the maximum allotment. Arizona SNAP households received emergency allotments benefits beginning in April, and these benefits will continue until the end of the federally-declared COVID-19 public health emergency or until the expiration of the state-issued emergency or disaster declaration. According to DES, emergency allotments benefits totaled \$39 million in April 2020, \$42 million in May 2020, \$40 million in June 2020, \$42 million in July 2020, \$42 million in August 2020, \$41 million in September 2020, \$42 million in October 2020, \$43 million in November 2020, \$45 million in December 2020, \$47 million in January 2021, \$55 million in February 2021, \$53 million in March 2021, \$57 million in April 2021, \$95 million in May 2021, and \$74 million in June 2021. COVID 4 also increases the monthly SNAP benefit level by 15% from January 1, 2021, to June 30, 2021, excludes Federal Pandemic Unemployment Compensation from household income calculations for SNAP, and extends SNAP eligibility to college students who are eligible for work-study or have an expected family contribution of \$0.
- Pandemic Electronic Benefit Transfer (P-EBT) (\$848 million): COVID 2 authorized P-EBT to provide assistance to households with children who are eligible for free or reduced-price school meals while schools are out of session due to the COVID-19 pandemic. The Continuing Appropriations Act, 2021 and Other Extensions Act (P.L. 116-159) extends P-EBT availability from September 30, 2020, through September 30, 2021, and expands the program beginning October 1, 2020, to cover households with children at affected child care centers. Households received \$69 for March 2020, \$126 for April 2020, and \$120 for May 2020 per child. These benefits are 100% federally-funded. According to DES, emergency allotments benefits totaled \$29 million in April 2020, \$151 million in May 2020, \$2 million in June 2020, \$10 million in July 2020, \$8 million in August 2020, and \$1 million in September 2020, \$15 million in March 2021, \$136 million in April 2021, \$304 million in May 2021, and \$191 million in June 2021.
- Emergency Broadband Benefit Program: COVID 4 authorized \$3.2 billion nationwide in emergency broadband benefits to families. The benefits are effective beginning from December 27, 2020, until 6 months after the end of the federally-declared public health emergency in response to COVID-19. Low-income families may receive up to \$50 per month, or \$75 per month if the household is on tribal land, for broadband access, as well as up to \$100 for one connected device per household. Families may qualify if at least one member of the household is eligible for free or reduced-price lunch, Pell Grant, or Federal Communications Commission's Lifeline program, or have experienced a substantial loss of income since February 29, 2020.
- Economic Impact Payments (\$9.0 billion): Individual taxpayers below certain income thresholds will receive 2 one-time direct payments from the federal government. The first round was authorized by COVID 3. In the first round, 3,484,125 individuals in Arizona received a total of \$5.9 billion in stimulus payments. The second round was authorized by COVID 4. In the second round, as of early February 2021, 3,176,360 individuals in Arizona received a total of \$3.1 billion in stimulus payments. In total, individuals received \$9.0 billion from COVID 3 and COVID 4 stimulus payments. This amount excludes ARP economic impact payments. For more information, see the American Rescue Plan Act section.
 - COVID 3: Single filers with an adjusted gross income (AGI) of less than \$75,000 on TY 2019 filings receive a one-time payment of \$1,200. Joint filers with AGI of less than \$150,000 on TY 2019 filings receive a one-time check of \$2,400, plus an additional \$500 per dependent child. For each \$100 in income over these limits, payments are reduced by \$5. As a result, there are no payments for single filers with AGI above \$99,000 and joint filers with no children with AGI above \$198,000.
 - COVID 4: Single filers with AGI of less than \$75,000 on TY 2019 filings receive a payment of \$600. Joint filers with AGI of less than \$150,000 on TY 2019 filings receive a check of \$1,200, plus an additional \$600 per dependent child. For each \$100 in income over these limits, payments are reduced by \$5. As a result, there are no payments for single filers with AGI above \$87,000 and joint filers with no children with AGI above \$174,000.
- Paid Sick and Family Leave: COVID 2 requires employers with fewer than 500 employees and government employers to provide 2 weeks of paid sick leave to employees advised to self-quarantine or caring for a child or family member who has been advised to self-quarantine. Employees advised to self-quarantine may receive 100% of their regular pay, up to \$511 per day and \$5,110 in total, and employees caring for a child or family member may receive two-thirds of their regular pay, up to \$200 per day and \$2,000 in total. Employees who have been employed for at least 30 calendar days are also eligible for up to 12 weeks of paid family leave.

After the first 10 days of leave, employees receive at least two-thirds of their average pay, up to \$200 per day and \$10,000 in total. COVID 4 extends these requirements for non-government employers through March 31, 2021.

- Sick and Family Leave Credits: COVID 2 allows a refundable tax credit equal to 100% of paid sick and family leave for employers required to provide paid sick and family leave. For TY 2020, governments are subject to paid leave requirements but are not eligible for these tax credits. COVID 4 extends these credits through March 31, 2021.
- Employee Retention Credit (\$1 billion): Under COVID 3, employers required by a government order to suspend operations due to COVID-19 or whose gross receipts decline by at least (50)% compared to the same quarter in the prior year are allowed a refundable payroll tax credit of 50% of qualified wages paid after March 12, 2020, through and including December 31, 2020, up to \$10,000 per employee. Qualified wages include wages paid to an employee not providing services due to a government-ordered closure and as well as health plan expenses. The Joint Committee on Taxation estimates that this credit will result in \$55 billion to employers. We estimate that Arizona businesses, which make up roughly 1.8% of businesses nationwide, will receive approximately \$1 billion. COVID 4 expands and extends the tax credit through June 30, 2021. During this extension (between January 1, 2021, and June 30, 2021), the level of the credit is increased to 70% of qualified wages, up to \$10,000 per employee per quarter. Employers are eligible during the extension period if gross receipts decline by at least (20)% compared to the same quarter in 2019 or the prior quarter.
- Charitable contribution deductions for individuals: Up to \$300 in charitable contributions may be deducted from TY 2020 federal adjusted gross income (FAGI) for filers that claim the standard deduction. For filers that itemize, the limit on charitable contributions that may be claimed is raised from 60% to 100% of the filer's FAGI in TY 2020.
- Charitable contribution deductions for corporations: For charitable contributions of cash, the deduction limit is raised from 10% to 25% of the taxpayer's modified taxable income in TY 2020. For contributions of food inventory, the limit is raised from 15% to 25% of taxable income for C corporations or net aggregate income for all other taxpayers in TY 2020.
- Business interest expense deductions: For TY 2019 and TY 2020, the limitation on business interest expense deductions is raised from 30% to 50% of the corporation's adjusted taxable income.
- Net operating losses (NOLs): The 80% taxable income limitation for NOL carryovers is suspended for TY 2018-TY 2020. NOLs arising in TY 2018-TY 2020 may also be carried back for five years.
- Qualified improvement property (QIP) depreciation: Retroactive to TY 2018, the QIP depreciation period is decreased from 39 to 15 years. QIP is also now eligible for 100% bonus depreciation.
- Paycheck Protection Program (PPP) (\$12.6 billion): Small businesses are eligible to apply for 250% of their average monthly payroll expenses in potentially forgivable loans. The first round of the PPP closed on August 8, 2020, and the second round closed on May 31, 2021. Arizona businesses were approved for \$8.7 billion in first draw loans and \$3.9 billion in second draw loans, for a total of \$12.6 billion.
 - Under COVID 3, businesses with fewer than 500 employees were eligible to apply for PPP loans, and the maximum loan amount was \$10 million. Under COVID 4, businesses must have fewer than 300 employees and must demonstrate a revenue reduction of (25)% to be eligible to apply, and the maximum loan amount is \$2 million. COVID 4 also expands PPP eligibility to include 501(c)(6) nonprofits.
 - Loans are 100% backed by the Small Business Administration (SBA) and are obtained through participating banks.
 - Loan monies used for payroll and interest on rent payments and utility services are forgivable.
 - If no employees are laid off, then the entire loan is forgiven. If some employees are laid off, then the forgivable amount of the loan is reduced by the percentage of employees that were laid off.
 - Loan amounts that are forgiven may be excluded from the businesses' gross income for federal income tax purposes.
 - COVID 3 established the program and provided \$349 billion for PPP loans. COVID 3.5 provided an additional \$310 billion. Of the amount added by COVID 3.5, \$60 billion is reserved for lending by small- and medium-sized financial institutions and those serving minority or underserved areas. COVID 4 appropriated an additional \$284.5 billion for a second round of PPP loans.
 - Under the Paycheck Protection Program Flexibility Act, the covered period was extended from 8 weeks to 24 weeks or December 31, 2020, whichever is earlier. COVID 4 continues to allow businesses to select a covered period of 8 weeks or 24 weeks.
 - COVID 4 allows businesses to take tax deductions for expenses covered by forgiven PPP loans.

- Economic Injury Disaster Loans (EIDLs) (\$3.2 billion): Small businesses and non-profits may apply for EIDLs of up to \$2 million to cover operating expenses, including sick leave, wages, supply chain cost increases, rent, and other liabilities that cannot be paid due to revenue decreases. EIDLs may not be forgiven. COVID 3.5 provided additional funds for the program and made agricultural enterprises with fewer than 500 employees eligible for the loans. A total of 60,893 Arizona businesses received \$3.2 billion in loans.
- Emergency EIDL Advances (\$329 million): Small businesses and non-profits may apply for emergency grants of up to \$10,000 made within 3 days of application. Advances may be converted into grants if used to cover operating expenses, including sick leave, wages, supply chain cost increases, rent, and other liabilities that cannot be paid due to revenue decreases, even if the application for a loan is not subsequently approved. COVID 3 established the program and appropriated \$10 billion, and COVID 3.5 provided an additional \$10 billion. A total of 93,559 Arizona businesses received \$329 million in EIDL advances. The program will re-open with \$20 billion from COVID 4.
- Relief for existing loans: Small businesses with existing SBA loans may apply for funds to cover 6 months of payments. COVID 3 appropriated \$17 billion nationwide, and COVID 4 provided an additional \$3.5 billion nationwide.
- Coronavirus Food Assistance Program (\$135 million): Producers of certain agricultural commodities who have suffered price declines of at least 5%, and who face substantial marketing costs for inventories, are eligible for payments of up to \$250,000 per person or legal entity, or \$750,000 per corporate entity. COVID 3 established the program, and COVID 4 provided additional funding. As of July 18, 2021, Arizona producers had received a total of \$135 million from both rounds of the program (CFAP 1 and CFAP 2).
- Poison Control Centers (\$0.1 million): Funding would increase capacity of poison control centers to respond to increased calls.
- NIH research grants (\$8 million)
- Hospitals and health care providers (\$2.3 billion): COVID 3 provides \$100 billion to hospitals and health care providers nationwide, and COVID 3.5 provides an additional \$75 billion nationwide. Arizona hospitals and providers have been allocated \$2.3 billion. This allocation for Arizona entities includes \$823 million as a proportionate amount based on providers' share of 2019 Medicare fee-for-service reimbursements, \$214 million for areas particularly impacted by COVID-19, \$127 million for rural providers, \$86 million for skilled nursing facilities, and \$84 million to Indian Health Service and tribal entities. This amount also includes an estimated \$279 million for safety net hospitals. The remaining COVID 3 funding will be targeted to providers to uninsured Americans, the Indian Health Service, and providers that solely take Medicaid. COVID 4 also provides an additional \$3 billion nationwide for health care-related expenses or lost revenue directly attributable to the COVID-19 pandemic. See Tribal Relief section for monies distributed to tribal entities.
- Community Health Centers (\$40 million): These monies will be distributed directly to Arizona's 23 community health centers (CHCs) to detect, diagnose, prevent, and treat COVID-19. Federal funding will expire on November 30, 2020. COVID 1 provides an initial \$2 million in funding. COVID 3 provides \$24 million, and COVID 3.5 provides an additional \$13 million. See Tribal Relief section for monies distributed to tribal entities.
- Certified Community Behavioral Health Clinic Expansion Grants (\$8 million): Valle del Sol and Southeastern Arizona Behavioral Health Services received a total of \$8 million from COVID 4.
- Primary Care Association (\$0.1 million): Each state's Primary Care Association received funding for training and technical assistance related to the COVID-19 pandemic. The Arizona Association of Community Health Centers received \$0.1 million.
- Rural Health Clinics (\$2 million): COVID 3.5 provided a flat amount of nearly \$50,000 to each rural health clinic (RHC). In Arizona, 33 RHCs received a total of approximately \$2 million.
- Health Center Controlled Networks (\$0.1 million): CHC Collaborative Ventures received funding to strengthen health IT support.
- Telehealth Program grants (\$2 million)
- Small Rural Hospital Improvement Program (\$1 million)
- Runaway and Homeless Youth Act (\$0.5 million): These monies must be used to supplement, not supplant, existing funds.
- Centers for Independent Living (\$2 million): Funding serves individuals with significant disabilities, regardless of age or income.
- Economic Adjustment Assistance grants (\$2 million): PPEP Microbusiness and Housing Development Corporation received a Revolving Loan Fund grant, and Northern Arizona University received a University Center grant.

- Health Information Exchange Program (\$0.6 million): Arizona Health-e Connection received \$0.5 million to facilitate electronic state and federal hospital reporting for public health surveillance.
- National Science Foundation grants (\$7 million): Recipients of COVID-related research grants included Arizona State University (\$3 million), Flora Coatings LLC (\$0.9 million), Northern Arizona University (\$1 million), Translational Genomics Research Institute (\$0.2 million), the University of Arizona (\$0.8 million), and US Air Tech, LLC (\$0.3 million).

Table 2

**2020 Federal Coronavirus Response Program Funding for Arizona State and Local Governments
(\$ in millions)**

	<u>State Aid</u>	<u>Local Aid</u>
Coronavirus Relief Fund	\$ 1,857	\$ 965
U.S. Treasury/Federal Reserve Lending Programs	N/A ^{1/}	N/A ^{1/}
<u>Unemployment Insurance</u>		
UI Administration (Initial and Supplemental Grants)	19	
Extension Implementation Grants	0.7	
Short-Time Compensation Administration	2	
Dislocated Worker Grants	1	
Reimbursing Employers	47	
Fraud Investigation	2	
<u>Education</u>		
Education Stabilization Fund		
Governor Emergency Education	100	
Private Schools Set-Aside	54	
K-12	1,427	
Higher Education	736	
Head Start	16	
<u>Health</u>		
FMAP Increase	506	
Medicare State Survey and Certification	0.2	
CDC Grants	672	
Emergency Response Grants	5	
Emergency Response for Suicide Prevention	0.8	
Hospital Preparedness Program	5	
Ryan White HIV/AIDS	0.4	0.4
Substance Abuse Prevention and Treatment Block Grant	38	
Community Mental Health Services Block Grant	23	
<u>Emergency Relief</u>		
Emergency Management Performance Grants	2	
Emergency Food and Shelter Program	0.6	5
Assistance to Firefighters Grants		0.8
Stafford Act Assistance	154	11
<u>Food Assistance</u>		
TEFAP	30	
WIC	10	
National School Lunch Program	140	
SNAP Administration	2	
Reimbursement for Nutrition Programs	N/A ^{1/}	
<u>Children and Families</u>		
Child Care and Development Block Grant	337	
Title IV-B	3	
Chafee Foster Care Program	12	
Family Violence Prevention and Services	1	

Table 2 Continued

2020 Federal Coronavirus Response Program Funding for Arizona State and Local Governments
(\$ in millions)

	<u>State Aid</u>	<u>Local Aid</u>
<u>Elderly and Community Living</u>		
Older Americans Act		
Congregate and Home-Delivered Meals	20	
Supportive Services	4	
Family Caregivers Supportive Services	2	
Title VII Protection of Vulnerable Older Americans	0.5	
Discretionary Projects	1	
Low Income Home Energy Assistance Program	29	
Community Services Block Grants	8	
Aging and Disability Resource Centers	1	
Adult Protective Services	2	
Vaccine Access	2	
<u>Housing and Urban Development</u>		
Community Development Block Grants	32	74
Homeless Assistance/Emergency Solutions Grant	22	50
Public Housing Operating Funding		3
Tenant-Based Rental Assistance	0 ^{2/}	3
Supportive Housing for Persons with Disabilities		0.7
Housing Opportunities for Persons with AIDS	0.1	0.8
Rental Assistance	290	202
<u>Transportation</u>		
Urbanized Areas	372	
Rural Area Formula	42	
Highway Infrastructure Program	150	32
Airport Grants	225	
Airport Improvement Program	71	
Supplementary Discretionary Grants	10	
Surface Transportation Block Grant Program	182	
Enhanced Mobility of Seniors and Individuals with Disabilities	0.4	0.8
<u>Other</u>		
Byrne Justice Assistance Grants	12	6
Coronavirus Emergency Supplemental Funding	12	7
Economic Adjustment Assistance		1
Elections	8	
Manufacturing Extension Partnership	0.7	
Institute of Museum and Library Services Grants	0.7	
Arts	0.5	
Total ^{3/}	7,704 ^{4/}	1,363 ^{4/}

^{1/} The state was eligible to borrow up to \$4,197 million and local governments were eligible to borrow up to a total of \$1,453 million through the Municipal Liquidity Facility. For more information, see the narrative and attachment.

^{2/} Actual figure rounds to \$0. See narrative for amount.

^{3/} This table is not a comprehensive list of funding sources in federal coronavirus response legislation.

^{4/} Numbers may not add to total due to rounding.

Table 3
2020 Federal Coronavirus Response Program Direct Aid to Arizona Individuals and Businesses
(\$ in millions)

<u>Individuals</u>	
UI Benefits	11,180
SNAP Emergency Allotments	759
Pandemic EBT	848
Emergency Broadband Benefit Program	N/A ^{1/}
\$1,200/\$2,400 Taxpayer Assistance	9,043
Paid Sick and Family Leave	N/A ^{1/}
Charitable Contribution Deductions (Individual)	N/A ^{1/}
<u>Businesses</u>	
U.S. Treasury/Federal Reserve Lending Programs	N/A ^{1/}
Sick and Family Leave Credits	N/A ^{1/}
Employee Retention Credit	982
Charitable Contribution Deductions (Corporations)	N/A ^{1/}
Business Interest Expense Deductions	N/A ^{1/}
Net Operating Losses	N/A ^{1/}
Qualified Improvement Property Depreciation	N/A ^{1/}
Paycheck Protection Program	12,555
Economic Injury Disaster Loans	3,226
EIDL Advances	329
Relief for Existing Loans	N/A ^{1/}
Coronavirus Food Assistance Program	135
<u>Health</u>	
Emergency Response for Suicide Prevention	0.8
Ryan White HIV/AIDS	0.4
Community Mental Health Services Block Grant	22
Poison Control Centers	0.1
NIH Research Grants	8
Hospitals and Health Care Providers	2,267
Community Health Centers	40
Certified Community Behavioral Health Clinics	8
Primary Care Association	0.1
Rural Health Clinics	2
Health Center Controlled Networks	0.1
Telehealth Program Grants	2
Small Rural Hospital Improvement Program	1
<u>Other</u>	
Stafford Act Assistance	0 ^{2/}
Family Violence Prevention and Services	0.1
Runaway and Homeless Youth Act	0.5
Centers for Independent Living	2
Tenant-Based Rental Assistance	0 ^{2/}
Supportive Housing for Persons with Disabilities	0.1
Humanities	0.5
Institute of Museum and Library Services Grants	0.2
Economic Adjustment Assistance	2
Health Information Exchange Program	0.6
National Science Foundation Grants	7
Total ^{3/}	41,422 ^{4/}

^{1/} N/A means Arizona's allocation is not yet known.

^{2/} Actual figure rounds to \$0. See narrative for amount.

^{3/} This table is not a comprehensive list of funding sources in federal coronavirus response legislation.

^{4/} Numbers may not add to total due to rounding.

Attachment: Coronavirus State/Local Government Loan Programs

The CARES Act (COVID 3) directed the Treasury to provide \$454 billion for Federal Reserve Board (Fed) programs, which included the Municipal Liquidity Facility (MLF). The MLF consisted of \$35 billion from the Treasury’s COVID 3 appropriation and \$465 billion from the regional Federal Reserve banks, for a total of \$500 billion. Through the MLF, the Fed bought short-term notes from states, county governments with populations of at least 500,000, city governments with populations of at least 250,000, and multi-state entities, with at least 2 eligible local governments per state. For Arizona, this meant that the state, Maricopa County, City of Phoenix, City of Mesa, City of Chandler, City of Scottsdale, City of Glendale, Pima County, and City of Tucson were eligible for the program. State and local governments must have a rating of at least BBB-/Baa3 as of April 8, 2020, from at least 2 major nationally-recognized credit rating agencies. A qualifying entity may also issue debt on behalf of political subdivisions below these population thresholds.

To be eligible for the program, short-term notes must mature in 3 years or less. These include tax anticipation notes (TANs), tax and revenue anticipation notes (TRANS), bond anticipation notes (BANs), and other similar short-term notes. The MLF purchased notes until December 31, 2020 (mid-FY 2021). Therefore, if Arizona entities participated in the program, the latest that principal payments would be due is December 31, 2023 (mid-FY 2024). No governments in Arizona utilized the MLF.

Purchases would have an interest rate determined by the Fed and based on the government’s credit rating. Details on pricing have not yet been released, but initial comments from the Fed indicate that the pricing may be higher than market rates. There was also an origination fee of 10 basis points, or 0.10%, of the principal amount. The origination fee may be paid from the proceeds of the issuance. These notes may be prepaid at any time by the issuer, subject to the approval of the Fed.

Purchases were capped at 20% of the entity’s overall tax revenue and utility revenue (excluding intergovernmental revenue) in 2017, as reported by the U.S. Census Bureau. (See *Table 4.*) In Arizona, the state’s overall tax revenue and utility revenue (excluding intergovernmental revenue) totaled \$21.0 billion in 2017. Therefore, the 20% cap for the state would be \$4.2 billion. However, states may request that MLF purchases exceed this cap to assist political subdivisions that are not eligible for the program.

These monies may be used to help manage revenue shortfalls. The eligible government may also use the proceeds to purchase similar notes issued by, or otherwise assist, political subdivisions that do not qualify for the program. For each eligible government unit, only one entity/office within that government may participate and issue debt under the program, unless additional issuers are approved by the Federal Reserve.

The Fed has reiterated that it will continue to monitor the market to evaluate whether additional measures are necessary. Reports on the Fed’s guidance to state and local officials indicate that the MLF should be viewed as a last resort.

State	4,197,400,000
Maricopa County	204,800,000
City of Phoenix	562,600,000
City of Mesa	130,500,000
City of Chandler	65,800,000
City of Scottsdale	98,200,000
City of Glendale	68,500,000
Pima County	183,900,000
City of Tucson	138,900,000

Attachment: Higher Education Emergency Relief Fund Allocations

The Higher Education Emergency Relief Fund (HEERF) received appropriations from the CARES Act (COVID 3), the Consolidated Appropriations Act (COVID 4), and the American Rescue Plan (ARP) Act.

COVID 3 Allocations

There are 3 types of COVID 3 HEERF allocations:

- Section 18004(a)(1) of COVID 3 outlines a distribution formula based 75% on the relative share of full-time equivalent student enrollment (FTSE) of in-person Pell Grant recipients and 25% on in-person non-Pell Grant recipients at the institution of higher education (IHE). At least 50% of these monies must be used for student grants. The minimum amount that must be used for student grants is indicated in the "Student Grants" column.
- Section 18004(a)(2) monies are allocated according to the above formula to Historically Black Colleges and Universities (HBCUs), American Indian Tribally Controlled Colleges and Universities (TCCUs), Minority Serving Institutions (MSIs), and Strengthening Institutions Program (SIP) participants.
- Section 18004(a)(3) funding is allocated to ensure all public and private nonprofit IHEs receive at least \$500,000 in HEERF monies. Approximately \$15 million has yet to be allocated nationwide. These monies will be distributed by competitive grants.

From COVID 3, Arizona IHEs received \$304 million in HEERF monies, consisting of approximately \$122 million to public universities, \$82 million to community colleges, and \$101 million to private IHEs.

COVID 4 Allocations

There are 4 types of COVID 4 HEERF allocations:

- Section 314(a)(1) of COVID 4 outlines a distribution formula based 37.5% on the relative share of in-person Pell Grant FTSE, 37.5% on the relative share of in-person Pell Grant headcount, 11.5% on the relative share of in-person non-Pell Grant FTSE, 11.5% on the relative share of in-person non-Pell Grant headcount, 1% on the relative share of exclusively-online Pell Grant FTSE, and 1% on the relative share of exclusively-online Pell Grant headcount at the IHE. Of these monies, IHEs must use at least the same dollar amount as was required in COVID 3 for student grants, including the full amount of section 314(a)(1)(E) and (F) funds allocated for exclusively-online students. The minimum amount that must be used for student grants is indicated in the "Student Grants" column.
- Section 314(a)(2) allocates additional funding for HBCUs, TCCUs, MSIs, and SIP participants according to the above formula, except for the following:
 - HBCU undergraduate programs (see the next bullet for HBCU graduate programs) will receive monies based 70% on share of Pell Grant headcount, 20% on share of total student headcount, and 10% on ratio of endowment size.
 - HBCU graduate programs will receive an amount in proportion to funds received for guaranteed loans in the 2020 Further Consolidated Appropriations Act (P.L. 116-94).
 - For TCCUs, up to 30% of funds may be reserved for 1-year grants of at least \$1 million for construction, maintenance, and renovation needs. Of the remaining monies, 60% will be distributed by FTSE and 40% in equal shares, with each TCCU receiving at least \$500,000.
- Section 314(a)(3) funding will be distributed to IHEs that have the greatest unmet needs related to COVID-19, at the discretion of the U.S. Secretary of Education. These include eligible IHEs that did not receive section 314(a)(1) awards, MSIs and SIP participants that did not receive section 314(a)(2) awards, and IHEs with high populations of Pell Grant recipients, students with financial needs, and graduate students.
- Section 314(a)(4) monies are allocated to proprietary IHEs based on the section 314(a)(1) formula. These monies must be used exclusively for student grants.

The U.S. Department of Education has announced section 314(a)(1), (a)(2), and (a)(4) allocations. From COVID 4, Arizona IHEs will receive at least \$454 million in HEERF monies. Of this amount, public universities are allocated \$205 million, community colleges \$182 million, and private IHEs \$69 million.

Breakdowns of section 314(a)(3) distributions are not yet available. We expect that Arizona IHEs may receive additional funding through these allocations.

ARP Allocations

There are 4 types of ARP HEERF allocations:

- Section 2003(a)(1) outlines a distribution formula based 37.5% on the relative share of in-person Pell Grant FTSE, 37.5% on the relative share of in-person Pell Grant headcount, 11.5% on the relative share of in-person non-Pell Grant FTSE, 11.5% on the relative share of in-person non-Pell Grant headcount, 1% on the relative share of exclusively-online Pell Grant FTSE, and 1% on the relative share of exclusively-online Pell Grant headcount at the IHE. Of the section 2003(a)(1)(A) through (D) funds allocated for in-person students, IHEs must use at least 50% for student grants. In addition, IHEs must use the full amount of section 2003(a)(1)(E) and (F) funds allocated for exclusively-online students for student grants. The minimum amount that must be used for student grants is indicated in the "Student Grants" column.
- Section 2003(a)(2) allocates additional funding for HBCUs, TCCUs, MSIs, and SIP participants according to the above formula, except for the following:
 - HBCU undergraduate programs (see the next bullet for HBCU graduate programs) will receive monies based 70% on share of Pell Grant headcount, 20% on share of total student headcount, and 10% on ratio of endowment size.
 - HBCU graduate programs will receive an amount in proportion to funds received for guaranteed loans in the 2020 Further Consolidated Appropriations Act (P.L. 116-94).
 - For TCCUs, up to 30% of funds may be reserved for 1-year grants of at least \$1 million for construction, maintenance, and renovation needs. Of the remaining monies, 60% will be distributed by FTSE and 40% in equal shares, with each TCCU receiving at least \$500,000.
- Section 2003(a)(3) funding will be distributed to IHEs that have the greatest unmet needs related to COVID-19, at the discretion of the U.S. Secretary of Education.
- Section 2003(a)(4) monies are allocated to proprietary IHEs based on the section 2003(a)(1) formula. These monies must be used exclusively for student grants.

The U.S. Department of Education has announced section 2003(a)(1) and (a)(4) allocations. From the ARP, Arizona IHEs will receive at least \$675 million in HEERF monies. Of this amount, public universities are allocated \$341 million, community colleges \$295 million, and private IHEs \$39 million.

Breakdowns of section 2003(a)(2) and (a)(3) distributions are not yet available. We expect that Arizona IHEs will receive additional funding through these allocations.

Table 5

HEERF Allocations by Type of Institution

	<u>COVID 3</u>					<u>COVID 4</u>					<u>ARP</u>			<u>Total</u>		
	<u>18004(a)(1)</u>	<u>18004(a)(2)</u>	<u>18004(a)(3)</u>	<u>Total</u>	<u>Student Grants</u> ^{1/}	<u>314(a)(1)</u>	<u>314(a)(2)</u>	<u>314(a)(4)</u>	<u>Total</u>	<u>Student Grants</u> ^{1/}	<u>2003(a)(1)</u>	<u>2003(a)(4)</u>	<u>Total</u>	<u>Student Grants</u> ^{1/}	<u>Total Allocation</u>	<u>Total Student Grants</u> ^{1/}
Public Universities	118,064,438	3,472,541		121,536,979	59,032,219	198,390,109	6,673,293		205,063,402	59,032,219	341,098,371		341,098,371	178,523,063	326,600,381	118,064,438
Community Colleges	72,712,674	9,310,304	263,877	82,286,855	36,356,337	167,234,509	15,124,666		182,359,175	36,356,337	295,189,459		295,189,459	151,000,040	559,835,489	223,712,714
Private Institutions	97,974,699	224,375	2,439,150	100,638,224	48,987,350	4,678,090	316,694	61,842,570	66,837,354	63,385,550	3,710,304	35,276,533	38,986,837	37,189,599	206,462,415	149,562,499
Total	288,751,811	13,007,220	2,703,027	304,462,058	144,375,906	370,302,708	22,114,653	61,842,570	454,259,931	158,774,106	639,998,134	35,276,533	675,274,667	366,712,702	1,092,898,285	491,339,651

^{1/} At least 50% of the COVID 3 section 18004(a)(1) funds must be distributed to students as emergency financial aid grants. At least this same dollar amount from COVID 4 section 314(a)(1) funds must also be distributed to students, including the full amount of COVID 4 section 314(a)(1)(E) and (F) funds allocated for students enrolled in exclusively distance education courses. All COVID 4 section 314(a)(4) funds must also be distributed to students. In addition, at least 50% of the ARP section 2003(a)(1)(A) through (D) funds must be distributed to students as emergency financial aid grants, as well as the full amount of ARP section 2003(a)(1)(E) and (F) funds allocated for students enrolled in exclusively distance education courses and all ARP section 2003(a)(4) funds. These figures represent the minimum amount that must be distributed as student grants.

Table 6

HEERF Allocations: Public Universities

	<u>COVID 3</u>				<u>COVID 4</u>				<u>ARP</u>			<u>Total</u>	
	<u>18004(a)(1)</u>	<u>18004(a)(2)</u>	<u>Total</u>	<u>Student Grants</u> ^{1/}	<u>314(a)(1)</u>	<u>314(a)(2)</u>	<u>Total</u>	<u>Student Grants</u> ^{1/}	<u>2003(a)(1)</u>	<u>Total</u>	<u>Student Grants</u> ^{1/}	<u>Total Allocation</u>	<u>Total Student Grants</u> ^{1/}
Arizona State University	63,533,137		63,533,137	31,766,569	112,906,424	1,900,835	114,807,259	31,766,569	191,373,341	191,373,341	102,280,736	178,340,396	63,533,137
Northern Arizona University	23,577,854	1,157,111	24,734,965	11,788,927	37,511,826	1,583,041	39,094,867	11,788,927	66,183,680	66,183,680	33,993,200	63,829,832	23,577,854
University of Arizona	30,953,447	2,315,430	33,268,877	15,476,724	47,971,859	3,189,417	51,161,276	15,476,724	83,541,350	83,541,350	42,249,127	84,430,153	30,953,447
Total	118,064,438	3,472,541	121,536,979	59,032,219	198,390,109	6,673,293	205,063,402	59,032,219	341,098,371	341,098,371	178,523,063	326,600,381	118,064,438

^{1/} At least 50% of the COVID 3 section 18004(a)(1) funds must be distributed to students as emergency financial aid grants. At least this same dollar amount from COVID 4 section 314(a)(1) funds must also be distributed to students, including the full amount of COVID 4 section 314(a)(1)(E) and (F) funds allocated for students enrolled in exclusively distance education courses. In addition, at least 50% of the ARP section 2003(a)(1)(A) through (D) funds must be distributed to students as emergency financial aid grants, as well as the full amount of ARP section 2003(a)(1)(E) and (F) funds allocated for students enrolled in exclusively distance education courses. These figures represent the minimum amount that must be distributed as student grants.

HEERF Allocations: Community Colleges														
	COVID 3					COVID 4				ARP			Total	
	18004(a)(1)	18004(a)(2)	18004(a)(3)	Total	Student Grants ^{1/}	314(a)(1)	314(a)(2)	Total	Student Grants ^{1/}	2003(a)(1)	Total	Student Grants ^{1/}	Total Allocation	Total Student Grants ^{1/}
Arizona Western	4,528,738	284,360		4,813,098	2,264,369	9,589,819	521,129	10,110,948	2,264,369	16,504,583	16,504,583	8,548,301	31,428,629	13,077,039
Central Arizona	3,010,509	189,817		3,200,326	1,505,255	5,964,675	325,820	6,290,495	1,505,255	12,012,760	12,012,760	6,073,656	21,503,581	9,084,165
*Chandler-Gilbert	4,350,989			4,350,989	2,175,495	9,757,937		9,757,937	2,175,495	17,305,778	17,305,778	8,717,431	31,414,704	13,068,420
Cochise	3,163,235	211,918		3,375,153	1,581,618	5,418,622	314,382	5,733,004	1,581,618	9,568,797	9,568,797	4,977,476	18,676,954	8,140,711
Coconino	1,104,730	137,894		1,242,624	552,365	2,805,311	309,641	3,114,952	552,365	4,812,964	4,812,964	2,454,265	9,170,540	3,558,995
Diné	1,346,931	4,844,910		6,191,841	673,466	2,909,862	5,835,175	8,745,037	673,466	4,983,963	4,983,963	2,502,747	19,920,841	3,849,678
EVIT	236,123		263,877	500,000	118,062	503,990		503,990	118,062	897,610	897,610	448,806	1,901,600	684,929
Eastern Arizona	2,222,272	111,481		2,333,753	1,111,136	4,692,651	202,829	4,895,480	1,111,136	8,306,984	8,306,984	4,175,514	15,536,217	6,397,786
*Estrella Mountain	4,856,585	307,658		5,164,243	2,428,293	11,191,621	608,523	11,800,144	2,428,293	19,437,041	19,437,041	9,906,098	36,401,428	14,762,683
*GateWay	2,707,626	156,881		2,864,507	1,353,813	6,158,634	337,442	6,496,076	1,353,813	10,830,521	10,830,521	5,465,359	20,191,104	8,172,985
*Glendale	8,301,836	533,479		8,835,315	4,150,918	19,156,542	1,046,490	20,203,032	4,150,918	33,424,136	33,424,136	16,919,671	62,462,483	25,221,507
*Mesa	7,352,103	478,185		7,830,288	3,676,052	17,795,363	990,108	18,785,471	3,676,052	31,155,467	31,155,467	15,919,343	57,771,226	23,271,446
Mohave	1,933,935	94,646		2,028,581	966,968	4,605,866	188,236	4,794,102	966,968	8,321,369	8,321,369	4,311,749	15,144,052	6,245,684
Northland Pioneer	643,137	83,277		726,414	321,569	1,842,485	206,712	2,049,197	321,569	3,273,884	3,273,884	1,703,655	6,049,495	2,346,792
*Paradise Valley	2,586,404			2,586,404	1,293,202	6,141,870		6,141,870	1,293,202	10,891,792	10,891,792	5,512,224	19,620,066	8,098,628
*Phoenix	4,772,192	304,728		5,076,920	2,386,096	11,740,227	640,649	12,380,876	2,386,096	20,552,476	20,552,476	10,518,649	38,010,272	15,290,841
Pima	9,989,049	640,229		10,629,278	4,994,525	22,597,292	1,242,857	23,840,149	4,994,525	38,689,595	38,689,595	19,906,024	73,159,022	29,895,073
*Rio Salado	2,531,870			2,531,870	1,265,935	7,331,461		7,331,461	1,265,935	14,311,941	14,311,941	7,680,562	24,175,272	10,212,432
*Scottsdale	2,386,925			2,386,925	1,193,463	5,584,623		5,584,623	1,193,463	9,744,370	9,744,370	4,944,778	17,715,918	7,331,703
*South Mountain	2,098,614	132,246		2,230,860	1,049,307	5,018,347	270,185	5,288,532	1,049,307	8,633,405	8,633,405	4,387,847	16,152,797	6,486,461
Tohono O'odham	199,279	798,595		997,874	99,640	508,878	2,084,488	2,593,366	99,640	840,688	840,688	424,742	4,431,928	624,021
Yavapai	2,389,592			2,389,592	1,194,796	5,918,433		5,918,433	1,194,796	10,689,335	10,689,335	5,501,143	18,997,360	7,890,735
Total	72,712,674	9,310,304	263,877	82,286,855	36,356,337	167,234,509	15,124,666	182,359,175	36,356,337	295,189,459	295,189,459	151,000,040	559,835,489	223,712,714

Note: Asterisks indicate institutions in the Maricopa County Community College District.

1/ At least 50% of the COVID 3 section 18004(a)(1) funds must be distributed to students as emergency financial aid grants. At least this same dollar amount from COVID 4 section 314(a)(1) funds must also be distributed to students, including the full amount of COVID 4 section 314(a)(1)(E) and (F) funds allocated for students enrolled in exclusively distance education courses. In addition, at least 50% of the ARP section 2003(a)(1)(A) through (D) funds must be distributed to students as emergency financial aid grants, as well as the full amount of ARP section 2003(a)(1)(E) and (F) funds allocated for students enrolled in exclusively distance education courses. These figures represent the minimum amount that must be distributed as student grants.

Table 8

HEERF Allocations: Private Institutions

	COVID 3			COVID 4					ARP			Total				
	18004(a)(1)	18004(a)(2)	18004(a)(3)	Total	Student Grants ^{1/}		314(a)(4)	Total	Student Grants ^{1/}		2003(a)(1)	2003(a)(4)	Total	Student Grants ^{1/}	Total Allocation	Total Student Grants ^{1/}
					Grants	Grants			Grants	Grants						
All Beauty College	82,062			82,062	41,031			51,884	51,884	51,884			30,862	30,862	164,808	123,777
American Institute of Interior Design	47,278			47,278	23,639			25,474	25,474	25,474			15,739	15,739	88,491	64,852
American InterContinental University	1,150,405			1,150,405	575,203			1,478,251	1,478,251	1,478,251			791,177	791,177	3,419,833	2,844,631
Arizona Academy of Beauty	107,836			107,836	53,918			61,716	61,716	61,716			36,063	36,063	205,615	151,697
Arizona Christian University	747,009	36,421		783,430	373,505	1,188,662	50,006	1,238,668	373,505		1,945,139		1,945,139	993,195	3,967,237	1,740,204
Arizona College	3,665,308			3,665,308	1,832,654			1,851,990	1,851,990	1,851,990		1,224,171	1,224,171	1,224,171	6,741,469	4,908,815
Arizona Culinary Institute	209,341			209,341	104,671			134,444	134,444	134,444			84,219	84,219	428,004	323,334
Arizona School of Acupuncture and Oriental Medicine	7,856			7,856	3,928			10,665	10,665	10,665			7,341	7,341	25,862	21,934
Arizona School of Integrative Studies	163,548			163,548	81,774			150,141	150,141	150,141			89,675	89,675	403,364	321,590
Avalon School of Cosmetology	2,120,430			2,120,430	1,060,215			1,059,738	1,059,738	1,059,738			624,026	624,026	3,804,194	2,743,979
Aveda Institute Tucson	598,691			598,691	299,346			317,571	317,571	317,571			191,056	191,056	1,107,318	807,973
Brookline College	1,890,270			1,890,270	945,135			1,794,652	1,794,652	1,794,652			1,102,634	1,102,634	4,787,556	3,842,421
Bryan University								65,408	65,408	65,408			36,684	36,684	102,092	102,092
Carrington College	3,823,185			3,823,185	1,911,593			2,312,361	2,312,361	2,312,361			1,341,784	1,341,784	7,477,330	5,565,738
Charles of Italy Beauty College	74,036			74,036	37,018			49,741	49,741	49,741			28,955	28,955	152,732	115,714
CollegeAmerica - Flagstaff	1,792,797	173,258		1,966,055	896,399	2,524,521	242,724	2,767,245	896,399				0	0	4,733,300	1,792,797
Conservatory of Recording Arts & Sciences	926,993			926,993	463,497			568,120	568,120	568,120			378,948	378,948	1,874,061	1,410,565
Grand Canyon University	22,351,397			22,351,397	11,175,699			18,004,836	18,004,836	18,004,836			10,854,795	10,854,795	51,211,028	40,035,330
HDS Truck Driving Institute	167,052			167,052	83,526			126,462	126,462	126,462			76,430	76,430	369,944	286,418
International Baptist College and Seminary	70,347		429,653	500,000	35,174	98,089		98,089	35,174		170,809		170,809	85,682	768,898	156,029
International Barber College	91,467			91,467	45,734			44,469	44,469	44,469			29,508	29,508	165,444	119,711
Kor Beauty Academy	37,326			37,326	18,663			21,442	21,442	21,442			12,553	12,553	71,321	52,658
National Paralegal College								21,300	21,300	21,300			11,947	11,947	33,247	33,247
Paul Mitchell The School Phoenix	306,817			306,817	153,409			143,625	143,625	143,625			84,197	84,197	534,639	381,231
Penrose Academy	412,035			412,035	206,018			241,548	241,548	241,548			147,777	147,777	801,360	595,343
Phoenix Institute of Herbal Medicine & Acupuncture	37,245			37,245	18,623			47,035	47,035	47,035			32,392	32,392	116,672	98,050
Phoenix Seminary	42,117		457,883	500,000	21,059	71,977		71,977	21,059		133,714		133,714	66,858	705,691	108,975
Pima Medical Institute	21,285,691			21,285,691	10,642,846			10,834,945	10,834,945	10,834,945			5,857,077	5,857,077	37,977,713	27,334,868
Prescott College	301,297	14,696	184,007	500,000	150,649	589,575	23,964	613,539	150,649		1,080,517		1,080,517	577,268	2,194,056	878,565
Pure Aesthetics Natural Skincare School	32,907			32,907	16,454			26,535	26,535	26,535			16,189	16,189	75,631	59,178
Refrigeration School	1,786,314			1,786,314	893,157			989,615	989,615	989,615			592,817	592,817	3,368,746	2,475,589
Regional Center for Border Health	13,967		486,033	500,000	6,984	49,729		49,729	6,984		92,060		92,060	46,030	641,789	59,997
Roberto-Venn School of Luthiery	35,092			35,092	17,546			19,831	19,831	19,831			12,226	12,226	67,149	49,603
School of Architecture at Taliesin	3,492		496,508	500,000	1,746	9,577		9,577	1,746		17,737		17,737	8,869	527,314	12,361
Sessions College for Professional Design								6,354	6,354	6,354			3,564	3,564	9,918	9,918
Sonoran Desert Institute								35,423	35,423	35,423			19,861	19,861	55,284	55,284
Southwest College of Naturopathic Medicine & Health Sciences	114,934		385,066	500,000	57,467	145,960		145,960	57,467		270,328		270,328	135,164	916,288	250,098
Southwest Institute of Healing Arts	339,100			339,100	169,550			343,108	343,108	343,108			235,695	235,695	917,903	748,353
Southwest University of Visual Arts	239,538			239,538	119,769			0	0	0			0	0	239,538	119,769
Studio Academy of Beauty	994,090			994,090	497,045			608,619	608,619	608,619			357,909	357,909	1,960,618	1,463,573
Tucson College of Beauty	180,991			180,991	90,496			97,325	97,325	97,325			56,838	56,838	335,154	244,659
Turning Point Beauty College	94,238			94,238	47,119			112,588	112,588	112,588			74,696	74,696	281,522	234,403
Universal Technical Institute	24,281,085			24,281,085	12,140,543			12,290,482	12,290,482	12,290,482			7,139,643	7,139,643	43,711,210	31,570,668
University of Advancing Technology	759,682			759,682	379,841			450,942	450,942	450,942			259,240	259,240	1,469,864	1,090,023
University of Phoenix	6,589,433			6,589,433	3,294,717			7,443,930	7,443,930	7,443,930			3,417,845	3,417,845	17,451,208	14,156,492
Total	97,974,699	224,375	2,439,150	100,638,224	48,987,350	4,678,090	316,694	61,842,570	66,837,354	63,385,550	3,710,304	35,276,533	38,986,837	37,189,599	206,462,415	149,562,499

1/ At least 50% of the COVID 3 section 18004(a)(1) funds must be distributed to students as emergency financial aid grants. At least this same dollar amount from COVID 4 section 314(a)(1) funds must also be distributed to students, including the full amount of COVID 4 section 314(a)(1)(E) and (F) funds allocated for students enrolled in exclusively distance education courses. All COVID 4 section 314(a)(4) funds must also be distributed to students. In addition, at least 50% of the ARP section 2003(a)(1)(A) through (D) funds must be distributed to students as emergency financial aid grants, as well as the full amount of ARP section 2003(a)(1)(E) and (F) funds allocated for students enrolled in exclusively distance education courses and all ARP section 2003(a)(4) funds. These figures represent the minimum amount that must be distributed as student grants.

Attachment: FEMA Stafford Act Assistance

The Federal Emergency Management Agency (FEMA), part of the U.S. Department of Homeland Security, provides disaster assistance under the Stafford Disaster Relief and Emergency Assistance Act ("Stafford Act"). Federal assistance is paid for through the Disaster Relief Fund, which received \$45 billion in the CARES Act (COVID 3).

There are 2 types of Stafford Act declarations: emergency declarations and major disaster declarations. On March 13, 2020, the President issued a national emergency declaration due to the COVID-19 pandemic. The Governor subsequently requested a major disaster declaration for Arizona, which was approved on April 4, 2020.

There are 3 major categories of federal assistance under the Stafford Act: (1) Public Assistance (PA); (2) Hazard Mitigation Assistance; and (3) Individual Assistance (IA). The federal cost-share for PA, Hazard Mitigation Assistance, and some IA programs is a minimum of 75%, but can be increased by the President on the recommendation of FEMA or through a legislative (Congressional) waiver. For example, Congress waived the cost-share following Hurricane Katrina and 9/11, and the Executive waived the cost-share following Hurricane Sandy and the Columbia Space Shuttle incident.

As a result of the national emergency declaration, all states became eligible for PA Category B (emergency protective measures) spending with a 75% federal cost-share. In Arizona's major disaster declaration request, the Governor sought a waiver of Arizona's cost-share portion, as well as:

1. PA Category B eligibility (which Arizona was already entitled to, due to the national emergency declaration), including direct federal assistance;
2. Hazard Mitigation Assistance; and
3. Access to the following IA programs:
 - Crisis Counseling Program
 - Disaster Case Management
 - Disaster Unemployment Assistance
 - Disaster Legal Services
 - Disaster Supplemental Nutrition Assistance Program

The major disaster declaration was approved for PA Category B spending (item #1 above), which Arizona was already eligible for, due to the national emergency declaration. However, the federal government did not waive Arizona's 25% state match requirement.

The federal approval also did not initially expand Arizona's eligibility to include Hazard Mitigation Assistance or any IA programs (items #2 and #3 above). However, the major disaster declaration for Arizona was later amended to include one IA program, the Crisis Counseling Program (for more information, see Crisis Counseling Program section).

On February 2, 2021, the President provided a waiver for the state cost-share requirement, retroactive to January 20, 2020.

Public Assistance

Eligible entities (such as state agencies, cities, counties, tribal governments, and some "critical" nonprofits) have 30 days from the approval of the major disaster declaration (until May 4, 2020) to submit requests for PA to the state coordinating agency. In Arizona, the state coordinating agency is the Department of Emergency and Military Affairs (DEMA). DEMA then submits requests and supporting documentation to FEMA, which reviews and approves the funding package.

As of July 22, 2021, FEMA has obligated to Arizona a total of \$181.4 million in PA monies, consisting of \$153.6 million in Category B funds and \$4.7 million for state management costs. Of these monies, \$146.1 million went to state agencies, \$11.2 million to local governments, and \$1.1 million to tribal entities. Nonprofits also received

\$33,872. A total of 42 applicants have received funding for 86 projects. For a more detailed breakdown of projects, see *Table 9*.

Critical supplies delivered (as of June 9, 2020) include 485,055 N95 respirators, 356,208 gloves, 86,993 face shields, 566,477 surgical masks, 100 ventilators, and 8,564 non-contact infrared thermometers. Additional FEMA assistance is expected.

National Guard

COVID 3 provides \$1.4 billion nationwide to support deployment of 20,000 members of the National Guard for 6 months. Under U.S.C. Title 32, state governments pay 25% of the cost of operating the National Guard, while the federal government provides the remaining 75%. On April 7, 2020, the President issued a memorandum allowing FEMA to fully fund National Guard activities in Arizona for 31 days. The 100% federal cost share was extended through May 31, 2020 (in an April 20, 2020, memorandum), through June 24, 2020 (in a May 8, 2020, memorandum), and through August 21, 2020 (in a June 2, 2020 memorandum). On August 3, 2020, the President issued a memorandum allowing FEMA to provide a 75% federal cost share for National Guard activities through December 31, 2020. According to NCSL, mobilization of 1,000 troops costs \$9 million per month. As of November 17, 2020, 730 Arizona National Guard members are deployed in response to COVID-19.

Crisis Counseling Program

FEMA oversees the Crisis Counseling Assistance and Training Program (CCP) in partnership with the Substance Abuse and Mental Health Services Administration (SAMSHA), a branch of the U.S. Department of Health and Human Services. The CCP supports short-term interventions to assist disaster survivors in understanding their current situation and their reactions, stress management, disaster recovery options, coping strategies, and emotional support. CCP services include individual or group crisis counseling, community networking, educational materials, connection to resources, and media/public messaging partnerships.

State, local, and tribal mental health authorities may receive funds through the Immediate Services Program (ISP), which provides funds for 60 days of services from IA approval and is monitored by FEMA, or the Regular Services Program (RSP), which funds 9 months of services from notice of award and is monitored by SAMSHA. Funding for entities is contingent on the provision of regular progress and financial status reports, a site visit by FEMA and SAMSHA during the grant period, and detailed documentation of services.

The CCP does not have cost-sharing requirements and is funded 100% by the federal Disaster Relief Fund.

On June 3, 2020, FEMA awarded Arizona an ISP grant of \$0.5 million. The state launched Resilient Arizona CCP on June 22, 2020. Services are available to the general public, with a specific focus on healthcare workers, youth, families, those 65 and older, and tribal communities. FEMA provided Arizona with an ISP funding extension of \$2.5 million, allowing ISP services to continue through September 2020, and SAMSHA granted \$2.3 million to fund RSP services through June 2021. In addition, FEMA and SAMSHA provided an additional \$3.3 million for both ISP and RSP services through December 2, 2021. Across ISP and RSP programs, Arizona has received a total of approximately \$8.1 million in CCP monies.

Relationship to State Emergency Declaration

On March 11, 2020, the Governor issued a state emergency declaration due to the COVID-19 pandemic.

Stafford Act assistance may be tied to a state emergency declaration. Relief under the Stafford Act is not a formula grant, in which the level of funding provided to a state is based on a pre-determined formula. Stafford Act aid to Arizona is dependent on the dollar level of COVID-related expenditures approved for reimbursement by the federal government.

The FEMA guide to the disaster declaration process states that “the Governor must take appropriate action under State law and direct execution of the State’s emergency plan” to qualify for Stafford Act funding. In Arizona’s major disaster declaration request, the Governor was required to certify that he had “taken appropriate action under State... law and [has] directed the execution of the State... Emergency Plan on March 11, 2020, in accordance with the Stafford Act”. In an April 1, 2020, press release, the Governor referenced the state emergency declaration as being required to receive federal Stafford Act disaster relief monies.

Table 9

FEMA Stafford Act Public Assistance Grants by Project

<u>Recipient</u>	<u>Federal Share of Project Cost</u>	<u>Additional Project Information</u>
DHS	\$ 47,711,174	Materials
		360,156 Logistical Facility
		551,709 Materials
		17,716,359 PPE
		4,500,000 State Farm
		16,000,000 State Farm
		12,491,776 Phoenix Vaccine Point of Dispensing (POD) - First 30 Days
		7,756,850 Public Service Announcements
		12,733,000 ASU Testing
		1,045,474 Testing Blitz
		23,941,235 Phoenix Vaccine POD 03/06-06/04
Subtotal	144,807,733	
DEMA, Division of Emergency Management	13,437,000	Coveralls
	2,882,079	PPE
	4,707,678	State Management Costs
	309,365	State Emergency Operations Center (SEOC) Expenses
Subtotal	21,336,123	
Navajo Nation Reservation	269,710	Health Command Operations Center (HCOC) Force Account Materials
	25,173	Local Temp Hire to Process Chapter House
Subtotal	294,883	
Pascua Yaqui Indian Reservation	64,475	Food Procurement & Distribution
	123,342	Food Procurement & Distribution
	46,338	Food Procurement & Distribution
	49,744	Food Procurement & Distribution
	71,000	Food Procurement & Distribution
	35,608	EOC Activation and Health Response
	47,410	Food Procurement & Distribution
	19,277	Food Procurement & Distribution
	62,434	Food Procurement & Distribution
	94,045	Food Procurement & Distribution
	33,726	Food Procurement & Distribution
	63,338	Food Procurement & Distribution
	39,261	Food Procurement & Distribution
	49,410	Food Procurement & Distribution
	73,158	Food Procurement & Distribution
	63,681	Food Procurement & Distribution
	16,298	Food Procurement & Distribution
Subtotal	952,546	
Eloy	20,959	
	6,785	
Subtotal	27,743	
Verde Valley Fire District	13,575	
	8,702	
Subtotal	22,277	
Santa Cruz County	266,193	EOC Activation and Health Response
	518,996	PPE
	22,837	PPE
Subtotal	808,025	
Superstition Fire & Medical District	57,543	
	14,225	
Subtotal	71,768	

Table 9 Continued

FEMA Stafford Act Public Assistance Grants by Project

<u>Recipient</u>	<u>Federal Share of Project Cost</u>	<u>Additional Project Information</u>
Copper Queen Hospital	10,770	Sanitation and Cleaning Supplies
	18,472	Glass Barriers and Face Shields
Subtotal	29,242	
Maricopa County	471,273	Border Response - Phoenix Inn 4/1/2021-5/1/2021
	456,398	Border Response - Days Inn 4/1/2021-5/1/2021
Subtotal	927,671	
Coconino County	586,433	Temporary Isolation Housing Site
	6,325	Vaccine POD 12/28/2020 - 1/27/2021
Subtotal	592,758	
Sun City Fire Department	14,911	Q1 Actuals
	34,701	Q2 Actuals
Subtotal	49,613	
Yavapai-Apache Nation Indian Reservation	61,291	
	110,325	Police
	110,325	Police
Subtotal	281,940	
Pima County	7,250	Emergency Operations Center
	4,932,716	Vaccine POD 12/17/2020 - 1/16/2021
Subtotal	4,939,966	
Tucson	56,377	PPE
	3,361,203	Non-Congregate Sheltering
Subtotal	3,417,579	
DEMA, Military Affairs	2,049,505	Expedited ADEM Military Affairs - Food Distribution
ADOA	226,304	
Apache County	8,552	
El Mirage	5,176	
Guadalupe	6,245	PPE
Forest Lakes Fire District	3,597	
Pleasant Valley Fire District	3,802	PPE
Three Points Fire Department	4,673	
Somerton	4,354	
Yuma	44,460	
Winslow	80,000	
Green Valley Fire District	23,905	PPE
Apache Junction	9,574	
Bullhead City Fire Department	9,904	
Marana	28,459	PPE
Northwest Fire District	165,610	
Phoenix Children's Hospital	4,630	
Sedona	6,439	PPE
Clarkdale	4,500	
Douglas	13,820	
Cochise County	18,329	EOC & PPE
Scottsdale	6,631	
Drexel Heights Fire District	16,894	Decontamination
Arizona Department of Juvenile Corrections	21,121	PPE
Tubac Fire Department	6,631	
Navajo County	16,894	EOC & PPE
Yuma County	21,121	Health District & One-Day
Total	\$ 181,370,997	

Table 10

Federal Coronavirus Response Funds to Tribal Entities

Tribal Entity	Location	Coronavirus State				BIE	ESF TCU Set-Aside	Head Start	CDC	Emergency Grants	Behavioral Health Grants	Suicide Prevention	Telehealth	Rural Tribal COVID-19 Response	IHS Self-Determination & Self-Governance	Epidemiology Cooperative Agreements	Community Health Centers
		CRF ^{1/}	Fiscal Recovery Funds	Aid to Tribal Governments	Welfare Assistance												
Ak-Chin Indian Community	Maricopa	15,166,882	6,854,425	437,612	7,904			157,935							17,404		
Cocopah Indian Tribe	Somerton	6,112,305	7,217,566	500,127	10,178		41,506		1,586,266								
Colorado River Indian Tribe *	Parker	15,364,177		1,500,382	48,105		379,782	135,380									
Diné College						2,522,270	1,523,984										
Fort Defiance Indian Hospital Board, Inc	Fort Defiance							1,122,068			97,402		300,000		17,512,893		
Fort McDowell Yavapai Nation	Fountain Hills	12,527,172	5,755,688	500,127	10,037												
Fort Mojave Indian Tribe *	Needles, California	9,213,765	8,330,270	718,933	15,548												
Gila River Health Care Corporation	Sacaton							758,964									
Gila River Indian Community	Sacaton	97,327,409	107,537,808	2,407,613	221,729		728,433	125,000						7,894,902			
Havasupai Tribe	Supai	2,719,030	5,183,041	437,612	7,947		85,546	154,640									
Hopi Tribe	Kykotsmovi	92,996,823	69,868,833	2,407,613	156,149		404,685	226,360					300,000				
Hualapai Indian Tribe	Peach Springs	11,651,422	12,883,509	843,965	23,094		135,448		807,974								
Inter-Tribal Council of Arizona, Inc	Phoenix							4,257,964							1,000,000		
Kaibab Band of Paiute Indians	Fredonia	1,858,226	3,348,710	194,246	3,118												
Native American Community Health Center	Phoenix									97,402						1,068,930	
Navajo Nation *	Window Rock	714,189,631	1,861,554,458	4,000,000	3,008,211		586,390	3,375,000				954,990		7,058,041	1,000,000		
Navajo Nation Health Foundation	Ganado													2,800,992			
Navajo Technical University						2,534,030	1,528,059										
Navajo Tribal Utility Authority	Fort Defiance							491,175									
Pascua Yaqui Tribe	Tucson	43,800,816	99,665,081	2,407,613	199,652		149,422	243,963						3,612,381			
Phoenix Indian Center, Inc	Phoenix									97,402	800,000						
Quechan Indian Tribe *	Yuma	21,539,160	20,048,576	1,250,319	36,682		206,736	368,281		97,402							
Salt River Pima-Maricopa Indian Community	Scottsdale	60,445,469	51,977,117	1,750,446	114,150		238,315	162,770							480,978		
San Carlos Apache Healthcare Corporation	Peridot															173,462	
San Carlos Apache Older Adult Center																	
San Carlos Apache Tribe	San Carlos	57,930,809	79,720,217	2,407,613	158,661		639,195	363,442									
San Juan Southern Paiute Tribe	Tuba City	1,552,337	2,510,690	116,965	2,252												
Tohono O'odham Community College						480,290	817,579										
Tohono O'odham Nation	Sells	61,115,398	166,315,563	2,407,613	288,792		446,192	585,602					298,403	2,412,931			
Tonto Apache Tribe	Payson	2,302,670	2,468,789	116,965	1,895			45,589									
Tuba City Regional Health Care Corporation	Tuba City							1,115,993						8,897,071		763,037	
White Mountain Apache Tribe	Whiteriver	61,356,787	81,126,228	2,407,613	143,243		522,978	663,999					300,000				
Winslow Indian Health Care Center	Winslow							675,962							4,697,890		
Yavapai-Apache Nation	Camp Verde	4,598,672	13,782,052	843,965	23,105			30,469									
Yavapai-Prescott Indian Tribe	Prescott	2,931,883	2,473,445	116,965	1,808												
Zuni Tribe *	Zuni, New Mexico	31,466,013		1,750,446	111,065												
Total		\$ 1,328,166,856	\$ 2,608,622,066	\$ 29,524,753	\$ 4,593,325	\$ 5,536,590	\$ 3,869,622	\$ 4,564,628	\$ 15,417,169	\$ 2,294,240	\$ 779,216	\$ 800,000	\$ 954,990	\$ 1,198,403	\$ 55,385,483	\$ 2,000,000	\$ 1,831,967

* indicates tribes located in multiple states. Some of the Federal Funds allocated to these tribes may be spent in states other than Arizona.

1/ These figures represent all Coronavirus Relief Funds reported as distributed to tribes as of September 25, 2020. These allocations are based on population, employment, and expenditure data.

Table 10 Continued

Federal Coronavirus Response Funds to Tribal Entities

Tribal Entity	FEMA Stafford Act	CCDBG	Child Welfare Services	Promoting Safe and Stable Families	Chafee	FVPSA	TANF	OAA	LIHEAP	CSBG	CDBG	IHBG	Public Transit	Byrne JAG	CESF	Tribal Total
Ak-Chin Indian Community								143,360				145,971				\$ 22,931,493
Cocopah Indian Tribe		25,153						129,530	15,459			280,235	83,124			\$ 16,001,449
Colorado River Indian Tribe *			2,430	5,251				289,340	49,580			791,184				\$ 18,565,611
Diné College																\$ 4,046,254
Fort Defiance Indian Hospital Board, Inc																\$ 19,032,363
Fort McDowell Yavapai Nation		217,094										43,958				\$ 19,054,076
Fort Mojave Indian Tribe *												455,392				\$ 18,733,908
Gila River Health Care Corporation																\$ 758,964
Gila River Indian Community		606,650	12,389	26,043				289,340	156,013			2,343,367	405,243	70,429		\$ 220,152,368
Havasupai Tribe								132,950				49,760	54,498			\$ 8,922,426
Hopi Tribe		276,817	7,349	14,787			186,283	258,260				2,016,465	891,741			\$ 170,109,567
Hualapai Indian Tribe		92,229				114,852		190,610				512,923	776,148			\$ 28,215,325
Inter-Tribal Council of Arizona, Inc								167,670								\$ 5,425,634
Kaibab Band of Paiute Indians												129,314	136,889			\$ 5,670,503
Native American Community Health Center																\$ 1,166,332
Navajo Nation *	294,883	6,715,335	150,251	312,361		2,662,553	8,064,017	371,640	8,063,693	1,825,255		22,333,177	1,866,942	486,348	486,348	\$ 2,649,456,926
Navajo Nation Health Foundation																\$ 2,800,992
Navajo Technical University																\$ 4,062,089
Navajo Tribal Utility Authority																\$ 491,175
Pascua Yaqui Tribe	610,160	422,450	12,100	25,435	159,923		447,503	356,800	185,900			1,548,753	123,408			\$ 154,868,762
Phoenix Indian Center, Inc																\$ 97,402
Quechan Indian Tribe *		101,001						164,540	29,516	28,000		520,734				\$ 44,293,545
Salt River Pima-Maricopa Indian Community		1,592,667	8,749	18,392	148,220		174,613	249,470	57,563			663,145	351,039	107,346	107,346	\$ 118,647,795
San Carlos Apache Healthcare Corporation																\$ 173,462
San Carlos Apache Older Adult Center								31,080								\$ 31,080
San Carlos Apache Tribe		479,980	10,303	20,561			510,361	273,100	94,923	86,173		1,917,041	1,214,438	132,065		\$ 145,958,882
San Juan Southern Paiute Tribe												30,771				\$ 4,213,015
Tohono O'odham Community College																\$ 1,297,869
Tohono O'odham Nation		1,100,304	22,882	50,955		362,146		370,640			1,500,000	1,303,136		41,434		\$ 238,719,393
Tonto Apache Tribe												15,455				\$ 4,951,363
Tuba City Regional Health Care Corporation																\$ 10,776,101
White Mountain Apache Tribe		806,588					495,282	371,640	135,605	102,055	3,000,000	2,173,423	540,727	218,971		\$ 154,365,139
Winslow Indian Health Care Center																\$ 5,373,852
Yavapai-Apache Nation	156,293	98,163		4,039				100,090				341,182	229,553			\$ 20,207,583
Yavapai-Prescott Indian Tribe						103,350						15,455				\$ 5,642,906
Zuni Tribe *												855,794				\$ 34,183,318
Total	\$ 1,061,336	\$ 12,534,431	\$ 226,453	\$ 477,824	\$ 308,143	\$ 3,242,901	\$ 9,878,059	\$ 3,890,060	\$ 8,788,252	\$ 2,041,483	\$ 4,500,000	\$ 38,486,635	\$ 6,673,750	\$ 1,056,593	\$ 593,694	\$ 4,159,398,922

* indicates tribes located in multiple states. Some of the Federal Funds allocated to these tribes may be spent in states other than Arizona.

2021 American Rescue Plan Act

Summary – The American Rescue Plan (ARP) Act of 2021 (P.L. 117-2), the latest round of federal COVID-19 relief, was enacted on March 11, 2021. Provisions are organized according to broad topics. We have listed the affected state agency at the beginning of each program. Our estimates for Arizona's share are listed in parentheses and are bolded.

We estimate that the bill will result in at least \$11.2 billion to the state, \$2.6 billion to local governments, \$1.1 billion in business aid, and \$12.0 billion in tax provisions and economic impact payments (the stimulus payments). Please see *Table 11* for a listing of each program. These amounts do not include the additional federal aid from an extension of unemployment compensation benefits, tax credits, and some other business aid.

Amounts include actual allocations published by federal agencies as well as estimates based on 2% of the total nationwide amount for the program or program-specific allocation formulas. Some estimates come from the Federal Funds Information for States, a collaboration between the National Conference of State Legislatures (NCSL) and the National Governors Association that tracks the fiscal impact of federal actions on states.

State/Local Government Aid (\$7.0 billion)

- Coronavirus State and Local Fiscal Recovery Funds (name has been changed from Coronavirus Relief Fund): For more information, see "Attachment: Coronavirus State and Local Fiscal Recovery Funds".
 - States: \$195.3 billion (**\$4.2 billion**): Available through December 31, 2024. Funds may be used to respond to COVID-19 or its negative economic impacts, premium pay to essential workers (up to \$13/hour, maximum of \$25,000 per worker), lost revenues, and water/sewer/broadband infrastructure. May not be used to reduce taxes directly or indirectly or make payments to pension funds. For allocations of these monies, see "Attachment: Allocations of American Rescue Plan Act Funds".
 - Locals: \$130.2 billion (**\$2.6 billion**): Available through December 31, 2024.
 - Cities with a population of 50,000 or more: \$45.6 billion nationwide (\$1.0 billion).
 - Nonentitlement units of local government (cities and towns with a population of less than 50,000): \$19.5 billion nationwide (\$227 million).
 - Distributed to states (from locals fund) for redistribution to local governments, based on population.
 - Total amount received by nonentitlement unit (small city or town) may not exceed 75% of most recent budget as of January 27, 2020.
 - Counties: \$65.1 billion nationwide (\$1.4 billion). Distributed based on population, with hold-harmless provision relative to CDBG formula for urban counties.
 - Coronavirus Capital Projects Fund: \$10 billion (**\$187 million**) for capital projects to carry out "critical capital projects directly enabling work, education and health monitoring, including remote options, in response to the public health emergency." The legislation directs the Treasury Secretary to establish an application process within 60 days after the bill's enactment. Available until expended.
 - Local Assistance and Tribal Consistency Fund: \$2 billion nationwide. Available until September 30, 2023. To counties that experienced negative revenue impacts due to changes in federal programs, \$750 million in FY 2022 and \$750 million in FY 2023 based on economic conditions. Monies may be used for any governmental purpose other than lobbying.

Education (\$3.5 billion) – Arizona Department of Education (ADE), Department of Economic Security (DES), Governor's Office, Universities, Community Colleges, Arizona Commerce Authority (ACA)

- ADE – Elementary and Secondary School Emergency Relief Fund (ESSERF): added \$122.8 billion to original CARES Act program (**\$2.6 billion**). Monies remain available through September 30, 2024.
 - Local Education Agencies (districts and charters) will receive 90% (**\$2.3 billion**), according to prior formula, and must reserve at least 20% (**\$465 million**) to address learning loss.
 - ADE – 5% (**\$129 million**) retained by ADE to address learning loss as well. With LEA share, represents total of **\$594 million** related to learning loss.

- ADE – 1% (**\$26 million**) for summer enrichment programs for children that are disadvantaged/fostered/homeless.
- ADE – 1% (**\$26 million**) for afterschool programs for children that are disadvantaged/fostered/homeless.
- ADE – 0.5% (**\$13 million**) for administrative costs.
- ADE – 2.5% (**\$65 million**) at the Superintendent’s discretion.
- The U.S. Department of Education will also use \$800 million nationwide of ESSERF monies for wrap-around services and assistance to enable homeless youth to attend school.
- Individuals with Disabilities Education Act funding: \$3 billion (**\$53 million**):
 - ADE – \$46 million (based on formula) for special education formula grants.
 - ADE – \$3 million (based on formula) for grants for preschool for children with disabilities.
 - DES – \$4 million for early intervention services for infants and toddlers with developmental delays.
- Governor’s Office, ADE – Emergency Assistance to Non-Public Schools: \$2.75 billion (**\$54 million**) for services for private schools, to be allocated by the Governor. Available through September 30, 2023.
- Universities, Community Colleges – Higher Education Emergency Relief Fund (HEERF): \$39.6 billion (**\$675 million**). Of the \$675 million so far allocated, **\$636 million** is allocated to public universities and community colleges. Public and private nonprofit institutions of higher education (IHEs) must spend at least 50% of ARP allocations on student grants; other (i.e., for-profit) IHEs must spend 100% of ARP allocations on student grants. Monies remain available through September 30, 2024. For a breakdown of ARP HEERF funds received by Arizona IHEs, see "Attachment: Higher Education Emergency Relief Fund Allocations".
- ADE – Maintenance of Effort (applies only to ESSERF): maintain FY 2022 and FY 2023 spending levels on both K-12 and higher education at the proportionate level of state spending on those categories averaged from FY 2017, FY 2018, and FY 2019. Allows for waiver by Secretary of Education.
- ACA – Emergency Connectivity Fund: \$7.2 billion (**\$205 million**) to provide funding to schools and libraries for the provision of connected devices, internet service, and equipment. Available until September 30, 2030. As noted above, State Fiscal Recovery Funds may also be spent on broadband.

Health (**\$850 million**) – Department of Health Services (DHS), AHCCCS, DES

- DHS – Centers for Disease Control (CDC) vaccine grants: \$7.5 billion (**\$71 million**). Available until expended.
- DHS – COVID-19 testing, contact tracing, and mitigation: \$48 billion (**\$219 million**). Available until expended.
- DHS – COVID-19 expand genomic sequencing grants: \$240 million (**\$5 million**).
- DHS – Public health workforce: \$7.7 billion (**\$153 million**) in awards to state/local public health departments for recruiting, hiring, and training of public health workers. Available until expended.
- Community Health Centers (CHCs): \$7.6 billion (**\$135 million**). Available until expended. The federal government would grant these monies directly to CHCs.
- AHCCCS – Grants for Teaching Health Centers that operate Graduate Medical Education: \$330 million (**\$7 million**). Available until September 30, 2023.
- AHCCCS – Community Mental Health Services Block Grant: \$1.5 billion (**\$38 million**). Must be expended by states by September 30, 2025.
- AHCCCS – Substance Abuse Prevention Treatment Block Grant: \$1.5 billion (**\$33 million**). Must be expended by states by September 30, 2025.
- Health Resources and Services Administration (HRSA) mental and behavioral health training for health care professionals, paraprofessionals, and public safety officers: \$80 million (**\$2 million**). Available until expended.
- Mental and behavioral health promotion among health professional workforce: \$40 million (**\$0.8 million**). Available until expended. The federal government would grant these monies directly to entities providing health care.
- AHCCCS – Local substance use disorder services: \$30 million (**\$0.6 million**) to be awarded to states and local governments. Available until expended.
- AHCCCS – Local behavioral health needs: \$50 million (**\$1 million**) to be awarded to states and local governments. Available until expended.
- AHCCCS – Medicaid/KidsCare:
 - 100% federal match for Medicaid and Kids Care COVID-19 vaccines.
 - State option to provide coverage to uninsured for COVID-19 vaccines and treatment without cost sharing through the public health emergency, with vaccines matched at 100% federal match.
 - State option to extend eligibility to women for 12 months postpartum, for 5 years.

- Enhanced federal match at 85% for mobile crisis intervention services.
- 100% federal match for services to beneficiaries under Urban Indian Organizations for 2 years.
- Eliminates cap on drug rebates, beginning in CY 2024. We estimate this would increase Prescription Drug Rebate Fund revenues by \$13 million.
- Temporary federal match increase of 10% (with COVID 2 federal match, total of 86.21%) for states to make improvements to Medicaid Home and Community Based Services for 1 year. Contains supplement not supplant requirement.
- Nursing facilities strike teams: \$250 million (**\$5 million**). Available until expended.
- Rural health care providers: \$8.5 billion (**\$170 million**) for rural health care related expenses and lost revenues as a result of the pandemic. Health care providers would apply directly to the federal government for these funds.
- Emergency rural development grants: \$500 million (**\$10 million**) for rural health care, including vaccine distribution and lost revenues. Funds would be available through September 30, 2023. Monies will not be distributed according to a formula.
- Subsidies for workers eligible for continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 (COBRA) due to involuntary termination or reduction in hours: 85% premium assistance available through September 30, 2021; provides refundable payroll tax credit to allow employers and health plans to be reimbursed for the full amount of COBRA premiums.

Human Services (\$1.1 billion) – DES, ADE, Department of Child Safety (DCS), Department of Veterans' Services (DVS)

- DES – SNAP (Food Stamps) administration: \$1.1 billion (**\$18 million**) for FY 2021-FY 2023.
- DES – Extends, from June 30, 2021, to September 30, 2021, the requirement that SNAP benefits be calculated at 115% of the regular level.
- DES – Commodity Supplemental Food Program: \$37 million (**\$44,327**), available through September 30, 2023.
- DHS – Women, Infants, and Children (WIC) food program: (**\$10 million**). Secretary of Agriculture may temporarily boost the value of the Cash Value Voucher up to \$35/month for women and children for a 4-month period.
- ADE – Child and Adult Care Food Program: temporarily expands the age of eligibility at emergency homeless shelters from 18 to 25 during COVID.
- DES – Pandemic Electronic Benefit Transfer: may be implemented for any school year during COVID and may be extended through the summer. Extends earlier COVID relief program which provides SNAP-like benefits to children who have received free or reduced price school meals if not for COVID-related school closures or reduced hours.
- DES – Pandemic Emergency Assistance Fund: \$1 billion (**\$15 million**) through September 30, 2022. Up to 15% may be spent on administrative costs. Benefits may be used for non-recurrent short-term benefits in cash or other forms. May not supplant other federal or state monies. This is a new program.
- DES – Adult Protective Services (APS): \$276 million for FY 2021 and FY 2022 (**\$2 million**).
- DES – Older Americans Act: \$1.4 billion (**\$31 million**), available until expended.
 - \$750 million for nutrition programs (**\$17 million**).
 - \$470 million for home- and community-based support services programs (**\$10 million**).
 - \$44 million for evidence-based health promotion and disease prevention (**\$1 million**).
 - \$145 million for the National Family Caregiver Support Program (**\$3 million**).
 - \$10 million for the long-term care ombudsman program (**\$0.2 million**).
- DES – Child Care and Development Block Grant Program: \$15 billion for FY 2021-2023 (**\$372 million**) to provide assistance to workers deemed essential during the pandemic without regard to income eligibility requirements. Funding must be obligated by September 30, 2023. Includes supplement not supplant provision. Along with the Child Care Stabilization Grants, these monies are subject to legislative appropriation. These monies are in addition to \$249 million for Arizona child care in December's Consolidated Appropriations Act (CAA) of 2021.
- DES – Child Care Stabilization Grants: \$24 billion (**\$596 million**). DES may reserve up to 10% for administrative and technical assistance costs. Remainder must be awarded to qualified child care providers either open or closed due to COVID, based on current operating expenses. Funds must be used to supplement and not supplant other federal or state child care funds. DES is to notify the federal government if it is unable to

obligate at least 50% of the funds within 9 months of the bill's enactment. Available through September 30, 2021.

- DES – Child Care Entitlement to States: **(\$11 million)**. Suspends state match on funding for FY 2021 and FY 2022.
- Local Education Agencies – Head Start: \$1 billion **(\$16 million)** to be awarded based on number of children enrolled. Available through September 30, 2022.
- DES – Family Violence Prevention and Services Act: \$180 million **(\$3 million)** for formula grants, not subject to matching requirements. Available through September 30, 2025.
- DCS – Child Abuse Prevention and Treatment Act: \$250 million **(\$0.4 million)** child abuse and neglect prevention programs, not subject to matching; \$100 million **(\$0.3 million)** for child abuse and neglect treatment and response state grant program, without regard to discretionary activity allocation requirements. Available through September 30, 2023.
- DES – Low Income Home Energy Assistance Program (LIHEAP): \$4.5 billion **(\$24 million)** through September 30, 2022.
- DVS – State Veteran's Homes: \$500 million in construction funds, with matching requirements. \$250 million one-time funds for state-operated facilities based on number of beds. Available until September 30, 2022.

Housing (\$884 million) – DES, Department of Housing (DOH)

- DES – Water Assistance Program: \$500 million **(\$11 million)** to assist low income consumers in paying for drinking water and wastewater expenses. Available until expended.
- DES – Emergency Rental Assistance: \$18.7 billion **(\$389 million)**. ARP funds remain available until September 30, 2027. December's CAA of 2021 included \$492 million for Arizona. CAA funds remain available until September 30, 2022 (extended). Makes other changes to eligibility and program administration.
- DOH – Homeowner Assistance Fund: \$10 billion **(\$197 million)**, to remain available until September 30, 2025. Monies may be used for mortgage and utilities payment assistance.
- DOH – Homeless Assistance and Supportive Services Program/HOME Investment Partnerships: \$5 billion **(\$83 million)**, for tenant-based rental assistance, affordable housing development, supportive services, and non-congregate shelter units. Individuals and households qualify based on homelessness/domestic violence/veteran status. Monies remain available through September 30, 2025. Of the \$83 million to Arizona, \$22 million in non-entitlement funds are allocated to the state.
- Emergency Housing Choice Vouchers: \$5 billion **(\$100 million)** for individuals or households based on homelessness/domestic violence. Formula based on public housing capacity and geographic diversity. Available until September 30, 2030.
- DES - Emergency assistance for rural housing: \$100 million **(\$2 million)**, available until September 30, 2022. For payments to households that have experienced income loss.
- DOH – Housing Counseling: \$100 million **(\$2 million)** for Neighborhood Reinvestment Coalition (NeighborWorks) grants, to remain available until September 30, 2025.

Transportation (\$463 million) – Arizona Department of Transportation

- Federal Transit Administration mass transit grants: Available until September 30, 2024.
 - Urbanized areas: \$26.1 billion **(\$259 million)**. Allocations are for Avondale-Goodyear (\$0.5 million), Flagstaff (\$3 million), Phoenix-Mesa (\$208 million), Sierra Vista (\$0.2 million), Tucson (\$47 million), and Yuma (\$0.5 million).
 - Seniors and persons with disabilities: \$50 million **(\$1 million)**. The state will receive \$0.4 million, Phoenix-Mesa \$0.6 million, and Tucson \$0.2 million.
 - Rural areas: \$317 million **(\$1 million)**.
 - Intercity bus formula: **(\$2 million)**.
 - Indian reservations: **(\$3 million)**.
- Airports: \$8 billion **(\$197 million)**. Available until September 30, 2024.

Other (\$19 million) – Department of Emergency and Military Affairs (DEMA), Secretary of State (SOS), Arts Commission

- DEMA – Emergency Management Performance Grants: \$100 million **(\$2 million)**. Available until September 30, 2025.

- DEMA – Emergency Food and Shelter Program: \$400 million (**\$11 million**). Available until September 30, 2025.
- SOS – Institute of Museum and Library Services: \$200 million (**\$4 million**). Available until expended.
- Arts Commission – National Endowment for the Arts grants: \$135 million (**\$0.9 million**). Available until expended.
- National Endowment for the Humanities: \$135 million (**\$1 million**). Available until expended.

Business Aid (\$1.1 billion) – ACA

- Reauthorizes State Small Business Credit Initiative Act of 2010. Provides \$10 billion (**\$59 million**) to support small business financing, to be expended by September 30, 2030.
- Paycheck Protection Program (PPP): expands eligibility to 501(c) nonprofits (except 501c4) and larger nonprofits, as well as internet-only news and periodical publishers. Provides additional \$7.25 billion for PPP (**\$145 million**).
- Targeted Economic Injury Disaster Loan (EIDL) Advances: \$15 billion (**\$300 million**). Advances for small businesses of up to \$10,000 may be converted to grants if used to cover business's operating expenses.
- Assistance to restaurants: \$25 billion (**\$500 million**). Grants of up to \$10 million per entity (maximum of \$5 million per location) based on difference between 2020 and 2019 revenue. Available until expended. May be used for payroll, rent, operational expenses, etc. State Crisis Contingency and Safety Net Fund currently provides restaurant assistance.
- Economic Adjustment Assistance: \$3 billion (**\$60 million**). Provides competitive technical, planning, and public works and infrastructure assistance to regions experiencing adverse economic impacts. Available until September 30, 2022.
- Payroll Support Program: \$14 billion to air carriers, \$1 billion to contractors. Available until September 30, 2023.

Tax Provisions (\$3.3 billion)

- Child tax credit: \$105.1 billion (**\$2.1 billion**). Fully refundable for 2021. Amount increased from \$2,000 to \$3,000 per child (or \$3,600 per child under 6). Allows 17-year-olds to qualify.
- Earned Income Tax Credit, changes for 2021: \$11.9 billion (**\$238 million**). Minimum age lowered from 25 to 19 and maximum age eliminated. Increases phaseout percentage from 7.65% to 15.3%. Maximum credit increases from \$543 to \$1,502 for childless adults.
- Child and Dependent Care Tax Credit, changes for 2021: \$8.1 billion (**\$162 million**). Makes credit fully refundable. Increases maximum credit rate to 50%. Increases phaseout threshold from \$15,000 to \$125,000.
- Paid Sick and Family Leave Credits: \$6.3 billion (**\$125 million**). Extended from March 31, 2021, through September 30, 2021. Increased from \$10,000 to \$12,000 per employee. Allows state and local governments to access credits.
- Employee Retention Credit: \$10.2 billion (**\$204 million**). Extended through December 31, 2021. Employers whose gross receipts declined by at least (20)% compared to the same quarter in 2019 or the prior quarter are allowed a payroll tax credit of 70% of wages, up to \$10,000 per employee per quarter.
- 36B Credits: Allows individuals with income up to 400% of federal poverty line to qualify for the refundable Health Insurance Premium Tax Credit in TY 2021 and TY 2022.
- EIDL Advances: exempts EIDL grants from tax.
- Restaurant Revitalization Grants: exempts from tax.
- COVID-related student loan relief: exempt from tax.
- Exempts \$10,200 of Unemployment Insurance benefits from federal taxation for households with incomes up to \$150,000: \$25.0 billion (**\$499 million**). State conformity will reduce General Fund revenues by \$(30) million.

Individual Aid (\$8.7 billion)

- Economic Impact Payments (Stimulus Payments): (**\$8.7 billion**). \$1,400 for single filer (\$2,800 for joint filer) and \$1,400 per child or non-child dependent. Full amount provided to filers with Adjusted Gross Income (AGI) of \$75,000 single and \$150,000 married filing jointly). In Arizona, 3,567,885 individuals received payments.

UI – DES

- Federal Pandemic Unemployment Compensation (additional \$300/week): 100% federal funding extended through September 6, 2021.

- Pandemic Unemployment Assistance (self-employed): 100% federal funding extended through September 6, 2021; total number of weeks of benefits increased from 50 to 79.
- Pandemic Emergency Unemployment Compensation (increase in number of weeks): increases number of weeks from 24 to 53, and extends program through September 6, 2021, at 100% federal funding
- Extended Benefits (EB): extends through September 6, 2021, 100% federal funding of extended benefits for high-unemployment states (waives 50% state cost share). Arizona's 13-week EB period was triggered beginning the week of June 14, 2020.
- Waiving waiting week: full reimbursement, retroactive to December 31, 2020, and continued through September 6, 2021.
- Short-time compensation: extends 100% federal financing of short-time compensation through September 6, 2021.
- Reimbursing employers (50% subsidy to government and nonprofit entities): subsidy increases from 50% to 75% after March 31, 2021; extends reimbursement through September 6, 2021 at 75% rate.
- Allows states to take federal loans with 0% interest through September 6, 2021.
- Exempts \$10,200 of UI income from federal taxation for households with incomes up to \$150,000 (see last bullet of Tax Provisions in the section above).

Table 11

2021 American Rescue Plan Act Programs ^{1/}

\$ in Millions

State/Local Government Aid

State Fiscal Recovery Fund	4,183
Local Fiscal Recovery Fund	2,644
Coronavirus Capital Projects Fund	187 ^{2/}

Education

K-12 Emergency Relief Fund (ESSERF)	2,582
Individuals with Disabilities Education Act (IDEA)	53
Emergency Assistance to Non-Public Schools	54
Higher Education Emergency Relief Fund (HEERF) – Public Universities and Community Colleges	636
Emergency Connectivity Fund – Schools and Libraries	205

Health

CDC Vaccine Grants	71
COVID-19 Testing, Contact Tracing, and Mitigation	219
COVID-19 Expand Genomic Sequencing	5
Public Health Workforce	153 ^{2/}
Community Health Centers	135
Graduate Medical Education	7 ^{2/}
Community Mental Health Services Block Grant	38
Substance Abuse Prevention Treatment Block Grant	33
Mental and Behavioral Health Training	2 ^{2/}
Mental and Behavioral Health for Healthcare Workers	0.8 ^{2/}
Local Substance Use Disorder Services	0.6 ^{2/}
Local Behavioral Health Needs	1 ^{2/}
Nursing Facilities Strike Teams	5 ^{2/}
Rural Health Care Providers	170 ^{2/}
Emergency Rural Development Grants	10 ^{2/}

Human Services

SNAP Administration	18
Commodity Supplemental Food Program	0 ^{3/}
Women, Infants, and Children Food Program	10
Pandemic Emergency Assistance Fund – 1-time, short-term benefits	15
Adult Protective Services	2
Older Americans Act	31
Child Care and Development Block Grant	372
Child Care Stabilization Grants	596
Child Care Entitlement to States	11
Head Start	16
Family Violence Prevention and Services Act	3
Child Abuse Prevention and Treatment Act	0.7
Low Income Home Energy Assistance Program	24
State Veterans' Homes	N/A ^{4/}

Table 11 (Continued)

2021 American Rescue Plan Act Programs ^{1/}

\$ in Millions

Housing

Low Income Drinking Water Assistance	11
Emergency Rental Assistance	389
Homeowner Assistance Fund	197
Homeless Assistance and Supportive Services Program/HOME Investment Partnerships	83
Emergency Housing Choice Vouchers	100 ^{2/}
Emergency Assistance for Rural Housing	2 ^{2/}
Housing Counseling	2 ^{2/}

Transportation

Federal Transit Administration Mass Transit Grants	
Urbanized Areas	259
Seniors and Persons with Disabilities	1
Rural Areas	1
Intercity Bus Formula	2
Indian Reservations	3
Airports	197

Other

Emergency Management Performance Grants	2
Emergency Food and Shelter Program	11
Institute of Museum and Library Services	4
National Endowment for the Arts	0.9
National Endowment for the Humanities	1

Business Aid

Small Business Financing	59 ^{2/}
Paycheck Protection Program	145 ^{2/}
Targeted Economic Injury Disaster Loan Advances	300 ^{2/}
Assistance to Restaurants	500 ^{2/}
Economic Adjustment Assistance	60 ^{2/}
Payroll Support Program (Air Carriers)	N/A ^{4/}

Tax Provisions

Child Tax Credit	2,102 ^{5/}
Earned Income Tax Credit	238 ^{5/}
Child and Dependent Care Tax Credit	162 ^{5/}
Paid Sick and Family Leave Credits	125 ^{5/}
Employee Retention Credit	204 ^{5/}
UI \$10,200 Tax-Free	499 ^{5/}

Individual Aid

Economic Impact Payments (Stimulus Payments)	8,661
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Total**26,914 ^{6/}**

- ^{1/} Unless otherwise noted, figures represent the actual allocation.
^{2/} Estimate assumes Arizona will receive 2% of the national funding level.
^{3/} Actual figure rounds to \$0. See narrative for amount.
^{4/} N/A means Arizona's allocation is not yet known.
^{5/} These estimates are based on pro-rated nationwide amounts.
^{6/} Numbers may not add to total due to rounding.

Attachment: Coronavirus State and Local Fiscal Recovery Funds

We provide further details on the uses, restrictions, and recoupment provisions related to the Coronavirus State and Local Fiscal Recovery Funds according to the American Rescue Plan Act (P.L. 117-2). Our description is largely verbatim from the bill text.

Coronavirus State Fiscal Recovery Fund

Uses – The state must use monies received from the Coronavirus State and Local Fiscal Recovery Funds to cover costs incurred by December 31, 2024:

- A. To respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- B. To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay (up to \$13 per hour in addition to regular wages or remuneration, with a maximum of \$25,000 per worker) to eligible workers of the state (workers needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors designated by the Governor as critical to protect the health and well-being of the state's residents) or by providing grants to employers with eligible workers;
- C. For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full state fiscal year prior to the emergency (i.e., SFY 2019);
- D. To make necessary investments in water, sewer, or broadband infrastructure.

Restrictions – In addition, the state may not use monies received from the Coronavirus State and Local Fiscal Recovery Funds:

- A. To either directly or indirectly offset a reduction in the state's net tax revenue resulting from a change in law, regulation, or administrative interpretation between March 3, 2021, and the last day of the fiscal year in which all Coronavirus State Fiscal Recovery Fund monies have been expended (or returned to or recovered by the U.S. Treasury) that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase;
- B. For deposit into any pension fund.

Recoupment – If the state fails to comply with these uses and restrictions, the state shall be required to repay to the U.S. Treasury an amount equal to the amount of funds used in violation. In the case of a violation of Restriction A, the amount the state shall be required to repay is the lesser of:

- The amount of the applicable reduction to net tax revenue attributable to such violation;
- The amount of funds received by the state from the Coronavirus State and Local Fiscal Recovery Funds.

Coronavirus Local Fiscal Recovery Fund

Uses – The metropolitan city, nonentitlement unit (small city or town), or county must use monies received from the Coronavirus Local Fiscal Recovery Fund to cover costs incurred by December 31, 2024:

- A. To respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- B. To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay (up to \$13 per hour in addition to regular wages or remuneration, with a maximum of \$25,000 per worker) to eligible workers of the local government (workers needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors

- designated by the local government's chief executive officer as critical to protect the health and well-being of the local government's residents) or by providing grants to employers with eligible workers;
- C. For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency (i.e., FY 2019);
 - D. To make necessary investments in water, sewer, or broadband infrastructure.

Restrictions – In addition, the metropolitan city, nonentitlement unit (small city or town), or county may not use monies received from the Coronavirus Local Fiscal Recovery Fund for deposit into any pension fund.

Recoupment – If the metropolitan city, nonentitlement unit (small city or town), or county fails to comply with these uses and restrictions, the local government shall be required to repay to the U.S. Treasury an amount equal to the amount of funds used in violation.

Allocations – See *Table 12* for allocations from the Coronavirus Local Fiscal Recovery Fund.

Table 12

Coronavirus Local Fiscal Recovery Fund Allocations

	<u>\$ in Millions</u>		<u>\$ in Millions</u>
<u>Metropolitan Cities</u>		<u>Metropolitan Cities (Continued)</u>	
Avondale	18	Mesa	106
Buckeye	11	Peoria	21
Casa Grande	11	Phoenix	396
Chandler	35	Prescott	6
Douglas	4	Prescott Valley	8
Flagstaff	13	Queen Creek	5
Gilbert	24	Scottsdale	29
Glendale	60	Sierra Vista	6
Goodyear	10	Surprise	16
Kingman	5	Tempe	46
Lake Havasu City	9	Tucson	136
Maricopa	7	Yuma	23
		Metropolitan Cities Subtotal	1,003^{1/}
<u>Small Cities/Towns^{2/}</u>		<u>Small Cities/Towns (Continued)</u>	
Apache Junction	14	Nogales	8
Benson	2	Oro Valley	15
Bisbee	2	Page	2
Bullhead City	14	Paradise Valley	5
Camp Verde	4	Parker	1
Carefree	1	Patagonia	0 ^{3/}
Cave Creek	2	Payson	5
Chino Valley	4	Pima	1
Clarkdale	1	Pinetop-Lakeside	1
Clifton	1	Quartzsite	1
Colorado City	2	Safford	3
Coolidge	4	Sahuarita	11
Cottonwood	4	San Luis	13
Dewey-Humboldt	1	Sedona	3
Duncan	0 ^{3/}	Show Low	2
Eagar	2	Snowflake	6
El Mirage	11	Somerton	6
Eloy	6	South Tucson	2
Florence	9	Springerville	1
Fountain Hills	8	St. Johns	1
Fredonia	0 ^{3/}	Star Valley	1
Gila Bend	1	Superior	1
Globe	2	Taylor	1
Guadalupe	2	Thatcher	2
Hayden	0 ^{3/}	Tolleson	2
Holbrook	2	Tombstone	0 ^{3/}
Huachuca City	1	Tusayan	0 ^{3/}
Jerome	0 ^{3/}	Wellton	1
Kearny	1	Wickenburg	3
Litchfield Park	2	Willcox	1
Mammoth	1	Williams	1
Marana	17	Winkelman	0 ^{3/}
Miami	1	Winslow	3
		Youngtown	2
		Small Cities/Towns Subtotal	227

Table 12 (Continued)
Coronavirus Local Fiscal Recovery Fund Allocations

<u>Counties</u>	<u>\$ in Millions</u>
Apache	14
Cochise	24
Coconino	28
Gila	10
Graham	8
Greenlee	2
La Paz	4
Maricopa	871
Mohave	41
Navajo	22
Pima	203
Pinal	90
Santa Cruz	9
Yavapai	46
Yuma	42
Counties Subtotal	1,414
Fund Total	2,645 ^{1/}

1/ Numbers may not add to total due to rounding.
2/ Small Cities/Towns figures are estimates.
3/ Actual figure rounds to \$0.

Attachment: Executive Branch Allocations of American Rescue Plan Act Funds

Overview

The federal American Rescue Plan (ARP) Act of 2021 (P.L. 117-2) was enacted on March 11, 2021. The Executive Branch has discretion in allocating monies from several ARP funds.

Laws 2021, Chapter 405 requires that, prior to spending more than \$10.0 million from certain ARP funds, the relevant agencies must notify the President of the Senate, Speaker of the House of Representatives, Appropriations Committee chairpersons, and the Joint Legislative Budget Committee Director on the intended use of the monies. In addition, these entities must report quarterly on all expenditures through June 30, 2024. The reporting requirements are for:

- The Governor's Office on the Coronavirus State Fiscal Recovery Fund and the Coronavirus Capital Projects Fund.
- The Superintendent of Public Instruction on the Elementary and Secondary School Emergency Relief Fund.
- The Arizona Board of Regents on the Higher Education Emergency Relief Fund.

Coronavirus State Fiscal Recovery Fund

Arizona will receive a total of \$4.2 billion from the Coronavirus State Fiscal Recovery Fund. The state has received the first tranche of \$2.1 billion. Both tranches of Coronavirus State Fiscal Recovery Fund monies are available through December 31, 2024.

The Governor's Office has notified the Legislature of the intent to spend monies from the Coronavirus State Fiscal Recovery Fund for the following items:

- Department of Economic Security – Unemployment Insurance: \$758.8 million deposit in the Unemployment Insurance Trust Fund.
- Department of Transportation – Broadband: \$100.0 million to expand broadband infrastructure along I-17 and I-19. The project will transition to the Coronavirus Capital Projects Fund once those monies are available; at that time, the initial \$100.0 million distribution will revert back to the Coronavirus State Fiscal Recovery Fund.

Table 13 displays these allocations from the Coronavirus State Fiscal Recovery Fund as of August 2, 2021.

Table 13	
Executive Branch Allocations of American Rescue Plan Act Funds	
Coronavirus State Fiscal Recovery Fund	
	<u>Amount</u>
Total Allocation	\$4,182,827,492
Department of Economic Security – Unemployment Insurance	758,826,752
Department of Transportation – Broadband	100,000,000
Total Allocated	858,826,752
Total Unallocated	3,324,000,740

Executive Allocation of Discretionary COVID Funding

Overview

Two 2020 session laws appropriate state monies for responding to the COVID-19 pandemic. Both laws give the Executive discretion in allocating the appropriated funds.

Laws 2020, Chapter 6 appropriates \$5.0 million from the Budget Stabilization Fund in FY 2020 to the Public Health Emergencies Fund. Additionally, no more than \$50.0 million is appropriated from the Budget Stabilization Fund in FY 2020 to the Public Health Emergencies Fund. The \$50.0 million appropriation is to be used to pay expenses related to public health emergency responses to the emergency declaration for COVID-19 in Arizona. Chapter 6 also requires that the Department of Health Services notifies the Joint Legislative Budget Committee of the intended use of the monies prior to spending any of the funds.

Laws 2020, Chapter 56 appropriates an additional \$50.0 million from the state General Fund to the newly-created Crisis Contingency and Safety Net Fund in FY 2020. The non-appropriated Crisis Contingency and Safety Net Fund is administered by the Office of the Governor, and monies may only be spent following a state of emergency declared by the Executive. Additionally, the fund may only be used for housing assistance; homeless services; economic assistance to small businesses with fewer than 50 employees, nonprofit organizations and health care providers; and food bank operations. Prior to spending any monies in the Crisis Contingency and Safety Net Fund, the Executive shall notify the President of the Senate, Speaker of the House of Representatives, and the Joint Legislative Budget Committee of the intended use.

Crisis Contingency and Safety Net Fund

The Executive has notified the Legislature of the intent to spend monies from the Crisis Contingency and Safety Net Fund as follows:

- March 30, 2020: \$6.8 million
- April 7, 2020: \$2.0 million
- April 18, 2020: \$3.6 million
- May 20, 2020: \$300,000
- June 10, 2020: \$1.8 million
- July 2, 2020: \$2.0 million
- July 8, 2020: \$850,000
- July 13, 2020: \$120,000
- July 16, 2020: \$5.9 million
- August 13, 2020: \$10.0 million
- October 28, 2020: \$7.0 million
- October 29, 2020: \$1.6 million
- November 6, 2020: \$1.0 million
- December 2, 2020: \$1.0 million
- January 5, 2021: \$2.0 million
- January 26, 2021: \$1.0 million
- April 7, 2021: \$250,000
- May 5, 2021: \$100,000
- May 6, 2021: \$500,000
- June 10, 2021: \$120,000
- July 9, 2021: \$300,000

Table 1 displays the Executive's use of monies from the Crisis Contingency and Safety Net Fund as of July 9, 2021.

Table 1

**State Funding for COVID-19
Crisis Contingency and Safety Net Fund**

Economic Assistance to Nonprofit Organizations/Small Businesses	
Goodwill of Central and Northern Arizona	\$2,000,000
Arizona Commission on the Arts	2,000,000
Arizona Small Business Association	600,000
Special Olympics Arizona	250,000
Heal the Hero	120,000
Local Chambers of Commerce	1,000,000
Safest Outside Restaurant Assistance Program	4,000,000
Small Business Rent and Mortgage Relief Grant Program	10,000,000
Arizona Economic Recovery Center	250,000
United Fund of Globe Miami	120,000
Arizona Heart Foundation	300,000
Economic Assistance to Health Care Providers	
Santa Cruz Regional Hospital	5,400,000
Open Hearts Family Wellness	50,000
Healthcare Innovations Foundation	100,000
Food Assistance	
Food Bank Assistance	1,000,000
Expand the "Double-Up" Food Bucks Program	1,000,000
Expand the Arizona Produce Purchasing Program	250,000
St. Mary's Food Bank	600,000
Community Food Bank	525,000
Homeless Shelters and Housing	
Assistance to Homeless Shelters	5,000,000
St. Vincent de Paul Rent Assistance Program	250,000
Foreclosure Prevention Program	5,000,000
Temporary Rental Assistance Program Staffing	650,000
Chicanos Por La Causa	250,000
Rental Eviction Assistance Program	2,000,000
Rental Property Owner Preservation Fund	5,000,000
United States Veterans Initiative	<u>500,000</u>
Total Allocated as of 7/9/2021	\$48,215,000
Total Unallocated	\$1,785,000

Economic Assistance to Nonprofit Organizations/Small Businesses

- \$2.0 million to Goodwill of Central and Northern Arizona to allow 400 employees to continue work in providing access to necessities for individuals, job training, and other employment services.
- \$2.0 million to the Arizona Commission on the Arts to fund Arizona businesses and non-profits in the arts and culture sector. In FY 2020, \$2.0 million was appropriated from the General Fund to the Arizona Commission on the Arts. This funding was not repeated in the FY 2021 budget.
- \$600,000 to the Arizona Small Business Association to launch the Live Local program to assist small businesses in finding resources during the COVID-19 outbreak.
- \$250,000 to the Special Olympics Arizona to provide virtual programming during the COVID-19 outbreak and to ensure proper mitigation efforts once in-person activities are conducted.
- \$120,000 to Heal the Hero to support efforts to mitigate mental health impacts to first responders due to COVID-19.
- \$1.0 million to local chambers of commerce to implement programs geared toward accelerating local economic recovery.
- \$4.0 million to establish the Safest Outside Restaurant Assistance Program. This program will provide funding of up to \$10,000 per restaurant distributed through the Arizona Commerce Authority to assist businesses in creating or

expanding outdoor dining spaces. The Executive directed 3 allocations to this program, one on December 2, 2020 for \$1.0 million, a second on January 5, 2021 for \$2.0 million, and a third on January 26, 2021 for \$1.0 million.

- \$10.0 million to launch the Arizona Small Business Rent and Mortgage Relief Grant Program. The Governor's Office will be partnering with Local First Arizona Foundation to launch this program to help small business owners required to pause their operations as a result of a June Executive Order meet their rent and mortgage obligations.
- \$250,000 to establish a temporary Arizona Economic Recovery Center to be led by Local First Arizona that will serve businesses, nonprofits, and municipalities in Arizona. The Center will work to secure federal stimulus dollars for qualified Arizona applicants.
- \$120,000 to the Department of Emergency and Military Affairs (DEMA) in order for DEMA to grant those funds to the nonprofit organization United Fund of Globe Miami to provide shelter to animals impacted by the Gila County fires.
- \$300,000 to the Department of Health Services to grant to the Arizona Heart Foundation for mobile heart screening in rural areas of Arizona.

Economic Assistance to Health Care Providers

- \$5.4 million to Santa Cruz Regional Hospital (\$3.6 million on April 18 and \$1.8 million on June 10) to ensure that the hospital remains open to treat patients. During the COVID-19 outbreak, the hospital stated the possibility of closure due to financial difficulties.
- \$50,000 to Open Hearts Family Wellness to provide transportation services for medical and behavioral health appointments and expand access to telehealth services for at-risk families.
- \$100,000 to the Healthcare Innovations Foundation to pay tuition and educational costs for Emergency Medical Technicians who want to become certified paramedics. The Executive states that this initiative is designed to address the shortage of paramedics in Cochise, Greenlee, and Graham Counties.

Food Assistance

- \$1.0 million for food bank assistance and enhancement of existing food bank infrastructure.
- \$1.0 million for the "Double-Up" Food Bucks Program. The Executive directed two allocations of \$500,000 to the Double-Up Food Bucks Program, one on March 30, 2020 and another on October 29, 2020. The "Double-Up" Food Bucks Program allows individuals in Arizona who receive assistance from the Supplemental Nutrition Assistance Program (SNAP) to get a \$1 match from the state for every \$1 they spend on fruits and vegetables grown in Arizona. Private-sector partners will contribute \$500,000 in addition to the state allocations.
- \$250,000 for the Arizona Produce Purchasing Program. This "Farm to Food Bank" Program provides individuals in need with fresh produce, dairy, and protein items from local producers through a partnership between the Arizona Food Bank Network, DES, and the Department of Agriculture.
- \$600,000 for St. Mary's Food Bank home-delivery to reach an additional 2,000 seniors in Maricopa, Coconino, Gila, Mohave, Pinal, and Yavapai Counties.
- \$525,000 for Community Food Bank home-delivery to reach an additional 2,000 seniors in Pima County and continue providing fresh produce to residential senior living facilities.

Homeless Shelters and Housing

- \$5.0 million for homeless shelters, specifically for temporary isolation and quarantine housing and sanitation supplies and services to prevent and slow the spread of COVID-19. The Executive directed the Arizona Department of Housing, the Department of Economic Security (DES), and the Arizona Department of Administration to work together on homeless-related issues.
- \$250,000 to the St. Vincent de Paul Rental Assistance Program to provide rent and utility assistance for families whose finances have been affected by COVID-19 and prevent homelessness.
- \$5.0 million to establish a Foreclosure Prevention Program to assist landlords whose tenants have been unable to pay rent due to the COVID-19 pandemic.
- \$650,000 to support community action agencies in order to improve temporary staffing for current rental assistance programs.
- \$250,000 to Chicanos Por La Causa for their Statewide Housing Program that helps find housing for homeless individuals.
- \$2.0 million to the Arizona Department of Housing Rental Eviction Assistance Program to tenants seeking rental assistance.
- \$7.0 million for the Rental Property Owner Preservation Fund to assist rental property owners during the COVID-19 pandemic.

- \$500,000 to the United States Veterans Initiative for the maintenance and repair of a housing facility to serve homeless, at-risk and underserved veterans.

Department of Health Services

On June 15, 2021, DHS reported \$67.3 million in expenditures currently charged to the Public Health Emergencies Fund (PHEF). Although the fund commitments are greater than the \$55.5 million available in the fund, the department expects monies received for FEMA reimbursements will cover the difference. For example, DHS' December 2020 report listed \$98.5 million in PHEF expenditures, but that number has been reduced as DHS has received more FEMA reimbursements. *Table 2* displays the expenses currently charged to the Public Health Emergencies Fund. Their expenditures include:

- \$20.9 million for COVID-19 testing expenses.
- \$12.7 million for traveling nurses from other states to support Arizona hospitals.
- \$9.8 million to purchase medical supplies and personal protective equipment.
- \$9.4 million for a bed reserve for post-acute care patients.
- \$8.1 million for COVID-related communications and marketing expenses.
- \$3.8 million to operate the Arizona Surge Line, a 24/7 toll-free call line to facilitate the transfer of patients during a healthcare facility surge.
- \$1.3 million for warehousing and storing COVID-19 supplies.
- \$972,700 for St. Luke's hospital build-out to expand the state's bed capacity for treatment of COVID-19 patients and for hospital operating costs.
- \$197,800 for COVID-19 contracted services.
- \$79,400 for the state's vaccine management system.
- \$37,800 for ventilator purchases.
- \$42,400 for other operating expenditures, including IT services and legal services.

In addition to these monies, the state has spent Federal Funds (including the federal Coronavirus Relief Fund) and private donations to address these issues; the Executive is not required to report on these expenditures made outside of the PHEF.

Table 2	
Public Health Emergencies Fund	
COVID-19 Expenditures	
COVID-19 Testing	\$20,921,000
Traveling Nurses	12,688,300
PPE Supplies	9,796,700
Post-Acute Bed Reserve	9,401,200
Communications	8,053,200
Arizona Surge Line	3,764,400
Warehousing	1,305,800
St. Luke's Hospital Build-Out	972,700
Contract Services	197,800
Vaccination System	79,400
Ventilators	37,800
Other	42,400
Total as of 6/15/21	\$67,260,700

Arizona Coronavirus Relief Fund

The Executive established the Arizona Coronavirus Relief Fund (CRF) as part of the Arizona Together Initiative during the COVID-19 outbreak. The Executive reports that over \$9.8 million has been donated to this fund from individuals and organizations. Of the amount donated, the Ben and Catherine Ivy Foundation has donated \$5.0 million for the purchase of personal protective equipment (PPE).

The Executive has announced total allocations of \$9.3 million in CRF donations to Arizona entities and has specified \$9.0 million of allocations for the following purposes:

- \$5.0 million from the Ben and Catherine Ivy Foundation to DHS for purchase of PPE.
- \$480,000 for organizations providing out of school child care such as Boys and Girls Clubs across Arizona, the CLUB for YOUth Kingman, Cobre Valley Youth Club and the Patagonia Youth Enrichment Center.
- \$100,000 for organizations supporting children with special needs. Funds will be used to offer new services such as video conference check-ins, in-home treatment through telemedicine and remote supervision, and coaching for parents and supporting programs for newly diagnosed families.
- \$100,000 for organizations supporting foster families and children in out-of-home care. This allocation is to address the increased demand for services, supplies, and education needs of those children.
- \$527,000 to support the Association of Food Banks/Arizona Food Bank Network to address increased demand during the pandemic.
- \$320,000 to support senior citizens, those who are homebound, and those who are medically fragile. Funds will assist identified populations with services such as grocery shopping, meal deliveries, and emergency errands.
- \$1.0 million to 14 organizations supporting homeless populations.
- \$350,000 to shelters and support centers that provide support to victims of domestic violence through shelter space, supplies, virtual services, medical exams, and transportation.
- \$645,000 for organizations supporting individuals and families in need through services such as short-term housing, food and living assistance, employment support, and health services.
- \$550,000 to 13 organizations in Arizona offering mental health support services for adults and children.

Table 4

Arizona Coronavirus Relief Fund

Personal Protective Equipment	4,957,600
Education Continuity and Child Care	480,000
Special Needs Populations	100,000
Foster Children	100,000
Nutrition Assistance	527,000
Seniors, Homebound and Medically Fragile	320,000
Homeless Populations	1,000,000
Domestic Violence Prevention	350,000
Family Support and Stabilization	645,000
Mental Health Support Services	<u>550,000</u>
Total Allocated as of 5/27/21	\$9,029,600^{1/}

^{1/} The total allocated amount excludes approximately \$0.3 million of unspecified allocations.

Other

On March 27, 2020, the Executive announced that the Rental Eviction Prevention Assistance Program would be launched in the Arizona Department of Housing on March 30, 2020. This program will be funded with \$5.0 million from the State Housing Trust Fund. Rental assistance through this program may be provided to households whose primary residence is a rental unit in Arizona and who have seen a reduction in income caused by COVID-19. Households must also not exceed 100% of the area median income adjusted for family size in the county that they reside in.

BUDGET DETAIL

SUMMARY OF APPROPRIATED FUNDS BY AGENCY
Fiscal Years 2021 and 2022 1/

	Fiscal Year 2021			Fiscal Year 2022		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
BUDGET UNITS						
Accountancy, State Board of	\$0	\$2,098,500	\$2,098,500	\$0	\$2,051,800	\$2,051,800
Acupuncture Examiners, Board of	0	180,700	180,700	0	176,800	176,800
Administration, Arizona Department of	25,253,200	209,032,900	234,286,100	18,255,000	199,005,900	217,260,900
- Automation Projects Fund	0	4,992,800	4,992,800	3,614,100	32,060,700	35,674,800
Administrative Hearings, Office of	921,500	0	921,500	891,800	0	891,800
African-American Affairs, Arizona Commission of	133,200	0	133,200	128,800	0	128,800
Agriculture, Arizona Department of	10,492,200	1,779,600	12,271,800	16,915,700	1,734,600	18,650,300
AHCCCS	1,951,981,100	345,116,300	2,297,097,400	1,915,630,200	386,347,600	2,301,977,800
Athletic Training, Board of	0	130,500	130,500	0	127,000	127,000
Attorney General - Department of Law	25,411,000	51,932,200	77,343,200	25,239,800	60,389,300	85,629,100
Barbers, Board of	0	419,200	419,200	0	408,900	408,900
Behavioral Health Examiners, Board of	0	1,818,200	1,818,200	0	1,776,100	1,776,100
Charter Schools, State Board for	2,152,100	0	2,152,100	2,103,000	0	2,103,000
Child Safety, Department of	387,893,000	198,859,400	586,752,400	405,728,800	290,993,200	696,722,000
Chiropractic Examiners, State Board of	0	450,600	450,600	0	437,000	437,000
Commerce Authority, Arizona	16,175,000	0	16,175,000	78,925,000	0	78,925,000
Community Colleges, Arizona	66,645,400	0	66,645,400	108,904,700	0	108,904,700
Contractors, Registrar of	0	12,690,000	12,690,000	0	12,590,300	12,590,300
Corporation Commission	647,100	27,993,000	28,640,100	623,100	27,326,600	27,949,700
Corrections, State Department of	1,205,398,500	53,344,600	1,258,743,100	1,284,302,300	53,339,000	1,337,641,300
Cosmetology, Board of	0	1,897,400	1,897,400	0	1,856,700	1,856,700
County Funding	10,650,700	500,000	11,150,700	20,650,700	0	20,650,700
Criminal Justice Commission, Arizona	0	7,096,300	7,096,300	1,000,000	7,174,600	8,174,600
Deaf and the Blind, Schools for the	23,865,500	13,388,300	37,253,800	23,255,700	32,063,800	55,319,500
Deaf and the Hard of Hearing, Commission for the	0	4,685,900	4,685,900	0	4,631,900	4,631,900
Dental Examiners, State Board of	0	1,261,200	1,261,200	0	1,815,800	1,815,800
Drought Mitigation Board	160,000,000	0	160,000,000	0	0	0
Economic Opportunity, Office of	485,500	0	485,500	470,300	0	470,300
Economic Security, Department of	874,054,300	486,804,300	1,360,858,600	850,052,500	1,491,838,200	2,341,890,700
Education, State Board of	1,334,300	0	1,334,300	2,340,000	0	2,340,000
Education, Department of	5,599,591,900	312,983,300	5,912,575,200	5,910,547,300	322,567,600	6,233,114,900
Emergency and Military Affairs, Department. of	67,373,000	1,506,100	68,879,100	13,367,100	1,930,400	15,297,500
Environmental Quality, Department of	15,000,000	70,907,900	85,907,900	15,000,000	75,619,400	90,619,400
Equal Opportunity, Governor's Office of	0	197,700	197,700	0	191,300	191,300
Equalization, State Board of	673,200	0	673,200	663,900	0	663,900
Executive Clemency, Board of	1,184,500	0	1,184,500	1,153,300	0	1,153,300
Exposition and State Fair Board, Arizona	0	13,523,700	13,523,700	0	13,297,500	13,297,500
Forestry and Fire Management, Arizona Department of	115,111,500	0	115,111,500	16,727,600	0	16,727,600
Funeral Directors and Embalmers, Board of	0	401,100	401,100	0	402,800	402,800
Game and Fish Department, Arizona	0	46,070,400	46,070,400	0	46,791,700	46,791,700
Gaming, Department of	2,509,500	16,288,300	18,797,800	15,759,500	17,073,100	32,832,600
Governor, Office of the	8,924,800	0	8,924,800	9,813,600	0	9,813,600
Governor's Office of Strategic Planning and Budgeting	2,765,100	0	2,765,100	2,688,700	0	2,688,700
Health Services, Department of	95,897,900	55,118,700	151,016,600	103,419,200	58,939,000	162,358,200

	Fiscal Year 2021			Fiscal Year 2022		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Historical Society, Arizona	3,195,600	0	3,195,600	2,906,000	0	2,906,000
Historical Society, Prescott	867,700	0	867,700	900,600	0	900,600
Homeopathic and Integrated Medicine Examiners, Board of	0	46,600	46,600	0	46,000	46,000
Housing, Arizona Department of	0	332,500	332,500	0	322,700	322,700
Independent Redistricting Commission	500,000	0	500,000	7,900,000	0	7,900,000
Industrial Commission of Arizona	0	20,608,400	20,608,400	95,000	20,122,000	20,217,000
Insurance and Financial Institutions, Department of	8,090,700	9,537,700	17,628,400	7,663,400	10,067,500	17,730,900
Judiciary						
Supreme Court	21,399,300	31,095,900	52,495,200	22,234,700	31,044,800	53,279,500
Court of Appeals	17,179,600	0	17,179,600	16,790,800	0	16,790,800
Superior Court	98,194,300	11,994,400	110,188,700	106,655,000	11,975,600	118,630,600
SUBTOTAL - Judiciary	136,773,200	43,090,300	179,863,500	145,680,500	43,020,400	188,700,900
Juvenile Corrections, Department of	30,616,200	15,000,400	45,616,600	30,696,600	14,921,900	45,618,500
Land Department, State	12,563,800	8,080,700	20,644,500	13,315,100	12,588,700	25,903,800
Legislature						
Auditor General	20,991,500	0	20,991,500	21,223,500	0	21,223,500
House of Representatives	16,830,000	0	16,830,000	21,429,300	0	21,429,300
Joint Legislative Budget Committee	2,934,700	0	2,934,700	2,841,900	0	2,841,900
Legislative Council	9,026,600	0	9,026,600	10,090,400	0	10,090,400
Senate	13,253,900	0	13,253,900	17,969,100	0	17,969,100
SUBTOTAL - Legislature	63,036,700	0	63,036,700	73,554,200	0	73,554,200
Liquor Licenses and Control, Department of	0	3,498,200	3,498,200	0	4,456,300	4,456,300
Lottery Commission, Arizona State	0	160,117,200	160,117,200	0	152,075,100	152,075,100
Massage Therapy, Board of	0	486,100	486,100	0	473,700	473,700
Medical Board, Arizona	0	7,227,700	7,227,700	0	7,507,100	7,507,100
Mine Inspector, State	1,301,900	112,900	1,414,800	1,558,200	112,900	1,671,100
Naturopathic Physicians Medical Board	0	197,600	197,600	0	193,200	193,200
Navigable Stream Adjudication Commission	133,000	200,000	333,000	129,300	200,000	329,300
Nursing, State Board of	0	4,927,500	4,927,500	0	5,275,100	5,275,100
Nursing Care Institution Administrators Board <u>2/</u>	0	470,400	470,400	0	526,100	526,100
Occupational Therapy Examiners, Board of	0	204,700	204,700	0	199,900	199,900
Opticians, State Board of Dispensing	0	159,700	159,700	0	162,600	162,600
Optometry, State Board of	0	248,200	248,200	0	241,900	241,900
Osteopathic Examiners, Arizona Board of <u>3/</u>	0	1,038,000	1,038,000	0	1,067,600	1,067,600
Parks Board, Arizona State	0	16,619,900	16,619,900	9,000,000	20,839,500	29,839,500
Personnel Board, State	0	332,500	332,500	0	326,400	326,400
Pharmacy, Arizona State Board of	0	2,689,600	2,689,600	0	3,083,900	3,083,900
Physical Therapy, Board of	0	513,900	513,900	0	504,100	504,100
Pioneers' Home, Arizona	0	6,796,000	6,796,000	0	7,043,200	7,043,200
Podiatry Examiners, State Board of	0	174,400	174,400	0	168,200	168,200
Postsecondary Education, Commission for	1,680,900	1,543,700	3,224,600	1,680,900	1,537,100	3,218,000
Private Postsecondary Education, Board for	0	436,300	436,300	0	413,500	413,500
Psychologist Examiners, State Board of	0	529,900	529,900	0	550,800	550,800
Public Safety, Department of	91,138,000	246,615,700	337,753,700	291,650,400	136,328,100	427,978,500
Public Safety Personnel Retirement System	1,006,000,000	0	1,006,000,000	6,000,000	0	6,000,000
Real Estate Department, State	2,997,600	0	2,997,600	2,922,100	0	2,922,100
Residential Utility Consumer Office	0	1,388,900	1,388,900	0	1,352,200	1,352,200
Respiratory Care Examiners, Board of	0	333,300	333,300	0	324,100	324,100
Retirement System, Arizona State	0	24,920,800	24,920,800	0	25,048,400	25,048,400
Revenue, Department of	31,799,500	48,983,200	80,782,700	53,542,400	27,161,200	80,703,600
School Facilities Board	273,994,700	0	273,994,700	290,809,500	0	290,809,500

	Fiscal Year 2021			Fiscal Year 2022		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Secretary of State	17,263,600	1,239,300	18,502,900	12,907,700	1,479,300	14,387,000
Tax Appeals, State Board of	292,200	0	292,200	283,300	0	283,300
Technical Registration, State Board of	0	2,263,100	2,263,100	0	2,352,900	2,352,900
Tourism, Office of	8,335,100	0	8,335,100	8,481,500	0	8,481,500
Transportation, Department of	0	442,307,300	442,307,300	3,300,000	467,515,200	470,815,200
Treasurer, State	1,548,800	5,640,800	7,189,600	15,010,200	9,767,500	24,777,700
Tribal Relations, Governor's Office on	64,700	0	64,700	63,500	0	63,500
Universities						
Board of Regents	22,480,000	0	22,480,000	29,916,000	0	29,916,000
Arizona State University	324,717,400	607,175,900	931,893,300	385,261,900	599,978,900	985,240,800
Northern Arizona University	109,804,600	138,921,300	248,725,900	135,452,400	139,466,800	274,919,200
University of Arizona - Main Campus	207,722,200	240,586,500	448,308,700	250,739,100	317,757,200	568,496,300
University of Arizona - Health Sciences Center	76,897,700	56,863,400	133,761,100	76,897,700	56,863,400	133,761,100
SUBTOTAL - Universities	741,621,900	1,043,547,100	1,785,169,000	878,267,100	1,114,066,300	1,992,333,400
Veterans' Services, Department of	7,983,500	39,987,100	47,970,600	8,625,500	50,519,000	59,144,500
Veterinary Medical Examining Board	0	618,300	618,300	0	601,800	601,800
Water Infrastructure Finance Authority	40,000,000	0	40,000,000	12,000,000	0	12,000,000
Water Resources, Department of	14,731,600	2,466,800	17,198,400	18,424,400	2,506,600	20,931,000
OPERATING BUDGET SUBTOTAL	\$13,169,055,900	\$4,109,001,800	\$17,278,057,700	\$12,745,539,100	\$5,292,028,600	\$18,037,567,700
Unallocated Additional 27th Pay Period	0	1,136,600	1,136,600	0	0	0
Unallocated One-Time '21 Agency Health Insurance Adjustments	1,718,900	3,215,700	4,934,600	0	0	0
Remove Unallocated One-Time '20 Agency Health Insurance Adjustments	0	(75,900)	(75,900)	0	0	0
Unallocated '21 Retirement Rate Adjustment	100	986,200	986,300	0	0	0
Unallocated '22 One-Time HITF Employer Premium	0	0	0	0	7,986,500	7,986,500
Unallocated '22 Risk Management Adjustments	0	0	0	6,400	(70,900)	(64,500)
Unallocated '22 Retirement Adjustments	0	0	0	0	1,987,400	1,987,400
Unallocated '22 AFIS Transaction Fee	0	0	0	4,700	472,900	477,600
Unallocated '22 Rent Adjustments	0	0	0	0	100,700	100,700
Unallocated '22 Fleet Adjustments	0	0	0	0	704,700	704,700
University (27th) Pay Period	0	0	0	20,052,100	36,887,300	56,939,400
New ADE Enrollment Reversion	(436,114,800)	0	(436,114,800)	0	0	0
New Medicaid Federal Match Reversion	(431,940,800)	0	(431,940,800)	0	0	0
Transportation Projects	321,001,500	0	321,001,500	0	0	0
Capital Outlay Projects	11,000,000	509,683,600	520,683,600	92,632,900	515,869,700	608,502,600
Capital Outlay - 2010 Leaseback Debt Service	53,701,800	0	53,701,800	0	0	0
Capital Outlay - 2010 Leaseback Debt Payoff	977,100,000	0	977,100,000	0	0	0
Capital Outlay - Phoenix Convention Center Debt Service	23,997,900	0	23,997,900	24,498,500	0	24,498,500
Capital Outlay - Rio Nuevo District Distribution	16,000,000	0	16,000,000	16,000,000	0	16,000,000
Administrative Adjustments	55,000,000	0	55,000,000	120,000,000	0	120,000,000
Revertments	(150,000,000)	0	(150,000,000)	(192,000,000)	0	(192,000,000)
GRAND TOTAL	\$13,610,520,500	\$4,623,948,000	\$18,234,468,500	\$12,826,733,700	\$5,855,966,900	\$18,682,700,600

1/ This table summarizes FY 2021 and FY 2022 appropriations from the 1st Regular Session and 1st Special Session of the 55th Legislature and all prior sessions.

2/ The full agency name is the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers.

3/ The full agency name is the Arizona Board of Osteopathic Examiners in Medicine and Surgery.

**SUMMARY OF CAPITAL OUTLAY APPROPRIATIONS
(Capital Outlay Bill and Other Bills with Capital Appropriations) 1/**

	FY 2021		FY 2022	
	General Fund	Other Funds	General Fund	Other Funds
ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM				
Administration, Arizona Department of				
Building Renewal for ADOA System (excluding Corrections)		\$16,000,000	\$6,200,000	\$18,000,000
Air Handler Units			\$3,500,000	
1601/1645 W. Jefferson Demolition and Central Plan Conversion			\$2,800,000	
Taylor Rodeo Arena			\$1,000,000	
Dark Sky Discovery Center			\$2,500,000	
Debt Payoff 2/	\$977,100,000			
Subtotal - Department of Administration	\$977,100,000	\$16,000,000	\$16,000,000	\$18,000,000
Attorney General				
Deferred Maintenance 15 S 15 th Ave				\$4,000,000
Corrections, State Department of				
Building Renewal for Corrections Facilities		\$5,464,300	\$22,205,800	\$5,864,300
Eymann Fire and Life Safety Upgrades			\$10,000,000	\$15,564,400
Lewis/Yuma Locks, Fire, HVAC	\$11,000,000	\$19,000,000		
Subtotal - State Department of Corrections	\$11,000,000	\$24,464,300	\$32,205,800	\$21,428,700
Deaf and the Blind, Arizona State Schools for the				
Classroom Notification System Replacement				\$150,000
Emergency and Military Affairs, Department of				
Fire Suppression and Roof Replacement			\$927,100	\$191,000
Yuma County Fairgrounds Relocation			5,000,000	
Subtotal - Department of Emergency and Military Affairs	\$0	\$0	\$5,927,100	\$191,000
Exposition and State Fair Board, AZ				
Capital Improvement Projects			\$1,000,000	
Veterans Memorial Coliseum Fire Alarm			\$1,000,000	
Subtotal - Exposition and State Fair Board, AZ	\$0	\$0	\$2,000,000	\$0
Game and Fish Department, Arizona				
Building Renewal		\$1,157,900		\$1,215,800
Hatchery Maintenance				400,000
Property Maintenance				300,000
Dam Maintenance				150,000
Hatchery Capital Renewal				2,600,000
Subtotal - Arizona Game and Fish Department	\$0	\$1,157,900	\$0	\$4,665,800
Health Services, Department of				
Demolition of Unused Buildings at the State Hospital				\$2,000,000
Juvenile Corrections, Department of				
Door Replacement				\$2,500,000
Legislative Council				
Historic Capitol Renovations and Repairs			\$11,500,000	\$400,000
Lottery Commission, Arizona State				
Building Renewal		\$146,700		\$152,800
Parks Board, Arizona State				
Capital Improvement Projects				\$2,396,700
Kartchner Cavern Discovery Center Roof Replacement				\$450,000
Dead Horse Amphitheater				\$150,000
Red Rock Fire Suppression System				126,000
Red Rock Maintenance Building				435,200
Rocklin' River Ranch State Park Project				750,000
Subtotal - Arizona State Parks Board	\$0	\$0	\$0	\$4,307,900
Pioneers' Home, Arizona				
Capital Improvements				\$353,100
Public Safety, Department of				
Wellness and Training Center				3,000,000
Veterans' Services, Department of				
Northwestern Arizona Home Construction			\$25,000,000	
SUBTOTAL - ADOA BUILDING SYSTEM	\$988,100,000	\$41,768,900	\$92,632,900	\$61,149,300
ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM				
Arizona Department of Transportation				
Building Renewal		\$13,281,700		\$15,710,400
Airport Planning and Development		30,900,000		26,000,000
State Aviation Fund Deposit 3/	18,000,000			
Highway Construction		378,733,000		361,110,000
Wickenburg Maintenance Facilities				3,150,000
Liquid Brine Tanks				1,950,000
Vehicle Fuelling Stations				1,800,000
Interstate 17, Anthem to Sunset Point		45,000,000		45,000,000
Pavement Rehabilitation 3/	90,000,000			
I-10 Widening	50,000,000			
Highway Projects 3/	163,001,500			
SUBTOTAL - ADOT BUILDING SYSTEM	\$921,001,500	\$467,914,700	\$0	\$454,720,400
GRAND TOTAL - ALL APPROPRIATIONS	\$1,309,101,500	\$509,683,600	\$92,632,900	\$515,869,700
SUMMARY OF CAPITAL APPROPRIATIONS BY SESSION				
Laws 2019, 1st Regular Session		\$45,000,000		\$45,000,000
Laws 2020, 2nd Regular Session	\$11,000,000	\$464,683,600		
Laws 2021, 1st Regular Session	\$1,298,101,500		\$92,632,900	\$470,869,700

1/ This table summarizes all capital appropriations for FY 2021 and FY 2022. Appropriations are listed by the state's "building systems." Capital Outlays are budgeted on an annual basis except under special circumstances.

2/ Laws 2021, Chapter 408 (FY 2022 General Appropriation Act) included \$977,100,000 from the from General Fund for Debt Payoff in FY 2021.

SUMMARY OF ADDITIONAL OPERATING AND STATUTORY APPROPRIATIONS 1/ 2/

GENERAL FUND

	<u>FY 2021</u>	<u>FY 2022</u>
AHCCCS		
Laws 2020, Ch. 4 (SB 1523) Mental Health Omnibus	8,000,000	
Attorney General - Department of Law		
Laws 2021, Ch. 405 (SB 1819) Budget Procedures; Budget Reconciliation; 2021-2022		500,000
23-263 - Military Airport Planning; Appropriation	85,000	<u>85,000</u>
		585,000
Commerce Authority, Arizona		
43-409 - Arizona Commerce Authority Income Tax Withholding	15,500,000	15,500,000
Community Colleges		
Laws 2021, Ch. 430 (SB 1124) Contributions in Aid of Construction	1,750,000	
42-5031.01 - Indian Tribal Postsecondary Educational Institutions	2,856,100	2,856,100
15-1469.01 - Rural County Allocation	3,658,200	4,337,300
Subtotal - Community Colleges	<u>8,264,300</u>	<u>7,193,400</u>
Corrections, State Department of		
Laws 2021, Ch. 82 (HB 2398) Appropriations; Named Claimants	2,300	
Education, State Board of		
Laws 2020, Ch. 12 (SB 1224) Empowerment Scholarships; Qualifications; Administration; Appropriations	150,000	
Education, Department of		
Laws 2020, Ch. 12 (SB 1224) Empowerment Scholarships; Qualifications; Administration; Appropriations	950,000	
Laws 2015, 1st Special Session, Ch. 1 (HB 2001) Schools; Base Level; Appropriations	75,000,000	75,000,000
Subtotal - Department of Education	<u>75,950,000</u>	<u>75,000,000</u>
Emergency and Military Affairs, Department of		
26-263 - Military Airport Planning; Appropriation	90,000	90,000
35-192 - Governor's Emergency Authority	4,000,000	4,000,000
Subtotal - Department of Emergency and Military Affairs	<u>4,090,000</u>	<u>4,090,000</u>
Environmental Quality, Department of		
49-282 - WQARF Priority Site Remediation <u>3/</u>	15,000,000	15,000,000
Forestry and Fire Management, Arizona Department of		
Laws 2021, Ch. 1, 1st S.S. (HB 2001) Appropriations; Fire Suppression	99,541,800	
37-1305 - Wildland Fire Emergency	3,000,000	3,000,000
Insurance and Financial Institutions, Department of		
Laws 2020, Ch. 4 (SB 1523) Mental Health Omnibus	250,000	
Legislature - Auditor General		
Laws 2021, Ch. 405 (SB 1819) Budget Procedures; Budget Reconciliation; 2021-2022		500,000
Public Safety Personnel Retirement System		
38-810 - EORP Closure	5,000,000	5,000,000
Treasurer, State		
Laws 2021, Ch. 405 (SB 1819) Budget Procedures; Budget Reconciliation; 2021-2022		12,000,000
41-2308 - Special Sporting Event Marketing		<u>1,500,000</u>
		13,500,000
Arizona State University		
15-1671 - University Infrastructure Capital Financing	12,381,200	12,533,500
15-1670 - University Research Infrastructure Financing	13,458,700	13,451,900
Subtotal - Arizona State University	<u>25,839,900</u>	<u>25,985,400</u>
Northern Arizona University		
15-1671 - University Infrastructure Capital Financing	4,692,900	4,750,600
15-1670 - University Research Infrastructure Financing	4,879,500	5,039,800
Subtotal - Northern Arizona University	<u>9,572,400</u>	<u>9,790,400</u>
University of Arizona - Main Campus		
15-1671 - University Infrastructure Capital Financing	10,953,200	11,087,900
15-1670 - University Research Infrastructure Financing	14,251,500	14,248,900
Subtotal - University of Arizona - Main Campus	<u>25,204,700</u>	<u>25,336,800</u>
Other		
9-602 - Phoenix Convention Center Financing	23,997,900	24,498,500
42-5031 - Rio Nuevo Multi-Purpose Facility District	16,000,000	16,000,000
GENERAL FUND TOTAL	<u><u>335,448,300</u></u>	<u><u>240,979,500</u></u>

OTHER FUNDS

	FY 2021	FY 2022
Administration, Arizona Department of		
Laws 2021, Ch. 82 (HB 2398) Appropriations; Named Claimants	49,800	
Agriculture, Department of		
Laws 2021, Ch. 71 (HB 2026) Nuclear Emergency Management; Appropriations; Assessments		280,500
Laws 2019, Ch. 24 (HB 2004) Nuclear Emergency Management Fund; Appropriation; Assessment	280,500	
AHCCCS		
Laws 2021, Ch. 64 (SB 1096) Supplemental Appropriations; AHCCCS Administration	27,177,400	
County Funding		
Laws 2018, Ch. 342 (SB 1476) County Sheriff; Reentry Planning; Appropriation	500,000	
Economic Security, Department of		
Laws 2021, Ch. 18 (SB 1462) Appropriation; Child Care Services	92,712,300	
Emergency and Military Affairs, Department of		
Laws 2021, Ch. 71 (HB 2026) Nuclear Emergency Management; Appropriations; Assessments		1,930,400
Laws 2019, Ch. 24 (HB 2004) Nuclear Emergency Management Fund; Appropriation; Assessment	1,506,100	
Health Services, Department of		
Laws 2019, Ch. 24 (HB 2004) Nuclear Emergency Management Fund; Appropriation; Assessment	789,700	
Industrial Commission of Arizona		
Laws 2021, Ch. 82 (HB 2398) Appropriations; Named Claimants	15,300	
Juvenile Corrections, Department of		
Laws 2021, Ch. 82 (HB 2398) Appropriations; Named Claimants	300	
Podiatry Examiners, State Board of		
Laws 2021, Ch. 82 (HB 2398) Appropriations; Named Claimants	2,800	
Transportation, Department of		
Laws 2021, Ch. 82 (HB 2398) Appropriations; Named Claimants	121,100	
 OTHER FUNDS TOTAL	123,155,300	2,210,900

^{1/} All appropriations have been rounded to the nearest \$100.

^{2/} Excludes most General Appropriation Act and Capital Outlay Act appropriations amounts.

^{3/} A.R.S. § 49-282 requires that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The FY 2021 Environment Budget Reconciliation Bill transfers the \$15,000,000 to WQARF, but does not permit any additional corporate income tax adjustment above that level. The FY 2022 Environment Budget Reconciliation Bill makes the same adjustment as FY 2021.

**PREVIOUSLY ENACTED APPROPRIATIONS
FY 2022 and BEYOND 1/**

GENERAL FUND

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<u>Arizona Department of Administration</u>			
Laws 2021, Ch. 408 - School Financial Transparency Reporting System		1,500,000	1,500,000
<u>Attorney General</u>			
A.R.S. § 26-263 - Military Airport Planning	85,000	85,000	85,000
<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		
A.R.S. § 42-5031.01 - Indian Tribal Postsecondary Institutions 2/	2,856,100	2,856,100	2,856,100
A.R.S. § 15-1469.01 - Rural County Allocation 3/	4,337,300	4,337,300	4,337,300
<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 2019, Ch. 263 - Teacher Professional Development	400,000		
Laws 2019, Ch. 263 - CTED Incentive Program	5,000,000		
Laws 2019, Ch. 263 - Rollover Reduction	30,000,000		
Laws 2020, Ch. 58/Laws 2021, Ch. 408 - Basic State Aid (Rollover)	930,727,700	865,727,700	
<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	4/	4/	4/
<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		
<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 - Electronic Repository and 1 FTE 5/			70,000
<u>School Facilities Board</u>			
Laws 2020, Ch. 58/Laws 2021, Ch. 408 - New School Facilities Fund	11,730,900	47,950,000	
Laws 2021, Ch. 408 - Yuma Union High School District New School Construction		16,515,200	
<u>Treasurer, State</u>			
A.R.S. § 41-2308 - Special Sporting Event Marketing (through FY 2051)	1,500,000	1,500,000	1,500,000

	FY 2022	FY 2023	FY 2024
<u>Arizona State University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	13,451,900	13,462,100	13,468,200
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	12,533,500	12,800,800	12,990,000
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8/</u>	9,115,000		
<u>Northern Arizona University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	5,039,800	5,301,500	5,302,900
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	4,750,600	4,851,900	4,923,700
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8/</u>	2,939,500		
<u>University of Arizona</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	14,248,900	14,252,500	14,255,300
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	11,087,900	11,324,400	11,491,800
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8/</u>	7,997,600		
<u>Other</u>			
A.R.S. § 9-602 - Phoenix Convention Center Financing <u>9/</u>	24,498,500	24,999,400	25,498,600
A.R.S. § 42-5031 - Rio Nuevo Multi-Purpose Facility District <u>10/</u>	16,000,000	16,000,000	16,000,000
TOTAL	1,215,390,200	1,148,053,900	218,868,900

OTHER FUNDS

	FY 2022	FY 2023	FY 2024
<u>Arizona Department of Administration</u>			
Laws 2021, Ch. 408 - School Financial Transparency Reporting System		1,500,000	1,500,000
<u>Attorney General - Department of Law</u>			
Laws 2019, Ch. 263 - Criminal Division	2,350,000	2,350,000	
<u>Transportation, Department of</u>			
Laws 2019, Ch. 264 - I-17 Expansion	45,000,000		
<u>Arizona State University</u>			
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8/</u>	19,271,400		
<u>Northern Arizona University</u>			
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8/</u>	4,858,600		
<u>University of Arizona</u>			
Laws 2020, Ch. 58 - Additional (27th) Pay Period <u>8/</u>	12,757,300		
<u>Veterans Services, Department of</u>			
Laws 2018, Ch. 98 - Hyperbaric Oxygen Therapy Fund Reimbursement <u>11/</u>		25,000	
TOTAL	84,237,300	3,875,000	1,500,000

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 \$231,100 for the Tohono O'Odham Community College.

3/ Pursuant to A.R.S. § 42-1469.01, the JLBC Staff assumes an annual distribution of \$4,337,300 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 that \$18,000,000 be deposited annually into the Water Quality Assurance Revolving Fund, including at least \$15,000,000 from the corporate income tax. The FY 2022 Environment Budget Reconciliation Bill transfers the \$15,000,000 to WQARF, but does not permit any additional corporate income tax adjustment above that level. The FY 2022 budget assumes this level of funding on an ongoing basis.
- 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.
- 8/ The enacted FY 2021 budget included funding to state agencies for an additional 27th pay period that will occur in FY 2021. Due to differences in pay periods, the Universities' 27th pay period will occur in FY 2022. Laws 2020, Chapter 58 appropriates \$20,052,100 from the General Fund and \$36,887,300 from University Collections Funds for the 27th pay period in FY 2022.
- 9/ 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.
- 10/ 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.
- 11/ 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.

**SUMMARY OF TOTAL SPENDING AUTHORITY BY AGENCY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
Fiscal Years 2021 and 2022 1/**

	Fiscal Year 2021			Fiscal Year 2022		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
BUDGET UNITS						
Accountancy, State Board of	\$2,098,500	\$0	\$2,098,500	\$2,051,800	\$0	\$2,051,800
Acupuncture Examiners, Board of	180,700	0	180,700	176,800	0	176,800
Administration, Arizona Department of	234,286,100	1,106,230,600	1,340,516,700	217,260,900	1,139,365,400	1,356,626,300
- Automation Projects Fund	4,992,800	0	4,992,800	35,674,800	0	35,674,800
Administrative Hearings, Office of	921,500	794,000	1,715,500	891,800	794,000	1,685,800
African-American Affairs, Arizona Commission of	133,200	20,000	153,200	128,800	20,000	148,800
Agriculture, Arizona Department of	12,271,800	25,565,600	37,837,400	18,650,300	25,565,600	44,215,900
AHCCCS	2,297,097,400	15,052,660,700	17,349,758,100	2,301,977,800	16,229,297,000	18,531,274,800
Arts, Arizona Commission on the	0	2,530,200	2,530,200	0	2,530,200	2,530,200
Athletic Training, Board of	130,500	0	130,500	127,000	0	127,000
Attorney General - Department of Law	77,343,200	68,882,400	146,225,600	85,629,100	68,882,400	154,511,500
Barbers, Board of	419,200	0	419,200	408,900	0	408,900
Behavioral Health Examiners, Board of	1,818,200	0	1,818,200	1,776,100	0	1,776,100
Charter Schools, State Board for	2,152,100	85,000	2,237,100	2,103,000	85,000	2,188,000
Child Safety, Department of	586,752,400	510,288,400	1,097,040,800	696,722,000	630,801,600	1,327,523,600
Chiropractic Examiners, State Board of	450,600	0	450,600	437,000	0	437,000
Citizens Clean Elections Commission	0	4,878,800	4,878,800	0	4,878,800	4,878,800
Commerce Authority, Arizona	16,175,000	23,077,900	39,252,900	78,925,000	17,668,300	96,593,300
Community Colleges, Arizona	66,645,400	23,873,200	90,518,600	108,904,700	23,873,200	132,777,900
Constable Ethics Standards and Training Board	0	583,300	583,300	0	583,300	583,300
Contractors, Registrar of	12,690,000	4,666,800	17,356,800	12,590,300	4,666,800	17,257,100
Corporation Commission	28,640,100	2,341,400	30,981,500	27,949,700	2,341,400	30,291,100
Corrections, State Department of	1,258,743,100	79,855,700	1,338,598,800	1,337,641,300	60,492,200	1,398,133,500
Cosmetology, Board of	1,897,400	0	1,897,400	1,856,700	0	1,856,700
County Funding	11,150,700	0	11,150,700	20,650,700	0	20,650,700
Criminal Justice Commission, Arizona	7,096,300	23,565,100	30,661,400	8,174,600	23,565,100	31,739,700
Deaf and the Blind, Schools for the	37,253,800	21,943,700	59,197,500	55,319,500	5,434,600	60,754,100
Deaf and the Hard of Hearing, Commission for the	4,685,900	0	4,685,900	4,631,900	0	4,631,900
Dental Examiners, State Board of	1,261,200	0	1,261,200	1,815,800	0	1,815,800
Drought Mitigation Board	160,000,000	0	160,000,000	0	0	0
Early Childhood Development and Health Board, Arizona	0	151,691,600	151,691,600	0	151,691,600	151,691,600
Economic Opportunity, Office of	485,500	115,890,100	116,375,600	470,300	114,390,100	114,860,400
Economic Security, Department of	1,360,858,600	5,656,453,900	7,017,312,500	2,341,890,700	4,577,344,400	6,919,235,100
Education, State Board of	1,334,300	0	1,334,300	2,340,000	0	2,340,000
Education, Department of	5,912,575,200	2,364,139,700	8,276,714,900	6,233,114,900	2,823,598,000	9,056,712,900
Emergency and Military Affairs, Department of	68,879,100	147,948,900	216,828,000	15,297,500	75,868,200	91,165,700
Environmental Quality, Department of	85,907,900	83,855,600	169,763,500	90,619,400	83,855,600	174,475,000
Equal Opportunity, Governor's Office of	197,700	0	197,700	191,300	0	191,300
Equalization, State Board of	673,200	0	673,200	663,900	0	663,900
Executive Clemency, Board of	1,184,500	30,100	1,214,600	1,153,300	30,100	1,183,400

	Fiscal Year 2021			Fiscal Year 2022		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
Exposition and State Fair Board, Arizona	13,523,700	0	13,523,700	13,297,500	0	13,297,500
Forestry and Fire Management, Arizona Department of	115,111,500	40,080,600	155,192,100	16,727,600	40,080,600	56,808,200
Funeral Directors and Embalmers, Board of	401,100	0	401,100	402,800	0	402,800
Game and Fish Department, Arizona	46,070,400	88,701,200	134,771,600	46,791,700	88,701,200	135,492,900
Gaming, Department of	18,797,800	443,900	19,241,700	32,832,600	443,900	33,276,500
Governor, Office of the	8,924,800	1,213,105,200	1,222,030,000	9,813,600	38,508,300	48,321,900
Governor's Office of Strategic Planning and Budgeting	2,765,100	0	2,765,100	2,688,700	0	2,688,700
Health Services, Department of	151,016,600	400,168,400	551,185,000	162,358,200	345,387,600	507,745,800
Historical Society, Arizona	3,195,600	1,027,600	4,223,200	2,906,000	1,027,600	3,933,600
Historical Society, Prescott	867,700	548,100	1,415,800	900,600	548,100	1,448,700
Homeland Security, Arizona Department of	0	25,138,200	25,138,200	0	25,138,200	25,138,200
Homeopathic and Integrated Medicine Examiners, Board of	46,600	0	46,600	46,000	0	46,000
Housing, Arizona Department of	332,500	94,839,800	95,172,300	322,700	94,839,800	95,162,500
Independent Redistricting Commission	500,000	0	500,000	7,900,000	0	7,900,000
Industrial Commission of Arizona	20,608,400	18,744,800	39,353,200	20,217,000	18,744,800	38,961,800
Insurance and Financial Institutions, Department of	17,628,400	30,209,000	47,837,400	17,730,900	30,367,900	48,098,800
Judiciary						
Supreme Court	52,495,200	23,132,400	75,627,600	53,279,500	23,132,400	76,411,900
Court of Appeals	17,179,600	0	17,179,600	16,790,800	0	16,790,800
Superior Court	110,188,700	5,035,000	115,223,700	118,630,600	5,035,000	123,665,600
SUBTOTAL - Judiciary	179,863,500	28,167,400	208,030,900	188,700,900	28,167,400	216,868,300
Juvenile Corrections, Department of	45,616,600	1,210,000	46,826,600	45,618,500	1,210,000	46,828,500
Land Department, State	20,644,500	852,800	21,497,300	25,903,800	852,800	26,756,600
Legislature						
Auditor General	20,991,500	1,310,300	22,301,800	21,223,500	1,310,300	22,533,800
House of Representatives	16,830,000	0	16,830,000	21,429,300	0	21,429,300
Joint Legislative Budget Committee	2,934,700	0	2,934,700	2,841,900	0	2,841,900
Legislative Council	9,026,600	0	9,026,600	10,090,400	0	10,090,400
Senate	13,253,900	0	13,253,900	17,969,100	0	17,969,100
SUBTOTAL - Legislature	63,036,700	1,310,300	64,347,000	73,554,200	1,310,300	74,864,500
Liquor Licenses and Control, Department of	3,498,200	1,002,800	4,501,000	4,456,300	1,002,800	5,459,100
Lottery Commission, Arizona State	160,117,200	964,437,500	1,124,554,700	152,075,100	910,393,200	1,062,468,300
Massage Therapy, Board of	486,100	0	486,100	473,700	0	473,700
Medical Board, Arizona	7,227,700	0	7,227,700	7,507,100	0	7,507,100
Mine Inspector, State	1,414,800	537,700	1,952,500	1,671,100	537,700	2,208,800
Naturopathic Physicians Medical Board	197,600	0	197,600	193,200	0	193,200
Navigable Stream Adjudication Commission	333,000	0	333,000	329,300	0	329,300
Nursing, State Board of	4,927,500	414,700	5,342,200	5,275,100	414,700	5,689,800
Nursing Care Institution Administrators Board <u>3/</u>	470,400	0	470,400	526,100	0	526,100
Occupational Therapy Examiners, Board of	204,700	0	204,700	199,900	0	199,900
Opticians, State Board of Dispensing	159,700	0	159,700	162,600	0	162,600
Optometry, State Board of	248,200	0	248,200	241,900	0	241,900
Osteopathic Examiners, Arizona Board of <u>4/</u>	1,038,000	0	1,038,000	1,067,600	0	1,067,600
Parents Commission on Drug Educ. & Prev., Arizona	0	5,780,700	5,780,700	0	5,780,700	5,780,700
Parks Board, Arizona State	16,619,900	16,757,500	33,377,400	29,839,500	16,757,500	46,597,000
Personnel Board, State	332,500	0	332,500	326,400	0	326,400

	Fiscal Year 2021			Fiscal Year 2022		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds 2/		General and Other Funds	Federal and Other Funds 2/	
Pharmacy, Arizona State Board of	2,689,600	362,400	3,052,000	3,083,900	362,400	3,446,300
Physical Therapy, Board of	513,900	0	513,900	504,100	0	504,100
Pioneers' Home, Arizona	6,796,000	0	6,796,000	7,043,200	0	7,043,200
Podiatry Examiners, State Board of	174,400	0	174,400	168,200	0	168,200
Postsecondary Education, Commission for	3,224,600	1,062,500	4,287,100	3,218,000	254,200	3,472,200
Power Authority, Arizona	0	22,504,000	22,504,000	0	22,504,000	22,504,000
Private Postsecondary Education, Board for	436,300	264,300	700,600	413,500	264,300	677,800
Psychologist Examiners, State Board of	529,900	0	529,900	550,800	0	550,800
Public Safety, Department of	337,753,700	127,039,900	464,793,600	427,978,500	127,039,900	555,018,400
Public Safety Personnel Retirement System	1,006,000,000	24,423,900	1,030,423,900	6,000,000	17,138,100	23,138,100
Real Estate Department, State	2,997,600	207,800	3,205,400	2,922,100	207,800	3,129,900
Residential Utility Consumer Office	1,388,900	0	1,388,900	1,352,200	0	1,352,200
Respiratory Care Examiners, Board of	333,300	0	333,300	324,100	0	324,100
Retirement System, Arizona State	24,920,800	5,051,800	29,972,600	25,048,400	5,051,800	30,100,200
Revenue, Department of	80,782,700	1,434,800	82,217,500	80,703,600	1,434,800	82,138,400
School Facilities Board	273,994,700	1,263,200	275,257,900	290,809,500	0	290,809,500
Secretary of State	18,502,900	8,361,000	26,863,900	14,387,000	8,361,000	22,748,000
Tax Appeals, State Board of	292,200	0	292,200	283,300	0	283,300
Technical Registration, State Board of	2,263,100	0	2,263,100	2,352,900	0	2,352,900
Tourism, Office of	8,335,100	8,776,100	17,111,200	8,481,500	8,776,100	17,257,600
Transportation, Department of	442,307,300	96,276,400	538,583,700	470,815,200	93,399,300	564,214,500
Treasurer, State	7,189,600	3,600,000	10,789,600	24,777,700	3,600,000	28,377,700
Tribal Relations, Governor's Office on	64,700	20,200	84,900	63,500	20,200	83,700
Universities						
Board of Regents	22,480,000	14,751,100	37,231,100	29,916,000	14,751,100	44,667,100
Arizona State University	931,893,300	2,745,693,600	3,677,586,900	985,240,800	2,745,688,400	3,730,929,200
Northern Arizona University	248,725,900	377,085,300	625,811,200	274,919,200	416,300,400	691,219,600
University of Arizona - Main Campus	448,308,700	1,299,465,300	1,747,774,000	568,496,300	1,321,390,200	1,889,886,500
University of Arizona - Health Sciences Center	133,761,100	498,072,600	631,833,700	133,761,100	498,364,900	632,126,000
SUBTOTAL - Universities	1,785,169,000	4,935,067,900	6,720,236,900	1,992,333,400	4,996,495,000	6,988,828,400
Veterans' Services, Department of	47,970,600	33,666,300	81,636,900	59,144,500	33,666,300	92,810,800
Veterinary Medical Examining Board	618,300	0	618,300	601,800	0	601,800
Water Infrastructure Finance Authority	40,000,000	0	40,000,000	12,000,000	0	12,000,000
Water Resources, Department of	17,198,400	17,774,900	34,973,300	20,931,000	16,010,800	36,941,800
OPERATING BUDGET SUBTOTAL	\$17,278,057,700	\$33,692,488,300	\$50,970,546,000	\$18,037,567,700	\$33,052,424,000	\$51,089,991,700
Unallocated Additional 27th Pay Period	1,136,600	0	1,136,600	0	0	0
Unallocated One-Time '21 Agency Health Insurance Adjustments	4,934,600	0	4,934,600	0	0	0
Remove Unallocated One-Time '20 Agency Health Insurance Adj.	(75,900)	0	(75,900)	0	0	0
Unallocated '21 Retirement Rate Adjustment	986,300	0	986,300	0	0	0
Unallocated '22 One-Time HITF Employer Premium	0	0	0	7,986,500	0	7,986,500
Unallocated '22 Risk Management Adjustments	0	0	0	(64,500)	0	(64,500)
Unallocated '22 Retirement Adjustments	0	0	0	1,987,400	0	1,987,400
Unallocated '22 AFIS Transaction Fee	0	0	0	477,600	0	477,600
Unallocated '22 Rent Adjustments	0	0	0	100,700	0	100,700
Unallocated '22 Fleet Adjustments	0	0	0	704,700	0	704,700

	Fiscal Year 2021			Fiscal Year 2022		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
University (27th) Pay Period	0	0	0	56,939,400	0	56,939,400
New ADE Enrollment Reversion	(436,114,800)	0	(436,114,800)	0	0	0
New Medicaid Federal Match Reversion	(431,940,800)	0	(431,940,800)	0	0	0
Transportation Projects	321,001,500	0	321,001,500	0	0	0
Capital Outlay Projects	520,683,600	1,635,894,000	2,156,577,600	608,502,600	1,602,311,000	2,210,813,600
Capital Outlay - 2010 Leaseback Debt Service	53,701,800	0	53,701,800	0	0	0
Capital Outlay - 2010 Leaseback Debt Payoff	977,100,000	0	977,100,000	0	0	0
Capital Outlay - Phoenix Convention Center Debt Service	23,997,900	0	23,997,900	24,498,500	0	24,498,500
Capital Outlay - Rio Nuevo District Distribution	16,000,000	0	16,000,000	16,000,000	0	16,000,000
Administrative Adjustments	55,000,000	0	55,000,000	120,000,000	0	120,000,000
Revertments	(150,000,000)	0	(150,000,000)	(192,000,000)	0	(192,000,000)
GRAND TOTAL	\$18,234,468,500	\$35,328,382,300	\$53,562,850,800	\$18,682,700,600	\$34,654,735,000	\$53,337,435,600

1/ This table summarizes FY 2021 and FY 2022 appropriations from the 1st Regular Session and 1st Special Session of the 55th Legislature and all prior sessions.

2/ The amounts shown are generally based on estimates published in the JLBC Staff's *Baseline Book* (January 2021), but may have been updated for later information.

3/ The full agency name is the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers.

4/ The full agency name is the Arizona Board of Osteopathic Examiners in Medicine and Surgery.

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2021 and 2022 1/

BUDGET UNITS	Fiscal Year 2021			Fiscal Year 2022		
	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	436.9	551.1	114.2	436.9	551.1
Capital Outlay	0.0	5.0	5.0	0.0	0.0	0.0
SUBTOTAL - Administration, Arizona Department of	114.2	441.9	556.1	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	192.7	20.1	212.8
AHCCCS	460.1	694.1	1,154.2	460.1	703.1	1,163.2
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	1,267.0	2,348.3
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	406.1	624.7
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	24.0	0.0	24.0	24.0	0.0	24.0
Child Safety, Department of <u>3/</u>	1,503.6	1,689.5	3,193.1	1,513.6	1,689.5	3,203.1
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	49.8	251.1	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>4/</u>	1,019.3	3,358.5	4,377.8	1,004.9	3,376.9	4,381.8
Education, State Board of	7.0	0.0	7.0	19.0	0.0	19.0
Education, Department of <u>5/</u>	185.7	23.2	208.9	179.7	23.2	202.9
Emergency and Military Affairs, Department of	64.1	5.5	69.6	63.1	9.5	72.6
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
Forestry and Fire Management, Arizona Department of	88.0	0.0	88.0	213.0	0.0	213.0
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	307.1	1,125.0	833.9	301.6	1,135.5
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	3.0	0.0	3.0	6.0	0.0	6.0
Industrial Commission of Arizona	0.0	235.6	235.6	1.0	235.6	236.6
Insurance and Financial Institutions, Department of	95.4	57.0	152.4	94.4	57.0	151.4
Judiciary						
Supreme Court	145.6	38.4	184.0	148.6	38.4	187.0
Court of Appeals	136.8	0.0	136.8	136.8	0.0	136.8
Superior Court	226.8	8.7	235.5	229.8	8.7	238.5
SUBTOTAL - Judiciary	509.2	47.1	556.3	515.2	47.1	562.3
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 2021			Fiscal Year 2022		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Legislative Council	55.0	0.0	55.0	66.0	0.0	66.0
SUBTOTAL - Legislature	284.8	0.0	284.8	295.8	0.0	295.8
Liquor Licenses and Control, Department of	0.0	45.2	45.2	0.0	51.2	51.2
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	16.0	0.0	16.0
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	52.0	52.0
Nursing Care Institution of Administrators, Board of	0.0	6.0	6.0	0.0	7.0	7.0
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	9.0	9.0
Parks Board, Arizona State	0.0	163.0	163.0	0.0	163.0	163.0
Personnel Board, State	0.0	2.0	2.0	0.0	2.0	2.0
Pharmacy, Arizona State Board of	0.0	22.4	22.4	0.0	25.4	25.4
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	4.5	4.5
Public Safety, Department of	743.7	1,271.0	2,014.7	775.7	1,271.0	2,046.7
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	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	143.1	0.0	143.1	143.1	0.0	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	4,554.0	4,554.0
Treasurer, State	0.0	34.4	34.4	0.0	35.4	35.4
Tribal Relations, Governor's Office on Universities <u>6/7/</u>	3.0	0.0	3.0	3.0	0.0	3.0
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University	2,550.0	5,177.6	7,727.6	2,550.0	5,177.6	7,727.6
Northern Arizona University	1,064.1	1,589.4	2,653.5	1,064.1	1,589.4	2,653.5
University of Arizona - Main Campus	2,617.8	3,149.4	5,767.2	2,619.8	3,149.4	5,769.2
University of Arizona - Health Sciences Center	784.1	524.7	1,308.8	784.1	524.7	1,308.8
SUBTOTAL - Universities	7,041.9	10,441.1	17,483.0	7,043.9	10,441.1	17,485.0
Veterans' Services, Department of	116.3	644.0	760.3	128.3	644.0	772.3
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	25,339.6	28,280.3	53,619.9	25,593.6	28,293.3	53,886.9

- 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 2021 and FY 2022 can be found in the individual agency pages.
- 2/ Includes 1,210.1 FTE Positions in FY 2021 and 1,213.6 FTE Positions in FY 2022 in the Other Fund FTE Positions columns funded from Federal Medicaid Expenditure Authority.
- 3/ Includes 970.3 FTE Positions in FY 2021 and FY 2022 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 4/ Includes 2,333.8 FTE Positions in FY 2021 and 2,337.8 FTE Positions in FY 2022 in the Other Fund FTE Positions columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 5/ The FY 2022 FTE Position allocations have been rebased to match FY 2021 allocations.
- 6/ The FY 2021 General Appropriation Act originally appropriated 17,564.5 FTE Positions to the Universities for FY 2021. This FTE Position amount has been revised to 17,483.0 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.
- 7/ 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.

BUDGET UNITS

Arizona State Board of Accountancy

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	769,600	956,800	913,900
Employee Related Expenditures	309,600	386,500	380,800
Professional and Outside Services	468,400	437,200	437,200
Travel - In State	1,400	6,100	6,100
Travel - Out of State	5,100	12,000	12,000
Other Operating Expenditures	249,200	293,400	295,300
Equipment	36,600	6,500	6,500
AGENCY TOTAL	1,839,900	2,098,500	2,051,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,839,900	2,098,500	2,051,800
SUBTOTAL - Other Appropriated Funds	1,839,900	2,098,500	2,051,800
SUBTOTAL - Appropriated Funds	1,839,900	2,098,500	2,051,800
TOTAL - ALL SOURCES	1,839,900	2,098,500	2,051,800

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 budget includes \$2,051,800 and 14 FTE Positions from the Board of Accountancy Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(46,700) from the Board of Accountancy Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

Acupuncture Board of Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	96,900	102,000	98,800
Employee Related Expenditures	29,600	29,600	28,400
Travel - In State	1,000	1,900	1,900
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	42,200	42,200	42,700
AGENCY TOTAL	169,700	180,700	176,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Acupuncture Board of Examiners Fund	169,700	180,700	176,800
SUBTOTAL - Other Appropriated Funds	169,700	180,700	176,800
SUBTOTAL - Appropriated Funds	169,700	180,700	176,800
TOTAL - ALL SOURCES	169,700	180,700	176,800

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 budget includes \$176,800 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(3,900) from the Acupuncture Board of Examiners Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Department of Administration

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	550.1	551.1	551.1 ^{1/}
Personal Services	25,836,300	28,807,900	27,938,100
Employee Related Expenditures	9,060,900	10,478,700	9,924,900
Professional and Outside Services	6,047,000	5,493,400	5,538,400
Travel - In State	211,600	213,800	213,800
Travel - Out of State	3,300	6,400	6,400
Other Operating Expenditures	37,781,200	50,025,800	43,320,600
Equipment	3,657,500	3,512,600	262,600
OPERATING SUBTOTAL	82,597,800	98,538,600	87,204,800 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Hoteling Pilot Program	0	0	375,900 ^{3/}
Enduring Freedom Memorial Repair	0	0	21,500
Utilities	4,580,400	7,649,900	7,649,900
Financial Services			
Arizona Financial Information System	8,585,400	9,549,100	11,423,800 ^{4/}
Named Claimants	40,900	49,800	0
Information Technology Services			
Information Technology Project Management and Oversight	1,417,000	1,562,600	1,504,400
Statewide Information Security and Privacy Operations and Controls	5,516,300	6,423,600	6,366,700
Risk Management			
Federal Transfer Payment	3,933,100	2,801,500 ^{5/}	0
Risk Management Administrative Expenses	7,866,700	8,747,200	9,294,300
Risk Management Losses and Premiums	44,933,300	46,178,400	48,396,100
Workers' Compensation Losses and Premiums	23,310,800	31,830,300	31,171,600
Support Services			
Government Transformation Office	1,530,700	2,076,800	2,016,900
State Surplus Property Sales Agency Proceeds	1,540,000	1,810,000	1,810,000 ^{6/}
Other			
Transwestern Pipeline Litigation	0	17,043,300 ^{7/}	0
K-12 Transportation Grants	0	0	10,000,000
Public Safety Regional Communications	271,000	0	0
Southwest Defense Contracts	25,000	25,000	25,000 ^{8/}
AGENCY TOTAL	186,148,400	234,286,100	217,260,900 ^{9/}
FUND SOURCES			
General Fund	7,322,900	25,253,200	18,255,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	454,000	927,300	928,200 ^{10/}
Arizona Financial Information System Collections Fund	8,585,400	9,549,100	11,423,800
Automation Operations Fund	26,189,000	31,275,400	31,127,700 ^{11/}
Capital Outlay Stabilization Fund	15,155,000	18,799,200	18,395,100
Capitol Mall Consolidation Fund	0	0	375,900
Corrections Fund	573,700	593,000	575,000
Federal Surplus Materials Revolving Fund	30,100	467,400	466,900
Information Technology Fund	7,036,200	8,566,400	8,467,900
Motor Vehicle Pool Revolving Fund	7,041,000	10,199,700	0
Personnel Division Fund	11,509,500	13,056,800	12,764,900

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
Risk Management Revolving Fund	86,681,900	97,574,800	96,714,500
Special Employee Health Insurance Trust Fund	4,917,000	5,449,100	5,330,100
Special Services Revolving Fund	662,500	1,172,800	1,170,700
State Monument and Memorial Repair Fund	0	0	21,500
State Surplus Materials Revolving Fund	2,542,300	3,003,200	2,979,800
State Web Portal Fund	6,079,600	6,705,100	6,612,200
Telecommunications Fund	1,368,300	1,693,600	1,651,700
SUBTOTAL - Other Appropriated Funds	178,825,500	209,032,900	199,005,900
SUBTOTAL - Appropriated Funds	186,148,400	234,286,100	217,260,900
Other Non-Appropriated Funds	1,137,901,900	1,103,771,900	1,136,906,700
Federal Funds	1,101,500	2,458,700	2,458,700
TOTAL - ALL SOURCES	1,325,151,800	1,340,516,700	1,356,626,300

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 2022.
- 2/ The department may charge state agencies not more than \$10.42 per user per month for the statewide email and calendar service. (General Appropriation Act footnote)
- 3/ The amount appropriated for the hoteling pilot program line item in fiscal year 2021-2022 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (General Appropriation Act footnote)
- 4/ Of the amount appropriated for the Arizona financial information system line item in fiscal year 2021-2022, \$2,000,000 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (General Appropriation Act footnote)
- 5/ 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 section 38-654, Arizona Revised Statutes, unless the proposed agreements have been reviewed by the joint legislative budget committee. (General Appropriation Act footnote)
- 6/ All state surplus materials revolving fund monies received by the department of administration in excess of \$2,979,800 in fiscal year 2021-2022 are appropriated to the department. Before spending state surplus materials revolving fund monies in excess of \$2,979,800 in fiscal year 2021-2022, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 7/ A. The sum of \$17,043,300 is appropriated from the state general fund in fiscal year 2020-2021 to the department of administration to disburse to counties with political subdivisions in this state that paid refunds ordered in the Transwestern Pipeline Co. v. Arizona Department of Revenue litigation. The department shall disburse to each county the following amounts:

Apache:	\$2,029,600
Coconino:	\$2,888,400
Maricopa:	\$2,477,100
Mohave:	\$3,500,300
Navajo:	\$1,183,300
Pinal:	\$1,058,300
Yavapai:	\$3,906,300
- B. From the amounts disbursed pursuant to subsection A of this section, each county shall distribute to each political subdivision within its jurisdiction an amount equal to refunds, including interest, ordered in the Transwestern Pipeline Co. v. Arizona Department of Revenue litigation for that political subdivision.
- C. School districts may not receive distributions specified in subsection B of this section for refunds that are reimbursable under the K-12 formula. In computing the distributions specified in subsection B of this section, each county shall reduce each school district's distribution by an amount equal to the monies received by the school

district as a result of state aid recalculations reported by the department of education pursuant to subsection D of this section.

- D. On or before July 30, 2021, the department of education shall report to each county specified in subsection A of this section the amount of monies distributed to each school district within each county's jurisdiction as a result of state aid recalculations associated with the Transwestern Pipeline Co. v. Arizona Department of Revenue litigation pursuant to section 15-915, subsection B, Arizona Revised Statutes.
- E. On or before June 30, 2021, each political subdivision that is eligible for a distribution under subsection B of this section shall submit a claim for reimbursement to the county in which the political subdivision is located.
- F. On or before September 1, 2021, each county specified in subsection A of this section shall report to the director of the joint legislative budget committee on the total claims submitted pursuant to subsection E of this section. Each report shall include an estimate of the total dollar value of reimbursed claims and the total remaining unexpended and unencumbered monies, if any, from the disbursements specified in subsection A of this section. Any unexpended and unencumbered monies shall be transferred to the state treasurer on or before June 30, 2022 for deposit in the state general fund. If the disbursement in subsection A of this section is insufficient to reimburse the cost of all claims submitted on or before June 30, 2021, distributions under subsection B of this section shall be reduced proportionally to cover all eligible claims. The reports required by this subsection shall include an estimate of the total dollar value of any unreimbursed claims delineated by political subdivision.
- G. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 8/ 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)
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 10/ On or before September 1, 2022, the department shall submit a report for review by the joint legislative budget committee on the results of pilot projects implemented in fiscal year 2021-2022 for the state employee public transportation service reimbursements pursuant to section 41-710.01, Arizona Revised Statutes, in a vehicle emissions control area as defined in section 49-541, Arizona Revised Statutes, of a county with a population of more than four hundred thousand persons. (General Appropriation Act footnote)
- 11/ The appropriation from the automation operations fund established by section 41-711, Arizona Revised Statutes, is an estimate representing all monies, including balance forward, revenues and transfers during fiscal year 2021-2022. These monies are appropriated to the department of administration for the purposes established in section 41-711, Arizona Revised Statutes. 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 \$31,127,700 in fiscal year 2021-2022, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$87,204,800 and 494.1 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$8,230,000
Air Quality Fund	928,200
Automation Operations Fund	29,623,300
Capital Outlay Stabilization Fund (COSF)	10,745,200
Corrections Fund	575,000
Federal Surplus Materials Revolving Fund	466,900
Information Technology Fund	2,101,200
Motor Vehicle Pool Revolving Fund	0
Personnel Division Fund	12,764,900
Risk Management Revolving Fund	7,852,500
Special Employee Health Insurance Trust Fund	5,330,100

Special Services Revolving Fund	1,170,700
State Surplus Materials Revolving Fund	1,169,800
State Web Portal Fund	4,595,300
Telecommunications Fund	1,651,700

FY 2022 adjustments are as follows:

State Fleet Transfer

The budget includes a decrease of \$(10,199,700) from the Motor Vehicle Pool Revolving Fund in FY 2022 to transfer the state motor vehicle fleet operations to the Arizona Department of Transportation (ADOT). The budget deletes 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.)

State Permitting Dashboard

The budget includes an increase of \$400,000 from the General Fund in FY 2022 for the State Permitting Portal. This amount includes \$300,000 for ongoing costs and \$100,000 for one-time information technology costs.

The FY 2022 Budget Procedures Budget Reconciliation Bill (BRB) established the State Permitting Director in ADOA and outlines the requirements and use for a state permitting dashboard.

Statewide Adjustments

The budget includes a decrease of \$(1,534,100) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(354,900)
Air Quality Fund	900
Automation Operations Fund	(89,500)
Capital Outlay Stabilization Fund (COSF)	(354,700)
Corrections Fund	(18,000)
Federal Surplus Materials Revolving Fund	(500)
Information Technology Fund	(41,600)
Personnel Division Fund	(291,900)
Risk Management Revolving Fund	(164,500)
Special Employee Health Insurance Trust Fund	(119,000)
Special Services Revolving Fund	(2,100)
State Surplus Materials Revolving Fund	(23,400)
State Web Portal Fund	(33,000)
Telecommunications Fund	(41,900)

(Please see the Agency Detail and Allocations section.)

Facilities Management

Hoteling Pilot Program

The budget includes \$375,900 from the Capitol Mall Consolidation Fund in FY 2022 for a hoteling pilot program. FY 2022 adjustments are as follows:

Hoteling Pilot Program

The budget includes a one-time increase of \$375,900 from the Capitol Mall Consolidation Fund in FY 2022 for a hoteling pilot project at state owned facilities. Hoteling is a method of providing employees with unassigned and temporary workspace to utilize for in-office work when not working remotely (at home).

This line item funds costs to develop and design a Hoteling workspace program.

Enduring Freedom Memorial Repair

The budget includes \$21,500 from the State Monument and Memorial Repair Fund in FY 2022 to repair the Enduring Freedom Memorial. FY 2022 adjustments are as follows:

Enduring Freedom Memorial Repair

The budget includes a one-time increase of \$21,500 from the State Monument and Memorial Repair Fund in FY 2022 for renovation costs for the Enduring Freedom Memorial.

The FY 2022 Budget Procedures BRB expands the use of the Monument and Memorial Repair Fund to include altering and modifying monuments and memorials. Funding will allow ADOA to add names to the Enduring Freedom Memorial.

Utilities

The budget includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2022 for Utilities. This amount is unchanged from FY 2021.

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

Financial Services

Arizona Financial Information System

The budget includes \$11,423,800 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2022 for the Arizona Financial Information System (AFIS). FY 2022 adjustments are as follows:

AFIS Upgrade

The budget includes an increase of \$2,000,000 from the AFIS Collections Fund in FY 2022 to upgrade the state's financial accounting system. The project costs will be financed by increased charges to state agencies AFIS transaction fees. The budget includes a footnote extending the lapsing date of the appropriation for the AFIS upgrade through FY 2023.

In addition, the budget includes funding to agencies to pay the increased charge. *(Please see the Agency Detail and Allocations section for more information.)* The project is expected to cost a total of \$9,500,000 through FY 2024.

Statewide Adjustments

The budget includes a decrease of \$(125,300) from the AFIS Collections Fund in FY 2022 for statewide adjustments.

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

Named Claimants

The budget includes no funding in FY 2022 for Named Claimants. FY 2021 adjustments are as follows:

One-Time Named Claimants Funding

The budget includes a decrease of \$(49,733.26) in FY 2022 for the elimination of one-time funding of prior year unpaid claims. This amount consists of:

Capital Outlay Stabilization Fund	(49,377.36)
Risk Management Revolving Fund	(355.90)

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 2021, Chapter 82 appropriated \$49,733.26 in FY 2021 for prior year unpaid claims.

Information Technology Services

Information Technology Project Management and Oversight

The budget includes \$1,504,400 and 15 FTE Positions from the Automation Operations Fund in FY 2022 for IT Project Management and Oversight. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(58,200) from the Automation Operations Fund in FY 2022 for statewide adjustments.

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 budget includes \$6,366,700 and 14 FTE Positions from the Information Technology (IT) Fund in FY 2022 for Statewide Information Security and Privacy Operations and Controls. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(56,900) from the IT Fund in FY 2022 for statewide adjustments.

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 budget includes no funding in FY 2022 for one-time payments to the federal government. FY 2022 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,801,500) from the Risk Management Revolving Fund in FY 2022 to eliminate FY 2021 payments to the federal government for disallowed costs and for fund transfers in FY 2020. The FY 2022 General Appropriation Act included an FY 2021 supplemental appropriation of \$2,801,500 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and for fund transfers in FY 2020. In addition, the FY 2022 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 budget includes \$9,294,300 from the Risk Management Revolving Fund in FY 2022 for Risk Management Administrative Expenses. FY 2022 adjustments are as follows:

Claims Related Expenditures

The budget includes an increase of \$547,100 from the Risk Management Revolving Fund in FY 2022 for increased legal costs for Risk Management.

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 budget includes \$48,396,100 from the Risk Management Revolving Fund in FY 2022 for Risk Management Losses and Premiums. FY 2022 adjustments are as follows:

Claims Related Expenditures

The budget includes an increase of \$2,217,700 from the Risk Management Revolving Fund in FY 2022 for increases in Risk Management Losses and Premiums. This increase is the result of an independent actuarial review of the department's claim history and exposure.

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 budget includes \$31,171,600 from the Risk Management Revolving Fund in FY 2022 for Workers' Compensation Losses and Premiums. FY 2022 adjustments are as follows:

Claims Related Expenditures

The budget includes a decrease of \$(658,700) from the Risk Management Revolving Fund in FY 2022 for lower Workers Compensation costs.

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 budget includes \$2,016,900 from the State Web Portal Fund in FY 2022 for the Government Transformation Office (GTO). FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(59,900) from the State Web Portal Fund in FY 2022 for statewide adjustments.

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

State Surplus Property Sales Agency Proceeds

The budget includes \$1,810,000 from the State Surplus Materials Revolving Fund in FY 2022 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2021.

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

Transwestern Pipeline Litigation

The budget includes no funding in FY 2022 for one-time Transwestern Pipeline Litigation funding. FY 2022 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(17,043,300) from the General Fund in FY 2022 to eliminate one-time FY 2021 funding for the Transwestern Pipeline Litigation. *(Please see the Arizona Department of Education section for more information.)*

K-12 Transportation Grants

The budget includes \$10,000,000 from the General Fund in FY 2022 for K-12 Transportation Grants. FY 2022 adjustments are as follows:

K-12 Transportation Grants

The budget includes an increase of \$10,000,00 from the General Fund in FY 2022 for K-12 Transportation Grants.

The FY 2022 K-12 BRB establishes the Public School Transportation Modernization Grants program within ADOA for distribution of grants to school districts, charter schools, and other entities for projects that promote innovation or efficiency in public school transportation, including projects that improve access to transportation for students who attend school through open enrollment or through a charter school.

ADOA is required to select a nonprofit organization that would administer the program and report on its results. The nonprofit may use up to 5% of program monies for administrative expenses. The 3-year spending plan associated with the enacted budget designates funding for K-12 Transportation Grants as one-time in FY 2022 (at a level of \$10,000,000) and FY 2023 (at a level of \$20,000,000).

Southwest Defense Contracts

The budget includes \$25,000 from the General Fund in FY 2022 for Southwest Defense Contracts. This amount is unchanged from FY 2021.

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:

- Statutory Changes
- FY 2021 Supplementals
- Health Insurance Trust Fund
- Risk Management Revolving Fund
- Federal Financial Participation Repayment
- COVID-Related Spending

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As permanent law, establish the State Permitting Director and the State Permitting Dashboard and outline the requirements of the database and its use.

- As permanent law, expand the use of the Monument and Memorial Repair Fund to include alter and modify monuments and memorials.
- As permanent law, allow the Governor’s Regulatory Review Council (GRRC) to initiate a review of an agency rule, policy or procedure in addition to the current requirement that a petition be submitted to GRRC for that purpose.
- As permanent law, removes prohibition that a newspaper be defined as not a publication that does not have a second class mail rate.

The K-12 BRB makes the following statutory changes:

- As session law, require ADOA to select a 501(c)(3) nonprofit organization to administer the Transportation Modernization Grants Program. Requires the nonprofit organization to submit a report on the program's results by December 31, 2021 and June 30, 2022. Permits 5% of monies appropriated for the program to be spent on administrative expenses. As permanent law, allow districts and charter schools to provide grants to parents in lieu of providing direct transportation.
- As permanent law, establish the School Facilities Division within the Arizona Department of Administration. Authorizes the Division to administer the Building Renewal Grants Fund, the Emergency Deficiency Corrections Fund, and the New School Facilities Fund; establish contracts for school inspections related to building adequacy standards; and establish policies and procedures related to preventive maintenance in school buildings. *(Please See the School Facilities Board section for more information.)*

FY 2021 Supplementals

Named Claimants

Laws 2021, Chapter 82 provides \$191,596.85 in FY 2021 supplemental funding to various agencies for Named Claimants. This amount consists of:

	<u>Claim Amount</u>
<u>General Fund</u>	
Department of Corrections	2,329.50
<u>Other Appropriated Funds</u>	
Department of Administration	
Capital Outlay Stabilization Fund	49,377.36
Risk Management Revolving Fund	355.90
Department of Juvenile Corrections	
State Charitable, Penal and Reformatory Institutions Land Fund	317.23
Industrial Commission of Arizona	
Administrative Fund	15,275.94

State Board of Podiatry Examiners Podiatry Fund	2,800.00
Arizona Department of Transportation State Highway Fund	121,140.92

Federal Financial Participation Payment

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$2,801,500 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2020. (Please see the Other Issues - Federal Financial Participation section for additional information.)

Transwestern Pipeline Litigation

The FY 2022-budget includes an FY 2021 supplemental appropriation of \$17,043,300 from the General Fund for Transwestern Pipeline Litigation Costs. (Please see the Transwestern Pipeline Litigation line item and the Arizona Department of Education section for more 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 2021 budget included \$22,000,000 one-time from the General Fund and \$72,994,400 in total funds for the one-time employer premium increase. The FY 2022 budget removed the FY 2021 one-time employer premium and replaces it with a new ongoing employer premium statewide increase. The FY 2022 budget includes \$11,213,700 from the General Fund and an estimated \$36,820,100 in total funds for the ongoing employer premium increase (see Table 1).

At the April 2020 JLBC meeting, ADOA proposed changes to the plan structure effective January 2021 including increased premiums and deductibles which would shift approximately \$14,200,000 in costs to employees in FY 2021. This amount consists of \$4,700,000 in increased employee premiums and \$9,500,000 in increased employee deductible costs. The Committee gave a favorable review of the proposal. At the July 2021 JLBC meeting, ADOA proposed no changes to employee premiums, deductibles, copays, or plan structure for Plan Year 2022.

For FY 2021, the fund is projected to have an ongoing shortfall of approximately \$(79,400,000) but a cash balance of \$61,300,000. With the ongoing employer premium contribution increase HITF has a projected

	FY 20 <u>Actual</u>	FY 21 <u>Estimate</u>	FY 22 <u>Proposal</u>
Beginning Balance	\$ 117.0	\$82.3	\$ 61.3
Baseline Premiums 1/21	825.0	805.2	800.3
Employee/Retiree Premium		4.7	4.7
Ongoing Employer Increase			36.9
One-time Employer Increase	<u>34.4</u>	<u>58.4</u>	<u>0.0</u>
Net Revenues	\$976.4	\$950.6	\$903.2
Expenses			
Baseline Medical Expenses	\$ 888.8	\$893.5	\$899.3
PY 21 Plan Changes Administration		\$(9.5)	\$(3.7)
	<u>5.3</u>	<u>5.3</u>	<u>5.3</u>
Net Expenses	\$ 894.1	\$889.3	\$900.9
Cash Balance	\$ 82.3	\$ 61.3	\$ 2.3
Structural Balance ^{1/}	\$ (69.1)	\$ (79.4)	\$ (59.0)

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

ongoing shortfall of about \$(59,000,000) in FY 2022 and an ending cash balance \$2,300,000.

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 \$50,000,000 to \$100,000,000, equal to approximately 1 month's claim expenses.

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 \$50,000,000.

Table 2 depicts actual balance, revenue, and expenditure information for FY 2020 as well as the estimated amounts for FY 2021 and FY 2022.

Risk Management Revolving Fund			
(\$ in thousands)			
	Actual	Estimated	Estimated
	2020	2021	2022
Beginning Balance	80,560.8	78,254.8	74,642.9
Revenues	<u>109,124.8</u>	<u>108,751.1</u>	<u>106,948.4</u>
<i>Total Funds Available</i>	189,685.6	187,005.9	181,591.3
Expenditures			
ADOA	82,722.6	94,772.9	96,714.5
Federal Repayment	<u>3,933.1</u>	<u>2,108.5</u>	<u>0.0</u>
<i>ADOA Subtotal</i>	86,655.7	96,881.4	96,714.5
Other Agencies			
DPS	1,349.5	1,408.6	1,401.7
DCS	2,772.9	2,602.0	0.0
Attorney General	<u>9,582.1</u>	<u>9,927.3</u>	<u>10,117.3</u>
<i>Other Agencies Subtotal</i>	13,704.5	13,937.9	11,519.0
Admin Adjustment	<u>11,070.6</u>	<u>1,543.7</u>	<u>0.0</u>
<i>Total Expenditures</i>	111,430.8	112,363.0	108,233.5
Ending Balance	78,254.8	74,642.9	73,357.8

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 \$3,933,100 in FY 2020 and \$2,801,500 in FY 2021. (Please see the [Federal Transfer Payment](#) section above, and the [Federal Financial Participation Repayment](#) section below, for more information.)

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 2021

Based on prior year experience of federal repayment and estimates provided by ADOA, the federal government is likely to charge the state approximately, \$2,801,500 for restricted uses. This amount consists of:

- \$578,800 related to fund transfers from the Risk Management Revolving Fund FY 2020.
- \$327,000 related to disallowed costs from the Risk Management Revolving Fund for unallowable FY 2019 uses.

- \$1,131,200 related to excess retained earnings in the IT Fund and the Records Services Fund.
- \$475,100 related to payments made from the Risk Management Revolving Fund which has federal financial participation.
- \$289,400 related to interest on fund transfers, disallowed costs, and payments.

Amounts owed for FY 2021 will be paid in FY 2022 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.)*

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020, the Executive's spending plan included \$5,000,000 from the Coronavirus Relief Fund for support of the 2020 Census.

(Please see the COVID-Related Spending Summary at the front of this book for more information).

Arizona Department of Administration - Automation Projects Fund

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
INDIVIDUAL PROJECTS ^{1/2/3/4/5/}			
Department of Administration Subaccount			
e-Procurement System Replacement	638,200	0	0
Business One-Stop Shop Web Portal	1,000,000	0	7,758,900
K-12 School Financial Transparency Reporting Portal ^{6/}	0	0	3,000,000
ASET Initiatives			
State Data Center	2,356,600	0	2,000,000
E-Government	187,200	0	0
HRIS Replacement Feasibility Study/Upgrade	212,100	0	0
ASET Initiatives Subtotal	2,755,900	0	2,000,000
Department of Administration Subtotal	4,394,100	0	12,758,900
Department of Agriculture Subaccount			
Weights and Measures IT Assessment	150,000	0	0
Charter School Board Subaccount			
Charter School Board Online Platform	0	0	614,100
Department of Child Safety Subaccount			
CHILDS Replacement	13,500,000	4,992,800	0
Department of Economic Security Subaccount			
Child Care Management System	0	0	9,000,000
Department of Education Subaccount ^{7/}			
Education Learning and Accountability System	1,136,000	0	7,200,000
Department of Environmental Quality Subaccount			
e-Licensing	2,583,000	0	0
Department of Gaming Subaccount			
Tribal Gaming Certification e-Licensing	0	0	850,000
Industrial Commission of Arizona Subaccount			
IT System Upgrades	0	0	1,067,700
Arizona Medical Board Subaccount			
Cloud Migration	300,000	0	0
State Board of Psychologist Examiners Subaccount			
e-licensing System Modifications	0	0	20,000
Department of Public Safety Subaccount			
Arizona Criminal Justice Information System	3,456,200	0	0
Microwave System Upgrade	404,000	0	0
Concealed Weapons Tracking System	0	0	550,000
Department of Public Safety Subtotal	3,860,200	0	550,000
TOTAL - ALL PROJECTS ^{8/9/}	25,923,300	4,992,800	32,060,700

FUND SOURCES

Other Appropriated Funds

Department of Administration Subaccount	4,394,100	0	12,758,900
Department of Agriculture Subaccount	150,000	0	0
Charter School Board Subaccount	0	0	614,100

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
Department of Child Safety Subaccount	13,500,000	4,992,800	0
Department of Economic Security Subaccount	0	0	9,000,000
Department of Education Subaccount	1,136,000	0	7,200,000
Department of Environmental Quality Subaccount	2,583,000	0	0
Department of Gaming Subaccount	0	0	850,000
Industrial Commission of Arizona Subaccount	0	0	1,067,700
Medical Board Subaccount	300,000	0	0
State Board of Psychologist Examiners Subaccount	0	0	20,000
Department of Public Safety Subaccount	3,860,200	0	550,000
SUBTOTAL - Other Appropriated Funds	25,923,300	4,992,800	32,060,700
SUBTOTAL - Appropriated Funds ^{10/}	25,923,300	4,992,800	32,060,700
TOTAL - ALL SOURCES	25,923,300	4,992,800	32,060,700

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 fiscal year 2019-2020 actual column also includes non-lapsing expenditures from FY 2019 appropriations.
- 3/ The amounts appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2018-2019 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 section 41-714, Arizona Revised Statutes, in fiscal year 2019-2020 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/ Except for the amount appropriated to the department of administration for the K-12 school financial transparency reporting portal, the amounts appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2021-2022 are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. The amount appropriated in fiscal year 2021-2022 to the department of administration for the K-12 school financial transparency reporting portal is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (General Appropriation Act footnote)
- 6/ A. The sum of \$1,500,000 is appropriated from the department of administration subaccount in the automation projects fund established pursuant to section 41-714, Arizona Revised Statutes, in each of fiscal years 2022-2023 and 2023-2024 to the department of administration to develop a K-12 school financial transparency reporting system.
 B. The sum of \$1,500,000 is appropriated from the state general fund in each of fiscal years 2022-2023 and 2023-2024 for deposit in department of administration subaccount in the automation projects fund established pursuant to section 41-714, Arizona Revised Statutes, to develop a K-12 school financial transparency reporting system.
 C. Notwithstanding section 41-714, Arizona Revised Statutes, in each of fiscal years 2022-2023 and 2023-2024, the appropriations made in subsection A of this section do not require review from the joint legislative budget committee pursuant to section 41-714, Arizona Revised Statutes.
 D. The amounts appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal years 2022-2023 and 2023-2024 are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (General Appropriation Act footnote)
- 7/ The amount appropriated for the school finance system replacement includes \$1,200,000 for the department of administration to engage consultants that provide project management to the department of education regarding

replacing the school finance data system. This includes, at minimum, support in technical documentation, financial tracking and documentation and program management and governance. (General Appropriation Act footnote)

- 8/ Notwithstanding section 41-714, Arizona Revised Statutes, in fiscal year 2021-2022, with the exception of appropriations made for the department of administration business one-stop web portal, the department of economic security child care management system and the department of education school finance data system, the appropriations made in this section do not require review from the joint legislative budget committee pursuant to section 41-714, Arizona Revised Statutes. (General Appropriation Act footnote)
- 9/ Within thirty days after the last day of each calendar quarter, the department of administration shall submit to the joint legislative budget committee a quarterly report on implementing projects approved by the information technology authorization committee established by section 18-121, Arizona Revised Statutes, including the projects' expenditures to date, deliverables, timeline for completion and current status. (General Appropriation Act footnote)
- 10/ The transfers into the automation projects fund established by section 41-714, Arizona Revised Statutes, are not appropriations out of the automation project 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.

An FY 2022 footnote exempts some APF projects from JLBC review. The FY 2022 footnote requires review of only the ADOA Business One-Stop Web Portal, Department of Economic Security (DES) Child Care System and the Department of Education (ADE) Student Accountability System projects.

The FY 2022 Budget Procedures Budget Reconciliation Bill (BRB) modifies permanent law to allow ADOA to transfer

unspent APF subaccount funding back to the fund of origin at the completion of an information technology project. ADOA is required to annually report on transfers.

Department of Administration Subaccount

Business One-Stop Shop Web Portal

The budget includes \$7,758,900 from the ADOA APF Subaccount in FY 2022 for the Business One-Stop Shop Web Portal. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$7,758,900 from the ADOA APF Subaccount in FY 2022 for design costs associated with the development of a Business One-Stop Web Portal.

The FY 2022 appropriation will be financed by a transfer from the following funds into the ADOA APF Subaccount:

- \$4,758,900 from the Automation Operations Fund.
- \$3,000,000 from the State Web Portal Fund.

The FY 2020 budget included \$1,000,000 for initial design and a pilot of the Business One-Stop Web Portal. The FY 2020 funding will complete the development for functionality for any business to plan or start operations in Arizona. In September 2019, the Committee gave a favorable review of ADOA's expenditure plan for a public-use prototype and assessment of statewide costs. The prototype is limited to the agencies and functionality required to create a new domestic Liability Corporation (LLC), Professional LLC, Sole Proprietorship, or General Partnership in Arizona. ADOA completed the prototype in the spring of 2020 but put demonstrations on hold due to the COVID-19 pandemic.

Subsequent phases of the project will expand the portal to include features to help grow, relocate, and close a business. ADOA estimates that the total project costs will be approximately \$32,200,000 over 3 phases.

K-12 School Financial Transparency Reporting Portal

The budget includes \$3,000,000 from the ADOA APF Subaccount in FY 2022 for the K-12 School Financial Transparency Reporting Portal. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$3,000,000 from the ADOA APF Subaccount in FY 2022 for the development of a K-12 School Financial Transparency Reporting Portal.

The FY 2022 K-12 BRB includes a provision which requires ADOA to develop a school financial transparency portal with school level data from districts and charter schools on revenues generated by weighted student count, allocation of federal, state, and local revenue, allocation of Classroom Site Fund monies, and expenditures on teacher pay and benefits, classroom supplies, student support, and other expenditures.

The FY 2022 appropriation is financed by an appropriation for the General Fund to the ADOA APF Subaccount.

The FY 2022 General Appropriation Act also includes appropriations of \$1,500,000 in both FY 2023 and FY 2024 for the completion of the project. These appropriations are non-lapsing through FY 2025.

ASET Initiatives

The budget includes \$2,000,000 from the ADOA APF Subaccount in FY 2022 for the ASET Initiatives. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$2,000,000 from the ADOA APF Subaccount in FY 2022 for ADOA to relocate the state data center in Tucson to a third-party location.

The FY 2022 appropriation is financed by a transfer from the APF fund balance to the ADOA APF Subaccount.

Charter School Board Subaccount

Charter School Board Online Platform

The budget includes \$614,100 from the Charter School Board APF Subaccount in FY 2022 for the Charter School

Board Online Platform. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$614,100 from the Charter School Board APF Subaccount in FY 2022 to replace the board's online information platform with an off-the-shelf solution. The platform provides charter school data to board staff, charter holders, and the public.

The FY 2022 appropriation is financed by an appropriation from the General Fund to the Charter School Board APF Subaccount.

Department of Child Safety Subaccount

CHILDS Replacement

The budget includes no funding in FY 2022 to replace the CHILDS system. FY 2022 adjustments are as follows:

Eliminate One-Time Funding

The budget includes a decrease of \$(4,992,800) from the DCS APF Subaccount in FY 2022 to eliminate one-time funding for the project. The FY 2021 appropriation of \$4,992,800 was financed by a transfer from the APF into the DCS APF Subaccount.

Through FY 2021, the Legislature appropriated a total of \$35,784,600 for the CHILDS Replacement project. Including federal IV-E matching funds, DCS projects that total cumulative resources for the project will be \$86,088,100 through FY 2021.

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 system went live in February 2021. The department continues to report issues with report functionality and system bugs. The department has reported that it is actively working on addressing these issues in its Maintenance and Operations contract with the vendor.

Department of Economic Security Subaccount

Child Care Management System

The budget includes \$9,000,000 from the Department of Economic Security (DES) APF Subaccount in FY 2022 for the Child Care Management System. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$9,000,000 from the DES APF Subaccount in FY 2022 to update the Child Care Management System.

The Child Care Management Software (CCMS) system allows the department and its contract child care providers to track finances, enrollment, attendance, and reporting.

The FY 2022 appropriation is financed by a transfer from the federal Child Care Development Fund Block Grant to the DES APF Subaccount.

Department of Education Subaccount

Education Learning and Accountability System

The budget includes \$7,200,000 from the Arizona Department of Education (ADE) APF Subaccount in FY 2022 for the Education Learning and Accountability System (ELAS). FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$7,200,000 from the ADE APF Subaccount in FY 2022 to complete the ELAS project.

The FY 2022 appropriation includes \$1,200,000 for ADOA-ASET oversight of the project. A General Appropriation Act footnote requires ADOA to engage consultants that provide project management to ADE, including support in technical documentation, financial tracking and documentation, and program management and governance.

The FY 2022 appropriation is financed by a transfer from the Empowerment Scholarship Fund to the ADE APF Subaccount.

The FY 2020 budget included \$3,000,000 from the ADE APF Subaccount for development of the Education Learning and Accountability System (ELAS) at ADE.

ADE used the first installment of funding for Phase I development expenses, which included replacement of the payment calculation components of APOR (the school district payment system) and CHAR (the charter school payment system). ADE plans to use the new payment system to make Basic State Aid payments to school districts and charter schools during the 2021-2022 school year.

Pursuant to A.R.S. § 18-104 ADE reengage with its third-party reviewer during the development ELAS. (See the Department of Education - Education Learning and Accountability System section for more information.)

Department of Gaming Subaccount

Tribal Gaming Certification e-Licensing

The budget includes \$850,000 from the Department of Gaming APF Subaccount in FY 2022 for Tribal Gaming Certification e-Licensing system. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$850,000 from the Department of Gaming APF Subaccount in FY 2022 for the Tribal Gaming Certification e-Licensing system

The FY 2022 appropriation is financed by a transfer from the Arizona Benefits Fund to the Department of Gaming APF Subaccount.

Industrial Commission of Arizona Subaccount

IT System Upgrades

The budget includes \$1,067,700 from the Industrial Commission of Arizona APF Subaccount in FY 2022 for IT System Upgrades. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$1,067,700 from the Industrial Commission of Arizona APF Subaccount in FY 2022 for IT system upgrades. Projects include the modernization and enhancements to the Occupational Safety and Health Administration information system, enhancements to IT systems in the Commission's Claims, Administrative Law Judge, and Labor Divisions, and the development of a finance and budget data warehouse.

The FY 2022 appropriation is financed by a transfer from the Industrial Commission Administrative Fund to the Department of Gaming APF Subaccount.

Board of Psychological Examiners Subaccount

e-Licensing System Modifications

The budget includes \$20,000 from the Board of Psychological Examiners APF Subaccount in FY 2022 for modifications to the board's e-licensing system. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$20,000 from the Board of Psychological Examiners APF Subaccount in FY 2022 for modifications to the board's e-licensing system. The board uses the statewide e-licensing system operated by ADOA.

The FY 2022 appropriation is financed by a transfer from the Board of Psychologist Examiners Fund to the Board of Psychological Examiners APF Subaccount.

Department of Public Safety Subaccount

Arizona Criminal Justice Information System

The budget includes no funding in FY 2022 for upgrades to the Arizona Criminal Justice Information System (ACJIS). This amount is unchanged from FY 2021.

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.

A total of \$7,450,200 has been appropriated from the (Department of Public Safety (DPS) APF Subaccount between FY 2018 and FY 2020 for the ACJIS project. The project is expected to be completed in FY 2021 using FY 2020 project balances.

Microwave System Upgrade

The budget includes no funding in FY 2022 for upgrades to the statewide Microwave Radio System. This amount is unchanged from FY 2021.

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. The FY 2022 budget includes \$48.0 million in the DPS operating budget to complete the project. *(Please see the Department of Public Safety section for more information.)*

Concealed Weapons Tracking System

The budget includes \$550,000 from the DPS APF Subaccount in FY 2022 for upgrades to the Concealed Weapons Tracking System. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$550,000 from the DPS APF Subaccount in FY 2022 for upgrades to the Concealed Weapons Tracking System.

The FY 2020 budget included an appropriation of \$410,000 from the DPS APF Subaccount to replace the Concealed Weapons Tracking System. The FY 2020 and FY 2022 amounts were financed by transfers from the Concealed Weapons Permit Fund into the DPS APF Subaccount

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.

At the September 2020 JLBC meeting, the Committee gave a favorable review of DPS's expenditure plan for the first phase of the project. The FY 2022 appropriation will complete the project. DPS estimates it will incur \$44,100 in ongoing maintenance costs once implemented.

Other Issues

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As permanent law, allow ADOA to transfer unspent Automation Project Fund (APF) subaccount funding

back to the fund of origin at the completion of an information technology project. Require ADOA to annually report on transfers.

from districts and charter schools on revenues generated by weighted student count, allocation of federal, state, and local revenue, allocation of Classroom Site Fund monies, and expenditures on teacher pay and benefits, classroom supplies, student support, and other expenditures.

The K-12 BRB makes the following statutory changes:

- As permanent law, require ADOA to develop a school financial transparency portal with school level data

	FY 2020	FY 2021	FY 2022
<i><u>Department of Administration Subaccount</u></i>			
General Fund	1,000.0		3,000.0
Automation Projects Fund			2,000.0
Automation Operations Fund			4,758.9
State Web Portal Fund			3,000.0
<i><u>Department of Agriculture Subaccount</u></i>			
Air Quality Fund	200.0		
<i><u>Charter School Board Subaccount</u></i>			
General Fund			614.1
<i><u>Department of Child Safety Subaccount</u></i>			
General Fund	10,100.0		
Automation Projects Fund		4,992.8	
<i><u>Department of Economic Security Subaccount</u></i>			
Federal Child Care Development Fund Block Grant			9,000.0
<i><u>Department of Education Subaccount</u></i>			
ADE Empowerment Scholarship Fund	3,000.0		4,448.9
State Treasurer Empowerment Scholarship Fund			2,751.1
<i><u>Department of Gaming Subaccount</u></i>			
Arizona Benefits Fund			850.0
<i><u>Industrial Commission of Arizona Subaccount</u></i>			
Industrial Commission Administrative Fund			1,067.7
<i><u>Arizona Medical Board Subaccount</u></i>			
Medical Examiners Fund	300.0		
<i><u>Board of Psychological Examiners Subaccount</u></i>			
Board of Psychologist Examiners Fund			20.0
<i><u>Department of Public Safety Subaccount</u></i>			
Concealed Weapons Permit Fund	410.0		550.0
Highway Patrol Fund	2,301.0		
General Fund Subtotal	11,100.0	0.0	3,614.1
Other Appropriated Fund Subtotal	6,211.0	4,992.8	28,446.6
Total	17,311.0	4,992.8	32,060.7

1/ The FY 2020 column of numbers are transfers, not actuals, and therefore may not match the FY 2020 Actual column in the BUDS table.

Office of Administrative Hearings

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	565,200	592,100	565,600
Employee Related Expenditures	220,300	221,400	218,200
Other Operating Expenditures	104,300	108,000	108,000
AGENCY TOTAL	889,800	921,500	891,800^{1/}
FUND SOURCES			
General Fund	889,800	921,500	891,800
SUBTOTAL - Appropriated Funds	889,800	921,500	891,800
Other Non-Appropriated Funds	825,000	794,000	794,000
TOTAL - ALL SOURCES	1,714,800	1,715,500	1,685,800

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 budget includes \$891,800 and 12 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(29,700) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Commission of African-American Affairs

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	80,400	87,000	83,100
Employee Related Expenditures	31,800	26,200	25,700
Travel - Out of State	0	3,200	3,200
Other Operating Expenditures	15,200	16,800	16,800
AGENCY TOTAL	127,400	133,200	128,800^{1/}
FUND SOURCES			
General Fund	127,400	133,200	128,800
SUBTOTAL - Appropriated Funds	127,400	133,200	128,800
Other Non-Appropriated Funds	5,500	20,000	20,000
TOTAL - ALL SOURCES	132,900	153,200	148,800

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 budget includes \$128,800 and 3 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(4,400) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section).

Arizona Department of Agriculture

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	209.3	209.3	212.8 ^{1/2/}
Personal Services	5,638,500	6,144,900	6,798,900
Employee Related Expenditures	2,485,400	2,601,500	2,345,300
Professional and Outside Services	209,100	252,500	252,500
Travel - In State	663,000	723,800	723,800
Travel - Out of State	20,700	47,400	47,400
Other Operating Expenditures	1,715,500	1,814,000	5,294,700
Equipment	581,700	167,200	2,667,200
OPERATING SUBTOTAL	11,313,900	11,751,300	18,129,800
SPECIAL LINE ITEMS			
Agricultural Consulting and Training	127,000	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	252,500	280,500	280,500 ^{3/4/}
Red Imported Fire Ant Control	23,200	23,200	23,200
AGENCY TOTAL	11,804,900	12,271,800	18,650,300 ^{5/}
FUND SOURCES			
General Fund	10,163,200	10,492,200	16,915,700
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,389,200	1,499,100	1,454,100
Nuclear Emergency Management Fund	252,500	280,500	280,500
SUBTOTAL - Other Appropriated Funds	1,641,700	1,779,600	1,734,600
SUBTOTAL - Appropriated Funds	11,804,900	12,271,800	18,650,300
Other Non-Appropriated Funds	14,482,500	19,455,300	19,455,300
Federal Funds	5,782,800	6,110,300	6,110,300
TOTAL - ALL SOURCES	32,070,200	37,837,400	44,215,900

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 2022.
- 2/ Includes 2.88 OF FTE Positions appropriated by Laws 2021, Chapter 71.
- 3/ Laws 2021, Chapter 71 appropriated \$280,512 and 2.88 FTE Positions in both of FY 2022 and FY 2023 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 budget includes \$18,129,800 and 209.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$16,675,700
Air Quality Fund	1,454,100

FY 2022 adjustments are as follows:

Cloud Migration

The budget includes an increase of \$3,000,000 from the General Fund in FY 2022 to migrate department data to a cloud-based system. Of the appropriated amount, \$1,000,000 is listed as ongoing and the remaining \$2,000,000 is one-time.

Agricultural Lab Equipment

The budget includes a one-time increase of \$2,500,000 from the General Fund in FY 2022 to replace aging equipment in the State Agricultural Lab.

Agricultural Lab Salary Increase

The budget includes an increase of \$259,200 from the General Fund in FY 2022 for an employee salary increase. The budget requires that the increase be allocated for 12 personnel positions within the State Agricultural Lab. The increase will fund an average yearly increase of \$15,500 or roughly 35.3% per lab personnel.

Meat Inspectors

The budget includes an increase of \$220,000 and 2.5 FTE Positions from the General Fund in FY 2022 for additional meat inspectors within the department's Animal Service Division.

Plant Services Salary Increase

The budget includes an increase of \$170,000 from the General Fund in FY 2022 for an employee salary increase. The budget requires that the increase be allocated for personnel positions within the department's Plant Services Division. The increase will fund an average yearly increase of \$3,700 or roughly 11.3% per division personnel.

Agricultural Lab ISO Certification

The budget includes an increase of \$85,000 and 1 FTE Position from the General Fund in FY 2022 to manage International Organization for Standardization (ISO) certification for the State Agricultural Lab.

Statewide Adjustments

The budget includes an increase of \$144,300 in FY 2022 for statewide adjustments. This amount consists of:

General Fund	189,300
Air Quality Fund	(45,000)

(Please see the Agency Detail and Allocations section.)

Agricultural Consulting and Training

The budget includes \$128,500 from the General Fund in FY 2022 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2021.

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 budget includes \$23,300 from the General Fund in FY 2022 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2021.

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 budget includes \$65,000 from the General Fund in FY 2022 for the Animal Damage Control line item. This amount is unchanged from FY 2021.

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 budget includes \$280,512 and 2.88 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2022 for the Nuclear Emergency Management Program line item. These amounts are unchanged from FY 2021.

Laws 2021, Chapter 71 appropriated \$280,512 and 2.88 FTE Positions from the NEMF to the department in FY 2022 and FY 2023.

As a result, these monies do not appear in the General Appropriation Act. The Department of Emergency and Military Affairs (DEMA), and the Department of Agriculture received monies from Chapter 71. The NEMF

Table 1

Nuclear Emergency Management Fund

<u>Agency</u>	<u>FY 2021</u>		<u>FY 2022</u>		<u>FY 2023</u>	
	<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	\$1,506,116	8.5	\$1,930,417	8.5	\$1,987,423
Health Services	5.5	789,663	0	0	0	0
Agriculture	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>280,512</u>
Total	13.88	\$2,576,291	11.38	\$2,210,929	11.38	\$2,267,935

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

appropriation amounts for FY 2021 - FY 2023 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. The Legislature enacts this revised fee level in a bill outside of the budget process.

The DEMA recommendations continue the FY 2021 NEMF funding level in FY 2022 and FY 2023 for the Department of Agriculture. The budget continues NEMF funding to the department in FY 2022 based on the DEMA recommendations.

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 budget includes \$23,200 from the General Fund in FY 2022 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2021.

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 Revenue Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2022, including legislative intent that limits additional revenues to \$357,000.

COVID-Related Spending

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, the Department of Agriculture was reimbursed for \$210,217 in General Fund spending. This reduced spending increased the agency's General Fund reversionment beyond what it would have otherwise been.

(Please see the COVID-Related Spending Summary at the front of this book for more information).

Auditor General Report

Performance and Sunset Review Audit

In September 2020, the Auditor General published a Department of Agriculture performance audit and sunset review that included recommendations for improvements to the department's conflict-of-interest policies and steps

to better safeguard its information technology (IT) systems.

The audit recommended that the department comply with all statutory conflict-of-interest requirements. The Auditor General believes this recommendation can be implemented with the department's existing resources. The department agreed to the auditor's recommendations.

As described in the FY 2022 Baseline Agriculture page. The audit recommended conducting risk assessments, incorporating security measures and vulnerability checking for the department's IT systems, ensuring contractors complete IT security training, and developing governance measures for IT security.

The audit noted that in 2019, an independent consultant completed an assessment of the department's IT systems. The consultant reported concerns about the systems' supporting IT resources as well as noting areas that could be modernized or improved on. The consultant also indicated that the department would likely require additional funding beyond its existing resources to fully implement the auditor's recommendations. The department did not request additional funding related to safeguarding its IT systems in its FY 2022 budget request. There are no additional agency updates on this issue, but the department did receive monies for their migration to the cloud.

Key Regulatory Responsibilities Audit

In September 2020, the Auditor General also published a Department of Agriculture audit regarding the department's processes for conducting inspections, licensing of applicants, and maintaining related public records. The Auditor General made the following findings:

- Divisions within the department did not always prioritize high-risk establishments and licensees for inspection or coordinate inspection activities to optimize efficiency.
- From 2015 through 2019, the department performed accuracy inspections on only a third of all licensed airport baggage scales and did not inspect any licensed medical marijuana dispensary scales.
- Criminal history background checks were not consistently performed for pest management qualified applicators.
- The department did not consistently ensure that all licensing requirements were met prior to licensing applicants.

- Public records relating to licensing and inspection functions were not properly maintained by the department.

The audit recommended that the department establish performance metrics for inspections and coordinate inspection activities to improve efficiency, perform inspections on all licensed scales not previously inspected, and comply with all state public record laws. The Auditor General believes these recommendations can be implemented with the department's existing resources. The department agreed to the auditor's recommendations.

State Agricultural Lab Audit

In April 2020, the Auditor General published a performance audit specifically related to the department's State Agricultural Lab, which included recommendations for improving the department's tracking of expenditures from non-appropriated funds used to support lab activities. Additionally, the audit recommended the department use this expenditure information to determine if monies from these non-appropriated funds support an appropriate amount of the cost associated with the tests the lab performs. The department agreed to the auditor's recommendations but suggested that additional resources, such as an increase in administrative staff for the lab, may be needed to fully implement the audit's recommendations. The department did not request additional funding related to the State Agricultural Lab in its FY 2022 budget request.

Finally, the audit found that the department did adhere to all state procedures for relocating the lab, including working with the Department of Administration in finalizing the leasing plans and submitting the relocation plans and leasing agreements for JCCR review prior to the relocation. *(Please see the FY 2020 Appropriations Report for more information on the State Agricultural Lab relocation.)*

The FY22 operating budget includes adjustments to increase support for the state laboratory including salary increases to support the retainment of experienced staff, laboratory certification, and equipment.

Arizona Health Care Cost Containment System

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,339.3	2,339.3	2,348.3 ^{1/}
Personal Services	39,992,000	40,106,300	39,130,600
Employee Related Expenditures	16,626,400	16,645,300	16,438,900
Professional and Outside Services	10,924,900	12,172,300	10,614,100
Travel - In State	91,300	90,800	90,800
Travel - Out of State	35,600	36,300	36,300
Other Operating Expenditures	20,088,100	51,212,900	44,913,100
Equipment	322,200	322,800	322,800
OPERATING SUBTOTAL	88,080,500	120,586,700	111,546,600 ^{2/}
SPECIAL LINE ITEMS			
Administration			
ADOA Data Center	10,645,100	19,325,800	19,325,800
DES Eligibility	78,288,200	88,874,500	88,874,500 ^{3/}
Proposition 204 - AHCCCS Administration	14,007,000	37,526,000	13,906,200 ^{4/}
Proposition 204 - DES Eligibility	36,437,600	44,358,700	44,358,700 ^{4/}
Medicaid Services			
Traditional Medicaid Services	5,273,538,900	7,015,538,200	6,858,335,700 ^{5/6/7/8/}
Proposition 204 Services	4,167,272,100	5,744,902,000	6,504,234,100 ^{7/8/}
Adult Expansion Services	469,909,100	965,003,600	1,569,961,900
Comprehensive Medical and Dental Program	198,407,400	220,623,000	227,089,300 ⁷
KidsCare Services	83,410,400	120,492,100	141,691,200
ALTCS Services	1,835,477,700	2,071,105,900	2,022,877,700 ^{9/10/11/}
Behavioral Health Services in Schools	9,990,000	18,003,300	10,003,300
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	75,896,600	77,646,900	77,646,900 ^{12/}
One-Time Substance Use Disorder Services Fund Deposit	0	0	6,000,000
Supported Housing	5,201,300	5,324,800	65,324,800 ^{13/14/}
Crisis Services	15,401,600	16,391,300	16,391,300
Hospital Payments			
Disproportionate Share Payments	4,894,500	5,087,100	5,087,100 ^{15/}
DSH Payments - Voluntary Match	36,366,500	45,260,100	48,666,500 ^{8/16/}
Graduate Medical Education	397,316,000	357,621,200	351,322,800 ^{8/16/-20/}
Graduate Medical Education - Community Health Centers	750,000	0	0
Rural Hospitals	33,927,300	36,068,900	28,612,400
Targeted Investments Program	90,035,400	70,000,000	50,000,000
AGENCY TOTAL	12,925,253,200	17,079,740,100	18,261,256,800 ^{21/-25/}
FUND SOURCES			
General Fund	1,669,160,500	1,951,981,100	1,915,630,200
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	3,906,400	4,037,400	4,076,200
Children's Health Insurance Program Fund	80,961,300	108,525,600	117,660,900
Prescription Drug Rebate Fund - State	149,574,500	148,459,600	175,236,600
Seriously Mentally Ill Housing Trust Fund	0	0	200,000
Substance Abuse Services Fund	1,350,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	16,216,300	16,216,300	17,921,600

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
Tobacco Tax and Health Care Fund - Medically Needy Account	66,861,800	65,627,200	69,002,100
SUBTOTAL - Other Appropriated Funds	318,870,500	345,116,300	386,347,600
SUBTOTAL - Appropriated Funds	1,988,031,000	2,297,097,400	2,301,977,800
<u>Expenditure Authority Funds</u>			
Arizona Tobacco Litigation Settlement Fund	94,283,100	102,000,000	102,000,000
County Funds	291,575,800	351,691,000	328,828,000
Delivery System Reform Incentive Payment Fund	28,062,400	21,686,700	15,495,200
Federal Medicaid Authority	9,386,797,000	12,707,378,900	13,671,841,100
Health Care Investment Fund	0	249,980,000	382,548,500
Hospital Assessment Fund	314,374,800	474,080,900	608,696,900
Nursing Facility Provider Assessment Fund	32,201,000	32,989,600	32,989,600
Political Subdivision Funds	139,370,100	198,782,700	169,989,300
Prescription Drug Rebate Fund - Federal	616,503,700	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	34,054,300	34,797,900	37,635,400
SUBTOTAL - Expenditure Authority Funds	10,937,222,200	14,782,642,700	15,959,279,000
SUBTOTAL - Appropriated/Expenditure Authority Funds	12,925,253,200	17,079,740,100	18,261,256,800
Other Non-Appropriated Funds	116,395,300	115,781,300	115,781,300
Federal Funds	155,602,600	154,236,700	154,236,700
TOTAL - ALL SOURCES	13,197,251,100	17,349,758,100	18,531,274,800

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 2022.
- 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 Arizona health care cost containment system 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, 2022 on the suicide prevention coordinator's accomplishments in fiscal year 2021-2022. (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 section 36-2901.01, subsection B, Arizona Revised Statutes. (General Appropriation Act Footnote)
- 5/ The Arizona health care cost containment system administration shall transfer up to \$1,200,000 from the traditional medicaid services line item for fiscal year 2021-2022 to the attorney general for costs associated with e-cigarette enforcement and tobacco settlement litigation. (General Appropriation Act footnote)
- 6/ The Arizona health care cost containment system administration shall transfer \$836,000 from the traditional medicaid services line item for fiscal year 2021-2022 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 nine percent 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 fiscal year 2021-2022 costs of graduate medical education, disproportionate share payments - voluntary match, 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 Arizona health care cost containment system 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 section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2021-2022 nonfederal costs of providing long-term care system services is \$283,194,000. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
- 11/ Any supplemental payments received in excess of \$109,928,700 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2021-2022, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2021-2022. 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, 2022, the Arizona health care cost containment system 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, eight 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/ On or before September 30, 2022, the Arizona health care cost containment system administration shall report to the joint legislative budget committee on its progress in implementing services specified in the housing and health opportunities section 1115 waiver amendment. The report shall include, at a minimum, the types of services provided for eligible AHCCCS members, expenditures by service category, the number of members receiving services by eligibility category, the number of members waitlisted for housing services and progress toward achieving program outcomes, including changes in hospital utilization rates and utilization of primary care and preventive health services. (General Appropriation Act footnote)
- 14/ The appropriated amount for the supported housing line item includes \$60,000,000 of federal medicaid expenditure authority. If the administration's housing and health opportunities section 1115 waiver amendment is denied federal approval, the amount of \$60,000,000 of federal medicaid expenditure authority is reduced from the supported housing line item appropriation. (General Appropriation Act footnote)
- 15/ The \$5,087,100 appropriation for disproportionate share payments for fiscal year 2021-2022 made pursuant to section 36-2903.01, subsection O, Arizona Revised Statutes, includes \$4,202,300 for the Maricopa county health care district and \$884,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
- 16/ 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 fiscal year 2021-2022 by the Arizona health care cost containment system administration in excess of \$48,666,500 are appropriated to the administration in fiscal year 2021-2022. 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)
- 17/ Any monies for graduate medical education received in fiscal year 2021-2022, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$351,322,800 are appropriated to the administration in fiscal year 2021-2022. 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)
- 18/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$3,333,400 from the state general fund and \$7,782,600 from expenditure authority for the direct and indirect costs of graduate medical education programs located in a county with a population of less than five hundred thousand 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)

- 19/ Notwithstanding section 36-2903.01, subsection G, paragraph 9, subdivisions (a), (b) and (c), Arizona Revised Statutes, the amount for graduate medical education includes \$2,666,600 from the state general fund and \$6,225,700 from expenditure authority for the direct and indirect costs of graduate medical education programs located in a county with a population of more than five hundred thousand 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)
- 20/ Monies appropriated for graduate medical education in this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations until June 30, 2022. (General Appropriation Act footnote)
- 21/ The nonappropriated portion of the prescription drug rebate fund established by section 36-2930, Arizona Revised Statutes, is included in the federal portion of the expenditure authority fund source. (General Appropriation Act footnote)
- 22/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona health care cost containment system administration shall report its expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 23/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2022 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 two percent. 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)
- 24/ On or before July 1, 2022, the Arizona health care cost containment system 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, 2021. (General Appropriation Act footnote)
- 25/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS' FY 2022 General Fund spending decreases by \$(36,350,900) from FY 2021. This amount includes:

- \$(27,807,700) for formula adjustments.
- \$(8,000,000) for removal of one-time funding of Behavioral Health Services in School for low-income, non-TXIX children.
- \$3,005,700 for ongoing IT projects.
- \$(16,700,000) for an ongoing cost shift from the Prescription Drug Rebate Fund.
- \$13,300,000 for ALTCS provider rate increases.
- \$508,200 for implementation of a newborn screening fee.
- \$(657,100) for statewide adjustments.

Below is an overview of FY 2022 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 \$319,391,400 in FY 2023 above FY 2022

and by \$56,358,100 in FY 2024 above FY 2023. (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 budget includes a decrease of \$(27,807,800) from the General Fund in FY 2022 for the following AHCCCS formula adjustments. This amount includes:

- \$499,701,700 for state match expenses associated with formula adjustments.
- \$(527,509,400) for changes in General Fund offsets.

Removal of One-Time Supplemental Funding
The budget removes expenditure authority associated with FY 2021 supplementals. Laws 2021, Chapter 64 provided a supplemental appropriation of \$3,038,341,900

for costs associated with increased caseload growth from the pandemic, increased federal funding from the 6.2% match rate increase associated with the COVID-19 public health emergency, and the enactment of the Health Care Investment Fund. That amount includes \$27,177,400 from the Children's Health Insurance Fund and \$3,011,164,500 in expenditure authority.

adjustment of 5.6% and adds expenditure authority associated with directed payments to hospitals financed by the Health Care Investment Fund. Inflation adjustments increase AHCCCS state costs by \$381,126,100 and Total Funds costs by \$1,182,322,100 in FY 2022. Of those amounts, \$380,076,200 of state match and \$1,566,212,400 are financed by the Health Care Investment Fund.

Table 1

AHCCCS State Match Spending Changes (in millions)

State Match Formula Adjustments

FY 2022 Caseload Growth	370
FY 2022 Inflation Increase	381
FY 2022 Federal Medicaid Match Rate Change	(220)
FY 2022 Health Insurer Fee Repeal	(31)
<i>State Match Costs Subtotal</i> ^{1/}	<i>500</i>

Non-General Fund State Match Offsets

Political Subdivisions Fund Decrease	27
Hospital Assessment Fund	(200)
County Funds Increase	34
Tobacco Tax Revenue Increase	(8)
Health Care Investment Fund	(380)
<i>General Fund Offsets Subtotal</i>	<i>(528)</i>

Non-Formula Adjustments

NTXIX Children's Behavioral Health	(8)
IT Projects	3
PDRF - State Transfer	(17)
Provider Rate Increases	13
Newborn Screening Fees	1
Statewide Adjustments	(1)
<i>Non-Formula Subtotal</i>	<i>(9)</i>

Total General Fund Spending Change **\$(36)**

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

FY 2022 Caseload Adjustment

Formula adjustments include flat enrollment growth for Traditional and CMDP populations; 6.2% growth for Proposition 204 and KidsCare; 34.1% growth for Adult Expansion, and 0.6% growth for ALTCS. Caseloads in June 2021, however, are estimated to exceed the original FY 2021 budget numbers by 334,441, or 18%, due to the COVID-19 pandemic and associated economic recession. Overall, caseload growth is expected to increase state match expenses by \$369,955,000 and Total Funds expenses by \$2,741,760,900 in FY 2022. *Table 2* displays historical and forecasted member months across AHCCCS populations. (See the *Other Issues* section for more information.)

FY 2022 Inflation Adjustments

The budget assumes a 3.0% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2021. This increase is based on a 5-year average of the medical care consumer price index. The budget also annualizes the FY 2021 capitation rate

Table 2

AHCCCS Member Months^{1/}

	June 2021	June 2021	June 2022	'21-'22 %
Population	(Budgeted)^{2/}	(Revised)	(Forecast)	Change
Traditional	1,014,064	1,132,709	1,132,709	0.0%
Prop 204 Childless Adults	337,601	423,014	449,240	6.2
Other Proposition 204	188,759	208,201	221,109	6.2
Adult Expansion	76,825	166,710	223,991	34.1
KidsCare	35,766	47,211	50,138	6.2
CMDP	13,147	13,489	13,489	0.0
ALTCS - Elderly & Physically Disabled ^{3/}	33,085	29,677	29,855	0.6
Emergency Services	<u>112,795</u>	<u>125,482</u>	<u>125,482</u>	<u>0.0</u>
Total Member Months	1,812,042	2,146,483	2,246,013	4.6%

^{1/} The figures represent June 1 enrollment.

^{2/} The FY 2021 budgeted numbers do not account for caseload increases associated with the COVID-19 pandemic.

^{3/} The ALTCS program is funded in AHCCCS. An additional 36,195 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of December 1, 2020.

FY 2022 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 2022, the standard base FMAP rates will be as follows:

- Traditional Medicaid rate will remain at 70.01%.
- Proposition 204 Childless Adult rate will remain at 90.0%.
- Adult Expansion rate will remain at 90.0%.
- CHIP rate will decrease to 79.01% (a 3.03 percentage point decrease).

The budget includes a decrease of \$(220,060,100) in state costs and a corresponding increase of \$220,060,100 in Federal Medicaid Authority in FY 2022 as a result of these FMAP adjustments. These changes reflect the impact of federal match rate changes in comparison to the enacted FY 2021 budget, which did not include adjustments for the enhanced FMAP authorized by the federal government to address the COVID-19 pandemic. (See the *Other Issues* section for more information.)

Health Insurer Fee Repeal

The budget includes a decrease of \$(31,319,300) in state funds (\$(137,363,200) Total Funds) for repeal of the Affordable Care Act Health Insurer Fee in FY 2022. The Consolidated Appropriations Act of 2020 repeals the fee beginning in FY 2022.

Non-General Fund State Match Items

The gross state match contribution from FY 2022 caseload growth, inflation, and federal match rate changes is projected to increase by \$499,701,700. The Non-General Fund state match is forecast to offset \$(527,509,400) of this cost, resulting in a net General Fund change of \$(27,807,800). When combined with legislatively-mandated changes, or non-formula adjustments, the net General Fund change increases to \$(36,350,900).

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

- An increase of \$200,476,300 from the Hospital Assessment Fund in FY 2022 to continue to cover the physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- An increase of \$380,076,200 from the Health Care Investment Fund to provide directed payments to providers and increase physician and dental fee schedule reimbursement rates.
- A decrease of \$(27,309,600) in Political Subdivision Funds, mostly for Traditional.
- A decrease of \$(33,651,200) in County Funds, mostly for ALTCS.
- An increase of \$7,917,700 from tobacco tax revenues to reflect higher-than-budgeted receipts.

Operating Budget

The budget includes \$111,546,600 and 1,032.2 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$32,209,900
Children’s Health Insurance Program (CHIP) Fund	5,582,500
Health Care Investment Fund	2,472,300
Prescription Drug Rebate Fund (PDRF) - State	738,700
Seriously Mentally Ill (SMI) Housing Trust Fund	200,000
Federal Medicaid Authority (FMA)	70,343,200

FY 2022 adjustments are as follows:

Remove One-Time Supplemental Funding

The budget includes a decrease of \$(27,270,300) in FY 2022 to remove supplemental funding. This amount consists of:

Health Care Investment Fund	(1,854,300)
Federal Medicaid Authority (FMA)	(25,416,000)

HCIF Administration

The budget includes an increase of \$4,944,500 and 7 FTE Positions in FY 2022 for the cost of administering the Health Care Investment Fund, established by Laws 2020, Chapter 46. These amounts consist of:

Health Care Investment Fund	2,472,300
Federal Medicaid Authority (FMA)	2,472,200

A.R.S. § 36-2999.73 authorizes AHCCCS to retain a maximum of 1% of Health Care Investment Fund monies for administrative purposes. At its September 2020 meeting, the Joint Legislative Budget Committee favorably reviewed AHCCCS' expenditure plan for the Health Care Investment Fund.

CRS Base Modification

The budget includes a transfer of \$1,027,600 from the Traditional Medicaid Services line item to the Operating Lump Sum in FY 2022 for a permanent base modification that would realign administrative expenditures associated with the former Children's Rehabilitative Services line item. This amount consists of:

General Fund	513,800
Federal Medicaid Authority (FMA)	513,800

(See the Traditional Medicaid Services section for more information.)

IT Operating Expenses

The budget includes an increase of \$11,972,100 in FY 2022 for funding of operating expenses associated with AHCCCS' information technology systems (Asset Verification, Electronic Visit Verification). This amount consists of:

General Fund	3,005,700
Federal Medicaid Authority (FMA)	8,966,400

One-Time Funding of PMMIS Roadmap

The budget includes a one-time increase of \$780,000 in FY 2022 for the cost of procuring a roadmap development consultant to replace AHCCCS' current management information system. This amount consists of:

PDRF - State	78,000
Federal Medicaid Authority (FMA)	702,000

SMI Housing Administration

The budget includes an increase of \$200,000 and 2 FTE Positions from the Seriously Mentally Ill (SMI) Housing Trust Fund in FY 2022 for administration of the fund. A.R.S. § 41-3955.01 permits up to 10% of SMI Housing Trust Fund monies to be appropriated for administrative expenses annually.

Statewide Adjustments

The budget includes a decrease of \$(694,000) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(599,000)
CHIP Fund	(94,000)
PDRF - State	(1,000)

(Please see the Agency Detail and Allocations section.)

Administration

ADOA Data Center

The budget includes \$19,325,800 in FY 2022 for the 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 2021.

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. Funds may also be used for broader computing expenses, including cloud migration and storage costs:

DES Eligibility

The budget includes \$88,874,500 and 885 FTE Positions in FY 2022 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 2021.

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

Proposition 204 - AHCCCS Administration

The budget includes \$13,906,200 and 131 FTE Positions in FY 2022 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,486,900
PDRF - State	60,900
Federal Medicaid Authority	9,358,400

FY 2022 adjustments are as follows:

Remove One-Time Supplemental Funding

The budget includes a decrease of \$(23,561,700) from Federal Medicaid Authority in FY 2022 to remove supplemental funding used to provide expenditure authority for administrative expenses.

Statewide Adjustments

The budget includes a decrease of (58,100) from the General Fund in FY 2022 for statewide adjustments.

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

Proposition 204 - DES Eligibility

The budget includes \$44,358,700 and 300.1 FTE Positions in FY 2022 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,646,000
Budget Neutrality Compliance Fund (BNCF)	4,076,200
Federal Medicaid Authority	23,636,500

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(38,800) from the General Fund and a corresponding increase of \$38,800 from the BNCF in FY 2022 to reflect an increase of county contributions in FY 2022 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 2022. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The budget includes \$6,858,335,700 in FY 2022 for Traditional Medicaid Services. This amount consists of:

General Fund	1,248,964,700
County Funds	45,634,000
Health Care Investment Fund	226,678,100
Political Subdivision Funds	50,247,800
PDRF - State	160,858,600

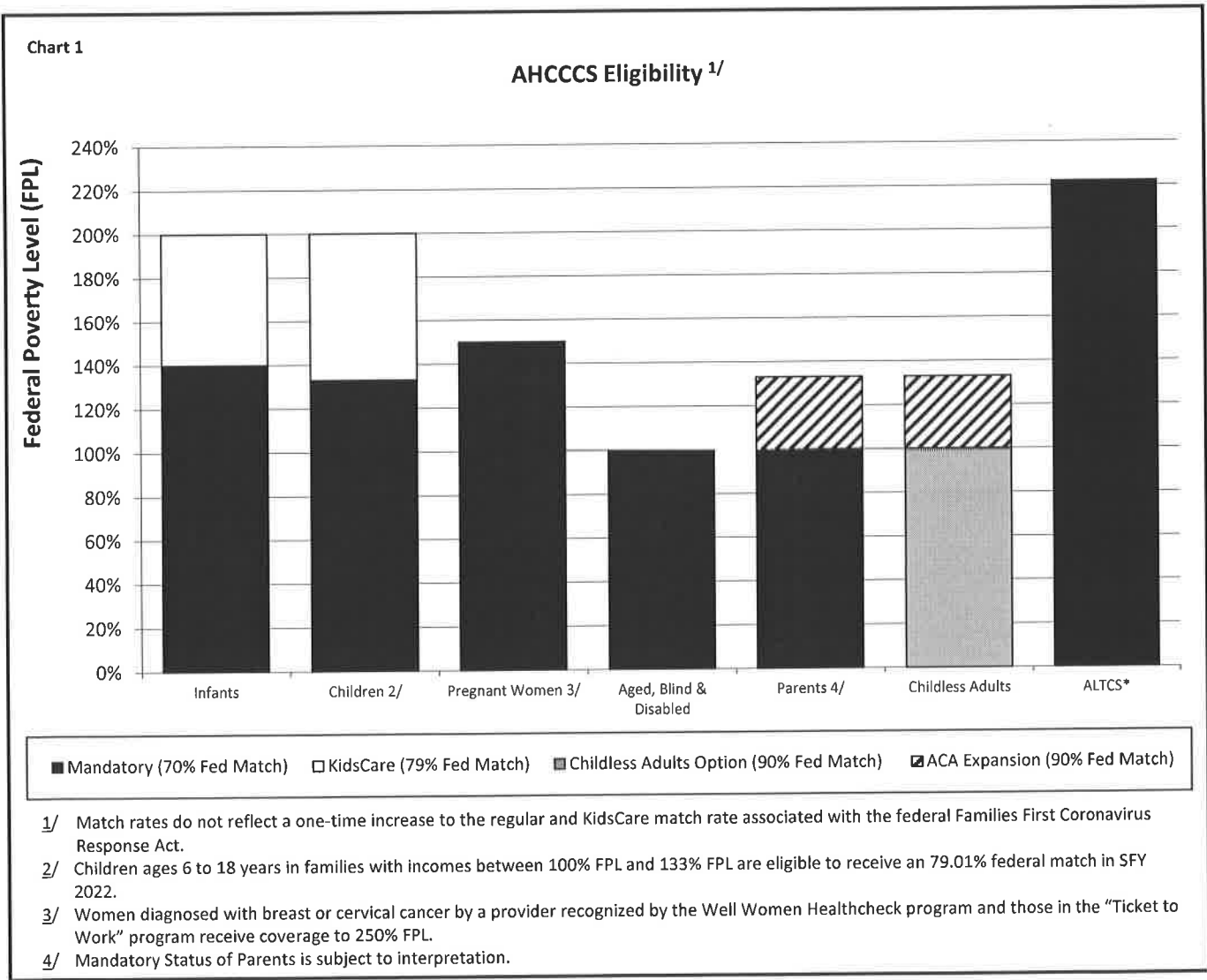
TTHCF - Medically Needy Account	69,002,100
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	4,484,117,400

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(172,744,900) in FY 2022 for formula adjustments. This amount consists of:

General Fund	(11,952,000)
County Funds	(185,000)
Health Care Investment Fund	74,776,200
Political Subdivision Funds	(23,570,800)
TTHCF - Medically Needy Account	3,374,900
Federal Medicaid Authority	(215,188,200)



These adjustments include:

- \$1,314,131,100 for supplemental funding from Laws 2021, Chapter 64.
- Caseload growth of 7.7% in comparison to the enacted FY 2021 budget.
- Flat FY 2022 enrollment growth.
- 3.0% capitation rate increase.
- A 6.2% increase in the regular federal match rate through December 2021 as a result of the COVID-19 public health emergency.
- No change to the base federal match rate (70.01%) in FY 2022.
- Repeal of the Health Insurer Fee.
- \$3,374,900 increase from the TTHCF - Medically Needy Account with a corresponding General Fund decrease.
- \$(185,000) decrease in the Maricopa County Acute Care contribution (County Funds) under A.R.S. § 11-292 with a corresponding General Fund increase.

CRS Base Modification

The budget includes a transfer of \$(1,027,600) from the Traditional Medicaid Services line item to the Operating Lump Sum in FY 2022 for a permanent base modification that would realign administrative expenditures associated with the former Children’s Rehabilitative Services line item. This amount consists of:

General Fund	(513,800)
Federal Medicaid Authority (FMA)	(513,800)

(See the Operating Lump Sum section for more information.)

One-Time Health Care Investment Fund Increase

The budget includes an increase of \$14,875,400 in FY 2022 to maintain 15% physician and dentist base rate increases that would otherwise be financed by the Health Care Investment Fund. This amount consists of:

PDRF - State	4,000,000
Federal Medicaid Authority	10,875,400

A.R.S. § 36-2999.73 caps total Health Care Investment Fund state match expenses on the 15% physician and dental rate increase at \$70,500,000 or 20% of total fund collections, whichever is less. As a result of caseload growth associated with the COVID-19 public health emergency, AHCCCS estimates that it will need an additional \$4,000,000 in state monies over and above the \$70,500,000 cap in order to maintain the 15% rate increase in FY 2022. The increase is designated as one-time, as the budget assumes the \$70,500,000 will provide

AHCCCS with sufficient appropriation authority in future years to maintain the 15% increase.

Prescription Drug Rebate Fund Increase

The budget includes an increase of \$16,700,000 from PDRF - State and a corresponding decrease of \$(16,700,000) from the General Fund in FY 2022 due to increased PDRF collections. *(Please see other issues section for additional information on PDRF revenues for FY 2022).*

Newborn Screening Fee

The budget includes an increase of \$1,694,600 in FY 2022 for increased newborn screening fees. This amount consists of:

General Fund	508,200
Federal Medicaid Authority	1,186,400

The FY 2022 Health BRB (Laws 2021, Chapter 409) requires the Department of Health Services to increase the number of disorders included in newborn screening, which DHS estimates will increase its fees by \$47 per newborn. The \$1,694,600 would cover the cost of the \$47 increase for AHCCCS-eligible newborns.

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 budget includes \$6,504,234,100 in FY 2022 for Proposition 204 Services. This amount consists of:

General Fund	128,667,600
Health Care Investment Fund	123,904,400
Hospital Assessment Fund	480,627,900
Political Subdivision Funds	4,398,100
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	17,921,600
TPTF - Proposition 204 Protection Account	37,635,400
Federal Medicaid Authority	5,609,079,100

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$759,332,100 in FY 2022 for formula adjustments. This amount consists of:

General Fund	7,456,100
Health Care Investment Fund	46,251,500
Hospital Assessment Fund	80,357,900
Political Subdivision Funds	(2,996,700)
TPTF - Emergency Health Services Account	1,705,300
TPTF - Proposition 204 Protection Account	2,837,500
Federal Medicaid Authority	623,720,500

These adjustments include:

- \$1,159,526,000 for supplemental funding from Laws 2021, Chapter 64.
- Caseload growth of 23.4% in comparison to the enacted FY 2021 budget.
- 6.2% FY 2022 enrollment growth.
- A 6.2% increase in the regular federal match rate through December 2021 as a result of the COVID-19 public health emergency for the non-childless adult population.
- No change to the federal match rate for the childless adult population (90.00%) in SFY 2022.
- 3.0% capitation rate increase.
- \$2,837,500 increase from the TPTF - Proposition 204 Protection Account due to higher-than-expected tobacco tax revenues and a corresponding decrease of in other state costs.
- Repeal of the federal Health Insurer Fee.

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 budget includes \$1,569,961,900 in FY 2022 for Adult Expansion Services. This amount consists of:

General Fund	16,643,500
Health Care Investment Fund	9,045,900
Hospital Assessment Fund	128,069,000
Political Subdivision Funds	482,500
Federal Medicaid Authority	1,415,721,000

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$604,958,300 in FY 2022 for formula adjustments. This amount consists of:

General Fund	9,281,900
Health Care Investment Fund	3,093,500
Hospital Assessment Fund	54,258,100
Political Subdivision Funds	(142,000)
Federal Medicaid Authority	538,466,800

These adjustments include:

- \$392,895,400 for supplemental funding from Laws 2021, Chapter 64.
- Caseload growth of 172.8% in comparison to the enacted FY 2021 budget.
- 34.0% FY 2022 enrollment growth.
- A federal match rate of 90.00% in SFY 2022.
- 3.0% capitation rate increase.
- Repeal 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 budget includes \$227,089,300 in FY 2022 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	58,514,400
Health Care Investment Fund	2,600,700
Federal Medicaid Authority	165,974,200

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$6,446,300 FY 2022 for formula adjustments. This amount consists of:

General Fund	(736,500)
Health Care Investment Fund	1,060,500
Federal Medicaid Authority	6,142,300

These adjustments include:

- \$22,890,800 for supplemental funding from Laws 2021, Chapter 64.
- Flat enrollment growth in FY 2022.
- A 6.2% increase in the regular federal match rate through December 2021 as a result of the COVID-19 public health emergency.
- No change to the base federal match rate (70.01%) in FY 2022.
- 3.0% 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 (RHBA).

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. The budget adds \$187,538,000 in expenditure authority to DCS for integration of physical and behavioral health services. *(Please see the [Department of Child Safety narrative for additional information.](#))*

KidsCare Services

The budget includes \$141,691,200 in FY 2022 for KidsCare Services. This amount consists of:

General Fund	27,077,200
Health Care Investment Fund	2,232,700
Political Subdivision Funds	462,900
CHIP Fund	111,918,400

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$21,199,100 in FY 2022 for formula adjustments. This amount consists of:

General Fund	10,862,800
Health Care Investment Fund	1,006,200
Political Subdivision Funds	100,800
CHIP Fund	9,229,300

These adjustments include:

- \$28,403,900 for supplemental funding from Laws 2021, Chapter 64.

- Caseload growth of 39.5% in comparison to the enacted FY 2021 budget.
- 6.2% FY 2022 enrollment growth.
- A decrease in the base CHIP federal match rate from 82.04% in SFY 2021 to 79.01% in SFY 2022.
- A 4.34% increase in the CHIP match rate through December 2021 as a result of the COVID-19 public health emergency.
- 3.0% capitation rate increase.
- Repeal of the federal Health Insurer Fee.

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 budget includes \$2,022,877,700 in FY 2022 for ALTCS Services. This amount consists of:

General Fund	236,054,400
County Funds	283,194,000
Health Care Investment Fund	15,614,400
Political Subdivision Funds	450,000
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	1,410,574,900

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(137,818,100) in FY 2022 for formula adjustments. This amount consists of:

General Fund	(42,681,200)
County Funds	(33,468,700)
Health Care Investment Fund	5,762,600
Political Subdivision Funds	(700,900)
Federal Medicaid Authority	(66,729,900)

These adjustments include:

- \$104,760,600 for supplemental funding from Laws 2021, Chapter 64.
- Caseload decline of (8.8)% in comparison to the enacted FY 2021 budget.
- 0.6% enrollment growth in FY 2022.
- No change to the base federal match rate (70.01%) in SFY 2022.
- 3.0% capitation rate increase.
- Repeal of the federal Health Insurer Fee.

Provider Rate Increases

The budget includes an increase of \$89,589,900 in FY 2022 to fund provider rate increases. This amount consists of:

General Fund	13,300,000
County Funds	10,790,700
Federal Medicaid Authority	65,499,200

The budget assumes that \$6,300,000 of the \$13,300,000 would be allocated for an aggregate increase of home-and community-based services of approximately 7% for ALTCS recipients who are elderly or have a physical disability. The 7% is comparable to rate increases within the DES budget for developmental disabilities providers. The remaining \$7,000,000 would be available for rate increases for skilled nursing facility providers.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$28,327 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 \$9,570 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 2021, AHCCCS estimates that client contributions will pay for 3.7%, or \$52,400,000 of the cost of care.

A.R.S. § 36-2999.52 authorizes 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. A.R.S. § 36-2999.55 continues the assessment through September 30, 2023. The assessment ranges from \$1.80 to \$15.63 per day of patient care. 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 budget includes \$10,003,300 in FY 2022 for Behavioral Health Services in schools. This amount consists of:

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

FY 2022 adjustments are as follows:

Children's Behavioral Health Services

The budget includes a decrease of \$(8,000,000) from the General Fund in FY 2022 to remove one-time funding for a deposit into the Children's Behavioral Health Services Fund established by Laws 2020, Chapter 46. This funding was used to pay contractors for behavioral health services rendered to low-income, non-Medicaid students.

Background – This line item funds behavioral health services at or near public school campuses for both Medicaid-eligible and non-Medicaid students. 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. Of the remaining funds, \$9,003,300 will be allocated to behavior health providers contracted with AHCCCS health plans working directly in schools. (See the Other Issues section for more information.)

Non-Medicaid Behavioral Health Services

Non-Medicaid Seriously Mentally Ill Services

The budget includes \$77,646,900 from the General Fund in FY 2022 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2021.

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.)

One-Time Substance Use Disorder Services Fund Deposit

The budget includes \$6,000,000 in FY 2022 from PDRF - State for One-Time Substance Use Disorder Services Fund Deposit. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$6,000,000 from PDRF - State in FY 2022 for a one-time deposit in the Substance Use Disorder Services (SUDS) Fund. The deposit would fund opioid treatment services, including copays, doctor visits, and lab tests, for uninsured and underinsured individuals.

Background – The SUDS Fund was established in 2018 following the enactment of the Opioid Epidemic Act. AHCCCS used the initial \$10,000,000 deposit in FY 2018-FY 2021 to provide substance use disorder treatment services to underinsured or uninsured individuals who are otherwise ineligible for Medicaid.

Supported Housing

The budget includes \$65,324,800 in FY 2022 for Supported Housing. This amount consists of:

General Fund	5,324,800
Federal Medicaid Authority	60,000,000

FY 2022 adjustments are as follows:

AHCCCS Housing Waiver Amendment

The budget includes an increase of \$60,000,000 from Federal Medicaid Authority in FY 2022 for an 1115 waiver amendment to expand AHCCCS housing services.

In May 2021, AHCCCS submitted a waiver amendment to the Centers for Medicare and Medicaid Services (CMS) that would use current state funding for housing initiatives to draw down additional Federal Funds. If approved, the new funds would be used to 1) increase homeless outreach, 2) provide housing for members who are homeless or at risk, and 3) expand wraparound housing services to ensure housing stability. The amendment is currently being considered by the CMS. In the event the amendment is denied federal approval, a General Appropriations Act footnote would reduce the Federal Medicaid Authority appropriation by \$60,000,000.

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. AHCCCS reports \$22,400,000 of RBHAs' allocation from the Non-Medicaid Seriously Mentally Ill Services line item will be spent on Supported Housing Services in SFY 2021.

Crisis Services

The budget includes \$16,391,300 in FY 2022 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 2021.

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.

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 Consolidated Appropriations Act of 2021 delayed nationwide DSH payment reductions that were originally authorized by the federal Affordable Care Act (ACA) until FY 2024. Given that Congress has enacted multiple delays to the ACA's DSH payment reductions to states, the budget does not assume any federal funding loss related to DSH in FY 2024. The budget therefore assumes that Arizona's DSH allocation would be adjusted in FY 2022 through FY 2024 according to the regular federal formula, as outlined below.

MIHS Distribution

The budget continues to appropriate \$4,202,300 of federal DSH funds associated with uncompensated care at Maricopa Integrated Health System (MIHS) for

distribution to MIHS. The remaining \$82,729,800 of federal DSH funds associated with uncompensated care in public hospitals (MIHS and the Arizona State Hospital) are available for General Fund deposit. The \$82,729,800 assumes MIHS would report uncompensated care of \$95,696,000 in FY 2022, the same amount reported for FY 2020.

Increase in Uncompensated Care Payments

In FY 2022, the state's total DSH payments are estimated to increase by \$3,406,400 from \$170,315,800 in FY 2021 to \$173,722,200 due to federal adjustments for inflation and the FMAP. Of the \$173,722,200 of eligible DSH funding in FY 2022, \$136,483,400 is distributed according to the allocations described below and listed in *Table 3*. The remaining \$37,238,800 of eligible funding represents existing expenditures used as part of the state match.

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 budget includes \$5,087,100 in FY 2022 for Disproportionate Share Payments. This amount consists of:

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

These amounts are unchanged from FY 2021.

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 budget includes \$48,666,500 in FY 2022 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	14,595,100
Federal Medicaid Authority	34,071,400

FY 2022 adjustments are as follows:

Increased Funding

The budget includes an increase of \$3,406,400 in FY 2022 due to an increase in Arizona's allocation of federal DSH funding. This amount consists of:

	<u>FY 2021 (Enacted)</u>	<u>FY 2021 (Actual)</u>	<u>FY 2022</u>
Eligible Funding ^{1/}			
MIHS - CPE ^{2/}	\$ 113,818,500	\$ 109,104,900	\$ 95,696,000
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	<u>27,137,600</u>	<u>30,632,100</u>	<u>48,666,500</u>
Total Funding	\$ 170,315,800	\$ 169,096,700	\$ 173,722,200
General Fund			
Retain FF of CPE (via MIHS) ^{3/}	\$ 75,812,100	\$ 63,157,900	\$ 62,794,500
Retain FF of CPE (via ASH)	<u>20,017,900</u>	<u>21,700,700</u>	<u>19,935,300</u>
Subtotal - General Fund	\$ 95,830,000	\$ 84,858,600	\$ 82,729,800
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	\$ 100,917,100	\$ 89,945,700	\$ 87,816,900
Voluntary Match	\$ 27,137,600	\$ 30,632,100	\$ 48,666,500
Total Distributions	\$ 128,054,700	\$ 120,577,800	\$ 136,483,400

^{1/} Amounts include state and federal match funding.
^{2/} The FY 2022 Health BRB continues to establish a MIHS DSH limit of \$113,818,500 to maximize the DSH General Fund revenue deposit in the event actual uncompensated care is higher.
^{3/} The final FY 2017 OBRA reconciliation reduced the actual FY 2021 MIHS deposit by \$(15,788,700).

Political Subdivision Funds	1,021,600
Federal Medicaid Authority	2,384,800

\$6,000,000 from the General Fund and \$14,008,300 from Federal Medicaid Authority.

While the FY 2021 General Appropriation Act displays a \$27,137,600 appropriation for FY 2021, it presumed \$113,818,500 in uncompensated care at MIHS. The enacted FY 2022 budget presumed that the DSH Voluntary appropriation would increase to \$45,260,100 based on a lower level of uncompensated care at MIHS. The \$3,406,400 increase is relative to the revised \$45,260,100 appropriation level.

A pair of General Appropriation Act footnotes instructs AHCCCS how to allocate the \$20,008,300 total amount for this program. The budget allocates \$11,116,000 Total Funds of the increase for GME programs located in a county with less than 500,000 persons and the remaining \$8,892,300 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.

After the enactment of the FY 2022 budget, AHCCCS reported that MIHS will qualify for \$109,104,900 in uncompensated care in FY 2021. The FY 2021 actual funding level for DSH – Voluntary will therefore be \$30,632,100 to reflect the lower level of uncompensated care at MIHS. (Please see Table 3.)

The 3-year spending plan associated with the enacted FY 2020 budget assumed the General Fund appropriation for Graduate Medical Education program would increase from \$3,000,000 in FY 2020 to \$6,000,000 in FY 2021 and \$9,000,000 in FY 2022. The FY 2022 budget's 3-year spending plan now delays full implementation of the program until FY 2023 as a result of payment lags and delays in implementation. The \$9,000,000 in FY 2023 would include a \$5,000,000 allocation for rural GME program and \$4,000,000 for urban GME programs. This funding phase-in assumes that recipient hospitals will increase the number of slots for incoming residents in FY 2021 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 2020 or before) will remain unchanged. As a result, the full phase-in of the larger number of slots is scheduled to occur in FY 2023.

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The budget continues a provision that gives 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 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 2020, 19 hospitals received a total of \$396,566,000 for Graduate Medical Education. Please see Table 4 for a breakdown of funding

Graduate Medical Education

The budget includes \$351,322,800 in FY 2022 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	6,000,000
Political Subdivision Funds	99,352,900
Federal Medicaid Authority	245,969,900

FY 2022 adjustments are as follows:

Decreased Funding

The budget includes a decrease of \$(6,300,000) in FY 2022 to reflect AHCCCS' revised projections of reimbursable GME expenses among participating hospitals in FY 2022. This amount consists of:

Political Subdivision Funds	(2,505,400)
Federal Medicaid Authority	(3,794,600)

Health Professional Shortage Areas

The budget includes an increase of \$1,600 from Federal Medicaid Authority in FY 2022 for GME payments to hospitals located in health professional shortage areas. With this increase, \$20,008,300 Total Funds will be available for Health Professional Shortage Areas, or

<u>Expenditure Categories</u>	<u>FY 2021</u>	<u>FY 2022</u>
Locally Funded GME	\$ 337,614,500	\$ 331,314,500
FY 2021 Rebase	(67,157,500)	0
<i>GME Subtotal</i>	<i>\$ 270,457,000</i>	<i>\$ 331,314,500</i>
<i>HPSA GME</i>	<i>\$ 20,006,700</i>	<i>\$ 20,008,300</i>
Total Revenues	290,463,700	\$ 351,322,800

between the regular GME program and the Health Professional Shortage Area program.

Rural Hospitals

The budget includes \$28,612,400 in FY 2022 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 2022 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(7,456,500) from Federal Medicaid Authority in FY 2022 for formula adjustments. Funding for the program was higher on a one-time basis in FY 2021 as a result of the 6.2% match rate increase associated with the COVID-19 public health emergency.

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 2020, 19 hospitals qualified for funding from Rural Hospital Reimbursement and 11 from CAH.

Targeted Investments Program

The budget includes \$50,000,000 in FY 2022 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	15,495,200
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	34,504,800

FY 2022 adjustments are as follows:

Decreased Funding

The budget includes a decrease of \$(20,000,000) in FY 2022 to reflect resources authorized by the federal government for the Targeted Investments Program. This amount consists of:

DSRIP Fund	(6,191,500)
Federal Medicaid Authority	(13,808,500)

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 2021 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Health Care Investment Fund
- Prescription Drug Rebate Fund
- Federal Waivers
- Affordable Care Act Litigation
- County Contributions
- COVID-19-Related FMAP and Enrollment Requirements
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2021 Supplemental

Laws 2021, Chapter 64 includes an FY 2021 supplemental appropriation of \$3,038,341,900 for costs associated with increased caseload growth from the pandemic, increased federal funding from the 6.2% match rate increase associated with the COVID-19 public health emergency, and the enactment of the Health Care Investment Fund. That amount includes \$27,177,400 from the Children's Health Insurance Fund and \$3,011,164,500 in expenditure authority.

The increase in federal match funding is also expected to result in lower-than-budgeted General Fund expenses for AHCCCS formula requirements in FY 2021. Chapter 64 did not, however, adjust AHCCCS' original FY 2021 General Fund appropriation. As a result, the budget assumes that AHCCCS will incur an FY 2021 General Fund surplus of \$297,340,800 in FY 2021. The \$297,340,800 consists of a state match cost decrease of \$(38,727,000), offset by growth in other funds of \$258,613,800. Since the FY 2022 General Appropriation Act did not include an ex-appropriation, this surplus would be realized through an AHCCCS' General Fund reversion.

Table 5 delineates the individual impacts contributing to the General Fund savings of \$(297,340,800) in FY 2021. The budget includes federal match rate savings through December 31, 2021, though actual savings may be higher if the public health emergency is extended beyond the second quarter of FY 2022. Expiration of the public health emergency determines when the enhanced federal match rate expires and when can AHCCCS can begin disenrolling members who are no longer eligible.

Table 5	
AHCCCS' FY 2021 General Fund Savings (in millions)	
State Match Components	
FY 2021 Inflation Growth	207
FY 2021 Federal Medicaid Match Rate Change	(472)
FY 2021 Enrollment Growth	227
State Match Rebase Cost ^{1/}	(38)
Non-General Fund State Match Offsets	
Political Subdivisions Fund Decrease	9
Hospital Assessment Fund Increase	(72)
County Funds Decrease	58
Tobacco Tax Revenue Increase	(9)
Health Care Investment Fund Increase	(248)
Nursing Facility Assessment Decrease	5
General Fund Offsets Subtotal ^{1/}	(258)
Total General Fund Spending Change	\$(297)
^{1/} Numbers do not add to total due to rounding.	

Statutory Changes

The Health BRB makes 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 2022 County Acute Care contribution at \$45,634,000. 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, 2022, 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 2022 county Arizona Long Term Care System (ALTCS) contributions at \$283,194,000.

Hospitals

- As session law, continue to establish FY 2022 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 2022.
- 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' General Fund spending increases by \$319,391,400 in FY 2023 above FY 2022 and by \$56,358,100 in FY 2024 above FY 2023. These estimates are based on:

- Formula spending of \$136,251,300 in FY 2023 above FY 2022 and \$56,077,800 in FY 2024 above FY 2023 for additional enrollment and inflation expenses.
- An increase of \$180,000,000 in FY 2023 to remove one-time savings associated with a 6.2% increase in the regular federal match resulting from the COVID-19 public health emergency.
- Increased graduate medical education expenses of \$3,000,000 in FY 2023 for the HPSA program.
- Additional newborn screening costs of \$140,100 in FY 2023 above FY 2022 and \$280,300 in FY 2024 above FY 2023.

Health Care Investment Fund

Laws 2020, Chapter 46 established the Health Care Investment Fund. The fund receives revenues based on an assessment on hospital revenues, discharges, or bed days relative to inpatient and outpatient services, to be established by the AHCCCS director.

At the September 2020 JLBC meeting, AHCCCS received a favorable review of its proposed methodology to collect the Health Care Investment Fund assessment. AHCCCS' spending plan for FY 2021 includes the following distributions:

- \$204,831,400 in HCIF monies (\$955,467,400 Total Funds) for directed payments to hospitals. The

payments represent a net reimbursement increase of approximately 40%. The hospital payments will not be included in AHCCCS capitation rates and will

- instead supplement payments hospitals receive from health plans and other AHCCCS programs.
- \$43,658,300 from HCIF (\$213,535,900 Total Funds) for increase to base reimbursement rates for physician and dentists of approximately 15%. These rate increases will be funded via capitation rate increases.
- \$1,854,300 from HCIF (\$3,708,500 Total Funds) for administration of the HCIF. These monies will be allocated to the AHCCCS operating budget. *(Please see the Traditional Medicaid Services section for additional information.)*

The Health Care Investment Fund, in combination with the original Hospital Assessment, will result in total Hospital Assessment collections of \$991,245,400 in FY 2022.

Prescription Drug Rebate Fund

Since FY 2019, the budget has used high balances in the Prescription Drug Rebate Fund (PDRF) - State to the benefit of the General Fund. The FY 2022 budget's 3-year revenue and expenditure plan continues this usage by appropriating \$177,737,600 in PDRF as part of the state match in lieu of the General Fund and for other programs in AHCCCS and the Department of Health Services. Under the budgeted projections of ongoing fund revenues and disbursements, the PDRF - State balance is estimated to total \$16,442,200 at the end of FY 2022 (see Table 6).

Federal Waivers

State Medicaid programs can apply for waivers from the Centers for Medicare and Medicaid Services (CMS) in order to implement changes to service delivery that would otherwise not comply with federal rules. This section describes current waivers being utilized by AHCCCS.

AHCCCS Works 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, 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

Table 6

State Prescription Drug Rebate Fund Sources and Uses

	FY 2021	FY 2022
Revenues		
Beginning Balance	\$ 9,765,100	\$ 10,087,900
Rebate Collections	<u>165,482,400</u>	<u>184,091,900</u>
Total Revenues	\$175,247,500	\$194,179,800
Budgeted Disbursements		
Operating Budget and Administration	\$ 661,700	\$ 661,700
Traditional Services	140,158,600	156,858,600
ALTCS Services	7,578,400	7,578,400
Prop 204	60,900	60,900
DHS Alzheimer's Research	-	2,500,000
PMMIS Roadmap (One-Time)	-	78,000
HCIF Increase (One-Time)	-	4,000,000
SUDS Deposit (One-Time)	-	<u>6,000,000</u>
<i>Subtotal</i>	<i>\$148,459,600</i>	<i>\$161,037,600</i>
Total Disbursements	\$148,459,600	\$177,737,600
General Fund Transfer ^{1/}	\$ 16,700,000	\$ 0
Projected Ending Balance	\$ 10,087,900^{2/}	\$ 16,442,200

^{1/} The FY 2021 transfer was enacted by Laws 2019, Chapter 263.

^{2/} In July 2021, AHCCCS estimated FY 2021 PDRF collections would total \$165.5 million. This figure is subject to change depending on actual collections for the final quarter of FY 2021.

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 portal is expected to cost \$4,778,900 across 5 years.

In November 2019, AHCCCS announced that implementation of AHCCCS Works would be delayed while court cases involving CMS community engagement requirements are heard. The program, which was set to

begin no sooner than summer 2020, is further delayed as a result of the maintenance of eligibility requirement associated with the Families First Coronavirus Response Act (FFCRA). To be eligible for the enhanced federal match rate, state Medicaid agencies cannot disenroll members during the federal public health emergency period. Thus, the program will not be implemented before the end of the public health emergency.

Section 1135 Waiver

In response to the COVID-19 emergency, AHCCCS submitted an 1135 waiver to CMS on March 17, 2020. Section 1135 waivers permit the Health and Human Services Secretary to temporarily waive or modify Medicaid requirements during a national emergency. As part of the list of approved flexibilities, AHCCCS is authorized to streamline provider enrollment requirements, suspend member cost-sharing requirements, extend KidsCare renewal deadlines, and delay action on changes of circumstances that would affect KidsCare eligibility, among other administrative changes. These authorities will expire following the end of the public health emergency.

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. In June 2021, the U.S. Supreme Court reversed the Fifth Circuit Court's ruling, holding that the plaintiffs did not have grounds to challenge the ACA.

In the event the ACA were formally repealed by Congress, authorizations set forth in A.R.S. § 36-2901.07 and A.R.S. § 36-2901.08 (extension of eligibility to the adult expansion population) would be triggered. 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 7*. 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.*

Table 7

County Contributions

County	FY 2021			FY 2022		
	BNCF ^{1/}	Acute	ALTCS	BNCF ^{1/}	Acute	ALTCS
Apache	\$133,100	\$268,800	696,200	\$134,400	\$268,800	662,900
Cochise	248,200	2,214,800	5,181,000	250,600	2,214,800	4,551,700
Coconino	244,900	742,900	2,090,300	247,200	742,900	1,990,400
Gila	100,600	1,413,200	2,519,200	101,500	1,413,200	2,327,100
Graham	71,500	536,200	1,745,100	72,200	536,200	1,328,000
Greenlee	18,400	190,700	3,900	18,500	190,700	0
La Paz	38,100	212,100	716,100	38,400	212,100	357,100
Maricopa	0	17,788,700	196,891,500	0	17,603,700	184,272,900
Mohave	285,800	1,237,700	9,763,200	288,600	1,237,700	9,154,300
Navajo	187,300	310,800	2,881,800	189,100	310,800	2,744,100
Pima	1,702,500	14,951,800	47,415,800	1,718,800	14,951,800	44,073,400
Pinal	333,100	2,715,600	14,431,100	336,300	2,715,600	12,109,900
Santa Cruz	78,700	482,800	2,402,000	79,500	482,800	2,242,800
Yavapai	314,700	1,427,800	9,074,300	317,700	1,427,800	7,677,800
Yuma	280,600	1,325,100	10,060,500	283,300	1,325,100	9,701,600
Subtotal	\$4,037,400	\$45,819,000	\$305,872,000	\$4,076,200	\$45,634,000	\$283,194,000
Total			\$355,728,400			\$332,904,200

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

COVID-19-Related FMAP and Enrollment Requirements

The FY 2022 budget includes one-time FY 2021 savings of \$(297,340,800) from the General Fund for savings associated with the enhanced FMAP. The summary table at the beginning of this narrative has not been updated to reflect these savings.

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. Based on guidance from the Biden Administration, the temporary enhanced match rate is currently assumed to be effective through the second quarter of FY 2022. The match rate increase reduces General Fund expenditures for AHCCCS, DCS and DES in FY 2020, FY 2021, and FY 2022.

In FY 2022, the JLBC Staff estimates that the match rate increase will reduce AHCCCS' General Fund expenditures by approximately \$(180,000,000). This FY 2022 reduction assumes that the 6.2% increase will be in effect through December 2021, consistent with the current federal emergency declaration. These savings are incorporated into AHCCCS' FY 2022 budget numbers.

FFCRA also stipulates, however, that state Medicaid agencies are prohibited from disenrolling Medicaid recipients for the duration of the federal public health emergency. As a result, any federal match rate savings above would likely be at least partially offset by caseload growth rates above what is assumed in the budget.

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 2022, the average capitation rate is expected to be approximately \$511 per member per month (or \$6,100 annually). Of that amount, an average of \$123 is from state match and \$388 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 member 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 budget continues to require AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2022 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 budget projects AHCCCS and DHS will receive \$148,754,800 in transfers of tobacco tax collections in FY 2022. This amount represents a decrease of \$(1,800,000) from FY 2021. *Table 8* 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 2020</u>	<u>FY 2021</u>
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 1,580,600
Transfer In - Tobacco Tax and Health Care Fund	44,749,600	45,339,400
Transfer In - Tobacco Products Tax Fund	<u>24,392,800</u>	<u>24,481,200</u>
Total Funds Available	\$ 69,142,400	\$ 71,401,200
<u>Allocations</u>		
<i>AHCCCS</i>		
AHCCCS State Match Appropriation	\$ <u>66,861,800</u>	\$ <u>65,627,200</u>
Total AHCCCS Allocations	\$ 66,861,800	\$ 65,627,200
<i>DHS</i>		
Folic Acid	\$ 400,000	\$ 400,000
Renal, Dental Care, and Nutrition Supplements	300,000	300,000
Administrative Adjustments	<u>0</u>	<u>0</u>
Total DHS Allocations	<u>700,000</u>	<u>700,000</u>
Balance Forward	\$ 1,580,600	\$ 5,074,000
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 3,890,000
Transfer In - Tobacco Products Tax Fund	<u>37,944,300</u>	<u>38,081,800</u>
Total Funds Available	\$ 37,944,300	\$ 41,971,800
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 34,054,300	\$ 34,797,900
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward	\$ 3,890,000	\$ 7,173,900
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 1,852,400
Transfer In - Tobacco Products Tax Fund	<u>18,068,700</u>	<u>18,134,200</u>
Total Funds Available	\$ 18,068,700	\$ 19,986,600
<u>Allocations</u>		
AHCCCS State Match Appropriation	16,216,300	16,216,300
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward ^{1/}	\$ 1,852,400	\$ 3,770,300
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 1,810,500	\$ 5,342,100
Transfer In - Tobacco Tax and Health Care Fund	14,406,300	13,679,800
Transfer In - Tobacco Products Tax Fund	<u>3,427,500</u>	<u>1,637,500</u>
Total Funds Available	\$ 19,644,300	\$ 20,659,400
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 11,441,200	\$ 13,999,300
Leading Causes of Death - Prevention and Detection	<u>2,861,000</u>	<u>3,500,700</u>
Balance Forward	\$ 5,342,100	\$ 3,159,400
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 5,915,200	\$ 2,330,300
Transfer In - Tobacco Tax and Health Care Fund	3,196,300	3,067,300
Transfer In - Tobacco Products Tax Fund	<u>4,517,200</u>	<u>4,414,000</u>
Total Funds Available	\$ 13,628,700	\$ 9,811,600
<u>Allocations</u>		
Biomedical Research Support	\$ 2,000,000	\$ 2,000,000
Alzheimer's Disease Research	3,000,000	1,000,000
Research Grants	<u>6,298,400</u>	<u>6,678,000</u>
Balance Forward	\$ 2,330,300	\$ 133,600 *

^{1/} Unencumbered funds in Emergency Health Services Account are transferred to Prop 204 Protection Account at end of year.
 * Actual ending balance will not be negative.

Arizona Commission on the Arts

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	2,000,000	0	0
Nonprofit Theater Capital Support	200,000	0	0
AGENCY TOTAL	2,200,000	0	0
FUND SOURCES			
General Fund	2,200,000	0	0
SUBTOTAL - Appropriated Funds	2,200,000	0	0
Other Non-Appropriated Funds	1,867,300 ^{1/}	1,178,500	1,178,500
Federal Funds	841,400	1,351,700	1,351,700
TOTAL - ALL SOURCES	4,908,700	2,530,200	2,530,200

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

^{1/} 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 budget includes no funding from the General Fund in FY 2022 for deposit into the non-appropriated Arts Trust Fund. This amount is unchanged from FY 2021.

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.

Other Issues

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. In October 2020, the Executive allocated \$2,000,000 from the Crisis Contingency and Safety Net Fund to fund Arizona businesses and non-profits in the arts and culture sector.

As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Arizona Commission on the Arts was allocated \$428,700 in federal funding for regranting and established the AZ CARES Grant program in support of arts and cultural organizations in Arizona.

Board of Athletic Training

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	63,800	65,400	63,500
Employee Related Expenditures	27,800	37,600	35,900
Travel - In State	500	1,200	1,200
Other Operating Expenditures	18,600	26,300	26,400
Equipment	2,000	0	0
AGENCY TOTAL	112,700	130,500	127,000 ^{1/}

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	112,700	130,500	127,000
SUBTOTAL - Other Appropriated Funds	112,700	130,500	127,000
SUBTOTAL - Appropriated Funds	112,700	130,500	127,000
TOTAL - ALL SOURCES	112,700	130,500	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 budget includes \$127,000 and 1.5 FTE Positions from the Athletic Training Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(3,500) from the Athletic Training Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Attorney General - Department of Law

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	607.7	607.7	624.7 ^{1/}
Personal Services	29,996,100	32,106,600	30,593,800
Employee Related Expenditures	11,395,500	13,016,300	12,852,700
Professional and Outside Services	360,800	473,800	473,800
Travel - In State	167,200	190,300	190,300
Travel - Out of State	92,500	112,100	112,100
Other Operating Expenditures	8,252,400	9,712,800	12,033,300
Equipment	621,300	336,200	336,200
OPERATING SUBTOTAL	50,885,800	55,948,100	56,592,200 ^{2/3/4/}
SPECIAL LINE ITEMS			
Attorney Stipend/Retention Bonus	0	0	2,000,000
Capital Postconviction Prosecution	757,600	824,800	802,200
Child and Family Advocacy Centers	500,000	100,000	600,000 ^{5/}
Criminal Division Major Fraud Unit	0	0	1,139,000
Internet Crimes Against Children Enforcement	2,600	1,250,000	1,250,000 ^{6/}
Expert Witness and Outside Counsel	0	0	1,200,000
Federalism Unit	884,700	1,048,900	1,236,000
First Responder Personnel Mental Health Services	256,300	0	0
Government Accountability and Special Litigation	1,049,000	1,252,000	1,235,200
Human Trafficking Survivor Services	225,000	0	0
Military Airport Planning	79,300	88,100	85,200 ^{7/}
Study Committee on Missing and Murdered Indigenous Peoples	0	0	40,000
Multidisciplinary Young Persons Program	250,000	0	0
Organized Retail Theft Task Force	0	0	1,500,000 ^{8/9/}
Peace Officer Memorial Fund Deposit	1,000,000	0	0
Risk Management Interagency Service Agreement	8,998,800	9,927,300	9,617,300
State Grand Jury	173,600	185,200	180,500
Southern Arizona Law Enforcement	1,423,700	1,571,300	1,527,500
Technology Company Antitrust	0	0	1,000,000 ^{10/}
Tobacco Enforcement	190,900	834,200	829,800
Unreported In-Kind Political Contributions Task Force	0	0	500,000 ^{11/}
Victims' Rights	2,495,000	3,783,300	3,768,800
Voter Fraud Unit	246,700	530,000	525,400
AGENCY TOTAL	69,419,000	77,343,200	85,629,100 ^{12/}
FUND SOURCES			
General Fund	24,844,800	25,411,000	25,239,800
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	109,400	152,500	1,148,700
Attorney General Legal Services Cost Allocation Fund	1,544,000	2,166,600	2,110,300
Collection Enforcement Revolving Fund	6,454,500	7,132,700	6,925,700
Consumer Protection - Consumer Fraud Revolving Fund	10,178,800	10,889,300	18,943,600
Interagency Service Agreements Fund	14,793,700	16,980,500	16,474,900 ^{13/}
Internet Crimes Against Children Enforcement Fund	0	900,000	900,000
Risk Management Revolving Fund	8,998,800	9,927,300	10,117,300
Victims' Rights Fund	2,495,000	3,783,300	3,768,800
SUBTOTAL - Other Appropriated Funds	44,574,200	51,932,200	60,389,300
SUBTOTAL - Appropriated Funds	69,419,000	77,343,200	85,629,100

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
Other Non-Appropriated Funds	52,891,400	60,505,700	60,505,700
Federal Funds	8,561,500	8,376,700	8,376,700
TOTAL - ALL SOURCES	130,871,900	146,225,600	154,511,500

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 146 OF FTE Positions funded from Special Line Items in FY 2022.
- 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 section 4-1531.01, Arizona Revised Statutes, to the Attorney General for operating expenses of the Criminal Division. (FY 2020 General Appropriation Act footnote)
- 3/ Within ten days after receiving a complaint alleging a violation of section 15-511, Arizona Revised Statutes, 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/ Through June 30, 2023, the attorney general may not represent or provide legal advice to the secretary of state or the department of state on any matter. (General Appropriation Act footnote)
- 5/ The amount appropriated for the child and family advocacy centers line item is allocated to the child and family advocacy center fund established by section 41-191.11, Arizona Revised Statutes. (General Appropriation Act footnote)
- 6/ The \$900,000 appropriation from the internet crimes against children enforcement fund established by section 41-199, Arizona Revised Statutes, 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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2023. (General Appropriation Act footnote)
- 7/ 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.
- 8/ The attorney general shall establish an organized retail theft task force to combat crimes that relate to stealing, embezzling or obtaining retail merchandise by fraud, false pretenses or other illegal means for the purpose of reselling the items or for reentering the items into commerce. The task force shall investigate only those offenses or violations that are under the attorney general's jurisdiction as prescribed by section 21-422, Arizona Revised Statutes. The attorney general shall invite federal, state and local law enforcement personnel to participate in the task force in order to more effectively use the combined skills, expertise and resources of law enforcement personnel. The task force shall review, investigate and prosecute appropriate cases brought before the task force by law enforcement agencies or authorized loss prevention personnel. A member of the legislature may submit the name of a certified peace officer to the attorney general and recommend the officer's placement on the task force. Members of the task force shall investigate, apprehend and prosecute, as appropriate, individuals or entities that participate in the purchase, sale or distribution of stolen property from a retail establishment or through the use of an internet or network site and shall target individuals or entities that commit theft and other property crimes for financial gain. The attorney general may enter into one or more intergovernmental agreements with other state and local law enforcement agencies and with any similar organized retail theft task force program that coordinates a national network of coordinated task forces that assist federal, state, local and tribal law enforcement agencies in conducting investigations, forensic examinations and prosecutions related to organized retail theft. The task force shall consist of at least one full-time prosecutor, paralegal and support staff person, at least two investigators and four peace officers. The task force shall have regularly scheduled meetings to review cases and provide updates on ongoing cases to all members of the task force. On or before July 1 of each year the task force is in existence, the task force shall submit a report to the legislature on the task force's activities and any recommendations for legislative action relating to criminal penalties for crimes that have a negative impact on this state's economy. The task force ends on July 1, 2029. (General Appropriation Act footnote)
- 9/ The \$1,500,000 appropriation for the organized retail theft task force line item shall be used for operational expenses of the organized retail task force and for hiring one attorney, one paralegal, two investigators and one support staff person within the office of the attorney general and four peace officers who are assigned to the task force to focus specifically on investigating and prosecuting organized retail crime. (General Appropriation Act footnote)

- 10/ The \$1,000,000 appropriation for the technology company antitrust line item shall be used to employ or retain attorneys to investigate and pursue enforcement actions against technology companies that engage in anticompetitive, anticonsumer or monopolistic behavior and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. (General Appropriation Act footnote)
- 11/ Laws 2021, Chapter 405, Sections 49 appropriated \$500,000 to the Attorney General from the General Fund for the Unreported In-Kind Political Contributions Task Force Fund.
- 12/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 13/ 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 fiscal year 2021-2022. (General Appropriation Act footnote)

Operating Budget

The budget includes \$56,592,200 and 456.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$21,923,600
Antitrust Enforcement Revolving Fund	148,700
Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,110,300
Collection Enforcement Revolving Fund (CERF)	6,925,700
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	8,509,000
Interagency Service Agreements (ISA) Fund	16,474,900
Risk Management Revolving Fund	500,000

FY 2022 adjustments are as follows:

Additional Criminal Division Resources

The budget includes an increase of \$1,400,000 from the CPCF Revolving Fund in FY 2022 for additional Criminal Division resources.

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 does not appear in the FY 2022 General Appropriation Act.

Currently, a portion of the Criminal Division within the AG's Office is funded through the Anti-Racketeering Revolving Fund (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.

Table 1

Additional Criminal Division Resources

	19 CJ BRB Consumer Remediation	20 GAA CPCF ^{1/}	Total
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.

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 FY 2022 CPCF increase will replace the one-time use of Consumer Remediation Subaccount monies for these purposes.

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.)

State Fleet Initiative Funding

The budget includes an increase of \$206,100 from the CPCF Revolving Fund in FY 2022 for newly-purchased State Fleet vehicles, of which \$156,300 is one-time and \$49,800 is ongoing for operating expenses. (Please see the Arizona Department of Transportation narrative for more details on the State Fleet Initiative.)

One-Time Election Litigation Expenses Funding

The budget includes a one-time increase of \$500,000 from the Risk Management Revolving Fund in FY 2022 for election litigation expenses.

This funding will be used to support legal costs associated with the pursuit of criminal prosecutions and defense in civil cases regarding the most recent election.

The Budget Procedures BRB states the legislative intent that the Attorney General has the authority in all election-related litigation through June 30, 2023. A General Appropriation Act footnote prohibits the Attorney General from providing legal advice to the Secretary of State through June 30, 2023.

Statewide Adjustments

The budget includes a decrease of \$(1,462,000) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(598,700)
Antitrust Enforcement Revolving Fund	(3,800)
Attorney General Legal Services Cost Allocation Fund (LSCAF)	(56,300)
Collection Enforcement Revolving Fund (CERF)	(207,000)
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	(90,600)
Interagency Service Agreements (ISA) Fund	(505,600)

(Please see the Agency Detail and Allocations section.)

Attorney Stipend/Retention Bonus

The budget includes \$2,000,000 from the CPCF Revolving Fund in FY 2022 for the new Attorney Stipend/Retention Bonus line item. FY 2022 adjustments are as follows:

One-Time Funding Increase

The budget includes a one-time increase of \$2,000,000 from the CPCF Revolving Fund in FY 2022 for attorney stipends and retention bonuses.

This line item provides funding for stipend and retention bonuses to reduce attorney turnover.

Capital Postconviction Prosecution

The budget includes \$802,300 and 6 FTE Positions from the General Fund in FY 2022 for Capital Postconviction Prosecution. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(22,500) from the General Fund in FY 2022 for statewide adjustments.

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

Child and Family Advocacy Centers

The budget includes \$600,000 in FY 2022 for the Child and Family Advocacy Centers line item. This amount consists of:

General Fund	100,000
CPCF Revolving Fund	500,000

FY 2022 adjustments are as follows:

One-Time Funding Increase

The budget includes a one-time increase of \$500,000 from the CPCF Revolving Fund in FY 2022 for 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.

Criminal Division Major Fraud Unit

The budget includes \$1,139,000 and 7 FTE Positions from the CPCF Revolving Fund in FY 2022 for the Criminal Division Major Fraud Unit. FY 2022 adjustments are as follows:

Additional Major Fraud Unit Resources

The budget includes an increase of \$1,139,000 and 7 FTE Positions from the CPCF Revolving Fund in FY 2022 for the new Criminal Division Major Fraud Unit line item.

This line item provides funding for increased caseload demand for the Major Fraud Unit.

The Criminal Division Major Fraud Unit investigates complaints submitted by Arizona citizens and referred by other law enforcement agencies.

Internet Crimes Against Children Enforcement

The budget includes \$1,250,000 in FY 2022 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 2021.

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 makes the FY 2022 amount non-lapsing until the end of FY 2023.

Expert Witness and Outside Counsel

The budget includes \$1,200,000 from the CPCF Revolving Fund in FY 2022 for the new Expert Witness and Outside Counsel line item. FY 2022 adjustments are as follows:

One-Time Funding Increase

The budget includes a one-time increase of \$1,200,000 from the CPCF Revolving Fund in FY 2022 for expert witnesses and outside counsel.

This funding will be used for expert witness and litigation expenses.

Federalism Unit

The budget includes \$1,236,000 and 8 FTE Positions from the CPCF Revolving Fund in FY 2022 for the Federalism Unit. FY 2022 adjustments are as follows:

Additional Funding

The budget includes an increase of \$200,000 and 1 FTE Position from the CPCF Revolving Fund in FY 2022 for additional support of the Federalism Unit.

Statewide Adjustments

The budget includes a decrease of \$(12,900) from the CPCF Revolving Fund in FY 2022 for statewide adjustments.

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.

Government Accountability and Special Litigation

The budget includes \$1,235,200 and 10 FTE Positions from the CPCF Revolving Fund in FY 2022 for the Government Accountability and Special Litigation (GASL) line item. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(16,800) from the CPCF Revolving Fund in FY 2022 for statewide adjustments.

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.

Military Airport Planning

The budget includes \$85,200 and 1 FTE Position from the General Fund in FY 2022 for Military Airport Planning. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(2,900) from the General Fund in FY 2022 for statewide adjustments.

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.

Study Committee on Missing and Murdered Indigenous Peoples

The budget includes \$40,000 from the CPCF Revolving Fund in FY 2022 for the new Study Committee on Missing and Murdered Indigenous Peoples line item. FY 2022 adjustments are as follows:

One-Time Funding Increase

The budget includes a one-time increase of \$40,000 from the CPCF Revolving Fund in FY 2022 for the Missing and Murdered Indigenous People Study Committee.

Laws 2019, Chapter 232 established the Missing and Murdered Indigenous Women and Girls (MMIWG) Study Committee. At the December 2019 and April 2020 JLBC meetings, the Committee favorably reviewed plans to spend a total of \$125,000 from the Target Corporation Settlement negotiated by the Attorney General and deposited into the Consumer Restitution Subaccount to assist the MMIWG Study Committee.

A Budget Procedures BRB provision modifies the Missing and Murdered Indigenous Peoples Study Committee and extends the committee through September 30, 2025.

Organized Retail Theft Task Force

The budget includes \$1,500,000 and 9 FTE Positions from the CPCF Revolving Fund in FY 2022 for the new Organized Retail Theft Task Force line item. FY 2022 adjustments are as follows:

Organized Retail Theft Task Force Funding

The budget includes an increase of \$1,500,000 and 9 FTE Positions from the CPCF Revolving Fund for the Organized Retail Theft Task Force.

A General Appropriation Act footnote requires this funding be used to establish and fund the operational expenses of an Organized Retail Theft Task Force to combat crimes that relate to the stealing, embezzling, or obtaining of retail merchandise by illegal means for the purpose of reselling the items. The appropriation will also be used for 9 FTE positions, including 1 attorney, 1 paralegal, 2 investigators, 1 support person, and 4 peace officers assigned to the task force.

Risk Management Interagency Service Agreement

The budget includes \$9,617,300 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2022 for the Risk Management Interagency Service Agreement. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(310,000) from the Risk Management Revolving Fund in FY 2022 for statewide adjustments.

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.

State Grand Jury

The budget includes \$180,500 and 1.6 FTE Positions from the General Fund in FY 2022 for the State Grand Jury. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of (4,700) from the General Fund in FY 2022 for statewide adjustments.

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.

Southern Arizona Law Enforcement

The budget includes \$1,527,400 and 16 FTE Positions in FY 2022 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,212,400
CPCF Revolving Fund	315,000

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(43,900) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(39,900)
CPCF Revolving Fund	(4,000)

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.

Technology Company Antitrust

The budget includes \$1,000,000 from the Antitrust Enforcement Revolving Fund in FY 2022 for the new Technology Company Antitrust line item. FY 2022 adjustments are as follows:

One-Time Increase

The budget includes a one-time increase of \$1,000,000 from the Antitrust Enforcement Revolving Fund in FY 2022 for technology company antitrust enforcement. A General Appropriation Act footnote requires this funding be used to employ or retain attorneys to investigate and pursue enforcement actions against

technology companies that engage in anticompetitive, anticonsumer, or monopolistic behavior. This appropriation is non-lapsing.

Tobacco Enforcement

The budget includes \$829,800 and 6.6 FTE Positions in FY 2022 for Tobacco Enforcement. These amounts consist of:

General Fund	85,800
CPCF Revolving Fund	744,000

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(4,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(2,500)
CPCF Revolving Fund	(1,900)

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. The AG has stated that it also plans to spend these monies on consumer fraud investigations into tobacco products, including e-cigarettes and alternative nicotine products.

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 and e-cigarette enforcement. As a result, the budget includes a total of up to \$2,029,800 for the Attorney General to enforce the MSA in FY 2022.

Unreported In-Kind Political Contributions Task Force

The Budget Procedures BRB appropriates \$500,000 from the General Fund in FY 2022 for the Unreported In-Kind Political Contributions Task Force. FY 2022 adjustments are as follows:

Political Contributions Task Force Funding

The budget includes an increase of \$500,000 from the General Fund in FY 2022 for the Unreported In-Kind Political Contributions Task Force.

A Budget Procedures BRB provision appropriates \$500,000 from the General Fund to the Attorney

General's Office for deposit into the non-appropriated Unreported In-Kind Political Contributions Task Force Fund. The Task Force consists of designees of the Attorney General and the Secretary of State. The Task Force is to investigate whether the practices of social media platforms and internet search engines result in unreported in-kind political contributions.

Victims’ Rights

The budget includes \$3,768,800 and 6 FTE Positions from the Victims’ Rights Fund in FY 2022 for Victims’ Rights. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(14,500) from the Victims’ Rights Fund in FY 2022 for statewide adjustments.

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 budget includes \$525,400 and 4 FTE Positions from the CPCF Revolving Fund in FY 2022 for the Voter Fraud Unit. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(4,600) from the CPCF Revolving Fund in FY 2022 for statewide adjustments.

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

This section includes information on the following topics:

- Statutory Changes
- COVID-Related Spending
- Proposition 207 – Recreational Marijuana
- Attorney General Legal Cost Allocation Fund

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As session law, modify the Missing and Murdered Indigenous Peoples Study Committee and extend the committee through September 30, 2025.
- As permanent law, establish the Unreported In-kind Political Contributions Task Force Fund consisting of legislative appropriations. The Fund is continuously appropriated and is administered by the Attorney General. Appropriates \$500,000 annually from the General Fund to the Task Force Fund.

The Criminal Justice BRB makes the following statutory change:

- As permanent law, expand A.R.S. 41-194.01 to require the Attorney General to investigate any written policy, rule, or regulation adopted by any county, city, or town agency, department, or other entity at the request of a legislative member. Requires that the member notify the local government in writing of the alleged violation, and allows the body 60 days to resolve the issue before the legislator can request that the AG investigate.

COVID-Related Spending

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, the Attorney General was reimbursed for \$390,396 in General Fund spending. This reduced spending increased the agency's General Fund reversionment beyond what it would have otherwise been.

Proposition 207 – Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the Attorney General receives a self-determined amount from the fund for enforcement. The Attorney General has estimated annual spending of \$322,700 to fulfill the initiative's requirements.

(Please see the Department of Health Services - Other Issues Section for more information.)

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 2022 Attorney General Legal Services charge. These amounts are unchanged from FY 2021.

(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 2022 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
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
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 and Financial Institutions	13,800
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

Board of Barbers

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	203,400	205,200	196,000
Employee Related Expenditures	95,500	96,700	94,800
Professional and Outside Services	0	1,300	1,300
Travel - In State	700	8,700	8,700
Travel - Out of State	1,100	3,300	3,300
Other Operating Expenditures	86,500	103,400	104,200
Equipment	0	600	600
AGENCY TOTAL	387,200	419,200	408,900 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Barbers Fund	387,200	419,200	408,900
SUBTOTAL - Other Appropriated Funds	387,200	419,200	408,900
SUBTOTAL - Appropriated Funds	387,200	419,200	408,900
TOTAL - ALL SOURCES	387,200	419,200	408,900

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 budget includes \$408,900 and 4 FTE Positions from the Board of Barbers Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(10,300) from the Board of Barbers Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Agency Consolidation

Laws 2021, Chapter 334 merges the Board of Barbers and the Board of Cosmetology and renames the agency the Barbering and Cosmetology Board, effective after December 31, 2021. The newly-renamed agency will retain all the same regulatory functions as the previous 2 agencies as Chapter 334 stipulates that the Barbering and

Cosmetology Board retains the same authority, powers, duties, and responsibilities of the Board of Barbers and the Board of Cosmetology and transfers all property, funds, and appropriated monies of the agencies to the Barbering and Cosmetology Board and the Barbering and Cosmetology Fund, effective after December 31, 2021.

Board of Behavioral Health Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	835,500	990,000	947,800
Employee Related Expenditures	334,000	385,000	380,900
Professional and Outside Services	183,700	190,000	190,000
Travel - In State	10,200	20,000	20,000
Travel - Out of State	6,200	15,000	15,000
Other Operating Expenditures	189,200	208,200	212,400
Equipment	6,000	10,000	10,000
AGENCY TOTAL	1,564,800	1,818,200	1,776,100 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Behavioral Health Examiners Fund	1,564,800	1,818,200	1,776,100
SUBTOTAL - Other Appropriated Funds	1,564,800	1,818,200	1,776,100
SUBTOTAL - Appropriated Funds	1,564,800	1,818,200	1,776,100
TOTAL - ALL SOURCES	1,564,800	1,818,200	1,776,100

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 budget includes \$1,776,100 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(42,100) from the Board of Behavioral Health Examiners Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

State Board for Charter Schools

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	19.0	24.0	24.0
Personal Services	719,800	868,900	830,000
Employee Related Expenditures	253,900	346,500	343,300
Professional and Outside Services	117,200	70,500	70,500
Travel - In State	3,000	10,000	10,000
Travel - Out of State	6,000	5,500	5,500
Other Operating Expenditures	400,200	830,700	823,700
Equipment	11,000	20,000	20,000
AGENCY TOTAL	1,511,100	2,152,100	2,103,000 ^{1/}
FUND SOURCES			
General Fund	1,511,100	2,152,100	2,103,000
SUBTOTAL - Appropriated Funds	1,511,100	2,152,100	2,103,000
Other Non-Appropriated Funds	127,400	85,000	85,000
TOTAL - ALL SOURCES	1,638,500	2,237,100	2,188,000

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

Operating Budget

The budget includes \$2,103,000 and 24 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(49,100) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

IT Platform Modernization

The budget includes a transfer of \$614,100 from the General Fund to the Arizona Department of Administration to replace the charter school board online platform. (Please see the Department of Administration - Automation Projects Fund narrative for details regarding this information technology project.)

Department of Child Safety

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,870.9	3,193.1	3,203.1 ^{1/}
Personal Services	54,786,900	55,413,700	60,959,300
Employee Related Expenditures	23,093,400	23,654,500	24,595,800
Professional and Outside Services	7,498,200	7,680,700	7,680,700
Travel - In State	562,200	574,900	574,900
Travel - Out of State	84,700	86,800	86,800
Other Operating Expenditures	25,032,800	25,641,200	14,385,700
Equipment	2,618,500	2,989,400	2,989,400
OPERATING SUBTOTAL	113,676,700	116,041,200	111,272,600 ^{2/-10/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	25,522,800	25,522,800	25,522,800 ^{11/}
Caseworkers	100,171,500	107,927,300	111,900,500
General Counsel	156,100	161,700	157,000
Inspections Bureau	2,483,200	2,548,300	2,514,800
Litigation Expenses	0	2,602,000 ^{12/}	0
New Case Aides	3,185,200	3,305,900	3,232,200
Office of Child Welfare Investigations	8,960,600	9,964,800	9,699,400
Overtime Pay	6,407,700	8,602,400	0
Records Retention Staff	594,300	600,000	589,900
Training Resources	7,000,000	9,150,000	9,150,000
Out-of-Home Placements			
Congregate Group Care	104,132,100	89,788,900	114,927,100
Extended Foster Care	0	14,437,200	14,437,200
Foster Home Placement	48,371,700	51,929,500	51,929,500
Foster Home Recruitment, Study and Supervision	36,243,600	32,753,600	32,753,600
Kinship Care	4,055,400	5,000,000	5,000,000 ^{13/}
Permanent Placements			
Permanent Guardianship Subsidy	11,367,400	12,516,900	12,516,900
Adoption Services	274,170,500	278,258,500	278,258,500
Support Services			
DCS Child Care Subsidy	48,923,000	56,559,400	152,075,400 ^{14/}
In-Home Mitigation	23,106,000	28,988,100	28,988,100
Out-of-Home Support Services	144,922,200	181,449,000	116,126,800
Preventive Services	15,148,300	15,148,300	15,148,300
Comprehensive Health Plan			
Comprehensive Health Plan Administration	0	0	29,862,500
Comprehensive Health Plan Services	0	43,785,000	197,055,400
Comprehensive Health Plan Premium Taxes	0	0	4,405,100
AGENCY TOTAL	982,961,200	1,097,040,800	1,327,523,600 ^{15/}
FUND SOURCES			
General Fund	375,494,500	387,893,000	405,728,800
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	449,400	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	0	90,000	941,900
Children and Family Services Training Program Fund	0	217,000	207,900
Federal Child Care and Development Fund Block Grant	31,646,800	35,400,000	130,916,000
Federal Temporary Assistance for Needy Families Block Grant	157,428,800	159,091,100	157,468,100

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
Risk Management Revolving Fund	0	2,602,000	0
SUBTOTAL - Other Appropriated Funds	189,525,000	198,859,400	290,993,200
SUBTOTAL - Appropriated Funds	565,019,500	586,752,400	696,722,000
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	417,941,700	466,503,400	399,478,600
Comprehensive Health Plan Fund	0	43,785,000	231,323,000
SUBTOTAL - Expenditure Authority Funds	417,941,700	510,288,400	630,801,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	982,961,200	1,097,040,800	1,327,523,600
Other Non-Appropriated Funds	3,744,300	0	0
TOTAL - ALL SOURCES	986,705,500	1,097,040,800	1,327,523,600

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 2022.
- 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 sixty days and for which services have not been authorized for at least sixty days and any case that has had an investigation, has been referred to another unit and has had no contact for at least sixty days.
 2. Includes any case for which the investigation has been open without any documentation or contact for at least sixty days, any case involving in-home services for which there has been no contact or services authorized for at least sixty 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 sixty 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 February 28, 2022 and August 31, 2022, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2021 through December 2021 and January 2022 through June 2022, respectively, in meeting the caseload standard and reducing the number of backlog cases and out-of-home children. Each 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 six months. Each 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 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 thirty days after the report is due, the director of the joint legislative budget committee shall inform the general accounting office of the department of administration, which shall withhold two percent of the department of child safety's operating lump sum semiannual budget allocation until the department of child safety submits the required report. (General Appropriation Act footnote)
- 5/ The amount appropriated for any line item may not be transferred to another line item or to the operating budget unless the transfer is reviewed by the joint legislative budget committee, except that transfers between any two line items relating to the comprehensive health plan are not subject to review. (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 ten percent 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 one hundred percent investigation rate. (General Appropriation Act footnote)
- 10/ On or before December 1, 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 two 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 litigation expenses is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (FY 2021 General Appropriation Act footnote)
- 13/ 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)
- 14/ Of the amount appropriated for the DCS child care subsidy line item, a total of \$90,400,000 from the federal child care and development fund block grant is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 15/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$111,272,600 and 1,321.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$54,697,800
Federal TANF Block Grant	21,168,600
Child Safety Expenditure Authority	34,464,300
Child Welfare Licensing Fee Fund	941,900

FY 2022 adjustments are as follows:

Salary Increase

The budget includes an increase of \$5,401,000 from the General Fund in FY 2022 for an employee salary increase. Pay raises are expected be allocated to the following

positions: Caseworkers, Entry Level Administration, Program Specialists, Case Aides, and Caseworker Supervisors. Pay raises are expected to be 5% except for entry-level (Step 1) caseworkers with less than 1 year experience, who are expected to receive an 11% increase. Some of these funds may be expended from the Caseworkers line item in future years.

Child Welfare Licensing

The budget includes an increase of \$851,900 and 10 FTE Positions from the Child Welfare Licensing Fee Fund in FY 2022, relating to licensing organizations that contract with other jurisdictions and do not contract with this state. The budget also continues a \$90,000 FY 2021 supplemental for this same issue into FY 2022 (*Please see the Child Welfare Licensing section in Other Issues for further details.*)

Transfer Overtime Pay into Operating Budget

The budget includes an increase of \$2,580,700 in FY 2022 for moving overtime funding into the operating budget. This amount consists of:

General Fund	678,000
Federal TANF Block Grant	560,600
Child Safety Expenditure Authority	1,342,100

(Please see the Overtime Pay line item for further details.)

One-Time Funding Shift

The budget includes a decrease of \$(10,000,000) from the General Fund and a corresponding increase \$10,000,000 from Child Safety Expenditure Authority in FY 2022 to account for lower-than-budgeted state expenses for adoption subsidies and out-of-home placements in FY 2022. This estimated surplus is based on increased availability of federal IV-E funding for children receiving adoption subsidies or out-of-home placement expenses due to the temporary 6.2% IV-E federal match rate increase originally authorized by the Families First Coronavirus Response Act-The FY 2022 budget assumes the enhanced federal match rate will expire on December 31, 2021.

Comprehensive Health Plan - Administration

The budget includes a decrease of \$(11,702,600) from the Child Safety Expenditure Authority Fund in FY 2022 associated with transferring administrative funding for the Comprehensive Health Plan to its own line item. *(Please see the Comprehensive Health Plan - Administration line item for more details.)*

Statewide Adjustments

The budget includes a decrease of \$(1,899,600) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(1,297,600)
Federal TANF Block Grant	(602,000)

(Please see the Agency Detail and Allocations section.)

Additional Operating Resources

Attorney General Legal Services

The budget includes \$25,522,800 and 276.2 FTE Positions in FY 2022 for Attorney General Legal Services. These amounts consist of:

General Fund	19,741,900
Child Safety Expenditure Authority	5,780,900

These amounts are unchanged from FY 2021.

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 budget includes \$111,900,500 and 1,406 FTE Positions in FY 2022 for caseworkers. These amounts consist of:

General Fund	44,717,100
Children and Family Services Training Program Fund	207,900
Federal TANF Block Grant	32,366,000
Child Safety Expenditure Authority	34,609,500

FY 2022 adjustments are as follows:

Transfer Overtime Pay into Caseworkers Line Item

The budget includes an increase of \$6,021,700 in FY 2022 for moving overtime pay into the Caseworkers line item from the Overtime Pay line item. This amount consists of:

General Fund	1,582,000
Federal TANF Block Grant	1,308,200
Child Safety Expenditure Authority	3,131,500

(Please see the Overtime Pay SLI for further details.)

Statewide Adjustments

The budget includes a decrease of \$(2,048,500) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(1,067,000)
Children and Family Services Training Program	(9,100)
Federal TANF Block Grant	(972,400)

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 May 2021 DCS had filled 1,187 of these positions, or (219) fewer filled positions than the funded amount.

<u>Direct Line Staff Type</u>	<u>Funded Positions</u>	<u>May 2021</u>	<u>Difference</u>
Case-Carrying Caseworkers	1,190	912	(278)
Caseworkers in Training	140	201	61
Hotline Staff	76	74	(2)
Total	1,406	1,187	(219)

General Counsel

The budget includes \$157,000 and 1 FTE Position from the General Fund in FY 2022 for General Counsel. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(4,700) from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$2,514,800 and 31 FTE Positions in FY 2022 for the Inspections Bureau. These amounts consist of:

General Fund	1,352,000
Federal TANF Block Grant	563,200
Child Safety Expenditure Authority	599,600

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(33,500) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(27,400)
Federal TANF Block Grant	(6,100)

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 budget includes no funding in FY 2022 for Litigation Expenses. FY 2022 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,602,000) from the Risk Management Revolving Fund in FY 2022. These monies were appropriated in FY 2021 to fund DCS' legal defense in *Tinsley et al. v McKay*.

Background – DCS recently settled a federal class-action lawsuit that addressed 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) were 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. In April 2019, the federal 9th Circuit Court of Appeals certified the class-action status of the case. In August 2020, a settlement between those involved in the suit was submitted for approval to the court.

The settlement contains new policy, training and reporting requirements that cover health care, behavioral health, foster home availability and child placement, and reducing the utilization of congregate care. It also includes payment of plaintiff legal fees. The final approval hearing was on February 12, 2021, and the settlement was approved.

New Case Aides

The budget includes \$3,232,200 and 34 FTE Positions in FY 2022 for New Case Aides. These amounts consist of:

General Fund	1,423,800
Federal TANF Block Grant	1,334,700
Child Safety Expenditure Authority	473,700

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(73,700) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(31,200)
Federal TANF Block Grant	(42,500)

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 budget includes \$9,699,400 and 127 FTE Positions in FY 2022 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	9,496,800
Child Safety Expenditure Authority	202,600

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(265,400) from the General Fund in FY 2022 for statewide adjustments.

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 2020, 5,650 of the 45,175 reports of child abuse or neglect received by the Arizona Child Abuse Hotline included an allegation of criminal conduct.

Overtime Pay

The budget includes no funding in FY 2022 for Overtime Pay. FY 2022 adjustments are as follows:

Transfer Overtime Pay into Operating Budget and Caseworker Line Item

The budget includes a decrease of \$(8,602,400) in FY 2022 to move overtime pay into line items with relevant salary expenditures. This amount consists of:

General Fund	(2,260,000)
Federal TANF Block Grant	(1,868,800)
Child Safety Expenditure Authority	(4,473,600)

This is intended to align with the agency's current operating structure. The funds will be split at a 30/70 ratio. Thirty percent, or \$2,580,700, will be transferred to the operating budget for non-caseworker overtime, and

70%, or \$6,021,700, will be transferred to the Caseworker line item for caseworker overtime.

Records Retention Staff

The budget includes \$589,900 and 5 FTE Positions in FY 2022 for Records Retention Staff. These amounts consist of:

General Fund	493,700
Child Safety Expenditure Authority	96,200

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(10,100) from the General Fund in FY 2022 for statewide adjustments.

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

Training Resources

The budget includes \$9,150,000 in FY 2022 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2021.

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 \$32,055 (\$4,239 stipend and \$27,816 tuition and 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 81 ASU/NAU social work students received scholarships in FY 2020, including 35 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.

Table 2

Out-of-Home Placements ^{1/}

	June 2019	Sept 2020	Jan 2021
Kinship Care ^{2/}	5,417	5,804	6,319
Foster Home	5,660	5,156	4,795
Congregate Care	2,334	2,244	2,158
Group Home	1,723	1,794	1,754
Emergency Shelter	90	52	55
Behavioral Health Placement	521	398	349
Independent Living	475	629	627
Other ^{3/}	319	315	630
Total	14,205	14,148	14,529 ^{4/}

^{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.

^{4/} Latest available data for placement types is from January 2021.

Congregate Group Care

The budget includes \$114,927,100 in FY 2022 for Congregate Group Care. This amount consists of:

General Fund	56,214,200
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	37,289,900

FY 2022 adjustments are as follows:

Congregate Care Federal Funding Backfill

The budget includes an increase of \$5,900,000 from the General Fund in FY 2022 to address an expected loss of federal funding associated with the implementation of the Family First Prevention Services Act.

Higher Congregate Care Provider Rates

The budget includes an increase of \$19,238,200 from the General Fund in FY 2022 to cover increased provider rates and new placement requirements for those placed in foster care. The new standards require home-like settings for children that enter foster care beginning in October 2021. DCS will need to support children that are candidates in a foster home or a Qualified Residential Treatment Program, which are equipped for those with

specific needs requiring detailed assessments, case planning, documentation, judicial determinations, and ongoing review.

Both Congregate Care policy issues above are designated as one-time funding in both FY 2022 and FY 2023. *(Please see the Family First Prevention Services Act section below for more details on both increases.)*

Caseload – In FY 2020, DCS served a monthly average caseload of 2,001 in congregate care placements. At an average monthly cost of \$3,963 per placement, funding in this line is sufficient for an average monthly caseload of 2,417 placements in FY 2022. 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 budget includes \$14,437,200 in FY 2022 for Extended Foster Care. This amount consists of:

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

These amounts are unchanged from FY 2021.

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 2020, a monthly average of 991 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 2022.

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 \$6,600,000 in additional Federal IV-E Funds annually for the program, of which \$6,153,900 is accounted for in this line item.

The additional federal funding effectively represents a dollar-for-dollar General Fund savings for placement 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 budget includes \$51,929,500 in FY 2022 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

These amounts are unchanged from FY 2021.

Caseload – In FY 2020, a monthly average of 5,657 clients received licensed foster home services. At an average monthly cost of \$716, the funding in this line item is sufficient for 6,043 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 budget includes \$32,753,600 in FY 2022 for Foster Home Recruitment, Study and Supervision. This amount consists of:

General Fund	19,652,200
Child Safety Expenditure Authority	13,101,400

These amounts are unchanged from FY 2021.

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 budget includes \$5,000,000 in FY 2022 for Kinship Care. This amount consists of:

General Fund	4,500,000
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2021.

Caseload – In FY 2020, a monthly average of 5,847 children were placed in unlicensed kinship care. At an average monthly cost of \$58, this line item is sufficient to fund a monthly average of 7,183 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 budget 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.

Permanent Placements			
	<u>June</u> <u>2019</u>	<u>June</u> <u>2020</u>	<u>May</u> <u>2021</u>
Adoption	31,382	32,688	34,945
Permanent Guardianship	<u>2,775</u>	<u>2,723</u>	<u>3,359</u>
Total	34,157	35,411	38,304

Permanent Guardianship Subsidy

The budget includes \$12,516,900 in FY 2022 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 2021.

Caseload – In FY 2020, a monthly average of 2,532 clients received permanent guardianship subsidies. At an average monthly cost of \$407, the funding in this line item is sufficient to fund 2,562 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.

Adoption Services

The budget includes \$278,258,500 in FY 2022 for Adoption Services. This amount consists of:

General Fund	84,965,800
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	170,847,000

These amounts are unchanged from FY 2021.

Caseload – In FY 2020, a monthly average of 31,925 clients received adoption subsidies. At an average monthly cost of \$691, the funding in this line item is sufficient for 33,557 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.

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 2020 for in-home mitigation and out-of-home support services by category.

DCS Child Care Subsidy

The budget includes \$152,075,400 in FY 2022 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,000,000
Federal CCDF Block Grant	130,916,000
Child Safety Expenditure Authority	14,159,400

FY 2022 adjustments are as follows:

Child Care Subsidy Support

The budget includes an increase of \$5,116,000 from the Federal CCDF Block Grant in FY 2022 for additional child care expenditures associated with base child care subsidy expenditures. This increase is distinct from the increase associated with additional federal funding in the following policy issue.

One-Time Additional Child Care Development Funding

The budget includes an increase of \$90,400,000 from the Federal CCDF Block Grant in FY 2022 for additional child care services. This funding was allocated to Arizona in the federal American Recovery Plan Act. A General Appropriation Act footnote makes this \$90,400,000 appropriation non-lapsing. *(Please see the Department of Economic Security narrative for more details.)*

Caseload – In FY 2020, a monthly average of 8,645 children received DCS child care. At \$589 monthly, the base funding in this line item (excluding the \$90,400,000 appropriation) is sufficient for an average monthly caseload of 8,726 children in FY 2022.

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 budget includes \$28,988,100 and 1 FTE Position in FY 2022 for In-Home Mitigation. These amounts consist of:

General Fund	6,971,700
Child Abuse Prevention Fund	1,459,300
Federal TANF Block Grant	14,611,200
Child Safety Expenditure Authority	5,945,900

These amounts are unchanged from FY 2021.

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 3,817 new referrals to the in-home services program in FY 2020.

Out-of-Home Support Services

The budget includes \$116,126,800 in FY 2022 for Out-of-Home Support Services. This amount consists of:

Table 4

**Support Services
FY 2020 Actual Expenditures by Service Category ^{1/}**

<u>Services</u>	<u>Amount</u>
Child Care Subsidies	\$ 48,923,000
CMDP ^{2/}	46,692,900
Parent Aide	21,298,600
Supervised Visitation	20,040,200
Transportation	16,485,000
In-Home Services	18,105,000
Preventive Services	15,148,300
Allowances	9,246,800
Counseling and Psychological Services	5,945,300
Substance Use Disorder Treatment ^{3/}	6,747,000
Independent Living Support	5,837,100
Lab Services	5,733,200
Other	<u>4,261,800</u>
Total	\$224,464,200

- ^{1/} From "Children Support Services Expenditures Based on Payment Month" of DCS' October 2020 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 2022 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.

General Fund	48,512,100
Federal TANF Block Grant	34,139,600
Child Safety Expenditure Authority	33,475,100

FY 2022 adjustments are as follows:

Comprehensive Health Program - Services

The budget includes a decrease of \$(37,784,100) from the Child Safety Expenditure Authority Fund in FY 2022.

This transfer moves current funding associated with the Comprehensive Health Program into its own new line item. *(Please see the Comprehensive Health Program narrative for more information.)*

Caseload Adjustments

The budget includes a decrease of \$(27,538,100) from the Child Safety Expenditure Authority Fund in FY 2022 from the Higher Federal Match Rate to remove one-time supplemental funding associated with FY 2021 caseload adjustments. *(Please see the FY 2021 Supplementals narrative for more information.)*

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 budget includes \$15,148,300 in FY 2022 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 2021.

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.

Comprehensive Health Plan

The Comprehensive Health Plan includes both physical health and behavioral health services for foster care children. The program is funded by capitation payments from the Arizona Health Care Cost Containment System (AHCCCS) for Medicaid-eligible children in foster care. AHCCCS covers the cost of such payments with its General Fund appropriation and federal Medicaid matching funds.

Prior to April 2021, children in foster care received coverage for physical health and behavioral health care through the Comprehensive Medical & Dental Program (CMDP). While behavioral health was covered separately through Regional Behavioral Health Authorities (RBHAs) contracted with AHCCCS, Laws 2019, Chapter 305 transferred coverage of behavioral health services for foster children from the RBHAs to DCS authority, creating the Comprehensive Health Plan effective April 2021. To facilitate transfer of behavioral health coverage to DCS, the budget includes a supplemental expenditure authority increase of \$43,785,000 in FY 2021 for DCS' increased capitation revenues from AHCCCS associated with behavioral health integration in the final 3 months of FY 2021.

The FY 2022 Health BRB also establishes the Comprehensive Health Plan Fund within DCS as an Expenditure Authority fund source that will serve as the recipient of capitation monies for the Comprehensive Health Plan within DCS. The budget therefore includes a decrease of \$(49,450,700) from Child Safety Expenditure Authority and a corresponding increase of \$49,450,700

from the Comprehensive Health Plan Fund in FY 2022 to account for DCS' existing physical health expenses for CMDP within the Comprehensive Health Plan Fund. The budget also includes an additional increase of \$138,087,300 in FY 2022 to annualize the transfer of behavioral health services from FY 2021.

The resulting total funding for the Comprehensive Health Plan in FY 2022 is \$231,323,000. The budget distributes those monies across 3 new line items for Comprehensive Health Plan administration, services, and premium taxes, as detailed below. A General Appropriation Act footnote authorizes DCs to transfer monies between the Comprehensive Health Plan line items without prior review by JLBC.

Comprehensive Health Plan Administration

The budget includes \$29,862,500 from the Comprehensive Health Plan Fund in FY 2022 for Comprehensive Health Plan Administration. FY 2022 adjustments are as follows:

Separate Line Item for Administration

The budget includes an increase of \$11,702,600 from the Comprehensive Health Plan Fund in FY 2022 to establish a new line item for Comprehensive Health Plan Administration. These monies were previously included in DCS' operating budget as Child Safety Expenditure Authority and represent DCS' administrative expenses for physical health services prior to integration of behavioral health services within DCS. The budget therefore includes a corresponding decrease of \$(11,702,600) from Child Safety Expenditure Authority in the DCS operating budget.

Integration of Behavioral Health Services

The budget includes an increase of \$18,159,900 from the Comprehensive Health Plan Fund in FY 2022 for DCS administrative expenses associated with integration behavioral health services within the Comprehensive Plan.

Background – This line item includes funding DCS receives from AHCCCS' capitation payments for the agency's administrative expenses associated with the Comprehensive Health Plan.

Comprehensive Health Plan Services

The budget includes \$197,055,400 from the Comprehensive Health Plan Fund in FY 2022 for Comprehensive Health Plan Services. FY 2022 adjustments are as follows:

Separate Line Item for Services

The budget includes an increase of \$37,784,100 from the Comprehensive Health Plan Fund in FY 2022 to establish a new line item for Comprehensive Health Plan Services. These monies were previously included in DCS' Out-of-Home Support Services Line Item as Child Safety Expenditure Authority and represent DCS' physical health service expenses for the program prior to integration of behavioral health services within DCS. The budget therefore includes a corresponding decrease of \$(37,784,100) from Child Safety Expenditure Authority in the Out-of-Home Support Services line item.

Integration of Behavioral Health Services

The budget an increase of \$115,486,300 from the Comprehensive Health Plan Fund in FY 2022 for DCS service expenses associated with integration behavioral health services within the Comprehensive Plan. The budget also makes \$43,785,000 of supplemental funding from FY 2021 ongoing in FY 2022.

Background – This line item includes funding DCS receives from AHCCCS' capitation payments for the agency's physical and behavioral health services expenses associated with the Comprehensive Health Plan.

Comprehensive Health Plan Premium Taxes

The budget includes \$4,405,100 from the Comprehensive Health Plan Fund in FY 2022 for Comprehensive Health Plan Premium Taxes. FY 2022 adjustments are as follows:

Separate Line Item for Premium Taxes

The budget an increase of \$4,405,100 from the Comprehensive Health Plan Fund in FY 2022 to establish a new line item for Comprehensive Health Plan Premium Taxes.

Background – This line item includes funding DCS receives from AHCCCS' capitation payments for premium tax payments. DCS pays a 2% tax on capitation and reinsurance monies associated with the Comprehensive Health Plan.

Other Issues

This section includes information on the following topics:

- FY 2021 Revertment
- FY 2021 Supplementals
- Statutory Changes
- Child Welfare Licensing
- CHILDS Replacement Project
- Family First Prevention Services Act
- FY 2021 FMAP Savings

FY 2021 Revertment

The budget assumes an FY 2021 revertment of \$(19,600,000) from the General Fund to account for lower-than-budgeted state expenses for adoption subsidies and out-of-home placements in FY 2021. The \$19,600,000 estimated surplus is based on increased availability of federal IV-E funding for children receiving adoption subsidies or out-of-home placement expenses due to the temporary 6.2% IV-E federal match rate increase authorized by the Families First Coronavirus Response Act. *(Please see FY 2021 FMAP Savings section for additional information.)*

FY 2021 Supplementals

The FY 2022 budget includes 3 FY 2021 supplemental appropriations. These amounts consist of:

- \$27,538,100 from Expenditure Authority for caseload adjustments.
- \$43,785,000 from Expenditure Authority to cover increased costs associated with physical and behavioral health services.
- \$90,000 from the Child Welfare Licensing Fee Fund relating to licensing organizations that contract with other jurisdictions and do not contract with this state. *(Please see the Child Welfare Licensing section for further details.)*

Statutory Changes

The Health Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, establish the Comprehensive Health Plan Fund consisting of comprehensive health plan revenues and require the department to transfer excess capitation payments to the General Fund at the end of the following fiscal year. The Comprehensive Health Plan includes both acute and behavioral health services for foster care children.

Child Welfare Licensing

Laws 2021, Chapter 45, authorizes DCS to establish and collect fees from noncontracting licensees to cover costs of licensing and supervising noncontracting licensees and establishes a new Child Welfare Licensing Fee Fund for those fees. The fund is subject to legislative appropriation and is exempt from lapsing. The law also requires DCS to inspect, examine, suspend, deny, and revoke or change licenses of noncontracting licensees. It also allows DCS to charge licensees that do not contract with this state, that

do not receive federal monies, and that employ individuals who provide direct services to children in a licensed behavioral health residential facility, a fee to conduct background checks. *(Please see the Operating Budget narrative for more details.)*

CHILDS Replacement Project

The Department of Child Safety was appropriated \$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." The department implemented Guardian in February 2021. *(Please see the Arizona Department of Administration - Automation Projects Fund narrative for additional information.)*

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.

An FY 2020 General Appropriation Act footnote requires DCS to report on its implementation of the legislation by January 2, 2021, including quantification of any fiscal impacts. DCS reported it has taken the following actions related to implementing the legislation:

1. Utilized a provision in the law that allows for delay implementation until October 1, 2021.
2. Efforts to decrease congregate care placements through foster home recruitment efforts including new training and support programs, placement systems, and revision of foster home recruitment contracts effective September 1, 2019 to allow for higher reimbursement based on the needs of the child.
3. Revised Congregate Care contracts effective April 1, 2019 to add incentive pay to providers that assist with transitioning and stabilizing an out-of-home child in a less restrictive setting, such as a kinship placement. Contracts were awarded to 87 providers.
4. Awarded \$1,500,000 in one-time grants to 6 providers to develop Qualified Residential Treatment Programs in September 2019, which are congregate care settings that will continue to be eligible for federal reimbursement after implementation of the law. As of November 15, 2020, 4 of the 6 providers are now accredited.
5. Standardized therapeutic foster care placements in collaboration with the Arizona Health Care Cost Containment System, including increased utilization of therapeutic foster homes for youth with higher needs, but do not meet medical necessity, and cross-system placements design with the Department of Juvenile Corrections and County Probation.
6. Integrated requirements for Qualified Residential Treatment Placements into substance abuse program standardization and a parent-skill based program that included program evaluations to obtain evidence-based ratings, planning to begin in February 2021.
7. Expanded and updated programming for Arizona Families First. Cost mitigation through agency partnerships and federal funding left a DCS cost of \$239,448.
8. Ensured DCS' existing in-home programs meet standards for being "evidence-based," which is a requirement to receive federal funding for in-home programs once FFPSA is implemented.

The report did not attempt to quantify the total fiscal impact of DCS' implementation efforts. The FY 2022 budget continues to require a similar report to be submitted by December 1, 2021.

FY 2021 FMAP Savings

The FY 2022 budget includes one-time FY 2021 savings of \$(19,600,000) from the General Fund for savings associated with the enhanced FMAP.

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. Based on guidance from the Biden Administration, the temporary enhanced match rate is currently assumed to be effective through the second quarter of FY 2022. The match rate increase reduces General Fund expenditures for AHCCCS, DCS and DES in FY 2020, FY 2021 and FY 2022. The originally-enacted FY 2021 budget did not adjust DCS' General Fund appropriation to account for the savings. In FY 2020, match rate savings were realized through reverts to the General Fund. DCS reverted \$42,374,200 to the General Fund; how much of that reversion was associated with the federal match rate savings is unknown.

In FY 2022, the JLBC Staff estimates that the match rate increase will reduce DCS' General Fund expenditures by approximately \$(10,000,000). This FY 2022 reduction assumes that the 6.2% increase will be in effect through December 2021, consistent with the current federal emergency declaration. These savings are incorporated into DCS' FY 2022 budget numbers.

State Board of Chiropractic Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	214,100	225,000	214,600
Employee Related Expenditures	81,700	86,600	85,400
Professional and Outside Services	28,700	35,000	35,000
Travel - In State	400	2,000	2,000
Travel - Out of State	2,200	15,000	15,000
Other Operating Expenditures	62,900	77,000	75,000
Equipment	0	10,000	10,000
AGENCY TOTAL	390,000	450,600	437,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	390,000	450,600	437,000
SUBTOTAL - Other Appropriated Funds	390,000	450,600	437,000
SUBTOTAL - Appropriated Funds	390,000	450,600	437,000
TOTAL - ALL SOURCES	390,000	450,600	437,000

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 budget includes \$437,000 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(13,600) from the Board of Chiropractic Examiners Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Citizens Clean Elections Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	4,327,200	4,878,800	4,878,800
TOTAL - ALL SOURCES	<u>4,327,200</u>	<u>4,878,800</u>	<u>4,878,800</u>

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

Clean Elections Fund Balance

Proposition 200 was approved in the 1998 General Election, creating the Clean Elections Fund. The fund, which helps finance participating candidate campaigns, receives revenue from a 10% surcharge on civil and criminal fines, qualifying contributions from participating candidates, and penalties paid by candidates. A maximum of 10% of the fund's revenues may be used to enforce the Citizens Clean Elections Act, and another 10% must be spent on voter education.

The Clean Elections Fund balance has continued to grow since the program's inception. In FY 2020, the fund had revenues of \$6,529,400 for total available funds of \$34,365,200. This compares to spending of \$4,327,200 in FY 2020. In FY 2021, the commission estimates annual fund revenue will remain at \$6,529,400, compared to \$4,878,800 in ongoing spending. Along with surpluses from prior years, the commission forecasts the fund will have a balance of \$31,688,600 at the end of FY 2021.

Proposition 105, also approved by voters in 1998, sets limits on the Legislature's ability to modify statutory language in voter-approved ballot measures. Since the Clean Elections Fund was established by a ballot measure, using a portion of the remaining \$31,688,600 fund balance would require a new ballot measure or a three-fourths vote of each Legislative chamber that furthers the purpose of Proposition 200.

For more detail regarding the fund's revenues and expenditures, please see *Table 1*.

Table 1

CCEC Available Revenues and Expenditures

	FY 2020 Actual	FY 2021 Estimate
Funds Available		
Balance Forward	\$27,835,800	\$30,038,000
Revenue:		
Civil Fine 10% Surcharge	\$ 6,488,400	6,488,400
Miscellaneous Receipts	40,600	40,600
Other Fines, Forfeitures, Penalties	400	400
Total Revenue	\$ 6,529,400	\$ 6,529,400
Total Funds Available	\$34,365,200	\$36,567,400
Expenditures:		
Personal Services	\$ 556,700	\$ 850,000
Employee Related Expenditures	192,700	300,000
Professional & Outside Services	2,322,800	3,165,300
Travel - In State	2,300	12,000
Travel - Out of State	0	4,000
Candidate Funding	694,100	15,000
Other Operating Expenses	552,100	451,500
Equipment	6,500	46,000
Transfers	0	35,000
Total Funds Expended	\$ 4,327,200	\$ 4,878,800
Year-End Fund Balance	\$30,038,000	\$31,688,600

Clean Elections Fund Transfers to the General Fund

Pursuant to the 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 collections exceed anticipated expenses, with the requirement that anticipated expenses are assumed to be at the commission's statutory expenditure limit. The CCEC determines this on an annual calendar year basis by projecting revenues over the next 4 years and designating monies above the expenditure limit amount as "excess monies" to be transferred to the General Fund. To

calculate the commission's expenditure limit, statute directs CCEC to multiply the number of tax filings from the previous year by a predetermined spending limit coefficient (\$7 in 2020). The board has historically excluded carry-forward monies in its revenue calculations.

The most recent transfer was in FY 2012, when \$10,000,000 was transferred to the General Fund. For a complete list of Citizens Clean Elections Fund transfers to the General Fund, please see *Table 2*.

Table 2
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

Arizona Commerce Authority

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
Personal Services	4,925,200	5,460,500	5,460,500
Employee Related Expenditures	981,500	1,201,400	1,201,400
Professional and Outside Services	1,754,600	1,489,800	1,489,800
Travel - In State	56,500	87,600	87,600
Travel - Out of State	102,900	156,800	156,800
Other Operating Expenditures	2,106,600	1,548,100	1,548,100
Equipment	72,700	55,800	55,800
OPERATING SUBTOTAL	10,000,000	10,000,000	10,000,000 ^{1/}
SPECIAL LINE ITEMS			
Applied Research Centers	2,250,000	0	0
Blockchain/Wearable Research	0	0	5,000,000 ^{2/}
Arizona Competes Fund Deposit	5,500,000	5,500,000	55,500,000
Major Events Fund Deposit	0	0	7,500,000
Frankfurt, Germany Trade Office	0	0	250,000
Israel Trade Office	271,300	175,000	175,000
Mexico Trade Offices	327,500	500,000	500,000
Rural Broadband Grants	3,000,000	0	0
AGENCY TOTAL	21,348,800	16,175,000	78,925,000
FUND SOURCES			
General Fund	19,098,800	16,175,000	78,925,000
<u>Other Appropriated Funds</u>			
State Web Portal Fund	2,250,000	0	0
SUBTOTAL - Other Appropriated Funds	2,250,000	0	0
SUBTOTAL - Appropriated Funds	21,348,800	16,175,000	78,925,000
Other Non-Appropriated Funds	15,058,700	20,318,900	15,639,300
Federal Funds	1,638,800	2,759,000	2,029,000
TOTAL - ALL SOURCES	38,046,300	39,252,900	96,593,300

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 section 43-409, Arizona Revised Statutes, of the amounts listed above, \$15,500,000 of the state general fund withholding tax revenues is allocated in fiscal year 2021-2022 to the Arizona commerce authority, of which \$10,000,000 is credited to the Arizona commerce authority fund established by section 41-1506, Arizona Revised Statutes, and \$5,500,000 is credited to the Arizona competes fund established by section 41-1545.01, Arizona Revised Statutes. (General Appropriation Act footnote)
- 2/ The Arizona commerce authority shall distribute monies appropriated in the blockchain/wearable research line item to applied research centers and institutes located in this state that specialize in blockchain or wearable technology to be allocated as follows:
 1. \$2,500,000 for distribution to applied research centers that specialize in blockchain technology.
 2. \$2,500,000 for distribution to applied research centers that specialize in wearable technology.

Subject to available funding, the authority shall distribute monies in the blockchain/wearable research line item to any applied research center in increments of up to \$250,000 within thirty days after the applied research center notifies the authority in writing that the applied research center has received a matching amount from sources other than this state. The authority is exempt from the requirements of title 41, chapter 23, Arizona Revised Statutes, for the purpose of making the distributions to the applied research centers.

An applied research center 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, 2025, 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, 2025. The authority shall deposit the returned monies in the state General Fund. The authority shall notify the president of the senate and the speaker of the house of representatives on or before July 1, 2022 and July 1, 2023 if the authority has not distributed any monies pursuant to this section.

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, 2022, 2023, 2024, 2025 and 2026.

The appropriation made in the blockchain/wearable research line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that any amounts that remain unexpended and unencumbered on June 30, 2025 revert to the state General Fund. (General Appropriation Act footnote)

Operating Budget Deposit

The budget includes \$10,000,000 from the General Fund in FY 2022 for the operating budget. This amount is unchanged from FY 2021.

In FY 2020, ACA expended \$11,032,700 of its General Fund deposits. The expenditures were greater than the \$10,000,000 actuals shown in the table above because ACA spent non-lapsing deposits from prior years.

Applied Research Centers

The budget includes no funding from the State Web Portal Fund in FY 2022 for Applied Research Centers. This amount is unchanged from FY 2021. The budget provides funding for similar purposes in the Blockchain/Wearable Research line item.

As of September 2020, ACA plans to expend the remaining \$250,000 in FY 2021 on the Institute of Automated Mobility. Any of this money unspent as of June 30, 2023 will revert to the General 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 applied for funding to perform research on blockchain technology, wearables, and automated mobility. The funds were 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), which performs research on automated vehicle science issues related to safety and policy.

As of February 2021, \$1,750,000 of the monies have been distributed and \$500,000 for blockchain technology has been returned because the anticipated matching funds became unavailable due to the pandemic. The remaining \$250,000 for IAM is awaiting matching funds. *(For more information on the history of the Applied Research Centers program, please see the FY 2021 Appropriations Report.)*

Blockchain/Wearable Research

The budget includes \$5,000,000 from the General Fund in FY 2022 for blockchain/wearable research. FY 2022 adjustments are as follows:

One Time Funding

The budget includes a one-time increase of \$5,000,000 from the General Fund in FY 2022 for research into blockchain and wearable technology.

A General Appropriation Act footnote states that of these funds, \$2,500,000 are to be distributed to applied research centers specializing blockchain research and the other \$2,500,000 are dedicated to applied research centers specializing in wearable technology. Any of this money unspent as of June 30, 2025 will revert to the General 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 2022 and 2023 if it has not distributed any of the \$5,000,000.

Arizona Competes Fund Deposit

The budget includes \$55,500,000 from the General Fund in FY 2022 for deposit into the Arizona Competes Fund. FY 2022 adjustments are as follows:

One Time Funding

The budget includes a one-time increase of \$50,000,000 from the General Fund in FY 2022 for deposit into the Arizona Competes Fund.

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 receives \$9,000,000 annually in addition to the one-time \$50,000,000 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 Grants and Expenditures by year.)*

Major Events Fund Deposit

The budget includes \$7,500,000 from the General Fund in FY 2022 to be deposited into the Major Events Fund. FY 2022 adjustments are as follows:

Fund Deposit

The budget includes an increase of \$7,500,000 from the General Fund in FY 2022 for a deposit into the newly-established Major Events Fund. The FY 2022 budget plan assumes this deposit is the first of 4 \$7,500,000 deposits so that the fund will receive a total of \$30,000,000 by FY 2025.

The Budget Procedures Budget Reconciliation Bill (BRB) establishes the fund, makes these monies non-lapsing, and states that they can be used for planning and operations of competitively bid major events, grants to

local organizing committees for infrastructure and operations costs of major events, and other economic development activities associated with major event operations. ACA is required to report to the JLBC on these expenditures by July 15 and December 15 each year.

Frankfurt, Germany Trade Office

The budget includes \$250,000 from the General Fund in FY 2022 to operate a trade office in Frankfurt, Germany. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$250,000 from the General Fund in FY 2022 for one-time funding to establish a trade office in Frankfurt, Germany.

Israel Trade Office

The budget includes \$175,000 from the General Fund in FY 2022 to operate a trade office in Israel. This amount is unchanged from FY 2021.

Mexico Trade Offices

The budget includes \$500,000 from the General Fund in FY 2022 to operate trade offices in Mexico. This amount is unchanged from FY 2021.

Currently, the ACA funds trade offices in Mexico City, Guanajuato, and Chihuahua.

Other Issues

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As permanent law, establish the Major Events Fund consisting of monies appropriated by the Legislature for a special event promotion and attraction pilot program. Monies are non-lapsing and can be used for planning and operations of competitively bid major events, grants to local organizing committees for infrastructure and operations costs of major events, and other economic development activities associated with major event operations. Requires ACA to report semi-annually on expenditures.

Arizona Competes Fund Grants and Expenditures

As of May 2021, ACA made \$98,874,500 in commitments and expended \$63,409,700 from the Competes Fund from FY 2012 through FY 2021. See *Table 1* for expenditures and commitments by fiscal year.

Table 1
Arizona Competes Fund Commitments and Expenditures by Award Year

<u>Award Year</u>	<u>Commitments</u> ^{1/}	<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	7,406,700
FY 2016	6,350,000	5,204,100
FY 2017	13,551,500	7,801,600
FY 2018	17,300,000	12,034,500
FY 2019	12,250,000	2,965,300
FY 2020	11,778,800	5,203,300
FY 2021*	<u>2,385,000</u>	<u>767,500</u>
Total	\$98,874,500	\$63,409,600

*Updated through May 31, 2021

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

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.

Arizona Community Colleges

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
SPECIAL LINE ITEMS			
Equalization Aid			
Cochise	6,389,500	7,227,100	7,925,300
Graham	16,506,200	17,469,100	18,193,200
Navajo	7,751,900	8,444,300	9,171,000
Yuma/La Paz	0	155,200	616,700
<i>Subtotal - Equalization Aid</i>	30,647,600	33,295,700	35,906,200
Operating State Aid			
Cochise	4,623,500	4,690,700	4,373,500
Coconino	1,703,400	1,698,400	1,626,500
Gila	293,700	296,300	271,500
Graham	2,389,600	2,338,800	1,936,100
Mohave	1,175,300	1,138,900	1,205,500
Navajo	1,567,700	1,554,800	1,512,300
Pinal	1,452,000	1,128,300	1,356,500
Santa Cruz	0	0	17,100
Yavapai	601,400	585,800	590,500
Yuma/La Paz	2,399,500	2,384,800	2,391,900
<i>Subtotal - Operating State Aid</i>	16,206,100	15,816,800	15,281,400
STEM and Workforce Programs State Aid			
Cochise	996,200	1,014,500	928,400
Coconino	399,200	397,400	371,800
Gila	135,000	136,000	127,200
Graham	645,800	627,600	484,200
Maricopa	1,600,000	1,600,000	1,600,000 ^{1/}
Mohave	455,000	441,900	465,700
Navajo	339,500	334,800	319,700
Pima	400,000	400,000	400,000 ^{1/}
Pinal	96,500	96,500	96,500
Santa Cruz	26,900	23,700	29,800
Yavapai	703,100	697,500	699,200
Yuma/La Paz	1,030,200	1,024,900	1,027,400
<i>Subtotal - STEM and Workforce Programs State Aid</i>	6,827,400	6,794,800	6,549,900
Rural Community College Aid			
Cochise	3,140,100	0	0
Coconino	1,003,100	0	0
Gila	343,200	0	0
Graham	1,568,100	0	0
Mohave	1,152,100	0	0
Navajo	889,200	0	0
Pinal	1,795,400	0	0
Santa Cruz	64,200	0	0
Yavapai	1,761,300	0	0
Yuma/La Paz	2,483,300	0	0
<i>Subtotal - Rural Community College Aid</i>	14,200,000	0	0
Rural Aid			
Cochise	0	0	6,251,000
Coconino	0	0	1,907,300
Gila	0	0	652,300
Graham	0	0	2,483,700
Mohave	0	0	2,388,900
Navajo	0	0	1,640,200

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
Pinal	0	0	3,666,000
Santa Cruz	0	0	153,000
Yavapai	0	0	3,586,900
Yuma/La Paz	0	0	5,270,700
<i>Subtotal - Rural Aid</i>	0	0	28,000,000
Urban Aid			
Maricopa	0	0	10,400,000
Pima	0	0	2,600,000
<i>Subtotal - Urban Aid</i>	0	0	13,000,000
Rural County Allocation	3,420,800	3,658,200	4,337,300 ^{2/}
Rural County Reimbursement Subsidy	1,273,800	1,273,800	1,773,800 ^{3/}
Tribal Community Colleges	1,106,100	4,606,100	2,856,100 ^{4/}
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Dine College Remedial Education	1,000,000	1,000,000	1,000,000 ^{5/}
Maricopa Health Care Specialty Expansion	5,800,000	0	0
Pima Aviation Center Expansion	15,000,000	0	0
AGENCY TOTAL	95,681,800	66,645,400	108,904,700 ^{6/}
FUND SOURCES			
General Fund	95,681,800	66,645,400	108,904,700
SUBTOTAL - Appropriated Funds	95,681,800	66,645,400	108,904,700
Other Non-Appropriated Funds	23,219,000	23,873,200	23,873,200
TOTAL - ALL SOURCES	118,900,800	90,518,600	132,777,900

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 Associates 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 2022, that amount is estimated to be \$4,337,300. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 3/ Of the \$1,773,800 appropriated to the rural county reimbursement subsidy line item, Apache county receives \$973,800 and Greenlee county receives \$800,000. (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, 2022, 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 2021-2022 academic year. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Equalization Aid

The budget includes \$35,906,200 from the General Fund in FY 2022 for Equalization Aid. FY 2022 adjustments are as follows:

Property Value Changes

The budget includes an increase of \$2,610,500 from the General Fund in FY 2022 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in *Table 1*.

Table 1
FY 2022 Equalization Funding Changes

District	FY 2020	Year-over- Year Change	FY 2021
Cochise	\$ 7,227,100	\$ 698,200	\$ 7,925,300
Graham	17,469,100	724,100	18,193,200
Navajo	8,444,300	726,700	9,171,000
Yuma/La Paz	155,200	461,500	616,700
Total	\$33,295,700	\$2,610,500	\$35,906,200

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, according to the most recent decennial census data. Actual assessed valuation for rural districts was 5.6% higher in TY 2020 than in the preceding year. Therefore, for the FY 2022 Equalization Aid formula calculation, the minimum assessed valuation increased 5.6% to approximately \$1.6 billion. (See *Table 2* 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.

As noted in *Table 2*, the average rural district assessed value increased by 5.6% in TY 2020. In comparison, Cochise increased by 3.4%, Navajo increased by 3.5%, and Yuma/La Paz increased by 3.4%. Because their primary assessed value increased by less than the average rural district, Cochise, Navajo, and Yuma/La Paz qualify for more aid. While Graham increased by 15.3%, more than the average rural district, its assessed value remains below the minimum assessed value. In TY 2019, the

Table 2

Equalization Growth Factor for Tax Years (TY) 2019-2020

District	TY 2019 Primary AV	TY 2020 Primary AV	TY 2019- 2020 % Growth
Cochise*	\$ 941,485,600	\$ 973,084,500	3.4 %
Graham*	193,896,000	223,604,200	15.3 %
Navajo*	852,640,200	882,158,100	3.5 %
Yuma/LaPaz*	1,457,683,800	1,506,557,400	3.4 %
Coconino	1,831,089,300	1,929,724,100	5.4 %
Mohave	1,908,201,500	2,010,693,400	5.4 %
Pinal	2,521,252,100	2,689,422,200	6.7 %
Yavapai	2,765,677,100	2,957,724,700	6.9 %
Total	\$12,471,925,600	\$13,172,968,600	5.6 %
Minimum AV	\$1,469,014,000	\$1,551,572,600	5.6 %

* These districts qualify to receive Equalization Aid under the state funding formula in FY 2022.

Yuma/La Paz assessed value 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 (\$1.55 billion in FY 2022), 2) whether the district's change in assessed value was less than the rural districts' average change, and 3) the applicable tax rate.

Operating State Aid

The budget includes \$15,281,400 from the General Fund in FY 2022 for Operating State Aid. FY 2022 adjustments are as follows:

Enrollment Changes

The budget includes a decrease of \$(535,400) from the General Fund in FY 2022 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (782), or (2.8)%, decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see *Table 3*). The (782) net FTSE decrease consists of a (1,034) FTSE decrease in non-dual enrollment students and a 252 FTSE increase 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.

Unaudited enrollment figures indicate a decline in student enrollment in FY 2021 as a result of the COVID-19

Table 3

Community College Enrollment

	FY 2019	FY 2020	Percentage
	<u>FTSE</u>	<u>FTSE</u>	<u>Change</u>
Rural Districts			
Cochise	6,376	5,829	(8.6)%
Coconino	1,986	1,877	(5.5)%
Gila	683	655	(4.1)%
Graham	3,033	2,348	(22.6)%
Mohave	2,228	2,370	6.4%
Navajo	1,742	1,648	(5.4)%
Pinal	3,033	3,432	13.2%
Santa Cruz	113	142	25.7%
Yavapai	3,472	3,520	1.4%
Yuma/La Paz	<u>4,942</u>	<u>5,005</u>	<u>1.3%</u>
<i>Subtotal</i>	<i>27,608</i>	<i>26,826</i>	<i>(2.8)%</i>
Urban Districts			
Maricopa	67,498	67,472	0%
Pima	<u>14,058</u>	<u>13,874</u>	<u>(1.3)%</u>
Total	109,164	108,172	(0.9)%

pandemic. The number of students decreased by 15% across multiple districts. However, given that the Operating State Aid formula funds the current fiscal year based on enrollment changes from 2 years prior, enrollment declines would not affect operating state aid until FY 2023.

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 2022, the last actual FTSE data was from FY 2020.)

Maricopa and Pima County are also statutory recipients of Operating State Aid. However, a session law provision suspends the formula.

The full formula funding for Maricopa and Pima County cannot effectively be calculated for FY 2022. 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 budget includes \$6,549,900 from the General Fund in FY 2022 for Science, Technology, Engineering and

Mathematics (STEM) and Workforce Programs State Aid. FY 2022 adjustments are as follows:

Enrollment Changes

The budget includes a decrease of \$(244,900) from the General Fund in FY 2022 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 in FY 2020.

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 and \$160 per FTSE for districts with greater than 5,000 FTSE.

The FY 2020 and FY 2021 Higher Education BRBs suspended this formula and funded districts as specified in the FY 2020 and FY 2021 General Appropriation Acts. The FY 2022 Higher Education BRB continues these adjustments:

- 1) All rural districts except Pinal receive funding in the same amount as the full formula.
- 2) Pinal receives \$96,500. Full funding for Pinal would cost an additional \$618,100.
- 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 does not appear in the FY 2022 General Appropriation Act. Fully funding Maricopa and Pima according to the formula in FY 2022 would cost an additional \$8,723,000 for Maricopa and \$1,771,700 for Pima.

Rural Aid

The budget includes \$28,000,000 from the General Fund in FY 2022 for Rural Aid. FY 2022 adjustments are as follows:

Ongoing Rural Aid

The budget includes an increase of \$14,000,000 from the General Fund in FY 2022 for aid to the 10 rural community college districts.

FY 2022 funding was allocated to the 10 rural community college districts based on each district's share of actual FY 2020 enrollment.

One-Time Rural Aid

The budget includes a one-time increase of \$14,000,000 from the General Fund in FY 2022 for aid to the 10 rural community college districts.

FY 2022 funding was allocated to the 10 rural community college districts based on each district's share of actual FY 2020 enrollment.

Urban Aid

The budget includes \$13,000,000 from the General Fund in FY 2022 for Urban Aid. FY 2022 adjustments are as follows:

One-Time Urban Aid

The budget includes a one-time increase of \$13,000,000 from the General Fund in FY 2022 for aid to the 2 urban community college districts, Maricopa and Pima.

FY 2022 funding was allocated to the 2 urban community college districts based on each district's share of STEM and Workforce Programs State Aid in the FY 2020 General Appropriation Act.

Rural County Allocation

The budget includes \$4,337,300 from the General Fund in FY 2022 for Rural County Allocation. FY 2022 adjustments are as follows:

Enrollment Increase

The budget includes an increase of \$679,100 from the General Fund in FY 2022 to fund increased student enrollment.

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 2021, the JLBC Staff reported the amount to be \$4,337,300 for FY 2022.

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 budget includes \$1,773,800 from the General Fund in FY 2022 for Rural County Reimbursement Subsidy. FY 2022 adjustments are as follows:

Subsidy Increase

The budget includes an increase of \$500,000 from the General Fund in FY 2022 for the Rural County Reimbursement Subsidy.

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 budget modifies a General Appropriation Act footnote that allocates these monies. Of the \$1,773,800 subsidy, \$973,800 is distributed to Apache and \$800,000 to Greenlee.

Tribal Community Colleges

The budget includes \$2,856,100 from the General Fund in FY 2022 for Tribal Community Colleges. FY 2022 adjustments are as follows:

Remove One-Time

The budget includes a decrease of \$(1,750,000) from the General Fund in FY 2022 to remove one-time FY 2021 supplemental funding to Diné College provided by Laws 2021, Chapter 430. The same amount was previously allocated to Diné College in FY 2020 but lapsed prior to the monies being used.

The budget includes 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 budget 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 budget includes \$231,100 for the Tohono O'odham Community College in FY 2022 based on a projection of 10% of the collected TPT revenues from the reservation. These

amounts continue the assumed funding levels in FY 2021, prior to the FY 2021 supplemental.

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 2022 will depend on FY 2022 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 budget includes \$200,000 from the General Fund for Additional Gila Workforce Development Aid in FY 2022. This amount is unchanged from FY 2021.

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 budget includes \$1,000,000 from the General Fund in FY 2022 for Diné College Remedial Education. This amount is unchanged from FY 2021.

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. In addition, the budget continues a General Appropriation Act footnote that requires the Diné college board of regents to submit a report that details the course completion rate for students who received remedial education during the 2021-2022 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2022.

Other Issues

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$1,750,000 from the General Fund for Diné College. These monies represent the amount that was previously allocated to Diné College but lapsed in FY 2020. This language appears in Laws 2021, Chapter 430. *(Please see Tribal Community Colleges for further details.)*

Statutory Changes

The Higher Education BRB makes the following changes:

- As session law, continue to suspend the Operating State Aid funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2022 for only Maricopa and Pima Counties.
- As session law, continue to set the Science, Technology, Engineering and Mathematics and Workforce Programs district funding at levels specified in the General Appropriations Act, which effectively means suspending the formula in FY 2022 for only Maricopa, Pima and Pinal Counties. The Maricopa and Pima distributions are already set by the FY 2020 General Appropriation Act through FY 2022.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, Community College General Fund costs are projected to decrease by \$(24,792,100) in FY 2023 below FY 2022 and increase by \$2,307,000 in FY 2024 above FY 2023. These estimates are based on:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2023 and FY 2024).
- 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 \$2,207,900 for Equalization Aid in FY 2023 above FY 2022 and \$2,307,000 in FY 2024 above FY 2023. These estimates assume total Net Assessed Value (NAV) growth of 4.5% in FY 2023 and FY 2024 based on the statewide average. The counties receiving aid would see an average of 3.3% NAV increase. This would cause NAV in those districts to grow farther from the statewide NAV average for

Table 4

Total Estimated Community College Revenues – FY 2021

District	State Aid ^{1/}	Tuition/Fees	Property Taxes	Grants	Other ^{2/}	FY 2021 Total ^{3/}	FY 2020 Total ^{4/}	% Change from FY 2020
Cochise	\$11,917,800	\$9,915,900	23,373,500	10,475,700	\$1,272,000	\$56,954,900	\$55,341,500	2.9%
Coconino	1,698,400	7,177,300	8,664,500	5,792,000	799,100	24,131,300	24,823,100	(2.8)%
Gila ^{5/}	296,300	0	5,267,500	511,000	35,000	6,109,800	5,783,400	5.6%
Graham	19,807,900	7,560,800	6,988,800	11,926,000	10,505,000	56,788,500	55,220,000	2.8%
Maricopa	0	225,492,600	588,718,500	210,012,100	38,745,000	1,062,968,200	1,047,634,500	1.5%
Mohave	1,138,900	8,150,000	25,903,800	8,393,200	620,000	44,205,900	44,574,200	(0.8)%
Navajo	9,999,100	2,600,000	15,726,200	6,000,000	2,734,800	37,060,100	38,269,100	(3.2)%
Pima	0	48,354,000	122,107,000	47,836,000	7,999,100	226,296,100	248,578,000	(9.0)%
Pinal	1,128,300	11,449,000	48,141,300	17,832,000	1,883,000	80,433,600	87,110,100	(7.7)%
Santa Cruz ^{5/}	0	20,000	1,704,200	45,000	11,700	1,780,900	1,738,900	2.4%
Yavapai	585,800	11,647,000	49,749,700	14,851,000	3,678,100	80,511,600	80,988,800	(0.6)%
Yuma/La Paz	<u>2,540,000</u>	<u>14,000,100</u>	<u>38,529,500</u>	<u>28,500,000</u>	<u>8,323,600</u>	<u>91,893,200</u>	<u>87,848,600</u>	<u>4.6%</u>
Total ^{6/}	\$49,112,500	\$346,366,700	\$934,874,500	\$362,174,100	\$76,606,300	\$1,769,134,100	\$1,777,910,200	(0.5)%

1/ State Aid revenue includes Operating State Aid and Equalization Aid.

2/ Includes auxiliary programs, interest income, workforce development funds, and transfers. Federal coronavirus-related funds are not included.

3/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,057,042,500 for FY 2021.

4/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,775,406,200 for FY 2020.

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.

6/ Columns may not add to total due to rounding.

rural counties in both years, entitling them to more Equalization Aid.

- A decrease of \$(27,000,000) in FY 2023 to remove \$(14,000,000) in one-time Rural Aid funding and \$(13,000,000) in one-time Urban Aid funding.

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 2.0% of their revenues (excluding bond proceeds) from state aid.

For FY 2021, base operating revenues from all sources are estimated to be \$1,769,134,100, which would be a decrease of (0.5)% from FY 2020. (See Table 4 for a summary of FY 2021 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 52.8% 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

Table 5

Community College Tax Rates – TY 2020

District	Primary Rate	Secondary Rate	Combined Rate	% Change from TY 2019
Cochise	\$2.40	\$0.00	\$2.40	(2.0)%
Coconino	0.45	0.00	0.45	(2.2)%
Gila	0.96	0.00	0.96	0.0%
Graham	3.12	0.00	3.12	(6.9)%
Maricopa	1.13	0.16	1.29	(3.0)%
Mohave	1.29	0.00	1.29	(3.0)%
Navajo	1.78	0.00	1.78	(2.2)%
Pima	1.34	0.00	1.34	(2.9)%
Pinal	2.02	0.28	2.30	4.1%
Santa Cruz	0.47	0.00	0.47	(2.1)%
Yavapai	1.61	0.08	1.69	(8.2)%
Yuma/La Paz	2.19	0.36	2.56	(0.4)%

determines its primary and secondary property tax rates. (See Table 5 for a summary of FY 2021 property tax rates.)

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 19.6% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2021 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,259 if a full-time student attends for 30 hours a year. The FY 2021 amount represents a decrease of (11.6)% from FY 2020. (See Table 6 for FY 2021 resident tuition and fee rates.)

Table 6
Community College Resident Tuition and Fees – FY 2021

District	Average Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2020
Cochise	\$91	\$2,730	3.4%
Coconino	113	3,390	1.8%
Gila	90	2,700	12.5%
Graham	90	2,700	0.0%
Maricopa	68	2,040	(20.0)%
Mohave	81	2,430	0.0%
Navajo	79	2,370	2.6%
Pima	87	2,610	3.0%
Pinal	86	2,580	0.0%
Santa Cruz	85	2,535	0.0%
Yavapai	76	2,280	4.4%
Yuma/La Paz	88	2,640	2.3%
Weighted Average	\$75	\$2,259	(11.6)%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 24.8% of community college revenues.

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 2021 community college expenditures. In FY 2021, total budgeted expenditures are \$1,950,911,900. As mentioned previously, base operating revenues for FY 2021 are \$1,769,134,100; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,057,042,500. Of the total \$1,950,911,900 in budgeted expenditures, \$1,662,757,700, or 85.2%, of these expenditures are from the community colleges' General and Restricted Funds. This includes about \$494,367,800, or 25.3%, for instruction and \$343,481,400, or 17.6%, for institutional support.

Table 7

Community Colleges - FY 2021 Budgeted Expenditures

General/Restricted Funds	Total	% of Total
Instruction	\$494,367,800	25.3%
Public Service	\$30,846,000	1.6%
Academic Support	\$140,987,200	7.2%
Student Services	\$173,035,600	8.9%
Institutional Support	\$343,481,400	17.6%
Operation & Maintenance	\$119,547,600	6.1%
Scholarships/Grants	\$307,430,500	15.8%
Contingency	\$53,061,500	2.7%
Subtotal ^{1/}	\$1,662,757,700	85.2%
Auxiliary Enterprises Fund	\$73,883,000	3.8%
Plant Fund	\$213,199,200	10.9%
Debt Service	\$1,072,000	0.1%
Total ^{1/}	\$1,950,911,900	100%

^{1/} May not add to subtotal and total due to rounding.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$73,883,000, or 3.8% of the total. Plant Fund expenditures, which generally include capital costs, are \$213,199,200, or 10.9% of the total. The remaining \$1,072,000 is for debt service.

Higher Education Emergency Relief Fund

The Higher Education Emergency Relief Fund (HEERF) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act, Consolidated Appropriations Act (CAA), and American Rescue Plan Act (ARP) provided HEERF appropriations. This funding is available for institutions of higher education (IHEs).

From the CARES Act, CAA, and ARP, Arizona community colleges have received a total of \$559,835,489 in HEERF monies. Of this amount, at least \$223,712,714 must be distributed to students as emergency financial aid grants. Please see Table 8 for distributions by community college.

CARES Act Allocations

Section 18004(a)(1) of the CARES Act distributes HEERF monies to IHEs based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. Low-income students who are enrolled in degree-granting programs may be eligible for Pell Grants. The CARES Act requires that 50% of monies received under this section be distributed to students as emergency financial aid grants.

Section 18004(a)(2) of the CARES Act requires additional monies be distributed according to the above formula to Historically Black Colleges and Universities (HBCUs), American Indian Tribally Controlled Colleges and Universities (TCCUs), Minority Serving Institutions (MSIs), and Strengthening Institutions Program (SIP) participants.

Section 18004(a)(3) of the CARES Act allocates funding to ensure all nonprofit IHEs receive at least \$500,000 in HEERF monies.

From the CARES Act, Arizona community colleges received \$82,286,855 in HEERF monies. Of this amount, at least \$36,356,337 must be distributed to students as emergency financial aid grants.

CAA Allocations

Section 314(a)(1) of the CAA outlines a distribution formula based 37.5% on the relative share of in-person Pell Grant FTSE, 37.5% on the relative share of in-person Pell Grant headcount, 11.5% on the relative share of in-person non-Pell Grant FTSE, 11.5% on the relative share of in-person non-Pell Grant headcount, 1% on the relative share of exclusively-online Pell Grant FTSE, and 1% on the relative share of exclusively-online Pell Grant headcount at the IHE. Of these monies, IHEs must use at least the same dollar amount as was required in the CARES Act for student grants, including the full amount of section 314(a)(1)(E) and (F) funds allocated for exclusively-online students.

Section 314(a)(2) allocates additional funding for HBCUs, TCCUs, MSIs, and SIP participants according to the above formula, except for the following:

- HBCU undergraduate programs (see the next bullet for HBCU graduate programs) will receive monies based 70% on share of Pell Grant headcount, 20% on share of total student headcount, and 10% on ratio of endowment size.
- HBCU graduate programs will receive an amount in proportion to funds received for guaranteed loans in the 2020 Further Consolidated Appropriations Act (P.L. 116-94).
- For TCCUs, up to 30% of funds may be reserved for 1-year grants of at least \$1 million for construction, maintenance, and renovation needs. Of the remaining monies, 60% will be distributed by FTSE and 40% in equal shares, with each TCCU receiving at least \$500,000.

Section 314(a)(3) funding will be distributed to IHEs that have the greatest unmet needs related to COVID-19, at the discretion of the U.S. Secretary of Education. These include eligible IHEs that did not receive section 314(a)(1)

awards, MSIs and SIP participants that did not receive section 314(a)(2) awards, and IHEs with high populations of Pell Grant recipients, students with financial needs, and graduate students.

Section 314(a)(4) monies are allocated to proprietary IHEs based on the section 314(a)(1) formula. These monies must be used exclusively for student grants.

From the CAA, Arizona community colleges have received \$182,359,175 in HEERF monies. Of this amount, at least \$36,356,337 must be distributed to students as emergency financial aid grants.

ARP Allocations

Section 2003 of the ARP uses the same distribution formula as the CAA HEERF allocations. Of these monies, at least 50% of section 2003(a)(1)(A) through (D) funds allocated for in-person students, the full amount of section 2003(a)(1)(E) and (F) funds allocated for exclusively-online students, and the full amount of section 2003(a)(4) monies allocated to proprietary IHEs must be used for student grants.

From the ARP, Arizona community colleges have received \$295,189,459 in HEERF monies. Of this amount, at least \$151,000,040 must be distributed to students as emergency financial aid grants.

Proposition 207 – Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax and is used by state agencies to carry out certain requirements of the initiative. After monies in the fund are used by state agencies for administrative costs of the initiative, the community college districts and provisional community college districts will receive a distribution of 33% from the fund. In the third year of recreational marijuana sales, community colleges are estimated to receive a distribution of \$53,241,200. *(Please see the Department of Health Services - Other Issues Section for more information.)*

Of this amount, 15.0% will be divided equally among each district, 0.5% divided equally among each provisional district, and 84.5% divided among the districts according to enrollment. Please see *Table 9* for distributions by community college district.

Table 9**Prop 207 Community College Distributions**

<u>District</u>	<u>Distribution</u>
Cochise	\$3,222,900
Coconino	1,579,300
Gila*	405,500
Graham	1,775,100
Maricopa	28,860,300
Mohave	1,784,300
Navajo	1,484,000
Pima	6,568,800
Pinal	2,226,000
Santa Cruz*	192,200
Yavapai	2,262,600
Yuma/La Paz	<u>2,880,200</u>
Total	\$53,241,200

* indicates provisional community college district

Community College Expenditure Limitations

The Arizona Constitution requires the Economic Estimates Commission to calculate the expenditures limitation for community college districts based on FY 1980 expenditures. The base limit is adjusted each year for enrollment and inflation.

The expenditure limitation does not apply to certain monies received by community college districts, such as tuition and fees or federal grants. A.R.S. § 15-1444 also excludes from the expenditure limitation auxiliary fees, entrepreneurial and commercial activities, research and development agreements, and grants from the state, political subdivisions, tribal governments, or special taxing districts.

A.R.S. § 41-1279.07 stipulates that a community college district that exceeds its expenditure limitation without authorization will have the following amount of state aid withheld, based on the percentage of the excess expenditure:

- If the excess expenditures are less than 5% of the limitation, the amount withheld is equal to the excess expenditures.
- If the excess expenditures are between 5% and 10% of the limitation or are less than 5% of the limitation and it is at least the second consecutive instance of excess expenditures, the amount withheld is equal to 3 times the excess expenditures.
- If the excess expenditures are equal to 10% or more of the limitation, the amount withheld is equal to 5 times the excess expenditures or one-third of the district's allocation of state aid, whichever is less.

Please see *Table 10* for FY 2022 expenditure limits for each community college district.

Table 10**Community College Expenditure Limits – FY 2022**

<u>District</u>	<u>Expenditure Limit</u>
Cochise	\$67,578,287
Coconino	16,927,200
Gila*	5,241,566
Graham	36,049,564
Maricopa	472,659,526
Mohave	25,647,407
Navajo	15,503,375
Pima	138,825,309
Pinal	37,374,131
Santa Cruz*	1,441,943
Yavapai	48,002,250
Yuma/La Paz	55,891,071

* indicates provisional community college district

Table 8

HEERF Allocations: Community Colleges

	CARES Act					CAA				ARP			Total	
	18004(a)(1)	18004(a)(2)	18004(a)(3)	Total	Student	314(a)(1)	314(a)(2)	Total	Student	2003(a)(1)	Total	Student	Total	Total Student
					Grants ^{1/}				Grants ^{1/}			Grants ^{1/}		
Arizona Western	4,528,738	284,360		4,813,098	2,264,369	9,589,819	521,129	10,110,948	2,264,369	16,504,583	16,504,583	8,548,301	31,428,629	13,077,039
Central Arizona	3,010,509	189,817		3,200,326	1,505,255	5,964,675	325,820	6,290,495	1,505,255	12,012,760	12,012,760	6,073,656	21,503,581	9,084,165
*Chandler-Gilbert	4,350,989			4,350,989	2,175,495	9,757,937		9,757,937	2,175,495	17,305,778	17,305,778	8,717,431	31,414,704	13,068,420
Cochise	3,163,235	211,918		3,375,153	1,581,618	5,418,622	314,382	5,733,004	1,581,618	9,568,797	9,568,797	4,977,476	18,676,954	8,140,711
Coconino	1,104,730	137,894		1,242,624	552,365	2,805,311	309,641	3,114,952	552,365	4,812,964	4,812,964	2,454,265	9,170,540	3,558,995
Diné	1,346,931	4,844,910		6,191,841	673,466	2,909,862	5,835,175	8,745,037	673,466	4,983,963	4,983,963	2,502,747	19,920,841	3,849,678
EVIT	236,123		263,877	500,000	118,062	503,990		503,990	118,062	897,610	897,610	448,806	1,901,600	684,929
Eastern Arizona	2,222,272	111,481		2,333,753	1,111,136	4,692,651	202,829	4,895,480	1,111,136	8,306,984	8,306,984	4,175,514	15,536,217	6,397,786
*Estrella Mountain	4,856,585	307,658		5,164,243	2,428,293	11,191,621	608,523	11,800,144	2,428,293	19,437,041	19,437,041	9,906,098	36,401,428	14,762,683
*GateWay	2,707,626	156,881		2,864,507	1,353,813	6,158,634	337,442	6,496,076	1,353,813	10,830,521	10,830,521	5,465,359	20,191,104	8,172,985
*Glendale	8,301,836	533,479		8,835,315	4,150,918	19,156,542	1,046,490	20,203,032	4,150,918	33,424,136	33,424,136	16,919,671	62,462,483	25,221,507
*Mesa	7,352,103	478,185		7,830,288	3,676,052	17,795,363	990,108	18,785,471	3,676,052	31,155,467	31,155,467	15,919,343	57,771,226	23,271,446
Mohave	1,933,935	94,646		2,028,581	966,968	4,605,866	188,236	4,794,102	966,968	8,321,369	8,321,369	4,311,749	15,144,052	6,245,684
Northland Pioneer	643,137	83,277		726,414	321,569	1,842,485	206,712	2,049,197	321,569	3,273,884	3,273,884	1,703,655	6,049,495	2,346,792
*Paradise Valley	2,586,404			2,586,404	1,293,202	6,141,870		6,141,870	1,293,202	10,891,792	10,891,792	5,512,224	19,620,066	8,098,628
*Phoenix	4,772,192	304,728		5,076,920	2,386,096	11,740,227	640,649	12,380,876	2,386,096	20,552,476	20,552,476	10,518,649	38,010,272	15,290,841
Pima	9,989,049	640,229		10,629,278	4,994,525	22,597,292	1,242,857	23,840,149	4,994,525	38,689,595	38,689,595	19,906,024	73,159,022	29,895,073
*Rio Salado	2,531,870			2,531,870	1,265,935	7,331,461		7,331,461	1,265,935	14,311,941	14,311,941	7,680,562	24,175,272	10,212,432
*Scottsdale	2,386,925			2,386,925	1,193,463	5,584,623		5,584,623	1,193,463	9,744,370	9,744,370	4,944,778	17,715,918	7,331,703
*South Mountain	2,098,614	132,246		2,230,860	1,049,307	5,018,347	270,185	5,288,532	1,049,307	8,633,405	8,633,405	4,387,847	16,152,797	6,486,461
Tohono O'odham	199,279	798,595		997,874	99,640	508,878	2,084,488	2,593,366	99,640	840,688	840,688	424,742	4,431,928	624,021
Yavapai	2,389,592			2,389,592	1,194,796	5,918,433		5,918,433	1,194,796	10,689,335	10,689,335	5,501,143	18,997,360	7,890,735
Total	72,712,674	9,310,304	263,877	82,286,855	36,356,337	167,234,509	15,124,666	182,359,175	36,356,337	295,189,459	295,189,459	151,000,040	559,835,489	223,712,714

Note: Asterisks indicate institutions in the Maricopa County Community College District.

^{1/} At least 50% of the COVID 3 section 18004(a)(1) funds must be distributed to students as emergency financial aid grants. At least this same dollar amount from COVID 4 section 314(a)(1) funds must also be distributed to students, including the full amount of COVID 4 section 314(a)(1)(E) and (F) funds allocated for students enrolled in exclusively distance education courses. In addition, at least 50% of the ARP section 2003(a)(1)(A) through (D) funds must be distributed to students as emergency financial aid grants, as well as the full amount of ARP section 2003(a)(1)(E) and (F) funds allocated for students enrolled in exclusively distance education courses. These figures represent the minimum amount that must be distributed as student grants.

Constable Ethics Standards and Training Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	351,000	583,300	583,300
TOTAL - ALL SOURCES	351,000	583,300	583,300

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.

Registrar of Contractors

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	5,715,700	5,936,600	5,670,600
Employee Related Expenditures	2,224,000	2,506,100	2,576,000
Professional and Outside Services	133,200	405,300	405,300
Travel - In State	227,800	301,000	301,000
Travel - Out of State	10,100	11,800	11,800
Other Operating Expenditures	1,833,600	1,994,600	2,091,000
Equipment	90,000	517,000	517,000
OPERATING SUBTOTAL	10,234,400	11,672,400	11,572,700
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	292,000	1,017,600	1,017,600
AGENCY TOTAL	10,526,400	12,690,000	12,590,300 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Registrar of Contractors Fund	10,526,400	12,690,000	12,590,300
SUBTOTAL - Other Appropriated Funds	10,526,400	12,690,000	12,590,300
SUBTOTAL - Appropriated Funds	10,526,400	12,690,000	12,590,300
Other Non-Appropriated Funds	3,784,300	4,666,800	4,666,800
TOTAL - ALL SOURCES	14,310,700	17,356,800	17,257,100

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 budget includes \$11,572,700 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(99,700) from the Registrar of Contractors Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Office of Administrative Hearings Costs

The budget includes \$1,017,600 from the Registrar of Contractors Fund in FY 2022 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2021.

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

Corporation Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	300.9	300.9	300.9 ^{1/}
Personal Services	14,794,000	16,315,200	16,315,200
Employee Related Expenditures	5,778,800	6,361,000	5,544,300
Professional and Outside Services	531,600	412,100	412,100
Travel - In State	159,500	192,700	192,700
Travel - Out of State	81,800	122,500	122,500
Other Operating Expenditures	4,934,500	4,190,600	4,326,200
Equipment	282,600	248,300	248,300
OPERATING SUBTOTAL	26,562,800	27,842,400	27,161,300
SPECIAL LINE ITEMS			
Corporation Filings, Same-Day Service	402,000	417,700	408,400
Utilities Audits, Studies, Investigations & Hearings	440,500	380,000	380,000 ^{2/}
AGENCY TOTAL	27,405,300	28,640,100	27,949,700 ^{3/}
FUND SOURCES			
General Fund	620,800	647,100	623,100
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	50,700	52,600	51,200
Investment Management Regulatory and Enforcement Fund	713,100	745,500	721,600
Public Access Fund	6,533,900	6,976,200	6,799,400
Securities Regulatory and Enforcement Fund	5,053,500	5,286,100	5,135,300
Utility Regulation Revolving Fund	14,433,300	14,932,600	14,619,100
SUBTOTAL - Other Appropriated Funds	26,784,500	27,993,000	27,326,600
SUBTOTAL - Appropriated Funds	27,405,300	28,640,100	27,949,700
Other Non-Appropriated Funds	228,600	0	0
Federal Funds	(46,800)	2,341,400	2,341,400
TOTAL - ALL SOURCES	27,587,100	30,981,500	30,291,100

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 2022.
- 2/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (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 budget includes \$27,161,300 and 298.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$623,100
Arizona Arts Trust Fund	51,200
Investment Management Regulatory and Enforcement Fund	721,600
Public Access Fund	6,391,000

Securities Regulatory and Enforcement Fund	5,135,300
Utility Regulation Revolving Fund	14,239,100

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(681,100) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(24,000)
Arizona Arts Trust Fund	(1,400)
Investment Management Regulatory and Enforcement Fund	(23,900)
Public Access Fund	(167,500)
Securities Regulatory and Enforcement Fund	(150,800)
Utility Regulation Revolving Fund	(313,500)

Corporation Filings, Same-Day Service

The budget includes \$408,400 and 2 FTE Positions from the Public Access Fund in FY 2022 for Corporation Filings, Same-Day Service. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(9,300) in FY 2022 from the Public Access Fund for statewide adjustments.

The budget removes a longstanding footnote in the General Appropriation Act that specified 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 commission established the fee for services in November 2019 and the same-day and next-day filing services began in April 2020. The monies in this line item are used to staff the newly-established service.

Utilities Audits, Studies, Investigations & Hearings

The budget includes \$380,000 from the Utility Regulation Revolving Fund in FY 2022 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2021.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

State Department of Corrections

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,556.0	9,566.0	9,566.0 ^{1/}
Correctional Officer Personal Services	200,236,200	349,906,700	356,924,800
Health Care Personal Services	2,232,100	3,658,600	3,542,300
All Other Personal Services	46,295,300	69,100,600	66,575,700
Personal Services Subtotal	248,763,600	422,665,900	427,042,800
Employee Related Expenditures	146,671,400	270,775,800	272,708,300
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	59,877,800	15,540,500	15,540,500
Other Operating Expenditures			
Professional and Outside Services	7,912,900	9,188,000	9,201,800
Travel - In State	174,200	329,500	329,500
Travel - Out of State	87,100	104,000	104,000
Food	40,619,100	40,914,600	38,414,600
Other Operating Expenditures	101,864,500	109,161,700	127,812,100
Equipment	2,579,200	2,081,200	2,081,200
Other Operating Expenditures Subtotal	153,237,000	161,779,000	177,943,200
OPERATING SUBTOTAL	608,549,800 ^{2/}	870,761,200	893,234,800 ^{3/}
SPECIAL LINE ITEMS			
Community Corrections	14,685,400 ^{2/}	21,774,600	23,684,000
Private Prison Per Diem	162,484,100 ^{2/}	171,493,300	197,548,800
Inmate Health Care Contracted Services	127,697,000 ^{2/}	194,711,700	203,173,100 ^{4/}
Medical Staffing Augmentation	0	0	15,000,000 ^{5/6/}
Substance Abuse Treatment	0	0	5,000,600
Named Claimants	101,300	2,300	0
AGENCY TOTAL	913,517,600	1,258,743,100	1,337,641,300 ^{7/-14/}
FUND SOURCES			
General Fund	873,034,700 ^{2/}	1,205,398,500	1,284,302,300
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	274,100	555,500	555,700
Corrections Fund	30,312,200	30,312,300	30,312,400
Inmate Store Proceeds Fund	926,600	1,341,300	1,373,000
Penitentiary Land Fund	2,487,500	2,804,000	2,790,700 ^{15/}
Prison Construction and Operations Fund	2,499,800	12,500,000	12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,500	2,661,800	2,663,700 ^{16/}
State Education Fund for Correctional Education	729,000	769,600	743,300 ^{17/}
Transition Program Fund	592,200	2,400,100	2,400,200
SUBTOTAL - Other Appropriated Funds	40,482,900	53,344,600	53,339,000
SUBTOTAL - Appropriated Funds	913,517,600	1,258,743,100	1,337,641,300
Other Non-Appropriated Funds	56,164,000	69,225,300	49,915,500
Federal Funds	298,512,300	10,630,400	10,576,700
TOTAL - ALL SOURCES	1,268,193,900	1,338,598,800	1,398,133,500

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 2022.
- 2/ FY 2020 actual expenditures were partially offset by federal Coronavirus Relief Fund monies.
- 3/ Of the amount appropriated in the operating lump sum, \$427,042,800 is designated for personal services and \$272,708,300 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 expenditure, except that until January 1, 2023, if the department makes a transfer between two line items to maximize the use of federal monies, the department shall submit an expenditure plan that is not subject to review before spending those monies. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 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/ The \$15,000,000 appropriation from the state general fund for the medical staffing augmentation line item is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriation. (General Appropriation Act footnote)
- 6/ On or before December 15, 2021 and July 15, 2022, the state department of corrections shall submit a report to the joint legislative budget committee on the medical staffing augmentation line item. The report must include, at a minimum, the actual expenditures made to date by purpose and the expenditure plan for all remaining monies by purpose. (General Appropriation Act footnote)
- 7/ On or before August 1, 2021 and February 1, 2022, 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. Each 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)
- 8/ 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)
- 9/ 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 thirtieth 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)
- 10/ On or before November 1, 2021, the state department of corrections shall provide a report on bed capacity to the joint legislative budget committee for 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, 2020 and June 30, 2021 and the projected capacity for June 30, 2022, 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. The report shall also include any plans to vacate beds but not permanently remove the beds from the bed count. If the department develops a plan after its November 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)
- 11/ On or before August 1, 2021, the state department of corrections shall transfer to the public safety personnel retirement system via the department of administration its estimated required annual contribution to the corrections officer retirement plan for fiscal year 2021-2022. (General Appropriation Act footnote)
- 12/ On or before December 15, 2021 and July 15, 2022, the state department of corrections shall submit a report to the joint legislative budget committee on the progress made in meeting the staffing needs for correctional officers. Each 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 year-to-date. The report shall detail these amounts both departmentwide and by prison complex. (General Appropriation Act footnote)

- 13/ On or before March 31, 2022, the state department of corrections, in cooperation with the Arizona strategic enterprise technology office, shall submit a report to the joint legislative budget committee on the progress made to incorporate all sentence calculations into the Arizona corrections information system. The report shall also include a detailed description of any other work needed to fully implement other system functions and the cost and staffing requirements to complete that work. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 15/ 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 to support state penal institutions. (General Appropriation Act footnote)
- 16/ 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)
- 17/ Before spending any state education fund for correctional education monies in excess of \$743,300, 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, as adjusted for statewide allocations)

Summary

The budget increases the Arizona Department of Corrections (ADC)'s General Fund spending by \$78,903,800 in FY 2022 for:

- \$30,747,700 for a 5% correctional officer salary increase.
- \$28,000,000 for contract increases.
- \$18,650,200 for new private prison beds to replace lost beds resulting from the partial Florence prison closure.
- \$17,329,500 for radio replacements.
- \$15,000,000 for medical staffing augmentation.
- \$5,000,600 for substance abuse treatment.
- \$3,851,900 for ballistic and stab-proof vests.
- \$1,632,900 for salary increases to convert 286 correctional officer II staff to correctional corporals.
- \$1,300,000 for the mental health transition program.
- \$250,000 for the expansion of the braille transcription program.
- \$(2,300) for named claimants.
- \$(17,463,300) for the elimination of a prison lease-purchase payment.
- \$(25,393,400) for statewide adjustments.

Operating Budget

The budget includes \$893,234,800 and 9,382 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$883,475,500
Alcohol Abuse Treatment Fund	250,200

Corrections Fund	3,000,900
Inmate Store Proceeds Fund	1,373,000
Penitentiary Land Fund	728,200
Prison Construction and Operations Fund	2,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,163,700
State Education Fund for Correctional Education	743,300

FY 2022 adjustments are as follows:

Correctional Officer Salary Increase

The budget includes an increase of \$28,664,300 from the General Fund in FY 2022 for the cost of a 5% correctional officer salary increase. For example, ADC reports that the average base pay for a Correctional Officer II (entry level position) was \$39,800 in FY 2021. This funding would increase that to about \$41,800. In total, this funding is estimated to provide a salary increase for 8,443 employees.

Radio Replacement

The budget includes a one-time increase of \$17,329,500 from the General Fund in FY 2022 for the cost of replacing radios. With this funding, ADC expects to replace all 8,182 of their current radios.

Ballistic and Stab-Proof Vests

The budget includes a one-time increase of \$3,851,900 from the General Fund in FY 2022 for the cost of new ballistic and stab-proof vests. ADC reports that this funding will replace 7,351 stab-proof vests and 294 ballistic vests to add to ADC's current inventory. Stab-proof vests are used by security and other staff working in maximum and close custody units, detention units, or during operations such as cell extractions, searches, and

moving inmates. Ballistic vests are used by security staff during major disturbances, transporting inmates, and during searches for escaped inmates.

Correctional Corporal Position

The budget includes an increase of \$1,632,900 from the General Fund in FY 2022 to convert 286 correctional officer II staff to correctional corporals. The corporal position would serve as the officer in charge of a prison unit. The average salary increase from correctional officer II to corporal will be \$3,400.

Braille Transcription Program Expansion

The budget includes an increase of \$250,000 from the General Fund in FY 2022 to expand the Braille Transcription Program. Of this amount, \$50,000 is for one-time equipment costs.

Community Corrections Funding Shift

The budget includes a decrease of \$(1,355,000) from the General Fund in FY 2022 for the operating budget. The budget shifts this funding to the Community Corrections Special Line Item to align appropriations with expenditures.

Florence Closure Savings

The budget includes a decrease of \$(3,246,600) from the General Fund in FY 2022 for operational savings resulting from the partial closure of the Florence prison. *(Please see the Florence Prison section in Other Issues for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(24,653,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(24,647,700)
Alcohol Abuse Treatment Fund	200
Corrections Fund	100
Inmate Store Proceeds Fund	31,700
Penitentiary Land Fund	(13,300)
State Charitable, Penal and Reformatory Institutions Land Fund	1,900
State Education Fund for Correctional Education	(26,300)

(Please see the Agency Detail and Allocations section.)

A General Appropriation Act footnote states that of the amount appropriated in the operating lump sum, \$427,042,800 is designated for Personal Services and \$272,708,300 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. However, until January 1, 2023 if the department makes a transfer between two line items to maximize the use of federal monies, ADC is only required to submit to the Committee an expenditure plan which is not subject to review.

Community Corrections

The budget includes \$23,684,000 and 184 FTE Positions in FY 2022 for Community Corrections. These amounts consist of:

General Fund	20,978,300
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,200

FY 2022 adjustments are as follows:

Community Corrections Funding Shift

The budget includes an increase of \$1,355,000 from the General Fund in FY 2022 for Community Corrections. The budget shifts this funding from the operating budget to align appropriations with expenditures.

Mental Health Transition Program

The budget includes an increase of \$1,300,000 from the General Fund in FY 2022 for the mental health transition program. *(Please see the discussion below for additional detail on the Mental Health Transition Program)*

Statewide Adjustments

The budget includes a decrease of \$(745,600) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(745,700)
Transition Program Fund	100

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 \$23,684,000 in FY 2022 appropriated funds, ADC projects that they will utilize an additional \$5,672,300 in non-appropriated funds for these activities in FY 2022.

As of June 30, 2021, ADC has responsibility for 5,047 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 2020 expenditures of \$1,988,900 for the Maricopa Reentry Center and \$3,135,200 for the Pima Reentry Center.
- **Mental Health Transition Program:** Offenders that have been diagnosed as seriously mentally ill and are eligible for AHCCCS benefits upon release may receive 90-days of mental health transition services. Statute requires ADC to place up to 500 inmates in the program each year. The Mental Health Transition Program was created by the FY 2022 Criminal Justice Budget Reconciliation Bill (BRB).

Private Prison Per Diem

The budget includes \$197,548,800 in FY 2022 for Private Prison Per Diem. This amount consists of:

General Fund	168,174,800
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

FY 2022 adjustments are as follows:

Florence Replacement Beds

The budget includes an increase of \$25,435,400 from the General Fund in FY 2022 for new private prison beds to replace lost beds resulting from the partial Florence prison closure. *(Please see the [Florence Prison](#) section in [Other Issues](#) for more information.)*

Contract Increase

The budget includes an increase of \$16,000,000 from the General Fund in FY 2022 for contract increases to cover higher costs.

Correctional Officer Salary Increase

The budget includes an increase of \$2,083,400 from the General Fund in FY 2022 for the cost of a 5% private prison correctional officer salary increase.

2016 Refinance Payoff Savings - Kingman Prison

The budget includes a decrease of \$(17,463,300) from the General Fund in FY 2022 to remove the cost of paying debt service for the Kingman prison. The budget includes \$65,850,000 from the General Fund in FY 2021 appropriated to the Department of Administration to pay for the retirement or defeasance of the remaining Kingman lease-purchase agreement. *(Please see the [Capital Outlay Debt and Lease Purchase Financing](#) section for more information.)*

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, but will be owned outright after the defeasance of the remaining agreement.

**Table 1
FY 2020 Community Corrections Program Expenditures**

	<u>Approp.</u>	<u>Non-Approp.</u>	<u>Total</u>
Comm. Supervision	\$9,475,600	\$10,331,200	\$19,806,800
Transition	663,500	0	663,500
Pima Reentry	2,350,300	784,900	3,135,200
Maricopa Reentry	1,183,600	805,300	1,988,900
Other/Overhead	<u>1,012,300</u>	<u>1,100</u>	<u>1,013,400</u>
Total	\$14,685,300	\$11,922,500	\$26,607,800

Inmate Health Care Contracted Services

The budget includes \$203,173,100 in FY 2022 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	191,673,100
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

FY 2022 adjustments are as follows:

Contract Increases

The budget includes an increase of \$12,000,000 from the General Fund in FY 2022 for increased contract costs.

Florence Closure Savings

The budget includes a decrease of \$(3,538,600) from the General Fund in FY 2022 for assumed contract savings from a reduced state-prison inmate population resulting from the partial closure of the Florence prison.

Background – In June 2021, ADC exercised the first of 3 one-year extensions to the current contract for FY 2022. In addition, ADC and the vendor amended the contract to cap the vendor's liability for court-ordered sanctions and fees related to the *Parsons* litigation at \$2,000,000.

ADC also receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. In FY 2021, the department received \$14,371,000 in Medicaid reimbursement, a higher-than-anticipated amount due to COVID-19-related expenditures and a temporarily higher federal match rate tied to the pandemic.

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.

Medical Staffing Augmentation

The budget includes \$15,000,000 from the General Fund in FY 2022 for Medical Staffing Augmentation. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$15,000,000 from the General Fund in FY 2022 for additional flexible funding to address performance measures related to the

ongoing inmate healthcare litigation. This funding is non-lapsing.

A General Appropriation Act footnote requires ADC to submit a semiannual report including the actual expenditures made to date by purpose and the expenditure plan for all remaining monies by purpose.

Substance Abuse Treatment

The budget includes \$5,000,600 from the General Fund in FY 2022 for Substance Abuse Treatment. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$5,000,600 from the General Fund in FY 2022 to increase the substance abuse treatment capacity in the department by contracting with private vendors to provide services. According to ADC, this funding will allow treatment of about 5,500 inmates per year, or about 36.1% of the total inmates in need.

Named Claimants

The budget includes no funding in FY 2022 for Named Claimants. FY 2022 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,329.50) from the General Fund in FY 2022 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants section in ADOA Other Issues.)*

Other Issues

This section includes information on the following topics:

- FY 2021 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall
- Correctional Officer Staffing
- Lewis/Yuma Lock, HVAC and Fire Safety Project
- COVID-Related Spending
- Auditor General Report
- Florence Prison
- AIMS Replacement

FY 2021 Supplemental

The FY 2022 budget includes a FY 2021 supplemental appropriation of \$2,329.50 from the General Fund for a one-time named claimants appropriation.

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As session law, continue to require the department to report actual FY 2021, estimated FY 2022, and requested FY 2023 expenditures as delineated in the prior year when the department submits its FY 2023 budget request pursuant to A.R.S. § 35-113.
- As permanent law, amend A.R.S. § 31-227 to permit counties to send prosecution-related invoices directly to the department for payment without the approval of the Executive or ADOA.
- As permanent law, establish a mental health transition pilot program in the Department of Corrections with a delayed repeal of June 30, 2026, and require ADC to place up to 500 inmates who have been diagnosed as seriously mentally ill and are eligible for AHCCCS benefits upon release in at least a 90-day program each year. Also requires ADC to study the recidivism of participants and submit an annual report by December 31.
- As permanent law, exempt correctional officers from jury duty. Current exemption authorized by the FY 2020 Criminal Justice BRB expires January 1, 2022.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADC's General Fund costs are projected to decrease by \$(38,787,300) in FY 2023 below FY 2022 and increase by \$7,226,800 in FY 2024 above FY 2023.

These estimates are based on:

- A decrease of \$(50,000) in FY 2023 to remove one-time equipment funding for the braille transcription program expansion.
- A decrease of \$(5,000,600) in FY 2023 to remove one-time funding for substance abuse treatment.
- A decrease of \$(15,000,000) in FY 2023 to remove one-time funding for medical staffing augmentation.
- A decrease of \$(17,329,500) in FY 2023 to remove one-time funding for radio replacements.
- A decrease of \$(3,851,900) in FY 2023 to remove one-time funding for new ballistic and stab-proof vests.

- An increase of \$2,444,700 in FY 2023 above FY 2022 and \$7,226,800 in FY 2024 above FY 2023 for increased costs of the Florence closure plan. The actual costs in FY 2023 and subsequent years will depend on the outcome of the procurement process. (Please see the Florence Prison section below for more information.)

Transition Program

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.

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 2020, the program saved a total of 65,917 bed days. In that same year, the Transition Program Fund received revenue of about \$3,700,800. According to ADC, the vendor costs to run the program in FY 2020 were on average \$10 per inmate per day. This cost to ADC has decreased compared to previous years due to a contract amendment with the vendor which requires them to first seek Medicaid/AHCCCS coverage prior to billing ADC.

No legislation to extend the Transition Program beyond its scheduled sunset date at the end of FY 2020 was passed in the 2020 Legislative Session. However, the Governor issued an Executive Order on July 1, 2020 authorizing the continuation of the program until March 31, 2021, or until action is taken by the Legislature to extend or terminate the program. Laws 2021, Chapter 173 extends the Transition Program through July 1, 2030.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2020, the total inmate population was 40,151. This was a decrease of (2,161) inmates since the June 30, 2019 population of 42,312. The population was 42,272 on February 28, 2020. *Table 2* shows the year-end populations from FY 2016 to FY 2021.

Table 2
Year-End Population, FY 2016 - FY 2021

<u>Year</u>	<u>Population</u>
FY 2016	42,902
FY 2017	42,200
FY 2018	42,113
FY 2019	42,312
FY 2020	40,151
FY 2021	35,993

The decline in the ADC population in FY 2020 and FY 2021 appears to be primarily due to the effects of the coronavirus. As a result of social distancing recommendations, Superior Courts suspended or delayed trials and seating juries beginning in March. Additionally, some counties may have temporarily suspended the transfer of inmates to state prisons after sentencing to inhibit the spread of the virus. As a result, the ADC population may increase once courts reopen and social distancing recommendations are relaxed.

The budget assumes the population will return to the February 28, 2020 pre-coronavirus levels of 42,272 in FY 2022. Actual population changes will depend on how soon courts resume normal operations and are able to address backlogged cases.

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 38,972 public and private beds on June 30, 2020, an increase of 100 from the 38,872 on June 30, 2019.
- 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 2020, the department increased its total operating capacity by 100 beds, from 45,091 to 45,191.

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, 2020, the same number in use on June 30, 2019.

(Please see the [April 2020 JLBC meeting agenda](#) for more information on ADC’s bed capacity.)

Bed Surplus/Shortfall

At the end of FY 2020, the department had a total rated bed shortfall of (1,179). After adjusting for the 6,219 temporary beds in the overall ADC system, the rated bed shortfall became a 5,040-bed surplus. Male beds make up 4,566, or 91% of the surplus as shown in *Table 3*.

Table 3
Male Operational Bed Capacity
June Surplus/(Shortfall)

<u>Custody</u>	<u>FY 2020</u>
Minimum	2,415
Medium	828
Close	946
Maximum	234
Reception	<u>143</u>
Total	4,566

If the current bed capacity remains unchanged through FY 2022, and the inmate population returns to pre-coronavirus levels (February 28, 2020) by the end of FY 2022, the rated bed shortfall would be (3,300) and the operating capacity surplus would be 2,919 in FY 2022 as shown in *Table 7*. 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 \$35,479,300 for staff salary increases. Of that amount, about \$33,482,600 was for correctional officers (COs). In addition to that amount, ADC planned to utilize \$12,999,900 in existing vacancy savings for a total of \$46,482,500 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 2021 budget required ADC to set a benchmark for hiring CO positions. By June 2021, ADC is seeking to hire 364 new CO positions above their June 2020 staff level. Through March 2021, ADC had added a net of 18 COs relative to June 2020.

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

Table 4

Lewis and Yuma Project Costs

	<u>Sept. 2019 Plan</u>	<u>July 2020 Plan</u>	<u>Difference</u>
Locks and Fire Systems ^{1/}	\$35,090,000	\$15,926,100	\$(19,163,900)
HVAC	16,310,000	18,522,400	2,212,400
New Facility Upgrades	0	7,817,500	7,817,500
Contingency	0	4,000,000	4,000,000
Total Project Costs	\$51,400,000	\$46,266,000	\$(5,134,000)

^{1/} The expenditure plan includes \$6,533,300 for previously purchased locks that will be repurposed.

\$10,000 in overtime in FY 2020. ADC projects average overtime earnings in FY 2021 will be \$9,200 per CO.

As discussed above, the budget includes \$15,540,500 for overtime costs, consistent with past budgets. However, ADC regularly exceeds this amount. In FY 2020, ADC reported \$59,877,800 in actual overtime expenditures.

Lewis/Yuma Lock, HVAC and Fire Safety Project

In April 2019 ADC identified locks, HVAC systems and fire alarm and suppression systems in the Lewis and Yuma prison complexes that need replacement.

ADC began work in May 2019 using non-appropriated monies. In June 2019, ADC initially estimated the total cost of the project would be \$45,869,500 over several years. By September 2019, ADC had revised the expenditure plan to \$51,400,000 due to higher-than-anticipated locking system and labor costs, sales taxes and insurance. Since September 2019, ADC has made several changes to the original project scope. The changes are as follows:

- New Locking Solution - ADC originally planned to install a 4-point rack and pinion system but has since opted for a simpler and less expensive detention-grade deadbolt for savings. However, prior to switching locks ADC had already received some of the original locking components, which reduced the savings. ADC plans to repurpose these locks for non-cell doors. The net impact of these changes reduced project costs by \$(19,163,900) compared to the September expenditure plan.
- Air Conditioning - ADC now plans to install air conditioning rather than evaporative cooling. ADC initially estimated this change would result in significant cost increases. But ADC now estimates the switch to air conditioning will cost \$2,212,400 above the September 2019 plan.
- New Facility Upgrades - ADC plans to upgrade the existing cell toilets at Lewis and Yuma to stainless steel toilet/sink combination units and to upgrade the light fixtures to ones that are less prone to tampering.

ADC estimates these upgrades will cost an additional \$7,817,500.

- Contingency - With the savings from lower-than-expected air conditioning costs, ADC set aside \$4,000,000 for project contingencies.

As of July 2020, ADC's expenditure plan has decreased by \$(5,134,000) compared to their September 2019 plan for a total budget of \$46,266,000. (See Table 4 for a cost comparison by project component.)

ADC has so far identified a total of \$24,000,000 in funding from non-appropriated sources for the project. The FY 2021 budget appropriated an additional \$30,000,000 (\$11,000,000 from the General Fund and \$19,000,000 from other funds) for total project funding of \$54,000,000. With current projects costs of \$46,266,000 the project has an estimated \$7,734,000 in surplus funding. The project is currently expected to run through August 2022.

COVID-Related Spending

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, ADC was reimbursed for a total of \$281,140,100 in expenditures. Of this amount, \$265,928,200 was for General Fund spending. This reduced spending increased the agency's General Fund reversion beyond what it would have otherwise been. The remaining \$15,211,900 of FY 2020 reimbursements offset non-General Fund spending. As a result, these fund balances were higher than they otherwise would have been. The budget utilizes these savings to partially pay for capital improvements to the Eyman prison. (Please see the Capital section for more information.)

ADC offset state funds in both the operating budget and special line items (see Table 5 for detail).

Table 5
ADC CRF Expenditures by Line Item (FY 2020)

	Amount
Correctional Officer Personal Services	\$116,864,200
Health Care Personal Services	1,000,800
All Other Personal Services	25,494,900
Employee Related Expenditures	72,526,300
Other Operating Expenditures	<u>3,455,600</u>
<i>Operating Budget Subtotal</i>	<i>\$219,341,800</i>
Community Corrections	4,951,500
Private Prison Per Diem	722,100
Inmate Health Care Contracted Services	56,124,700
Total	<u>\$281,140,100</u>

(Please see the COVID-Related Spending Summary at the front of this book for more information).

Auditor General Report

In October 2020 the Auditor General published an ADC performance audit including findings regarding the department's capital funding and finances.

The report provided a history of ADC's capital funding requests and how those requests are changed before being presented to the Legislature. As a result, the report estimated that the department has \$125,000,000 in deferred maintenance costs.

The report also identified inconsistencies with the department's reconciling of inmate accounts and bank statement balances. ADC reports that the inconsistencies are the result of data issues with the new inmate management system implemented in November 2019.

The Auditor General recommended ADC:

- Continue to resolve data issues and complete inmate account reconciliation.
- Develop and implement a strategy and timeframe to resolve the outstanding unreconciled items.
- Retain all historical supporting documentation for each monthly reconciliation.

ADC agreed to the audit recommendations and planned to implement changes by December 2020.

For more information, see the Auditor General's [full report](#).

Florence Prison

The budget includes a net increase of \$18,650,200 from the General Fund in FY 2022 for the first-year costs of the

Executive's plan to close the Florence prison and partially replace the Florence beds with new private prison beds. The 3-year spending plan includes an additional \$2,444,700 in FY 2023 above FY 2022 and \$7,226,800 in FY 2024 above FY 2023.

The Executive plan includes several components:

- **Florence Closure Savings:** The Executive estimates that the closure of the entire Florence prison would result in savings of \$(20,055,200) in FY 2022, \$(40,110,500) in FY 2023 and \$(42,698,700) in FY 2024. This includes savings from reduced overtime, reduced healthcare costs, food, etc.
- **Remaining Florence Unit Costs:** The Executive plans to keep the Globe and Florence South units at least partially open through FY 2024 at a cost of \$13,270,000 in FY 2022 and FY 2023 and \$8,185,000 in FY 2024. Keeping these units operational reduces the closure savings estimates (described above) to \$(6,785,200) in FY 2022, \$(26,840,500) in FY 2023 and \$(34,513,700) in FY 2024. The Globe unit is a satellite unit with 250 beds for minimum security inmates. The South unit has operating capacity for 965 medium security inmates and currently houses sex offenders. After accounting for these units, the Executive's plan would eliminate (2,766) net beds.
- **Private Prison Bed Costs:** The Executive's plan would replace these beds with new private prison beds. The majority of these beds would come from a new private prison contract for 2,412 beds. The new private beds would be phased in over several years. In addition, the FY 2019 budget reduced ADC's budget by capping some of the private prison contracts at 97% of their total capacity. The Executive plan restores this funding to add an additional 294 beds. In total, the Executive plans to add 2,706 beds. The plan assumes these beds will cost \$25,435,400 in FY 2022, \$47,935,400 in FY 2023 and \$62,835,400 in FY 2024.

See *Table 6* for the full 3-year funding plan.

AIMS Replacement

The legislature appropriated a total of \$24,000,000 between FY 2014 - FY 2017 for the replacement of the Arizona Inmate Management System (AIMS). AIMS 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 included the off-the-shelf software, configuration, training, and equipment.

ADC went live with the AIMS replacement, the Arizona Corrections Information System (ACIS), on November 29, 2019.

ADC reported the final cost of ACIS was \$30,877,200. ADC utilized funding from their operating budget and the non-appropriated Indirect Cost Recovery Fund to cover the budget overruns.

At the May 2020 Information Technology Authorization Committee (ITAC) meeting, the department reported that the development of the project is complete, and they would move into a maintenance and operations contract with the vendor. The contract includes 10,000 hours annually for further development and maintenance as well as 10,000 hours one-time in FY 2021 to resolve outstanding issues. The committee requested that the department submit an informational report in spring 2021 to update the committee on the status of the project's

implementation in the first year and resolutions of outstanding system issues with the vendor, as well as provide a road map for the system.

In July 2020 ADOA reported that ACIS was complete. However, ADOA continued to label the project as "off-track" because the system requires manual workarounds. The project however is no longer open because the development phase is complete. ADOA is not required to report on the operations for closed projects.

Due to the ongoing system bugs, the budget amends an existing footnote to require ADC, in cooperation with the Arizona Strategic Enterprise Technology Office, to submit a report to the Joint Legislative Budget Committee on the progress made to incorporate all sentence calculations.

	FY 2022	FY 2023	FY 2024
<u>Florence Closure Savings</u>			
Overtime	\$(9,105,700)	\$(18,211,300)	\$(18,211,300)
Healthcare Population Reduction	(3,538,600)	(7,077,200)	(9,038,600)
Food	(2,284,100)	(4,568,300)	(4,568,300)
Operating Costs	(4,500,000)	(9,000,000)	(9,000,000)
Attrition Savings	<u>(626,800)</u>	<u>(1,253,700)</u>	<u>(1,880,500)</u>
<i>Florence Closure Savings Subtotal</i>	<i>\$(20,055,200)</i>	<i>\$(40,110,500)</i>	<i>\$(42,698,700)</i>
<u>Florence Open Unit Costs</u>			
Keep Globe Unit Open	\$3,100,000	\$3,100,000	\$3,100,000
Keep Florence South Unit Open	<u>10,170,000</u>	<u>10,170,000</u>	<u>5,085,000</u>
<i>Florence Open Unit Costs Subtotal</i>	<i>\$13,270,000</i>	<i>\$13,270,000</i>	<i>\$8,185,000</i>
Total Savings	\$(6,785,200)	\$(26,840,500)	\$(34,513,700)
<u>Private Prison Bed Costs</u>			
New Contract Beds (2,412*365*85) ^{1/}	\$22,400,000	\$44,900,000	\$59,800,000
Kingman Funding Restoration (210 beds)	1,410,400	1,410,400	1,410,400
Red Rock Funding Restoration (60 beds)	1,493,600	1,493,600	1,493,600
Red Rock Additional Capacity (24 beds)	<u>131,400</u>	<u>131,400</u>	<u>131,400</u>
<i>Private Prison Bed Costs</i>	<i>\$25,435,400</i>	<i>\$47,935,400</i>	<i>\$62,835,400</i>
Net Project Cost	\$18,650,200	\$21,094,900	\$28,321,700
Costs above prior year	-	\$2,444,700	\$7,226,800
^{1/} The full cost of the new contract beds will be phased in over at least 4 years. Based on the assumed \$85 per diem, the total cost once fully phased in would be \$74,832,300. The actual cost will depend on the results of the procurement process.			

Table 7

State	Fiscal Year-End Operating Capacity								
	FY 2020 Actual			FY 2021 Estimate			FY 2022 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
Douglas	1,905	343	2,248	1,905	343	2,248	1,905	343	2,248
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	31,072	5,557	36,629	31,072	5,557	36,629	31,072	5,557	36,629
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/}	38,972	6,219	45,191	38,972	6,219	45,191	38,972	6,219	45,191
State Prison Population									
Female	4,006		4,006	4,392		4,392	4,392		4,392
Male	28,532		28,532	29,628		29,628	29,628		29,628
Subtotal	32,538		32,538	34,020		34,020	34,020		34,020
Private Prison Population									
Male	7,613		7,613	8,252		8,252	8,252		8,252
Total Population ^{3/4/}	40,151		40,151	42,272		42,272	42,272		42,272
Bed Surplus/(Shortfall)									
Male	(1,179)		5,040	(3,300)		2,919	(3,300)		2,919
Female	(1,532)		4,546	(3,267)		2,811	(3,267)		2,811
	353		494	(33)		108	(33)		108
Bed Surplus/(Shortfall) (% of Beds)	-3%		11%	-8%		6%	-8%		6%

^{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.

^{2/} Excludes special use beds totaling 1,837 as of June 30, 2020.

^{3/} The chart excludes prisoners awaiting transfer from county jail.

^{4/} The chart assumes the inmate population in FY 2022 and FY 2023 returns to pre-COVID pandemic levels of February 28, 2020.

Board of Cosmetology

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	774,200	864,900	823,100
Employee Related Expenditures	369,100	431,300	423,000
Professional and Outside Services	158,600	147,000	147,000
Travel - In State	12,200	30,000	30,000
Travel - Out of State	3,200	5,500	5,500
Other Operating Expenditures	457,300	410,700	415,100
Equipment	1,600	8,000	13,000
OPERATING SUBTOTAL	1,776,200	1,897,400	1,856,700
SPECIAL LINE ITEMS			
Annual Leave Payout	0 ^{1/}	0	0
AGENCY TOTAL	1,776,200	1,897,400	1,856,700 ^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Cosmetology Fund	1,776,200	1,897,400	1,856,700
SUBTOTAL - Other Appropriated Funds	1,776,200	1,897,400	1,856,700
SUBTOTAL - Appropriated Funds	1,776,200	1,897,400	1,856,700
TOTAL - ALL SOURCES	1,776,200	1,897,400	1,856,700

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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (FY 2019 General Appropriation Act footnote, as amended by FY 2020 General Appropriation Act)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$ 1,856,700 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

One-Time Equipment Costs

The budget includes an increase of \$6,800 from the Board of Cosmetology Fund in FY 2022 to purchase mobile cellular inspection devices for digital documentation.

Statewide Adjustments

The budget includes a decrease of \$(47,500) from the Board of Cosmetology Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Agency Consolidation

Laws 2021, Chapter 334 merges the Board of Barbers and the Board of Cosmetology and renames the agency the Barbering and Cosmetology Board, effective after December 31, 2021. The newly-renamed agency will retain all the same regulatory functions as the previous 2 agencies as Chapter 334 stipulates that the Barbering and Cosmetology Board retains the same authority, powers, duties, and responsibilities of the Board of Barbers and the Board of Cosmetology and transfers all property, funds, and appropriated monies of the agencies to the Barbering and Cosmetology Board and the Barbering and Cosmetology Fund, effective after December 31, 2021.

County Funding

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
SPECIAL LINE ITEMS			
Coordinated Reentry Planning Services	0	0	10,000,000
County Sheriff Reentry Planning	500,000	500,000 ^{1/}	0
Elected Officials Retirement Plan Offset	3,000,000	3,000,000	3,000,000
Small County Assistance	7,650,700	7,650,700	7,650,700
AGENCY TOTAL	11,150,700	11,150,700	20,650,700
FUND SOURCES			
General Fund	10,650,700	10,650,700	20,650,700
<u>Other Appropriated Funds</u>			
State Charitable, Penal and Reformatory Institutions Land Fund	500,000	500,000	0 ^{1/2/}
SUBTOTAL - Other Appropriated Funds	500,000	500,000	0
SUBTOTAL - Appropriated Funds	11,150,700	11,150,700	20,650,700
TOTAL - ALL SOURCES	11,150,700	11,150,700	20,650,700

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/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- ^{2/} 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.

Coordinated Reentry Planning Services

The budget includes \$10,000,000 from the General Fund in FY 2022 for Coordinated Reentry Planning Services. FY 2022 adjustments are as follows:

One-Time Coordinated Reentry Services Funding

The budget includes an increase of \$10,000,000 from the General Fund in FY 2022 for counties to establish a coordinated reentry planning services program.

This line item provides funding to the ADOA for distribution to counties to establish a coordinated reentry planning services program. The budget allocates \$5,000,000 of this funding to Mohave County, \$4,000,000 to Pinal County, and \$1,000,000 to Yavapai County.

The 3-year budget plan includes \$7,000,000 in both FY 2023 and FY 2024 for this purpose.

The Criminal Justice Budget Reconciliation Bill (BRB) allows counties to establish a coordinated reentry

planning series program to provide screening and assessment of persons who are booked into county jail and connect them with behavioral health and substance abuse treatment.

County Sheriff Reentry Planning

The budget includes no funding from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2022 for County Sheriff Reentry Planning. FY 2022 adjustments are as follows:

Remove County Sheriff Reentry Planning Funding

The budget includes a decrease of \$(500,000) from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2022 for the elimination of County Sheriff Reentry Planning funding.

Laws 2018, Chapter 342 appropriated \$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 provided funding for the administration of release coordination reentry planning services for persons in custody of a county sheriff. This funding was appropriated to the county sheriff of a county with a population of more than 205,000 but less than 300,000 (Yavapai) according to the 2010 Decennial Census. *(Please see the Other Issues – Decennial Census section below for more information.)*

Elected Officials Retirement Plan Offset

The budget includes \$3,000,000 from the General Fund in FY 2022 for the Elected Officials Retirement Plan (EORP) Offset. This amount is unchanged from FY 2021.

This amount is allocated equally among counties with a population of less than 300,000 according to the 2010 Decennial Census. Each of the 12 smallest counties receives \$250,000. *(Please see the Other Issues – Decennial Census section below for more information.)*

Small County Assistance

The budget includes \$7,650,650 from the General Fund in FY 2022 for assistance to small counties. This amount is unchanged from FY 2021.

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. *(Please see the Other Issues – Decennial Census section below for more information.)*

Other Issues

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As permanent law, amend A.R.S. § 13-1414 to allow expenses for forensic interviews to be paid by the county with federal monies, state monies appropriated by the Legislature, or any applicable combination.

Table 1

Distribution and County Population

<u>County</u>	<u>Ongoing Distribution</u>	<u>2010 Census Population</u>
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

- As permanent law, allow counties to establish a coordinated reentry planning series program to provide screening and assessment of persons who are booked into county jail and connect them with behavioral health and substance abuse treatment.

The Revenue BRB makes the following statutory changes:

- 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 2022, up to \$1,250,000 of county revenue for each county. The bill also requires 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, 2021. *(Please see the Other Issues – Decennial Census section below for more information.)*

County Flexible Revenue Report

The FY 2021 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 2021. Counties using the authority under the FY 2021 Revenue BRB were required to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2020.

Of the 12 eligible counties, 6 reported using the flexibility in FY 2021:

- Coconino County: \$1,250,000 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: \$600,000 from the Vehicle License Tax to the General Fund to pay down PSPRS debt and pay for general operating expenses.
- Mohave County: \$1,000,000 from the Landfill Fund to the General Fund for capital facilities.
- Navajo County: \$830,000 from the Flood Control District and Library District to the General Fund for operating expenses.
- Yavapai County: \$1,250,000 from the Flood Control District to the General Fund for operating expenses.
- Yuma County: \$500,000 from the Flood Control District to the Jail District to supplement operating revenue due to projected shortfall related to the COVID-19 pandemic. The transfer will only be made if needed.

The following 5 counties indicated that they are not utilizing this provision: Cochise, Gila, Graham, Greenlee, and Santa Cruz. Apache County did not respond.

Table 2 shows the utilization of the county flexibility language since FY 2015.

Decennial Census

Two appropriations for County Funding use the 2010 Decennial Census as the basis for allocating monies to qualifying counties. In addition, the BRB provision permitting certain counties under a certain population flexibility in using county revenue to meet fiscal obligations also uses the 2010 Decennial Census. The budget continues the use of the 2010 Decennial Census for these items.

Proposition 207 – Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the counties receive a self-determined amount from the fund for county health departments. The counties have estimated annual spending of \$564,000 to fulfill the initiative's requirements. (Please see the Department of Health Services - Other Issues Section for more information.)

Table 2

County Flexibility Language Utilization FY 2015 - FY 2021*

	<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>FY 2021</u>	<u>Total</u>
Apache	\$ 500,000	\$ 400,000	\$1,200,000	\$1,250,000	\$1,250,000	\$1,250,000	NR	\$ 5,850,000
Cochise	36,700	23,000				NR		59,700
Coconino		10,634,800	493,700	1,250,000		1,250,000	\$1,250,000	14,878,500
Gila								-
Graham								-
Greenlee								-
La Paz	5,012,500	992,500	596,500			1,250,000	600,000	8,451,500
Maricopa								-
Mohave				500,000			1,000,000	1,500,000
Navajo	1,430,300	1,200,000	1,200,000		1,250,000	1,040,000	830,000	6,950,300
Pima								-
Pinal		1,000,000						1,000,000
Santa Cruz								-
Yavapai							1,250,000	1,250,000
Yuma	29,700	10,200	51,000	27,100		NR	500,000	618,000
Total	\$7,009,200	\$14,260,500	\$3,541,200	\$3,027,100	\$2,500,000	\$4,790,000	\$5,430,000	\$40,558,000

*Reporting to JLBC began in FY 2009.

NR = County did not respond to the request for information.

Arizona Criminal Justice Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	450,500	534,900	514,000
Employee Related Expenditures	160,200	218,000	218,700
Professional and Outside Services	247,500	349,800	349,800
Travel - In State	3,800	1,000	1,000
Travel - Out of State	6,900	3,000	3,000
Other Operating Expenditures	143,000	186,000	189,800
Equipment	28,200	0	0
OPERATING SUBTOTAL	1,040,100	1,292,700	1,276,300
SPECIAL LINE ITEMS			
Coordinated Reentry Planning Database	0	0	1,000,000
Criminal History Repository Upgrade	89,800	600,000 ^{1/}	0
Felony Pretrial Intervention Programs	750,000	0	0
State Aid to County Attorneys	716,300	973,700	973,700
State Aid to Indigent Defense	0	0	700,000
Victim Compensation and Assistance	3,978,700	4,229,900	4,224,600
AGENCY TOTAL	6,574,900	7,096,300	8,174,600 ^{2/}
FUND SOURCES			
General Fund	0	0	1,000,000
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	439,700	668,500	658,800
Drug and Gang Prevention Resource Center Fund	600,400	624,200	617,500
Fingerprint Clearance Card Fund	89,800	600,000	0
State Aid to County Attorneys Fund	716,300	973,700	973,700 ^{3/}
State Aid to Indigent Defense Fund	0	0	700,000
Transition Program Fund	750,000	0	0
Victim Compensation and Assistance Fund	3,978,700	4,229,900	4,224,600 ^{4/}
SUBTOTAL - Other Appropriated Funds	6,574,900	7,096,300	7,174,600
SUBTOTAL - Appropriated Funds	6,574,900	7,096,300	8,174,600
Other Non-Appropriated Funds	5,328,100	5,160,100	5,160,100
Federal Funds	7,622,300	18,405,000	18,405,000
TOTAL - ALL SOURCES	19,525,300	30,661,400	31,739,700

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 section 35-190, Arizona Revised Statutes, 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 fiscal year 2021-2022 from the state aid to county attorneys fund established by section 11-539, Arizona Revised Statutes, 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 fiscal year 2021-2022, 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 fund monies received by the Arizona criminal justice commission in excess of \$4,224,600 in fiscal year 2021-2022 are appropriated to the crime victims program. Before spending any victim

compensation and assistance fund monies in excess of \$4,224,600 in fiscal year 2021-2022, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$1,276,300 and 11 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
CJEF	\$658,800
Drug and Gang Prevention Resource Center Fund	617,500

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(16,400) in FY 2022 for statewide adjustments. This amount consists of:

CJEF	(9,700)
Drug and Gang Prevention Resource Center Fund	(6,700)

(Please see the Agency Detail and Allocations section.)

Coordinated Reentry Planning Database

The budget includes \$1,000,000 from the General Fund in FY 2022 for a Coordinated Reentry Planning Database. FY 2022 adjustments are as follows:

One-Time Database Funding

The budget includes a one-time increase of \$1,000,000 from the General Fund in FY 2022 for the development of a cross-system recidivism tracking database that incorporates data collected by counties that receive monies for these purposes.

The budget also includes a total of \$10,000,000 in FY 2022 for counties to establish coordinated reentry planning programs. *(Please see the County Funding – Coordinated Reentry Planning Services Section for more information.)*

Criminal History Repository Upgrade

The budget includes no funding from the Fingerprint Clearance Card Fund in FY 2022 for a Criminal History Repository Upgrade. FY 2022 adjustments are as follows:

Remove Criminal History Repository Funding

The budget includes a decrease of \$(600,000) from the Fingerprint Clearance Card Fund to remove a 3-year appropriation.

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 for a total of \$1,800,000 over 3 years. This amount is non-lapsing. ACJC spent a total of \$101,000 in FY 2019 and FY 2020 combined, leaving \$1,699,000 in available funding. ACJC reports that project expenditures have been slow due to a delay in design phase of the project. ACJC estimates spending the remaining \$1,699,000 in FY 2021.

This line item provided 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.

State Aid to County Attorneys

The budget includes \$973,700 from the State Aid to County Attorneys Fund in FY 2022 for State Aid to County Attorneys. This amount is unchanged from FY 2021.

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.

State Aid to Indigent Defense

The budget includes \$700,000 from the State Aid to Indigent Defense Fund in FY 2022 for State Aid to Indigent Defense. FY 2022 adjustments are as follows:

State Aid to Indigent Defense Fund-Shift

The budget includes an increase of \$700,000 from the State Aid to Indigent Defense Fund in FY 2022 for State Aid to Indigent Defense. Since FY 2011 the Department of Public Safety (DPS) has utilized this funding. The budget includes a corresponding decrease from the fund in DPS to shift the funding back to ACJC.

This line item provides funding to the various counties in Arizona for processing of criminal cases by the offices of the public defender, legal defender, and/or contract indigent defense counsel in each county.

The line item receives funding from 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 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 budget includes \$4,224,600 from the Victim Compensation and Assistance Fund in FY 2022 for Victim Compensation and Assistance. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(5,300) from the Victim Compensation and Assistance Fund in FY 2022 for statewide adjustments.

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.)

Table 1

Criminal Justice Enhancement Fund (CJEF)

<u>Funds Transferred</u> ^{1/}	<u>FY 2020</u> ^{2/}	<u>% of CJEF</u>	<u>Approp.</u>
<u>Attorney General</u>			
AZ Prosecuting Attorneys Advisory Council (4)	\$ 931,300	3.45	no
County Attorneys (7)	2,877,000	10.66	no
Victim Rights Implementation	2,734,300	^{3/}	yes
<u>Arizona Criminal Justice Commission</u>			
Operation Costs (10)	483,100	1.79	yes
Crime Victims Compensation	224,700	^{3/}	yes
<u>Department of Public Safety</u>			
Crime Lab Assessment Fund (11)	-	2.62	yes
Forensics Fund (1)	5,922,600	19.09	yes
Peace Officers' Training Fund (3)	5,119,800	18.97	no
State/Local Grants (6)	2,237,600	8.29	^{4/}
<u>Department of Juvenile Corrections</u> (2)	496,400	1.84	yes
<u>State Treasurer</u>			
County Sheriffs (9)	3,546,800	13.34	no
<u>Supreme Court</u>			
Case Processing (8)	1,851,600	6.86	yes
Juvenile Crime (5)	2,877,000	10.66	yes
Community Punishment Program (12)	<u>592,500</u>	2.43	yes
Total Funds Distributed ^{5/}	\$29,894,500		

^{1/} The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.

^{2/} The FY 2020 figures reflect amounts as reported by individual agencies to ACJC and may not correspond directly with agencies' statutory allocation. Financial information provided by agencies reflect when revenues from CJEF were recognized by the agency, not when the Treasurer's Office indicated the revenues were available to those agencies.

^{3/} 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.

^{4/} Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.

^{5/} Total does not sum due to rounding.

Arizona State Schools for the Deaf and the Blind

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
PROGRAM BUDGET			
Administration/Statewide	8,050,500	7,946,600	7,706,000
Phoenix Day School for the Deaf	10,770,500	10,714,800	10,782,200
Preschool/Outreach Programs	5,969,900	6,333,500	6,378,000
Regional Cooperatives	12,300	0	18,108,600
Tucson Campus	12,081,500	12,258,900	12,344,700
AGENCY TOTAL	36,884,700	37,253,800	55,319,500^{1/}
OPERATING BUDGET			
Full Time Equivalent Positions	562.2	562.2	562.2
Personal Services	19,480,200	20,221,500	19,372,800
Employee Related Expenditures	8,340,300	8,453,600	8,272,300
Professional and Outside Services	2,786,100	2,210,800	2,210,800
Travel - In State	84,600	131,400	131,400
Travel - Out of State	37,300	0	0
Other Operating Expenditures	4,315,200	4,801,100	5,788,200
Equipment	1,490,000	1,066,400	1,066,400
OPERATING SUBTOTAL	36,533,700	36,884,800	36,841,900
SPECIAL LINE ITEMS			
School Bus/Agency Vehicle Replacement	351,000	369,000	369,000
Cooperative Services	0	0	18,108,600 ^{2/}
AGENCY TOTAL	36,884,700	37,253,800	55,319,500
FUND SOURCES			
General Fund	23,255,200	23,865,500	23,255,700
<u>Other Appropriated Funds</u>			
Cooperative Services Fund	0	0	18,108,600
Schools for the Deaf and the Blind Fund	13,629,500	13,388,300	13,955,200 ^{2/}
SUBTOTAL - Other Appropriated Funds	13,629,500	13,388,300	32,063,800
SUBTOTAL - Appropriated Funds	36,884,700	37,253,800	55,319,500
Other Non-Appropriated Funds	18,593,400	18,563,500	2,054,400
Federal Funds	2,116,400	3,380,200	3,380,200
TOTAL - ALL SOURCES	57,594,500	59,197,500	60,754,100

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 June 2021, ASDB served approximately 2,192 children: 366 students in the K-12 programs (11 in Tucson and 256 in Phoenix), 146 children in preschools, 541 infant/toddlers in regional areas, and 1,139 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 \$13,955,200 in fiscal year 2021-2022, 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, as adjusted for statewide allocations)

3/ Before spending any cooperative services fund monies in excess of 18,108,600 in fiscal year 2021-2022, 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, as adjusted for statewide allocations)

Operating Budget

The budget includes \$36,841,900 and 562.2 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$22,886,700
Schools for the Deaf and the Blind Fund	13,955,200

FY 2022 adjustments are as follows:

Enrollment Change

The budget includes no change in funding from the Schools for the Deaf and the Blind (ASDB) Fund in FY 2022 due to flat enrollment. ASDB's FY 2021 appropriation assumed an enrollment of 496 students. The budget assumes that FY 2022 caseloads will remain unchanged in comparison to the original FY 2021 appropriation. The budget therefore includes no funding increase or decrease for enrollment changes for ASDB for FY 2022. These estimates do not reflect any potential enrollment declines associated with the COVID-19 pandemic. *(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. 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 Adjustment

The budget includes an increase of \$666,600 from the ASDB Fund in FY 2022 for a base adjustment to reflect anticipated growth in revenues in comparison to the enacted budget. In FY 2021, revenues of \$13,388,300 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 2021 will be \$14,054,900, or \$666,600 higher than the appropriated amount.

Formula Funding Increase

The budget includes an increase of \$261,800 from the ASDB Fund in FY 2022 for estimated formula funding increases to the ASDB Fund in FY 2022. The funding formula increase includes:

- \$240,000 for an increase to the "Base Level" component of the K-12 Basic State Aid (BSA) formula. BSA base level increases for inflation also increase ASDB's voucher funding. The budget increases the BSA base level for inflation and teacher pay raises in FY 2022, which will increase special education voucher funding into the ASDB Fund by an estimated \$240,000 in FY 2022.
- In addition to the increases related to inflation and teacher pay raises, interest associated with state land trust endowment revenues will generate an estimated \$21,800 in FY 2022.

The inflation (\$240,000) and land trust endowment earnings (\$21,800) adjustments total to \$261,800. When added to the revised FY 2021 base of \$14,054,900, total revenues into the ASDB Fund are forecasted to reach \$14,316,700 in FY 2022. This amount exceeds the FY 2021 appropriation of \$13,388,300 by \$928,400. As a result, the budget increases the ASDB Fund appropriation in FY 2022 by \$928,400 to match forecasted revenues.

The budget also continues a footnote that permits ASDB to spend monies in excess of the appropriated amount in FY 2022 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 budget includes no change in funding from the General Fund in FY 2022 for assistive technology devices. The budget includes a total of \$253,100 from the General Fund in FY 2022 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 budget maintains funding in FY 2022 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

Statewide Adjustments

The budget includes a decrease of \$(971,300) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(609,800)
Schools for the Deaf and Blind Fund	(361,500)

(Please see the Agency Detail and Allocations section.)

School Bus/Agency Vehicle Replacement

The budget includes \$369,000 from the General Fund in FY 2022 for School Bus/Agency Vehicle Replacement. This amount is unchanged from FY 2021.

Monies in this line item are used for the purchase of new school buses and agency vehicles. 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 \$57,000,000 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 received 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 spent \$738,000 to purchase 23 general-fleet vehicles. In FY 2021, the agency plans to use the monies in this Special Line Item to purchase 12 general-fleet vehicles.

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020, the Executive's spending plan included \$1,000,000 from the Governor's Emergency Education Relief Fund (GEERF) for the purchase of vehicles at ASDB. The agency used the monies to purchase 16 general-fleet vehicles and 3 school buses. *(Please see the COVID-Related Spending Summary at the front of this book for more information).*

Cooperative Services

The budget includes \$18,108,600 from the Cooperative Services Fund in FY 2022 for Cooperative Services. FY 2022 adjustments are as follows:

Cooperative Services

The budget includes an increase of \$17,914,500 from the Cooperative Services Fund in FY 2022 for Cooperative Services. The Cooperative Services line item receives funds from the Cooperative Services Fund, which is the recipient of special education vouchers for pupils enrolled in one of ASDB's regional cooperatives, tuition payments, and district membership fees.

Statewide Adjustments

The budget includes an increase of \$194,100 from the Cooperative Service Fund in FY 2022 for statewide adjustments.

Background - Regional Cooperatives provide services for deaf and blind students who are being served in a variety of settings in their home school district instead of an ASDB site-based program. The services offered by cooperative programs include full or partial inclusion in general education classrooms, resource rooms, and self-contained special education classes. Enrollment in ASDB's regional cooperatives as of June 2021 was 1,046.

The regional cooperatives, like ASDB's site-based programs, are funded by Special Education Vouchers paid by the Arizona Department of Education pursuant to A.R.S. § 15-1202. The program is also funded by tuition monies paid by participating districts (the district pays tuition for services offered when the district receives the voucher instead of ASDB) as well as district membership fees.

The monies in this line item represent the total estimated monies available for the program from vouchers, tuition, and district membership fees deposited in the Cooperative Services Fund. If available revenues exceed the original appropriation, a General Appropriation Act footnote stipulates that ASDB submit a report to JLBC detailing the intended use of the monies.

Other Issues

Statutory Changes

The K-12 BRB makes the following changes:

- As permanent law, establish the Cooperative Services Fund. Authorize the fund to receive special education

voucher monies paid to ASDB by the Department of Education pursuant to A.R.S. § 15-1202 on behalf of students enrolled in one of ASDB's 5 regional cooperatives, tuition payments from school districts, and district membership fees. These changes codify into law an existing administrative fund, but make monies appropriated and non-lapsing. A General Appropriation footnote will allow ASDB to spend monies in excess of the appropriation from the fund, but requires the agency to first submit a report to JLBC on the intended use of the monies.

- As permanent law, repeal the requirement in A.R.S. § 15-1304 that special education vouchers for enrollees in a regional cooperative be continuously appropriated.

Proposition 208 – Education Funding

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. After monies in the fund are used by state agencies for administrative costs of the initiative, ASDB will receive a distribution of monies from the fund based on its weighted student count in the same manner as school districts and charter schools. *(Please see the Department of Education - Other Issues Section for more information.)*

Enrollment Projections

Table 1 shows fall enrollment data for ASDB’s Tucson, Phoenix, and Preschool campuses since FY 2018. The budget assumes that FY 2022 enrollment levels for ASDB will be unchanged from the original FY 2021 budget, which assumed enrollment of 496.

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Tucson	130	134	120	112
Phoenix	270	259	257	257
Preschool	<u>89</u>	<u>103</u>	<u>119</u>	<u>96</u>
Total	489	496	496	465

Commission for the Deaf and the Hard of Hearing

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	1,066,900	1,141,500	1,089,200
Employee Related Expenditures	398,400	456,600	451,900
Professional and Outside Services	664,000	675,100	675,100
Travel - In State	8,100	1,000	1,000
Travel - Out of State	10,400	0	0
Other Operating Expenditures	1,768,800	1,649,700	1,652,700
Equipment	60,100	570,000	570,000
OPERATING SUBTOTAL	3,976,700	4,493,900	4,439,900
SPECIAL LINE ITEMS			
Support Services for the Deaf-Blind	7,700	192,000	192,000
AGENCY TOTAL	3,984,400	4,685,900	4,631,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Telecommunication Fund for the Deaf	3,984,400	4,685,900	4,631,900
SUBTOTAL - Other Appropriated Funds	3,984,400	4,685,900	4,631,900
SUBTOTAL - Appropriated Funds	3,984,400	4,685,900	4,631,900
TOTAL - ALL SOURCES	3,984,400	4,685,900	4,631,900

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 budget includes \$4,439,900 and 17 FTE Positions from the Telecommunication Fund for the Deaf in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(54,000) from the Telecommunication Fund for the Deaf in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Support Services for the Deaf-Blind

The budget includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2022 for the

Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2021.

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. 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.

State Board of Dental Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	548,000	573,000	703,600
Employee Related Expenditures	245,900	206,400	281,800
Professional and Outside Services	133,800	211,400	541,700
Travel - In State	1,600	3,200	3,200
Travel - Out of State	4,200	5,500	5,500
Other Operating Expenditures	184,700	238,000	256,300
Equipment	24,600	23,700	23,700
AGENCY TOTAL	1,142,800	1,261,200	1,815,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,142,800	1,261,200	1,815,800
SUBTOTAL - Other Appropriated Funds	1,142,800	1,261,200	1,815,800
SUBTOTAL - Appropriated Funds	1,142,800	1,261,200	1,815,800
TOTAL - ALL SOURCES	1,142,800	1,261,200	1,815,800

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 budget includes \$1,815,800 and 11 FTE Positions from the Dental Board Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Board Compensation

The budget includes an increase of \$42,400 from the Dental Board Fund in FY 2022 for board compensation. Pursuant to A.R.S. § 32-1206, board members are required to be compensated at a rate of \$250 per day for time spent performing board-related work. The board currently compensates members for meeting attendance, but does not provide compensation for other work-related activities. The appropriation increase will allow the board to compensate members for all board-related work.

Contract Investigators

The budget includes an increase of \$271,400 from the Dental Board Fund in FY 2022 for contract investigators to assist the board in adjudicating complaints against licensed dentists in the state.

Compliance Files Digitization Project

The budget includes an increase of \$65,700 from the Dental Board Fund in FY 2022 to digitize the board's compliance files. Of this amount, \$60,700 is for one-time file imaging costs and \$5,000 is for ongoing file storage costs.

IT Services

The budget includes an increase of \$8,200 from the Dental Board Fund in FY 2022 for IT Services. The board will use these monies to obtain IT services through the Arizona Department of Administration-Arizona Strategic Enterprise Technology (ASET) Office, which will include server maintenance and assistance with day-to-day technology issues.

Vacant FTE Positions

The budget includes an increase of \$193,300 from the Dental Board Fund in FY 2022 to fill vacant FTE Positions, including a licensing position, a compliance position, and an administrative assistant position.

Statewide Adjustments

The budget includes a decrease of \$(26,400) from the Dental Board Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocation section.)*

Drought Mitigation Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
SPECIAL LINE ITEMS			
Drought Mitigation Revolving Fund Deposit	0	160,000,000 ^{1/}	0
AGENCY TOTAL	0	160,000,000	0 ^{2/}
FUND SOURCES			
General Fund	0	160,000,000	0
SUBTOTAL - Appropriated Funds	0	160,000,000	0
TOTAL - ALL SOURCES	0	160,000,000	0

AGENCY DESCRIPTION — The Drought Mitigation Board is composed of 7 members, which includes the Department of Water Resources (DWR) director and 6 appointed members with a background in water issues within the state for 5-year terms. The Governor, President of the Senate, and Speaker of the House of Representatives are each to make 2 appointments that must meet geographic residential requirements. The President of the Senate, Speaker of the House of Representatives, and State Land Commissioner are non-voting advisory members of the board. The board administers the Drought Mitigation Revolving Fund and approves grants and loans for projects to improve sustainable water supplies to meet the state's long-term water demand.

FOOTNOTES

- ^{1/} A. The sum of \$160,000,000 is appropriated from the state general fund in fiscal year 2020-2021 to the drought mitigation revolving fund established by section 49-193.01, Arizona Revised Statutes.
- B. Of the amount appropriated in subsection A of this section:
- Not more than \$10,000,000 may be used for the purposes prescribed in section 49-193.04, subsection A, paragraph 1, Arizona Revised Statutes. This amount must be used on or before June 30, 2025.
 - Not more than \$10,000,000 may be used for the purposes prescribed in section 49-193.04, subsection A, paragraph 2, Arizona Revised Statutes. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated by Special Line Items by Agency.

Drought Mitigation Revolving Fund Deposit

The budget includes no funding in FY 2022 for the Drought Mitigation Revolving Fund Deposit. FY 2022 adjustments are as follows:

Remove One-Time Drought Mitigation Revolving Fund Deposit

The budget includes a decrease of \$(160,000,000) from the General Fund in FY 2022 to remove the one-time deposit of \$160,000,000 from the General Fund to the Drought Mitigation Revolving Fund in FY 2021.

The FY 2022 Environment Budget Reconciliation Bill (BRB) established the Drought Mitigation Revolving Fund to provide grants and loans for water supply and conservation projects that improve water supplies and meet long-term water demand. *(Please see the Other Issues section for more information).*

Other Issues

FY 2021 Supplemental Funding

The FY 2022 budget includes an FY 2021 supplemental of \$160,000,000 from the General Fund to the Drought Mitigation Revolving Fund. The General Appropriation Act included provisions that of the \$160,000,000:

- Not more than \$10,000,000 can be used for grants for forbearance of water deliveries. Under forbearance grants, water rights holders are compensated for not using their water entitlements, which helps to increase water levels in storage reservoirs.
- Not more than \$10,000,000 can be used for grants to the Arizona State Land Department to support the best use of water resources on state trust land.

This \$160,000,000 FY 2021 supplemental was part of the enacted budget's \$200,000,000 supplemental funding allocation for water supply and conservation issues. The enacted budget also included an FY 2021 supplemental

for \$40,000,000 from the General Fund to the Water Supply Development Revolving Fund, along with other funding allocations in FY 2022. *(Please see the Water Infrastructure Finance Authority for agency section for additional information.)*

Statutory Changes

The Environment BRB makes the following statutory changes:

- As permanent law, create the Drought Mitigation Board and Drought Mitigation Revolving Fund to evaluate and approve financial support for projects that will improve Arizona's water supply and conservation efforts.

Drought Mitigation Board

The Environment BRB established the Drought Mitigation Board to evaluate and approve funding requests that substantially improve sustainable water supplies and to meet the state's long-term water demand. The board administers the newly-created Drought Mitigation Revolving Fund. *(See the Drought Mitigation Revolving Fund section for more information).*

The board is comprised of the DWR Director or the director's designee and appointed members with a background in water issues. Each appointed member serves 5-year terms. The appointments are made as follows:

- 2 persons from a combination of Maricopa, Pinal, or Pima County with one member to be appointed by the Governor and one member to be appointed by the President of the Senate.
- 1 person from La Paz, Mohave, or Yuma County appointed by the Speaker of the House of Representatives.
- 1 person from Cochise, Graham, Greenlee or Santa Cruz County appointed by the Speaker of the House of Representatives.
- 1 person from Gila or Yavapai County appointed by the President of the Senate.
- 1 person from Apache, Coconino, or Navajo County appointed by the Governor.
- The Director of ADWR or the Director's representative.

The board includes the President of the Senate, the Speaker of the House of Representatives, and the State Land Commissioner as non-voting advisory members. The Environment BRB outlines various procedures for the board, including:

- The board's duties and administrative processes for granting financial assistance, conducting meetings, and selection of a chairperson from the voting members.
- Requiring that on or before October 31, 2021, the board conduct an audit of the fund by an independent certified accountant.
- Authorizing the Auditor General to make further audits or examinations of the board.
- The board is authorized to request assistance from representatives of other state agencies. DWR is required to provide clerical and administrative support and technical assistance to the board.

Drought Mitigation Revolving Fund

The FY 2022 Environment BRB establishes the non-appropriated Drought Mitigation Revolving Fund and authorizes the fund to be used for the following purposes:

- 1) DWR may award grants to facilitate the forbearance of water deliveries that would avoid reductions in this state's Colorado River supplies. Grants cannot supplant or take the place of existing contracts to keep water in the Colorado River.
- 2) State Land Department may apply for grants to support their ability to make the best use of water resources associated with state trust land. Before State Land Department grant monies are used to develop any infrastructure for the Butler Valley Groundwater Basin, the State Land Department is required to obtain a hydrological study of groundwater availability in the basin.
- 3) Long-term loans for planning, designing, constructing or financing water supply development projects to import water supplies from outside this state into this state, with priority given to applicants that demonstrate the largest statewide benefit.
- 4) Administrative costs for the fund.

Arizona Early Childhood Development and Health Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	140,258,500	149,864,100	149,864,100
Federal Funds	3,582,800	1,827,500	1,827,500
TOTAL - ALL SOURCES	143,841,300	151,691,600	151,691,600

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 2020, ECDHB’s largest expenditure was **Child Care Scholarships** at \$69.7 million, as displayed in *Table 1*, serving an average of 5,167 children monthly, down from 6,088 in FY 2020.

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 124 filled FTE Positions from the \$15,293,800 program budget. **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 2020 ECDH Fund Expenditures by Category ^{1/}
(\$ in Millions)

Expenditure Category	Amount	Percent
Child Care Scholarships	\$69.7	49%
Family Support	31.9	22%
Health	16.1	11%
Administration	10.2	7%
Professional Development	5.4	4%
Community Awareness	2.7	2%
Research & Evaluation	3.5	2%
System Coordination	1.1	1%
Other Funds (Grants, Gifts, etc.)	2.2	2%
Total	\$142.8	100%

Other Issues

Increased Child Care Funding

The budget includes \$1,217,200,000 in additional child care funding through the Consolidated Appropriations Act of 2020 and American Rescue Plan Act of 2021. A total of \$73,400,000 of this funding will be used to expand the Quality First program facilitated through First Things First. (Please see the *Child Care Subsidy* line item in the DES narrative for other state child care funding.)

Office of Economic Opportunity

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	294,000	320,300	305,600
Employee Related Expenditures	111,700	113,400	112,700
Professional and Outside Services	4,600	1,400	1,400
Travel - In State	0	1,100	1,100
Travel - Out of State	1,800	2,600	2,600
Other Operating Expenditures	55,700	43,700	43,900
Equipment	500	3,000	3,000
AGENCY TOTAL	468,300	485,500	470,300^{1/}
FUND SOURCES			
General Fund	468,300	485,500	470,300
SUBTOTAL - Appropriated Funds	468,300	485,500	470,300
Other Non-Appropriated Funds	2,230,200	9,598,500	8,098,500
Federal Funds	2,163,100	2,536,400	2,536,400
TOTAL - ALL SOURCES	4,861,600	12,620,400	11,105,200

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

Operating Budget

The budget includes \$470,300 and 5 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(15,200) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

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 \$103,780,500 in expenditures in FY 2022.

WIFA funds are now reported in its own separate section of the *Appropriations Report*. (See the *Water Infrastructure Finance Authority* section in the *Appropriations report* for more details).

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.

Department of Economic Security

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,377.8	4,377.8	4,381.8 ^{1/}
Personal Services	73,458,000	76,026,400	76,107,000
Employee Related Expenditures	32,580,900	32,557,700	28,849,400
Professional and Outside Services	15,444,200	24,392,100	24,392,100
Travel - In State	755,700	403,600	403,600
Travel - Out of State	65,200	56,900	56,900
Other Operating Expenditures	22,195,400	25,792,900	26,059,800
Equipment	3,356,700	3,881,500	3,881,500
OPERATING SUBTOTAL	147,856,100	163,111,100	159,750,300 ^{2/3/4/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	10,047,600	11,458,100	11,222,900
Aging and Adult Services			
Adult Services	8,731,900	8,731,900	11,205,900
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	13,074,700	14,003,700	14,003,900 ^{5/6/}
Sexual Violence Services	0	0	8,000,000
Long-Term Care Ombudsman	0	0	1,000,000
After School and Summer Youth Program	0	0	500,000 ^{7/}
Family Caregiver Grant Fund Deposit	1,000,000	0	0
Benefits and Medical Eligibility			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Pandemic Emergency Assistance	0	0	14,546,500 ^{8/}
Coordinated Hunger Services	1,754,600	1,754,600	1,754,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	4,215,000	8,740,200	8,539,700
Developmental Disabilities ^{9/-15/}			
DDD Administration	39,445,700	104,474,400	118,405,100
DDD Premium Tax Payment	40,619,200	43,472,900	50,055,200
Case Management - Medicaid	68,516,300	86,955,500	85,719,800
Home and Community Based Services - Medicaid	1,240,019,700	1,651,021,500	1,822,088,000
Institutional Services - Medicaid	37,994,600	45,973,200	34,149,500
Physical and Behavioral Health Services - Medicaid	349,498,000	405,132,100	465,132,500
Medicare Clawback Payments	4,517,800	4,388,900	4,661,200
Targeted Case Management - Medicaid	8,004,700	11,415,500	12,924,500
Case Management - State-Only	6,194,600	6,311,900	6,211,400
Cost Effectiveness Study Client Services	1,220,000	1,220,000	1,220,000
Home and Community Based Services - State-Only	13,589,000	13,589,000	13,589,000
Arizona Early Intervention Program	6,319,000	6,319,000	6,319,000
State-Funded Long Term Care Services	35,151,600	39,413,600	41,574,900
Employment and Rehabilitative Services			
Child Care Subsidy	146,796,600	292,007,300	1,273,693,000 ^{16/-19/}
Independent Living Rehabilitation Services	1,289,400	1,289,400	1,289,400
JOBS	11,005,600	11,005,600	11,005,600
Rehabilitation Services	7,249,100	7,249,100	7,249,100
Workforce Investment Act Services	68,154,600	53,654,600	53,654,600 ^{20/}
Return to Work Grants	0	0	7,500,000 ^{21/}
Unemployment Insurance Trust Fund Deposit	0	62,000,000	0
AGENCY TOTAL	2,305,928,700	3,088,356,400	4,280,628,900 ^{22/-25/}

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
FUND SOURCES			
General Fund	749,708,200	874,054,300	850,052,500
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	8,880,900	17,531,300	17,204,700
Domestic Violence Services Fund	3,071,000	4,000,000	4,000,200
Federal CCDF Block Grant	158,952,900	304,470,100	1,285,880,000
Federal Pandemic Emergency Assistance Fund	0	0	14,546,500
Federal TANF Block Grant	65,395,900	65,839,800	65,405,800
Long Term Care System Fund (Non-Federal Matched)	26,559,600	30,563,800	32,459,600
Public Assistance Collections Fund	0	423,600	423,700
Sexual Violence Service Fund	0	0	8,000,000
Special Administration Fund	4,511,200	4,550,000	4,512,600
Spinal and Head Injuries Trust Fund	2,326,800	2,340,200	2,336,000
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	72,176,200	56,085,500	56,069,100
SUBTOTAL - Other Appropriated Funds	341,874,500	486,804,300	1,491,838,200
SUBTOTAL - Appropriated Funds	1,091,582,700	1,360,858,600	2,341,890,700
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	33,466,600	43,192,400	42,495,100
Health Care Investment Fund	0	20,147,300	26,863,200
Long Term Care System Fund (Federal Match)	1,180,879,400	1,664,158,100	1,869,379,900
SUBTOTAL - Expenditure Authority Funds	1,214,346,000	1,727,497,800	1,938,738,200
SUBTOTAL - Appropriated/Expenditure Authority Funds	2,305,928,700	3,088,356,400	4,280,628,900
Other Non-Appropriated Funds	740,023,800	1,761,348,800	470,998,900
Federal Funds	1,840,554,700	2,167,607,300	2,167,607,300
TOTAL - ALL SOURCES	4,886,507,200	7,017,312,500	6,919,235,100

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 294.2 GF, 144.6 OF, and 1,972.6 EA FTE Positions funded from Special Line Items in FY 2022.
- 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 \$17,204,700 received by the division of child support enforcement are appropriated for operating expenditures. New FTE positions are 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, as adjusted for statewide allocations)
- 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 pursuant to section 41-714, Arizona Revised Statutes. (General Appropriation Act Footnote)
- 5/ All domestic violence services fund monies in excess of \$4,000,200 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 \$4,000,200 to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 6/ On or before December 15, 2021, 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 prevention funding. The

report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)

- 7/ The amount appropriated for the after school and summer youth program line item shall be distributed to a charitable organization that is qualified under section 501(c)(3) of the internal revenue code, that is located in the city of Phoenix and that provides after school and summer youth programs dealing with gang violence for at-risk youth. (General Appropriation Act footnote)
- 8/ On or before December 15, 2021 and July 15, 2022, the department of economic security shall submit a 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 joint legislative budget committee on federal pandemic emergency assistance monies provided from the American rescue plan act of 2021. The report must include, at a minimum, the actual expenditures made to date by purpose, the expenditure plan for all remaining monies by purpose and the number of individuals served. (General Appropriation Act footnote)
- 9/ 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 two percent. 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)
- 10/ 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)
- 11/ On or before September 1, 2022, 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 fiscal year 2021-2022 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, 2022, 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 fiscal year 2021-2022. (General Appropriation Act footnote)
- 12/ The department shall submit an expenditure plan report to the joint legislative budget committee of any new division of developmental disabilities salary adjustments not previously reviewed by the joint legislative budget committee. (General Appropriation Act footnote)
- 13/ On or before August 1, 2021 the department shall report to the joint legislative budget committee the number of filled positions for case managers and non-case managers in the division of developmental disabilities as of June 30, 2021. 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, 2021 report. (General Appropriation Act footnote)
- 14/ 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)
- 15/ The legislature intends that the division reallocate \$15,000,000 of its base appropriation that the division spent for onetime developmental disabilities purposes in fiscal year 2020-2021 in order to partially finance the \$30,000,000 provider rate increase in fiscal year 2021-2022. (General Appropriation Act footnote)
- 16/ On or before September 15, 2021 and March 15, 2022, the department of economic security shall submit a 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 joint legislative budget committee on child care development block grant monies provided from the coronavirus aid, relief, and economic security act, the consolidated appropriations act, 2021, and the American rescue plan act of 2021. The report must include, at a minimum, the actual expenditures made to date by purpose and, separately, by federal legislation, the expenditure plan for all remaining monies by purpose and, separately, by federal legislation, the number of children served with the monies on average each month, the average

child care reimbursement rates for the entire program, including these monies, and the number of child care settings with a quality rating. (General Appropriation Act footnote)

- 17/ On or before March 15, 2022, the department of economic security shall submit a 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 joint legislative budget committee on the number of individuals who have received child care support through return to work grants and the number of those individuals who did not return to receiving unemployment insurance within six months. (General Appropriation Act footnote)
- 18/ Of the amount appropriated for the child care subsidy line item, a total of \$1,086,612,800 from the federal child care and development fund block grant is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. The legislature intends that provider rate increases funded from this amount be contingent on available federal funding and not continue in future years after these monies have been spent. (General Appropriation Act footnote)
- 19/ The department of economic security shall forward to the joint legislative budget committee a monthly report listing data on the child care population served. The report must include, at a minimum, in each program the number of unduplicated children enrolled in child care within the department of economic security and the department of child safety by program and the average amount paid per child plus quality-related spending. (General Appropriation Act footnote)
- 20/ All workforce investment act grant monies that are received by this state in excess of \$56,069,100 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 \$56,069,100 to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 21/ The appropriated amount for the return to work grants line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024. (General Appropriation Act footnote)
- 22/ On or after April 1, 2022, the department of economic security may use up to \$25,000,000 from the budget stabilization fund established by section 35-144, Arizona Revised Statutes, 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, 2022 and must be reimbursed in full as part of the closing the process for fiscal year 2021-2022. The department shall notify the joint legislative budget committee of reimbursement on or before September 1, 2022. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 23/ The above appropriations are in addition to monies granted to this 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 section 42-5029, Arizona Revised Statutes. (General Appropriation Act footnote)
- 24/ 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 thirtieth 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)
- 25/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

The Department of Economic Security's (DES) FY 2022 General Fund spending increases by \$37,998,200 or 4.3% above the FY 2021 appropriation. This amount includes:

- \$13,040,800 for DDD formula adjustments.
- \$1,000,000 for ongoing Area Agencies on Aging provider rate increases
- \$1,474,000 for one-time Area Agencies on Aging funding.
- \$1,000,000 for Long-Term Care Ombudsman costs.
- \$500,000 for a grant to an after school and summer youth program.
- \$2,307,700 for salary increases for program service evaluators and human services workers.
- \$15,400,000 for ongoing DD provider rate increases.
- \$7,500,000 for Return to Work grants for child care to part-time community college students.

- \$(952,600) for the suspension of the Health Insurer Fee.
- \$(3,271,700) for statewide adjustments.

The budget also includes an FY 2021 supplemental appropriation of \$62,000,000 for a deposit into the Unemployment Insurance Trust Fund.

Operating Budget

The budget includes \$159,750,300 and 1,970.4 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$79,338,600
Child Support Enforcement Administration Fund	13,547,100
Child Support Enforcement Administration Fund (EA)	27,851,800
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,473,800
Federal Child Care and Development Fund (CCDF) Block Grant	12,169,100
Public Assistance Collections Fund	332,600
Special Administration Fund	2,076,700
Spinal and Head Injuries Trust Fund	556,100
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,404,500

FY 2022 adjustments are as follows:

Gila County Child Support Enforcement

The budget includes an increase of \$118,500 and 3 FTE from the Child Support Enforcement Administration Fund (EA) in FY 2022 for the transfer of the Gila County child support enforcement function back to the state. *(Please see the County Participation narrative below for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(3,479,300) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	\$(1,958,900)
Child Support Enforcement Administration Fund	(250,300)
Child Support Enforcement Administration Fund (EA)	(505,500)
Federal Temporary Assistance for Needy Families (TANF) Block Grant	(431,200)
Federal Child Care and Development Fund (CCDF) Block Grant	(275,800)
Public Assistance Collections Fund	100
Special Administration Fund	(37,300)

Spinal and Head Injuries Trust Fund	(4,200)
Workforce Investment Act Grant	(16,200)

(Please see the Agency Detail and Allocations section.)

Administration

Attorney General Legal Services

The budget includes \$11,222,900 and 157.9 FTE Positions in FY 2022 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,229,200
Child Support Enforcement Administration Fund	2,578,500
Child Support Enforcement Administration Fund (EA)	7,182,700
Federal TANF Block Grant	106,700
Federal CCDF Block Grant	17,900
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

FY 2022 adjustments are as follows:

Gila County Child Support Enforcement

The budget includes an increase of \$82,000 and 1 FTE from the Child Support Enforcement Administration Fund (EA) in FY 2022 for the transfer of the Gila County child support enforcement function back to the state. *(Please see the County Participation narrative below for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(317,200) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(46,000)
Child Support Enforcement Administration Fund	(76,300)
Child Support Enforcement Administration Fund (EA)	(191,800)
Federal TANF Block Grant	(2,800)
Special Administration Fund	(100)
Workforce Investment Act Grant	(200)

Aging and Adult Services

Adult Services

The budget includes \$11,205,900 from the General Fund in FY 2022 for Adult Services. FY 2022 adjustments are as follows:

Ongoing Area Agencies on Aging Increase

The budget includes an increase of \$1,000,000 from the General Fund in FY 2022 for ongoing provider rate increases. These increases are intended to provide parity with provider rate increases for DD Long Term Care and Long Term Care in AHCCCS.

One-Time Area Agencies on Aging Increase

The budget includes an increase of \$1,474,000 from the General Fund in FY 2022 for one-time Area Agencies on Aging increases. The increased funding will permit the state to draw down one-time federal monies for adult services authorized by federal COVID legislation.

This line item provides an array of independent living support to elderly persons, as shown in *Table 1*.

Independent Living Support	
<u>Services</u>	<u>FY 2021</u>
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	505,300
Total	\$8,731,900 ^{1/}

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

Community and Emergency Services

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2022 for Community and Emergency Services. This amount is unchanged from FY 2021.

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 2020, this line item provided short-term crisis services to 1,119 households and energy assistance to 39,094 households.

Coordinated Homeless Services

The budget includes \$2,522,600 in FY 2022 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 2021.

In FY 2020, this line item provided emergency shelter services to 10,374 individuals, rapid re-housing services to 1,456 individuals, and homeless prevention services to 342 individuals.

Domestic Violence Prevention

The budget includes \$14,003,900 in FY 2022 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,000
Federal TANF Block Grant	6,620,700
Domestic Violence Services Fund	4,000,200
Special Administration Fund	100,000

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$200 from the Domestic Violence Services Fund in FY 2022 for statewide adjustments.

In FY 2020, this line item, along with non-appropriated funds, served approximately 4,428 adults and children in emergency shelters, 1,025 adults and children in transitional housing, and 15,741 victims with legal and lay legal advocacy.

Sexual Violence Services

The budget includes \$8,000,000 from the Sexual Violence Service Fund in FY 2022 for Sexual Violence Services. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$8,000,000 from the Sexual Violence Service Fund in FY 2022 for grants to providers serving victims of sexual violence. The \$8,000,000 in the fund is derived from fund transfers as outlined in the *Fund Transfers* narrative below.

The Health Budget Reconciliation Bill (BRB) establishes the Sexual Violence Service Fund consisting of Legislative

appropriations, grants, and contributions. The department shall spend monies in the fund to provide grants to service providers for victims of sexual violence.

Long-Term Care Ombudsman

The budget includes \$1,000,000 in FY 2022 from the General Fund in FY 2022 for Long-Term Care Ombudsman services. FY 2022 adjustments are as follows:

Increased Site Visits

The budget includes an increase of \$1,000,000 from the General Fund in FY 2022 for costs associated with the long-term care ombudsman program. These monies will be passed on to the Area Agencies on Aging, who contract with the department to provide these services.

As amended by the Health BRB, A.R.S. § 46-452.02 requires that the Office of the State Long-Term Care Ombudsman visit each long-term care facility at least twice per calendar year to speak with residents of the facility or their representatives, investigate and resolve complaints, refer cases to Adult Protective Services or the appropriate agency, and change complaint communication requirements for DD service providers.

After School and Summer Youth Program

The budget includes \$500,000 from the General Fund in FY 2022 for the After School and Summer Youth Program. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$500,000 from the General Fund in FY 2022 to be distributed to a charitable 501(c)(3) organization located in the City of Phoenix that provides after school and summer youth programs dealing with gang violence for at-risk youth.

Benefits and Medical Eligibility

TANF Cash Benefits

The budget includes \$22,736,400 from the Federal TANF Block Grant in FY 2022 for TANF Cash Benefits. This amount is unchanged from FY 2021.

As of May 2021, the latest month for which data is available, DES served a regular TANF Cash Benefits caseload of 13,924 individual recipients. Caseloads have decreased (16.3)% compared to May 2020. The COVID-19 pandemic has reversed the long-term decline in the TANF Cash Benefits caseload. Prior to the COVID-19 pandemic, the TANF Cash Benefits caseload reached a low of 12,107

in March 2020. TANF caseloads reached 17,244 in July 2020 and have since been slowly decreasing back toward pre-COVID levels. The average cost per person is projected to be \$100. 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 May 2021 Diversion caseload was 175, a (54.7)% decrease from May 2020. The average diversion payment per person is projected to be \$809.

The FY 2022 budgeted amount would be able to fund an average of 15,750 individuals at \$100 per month and 395 Diversion clients at \$809 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 budget continues a provision allowing DES to drug test TANF recipients if there is a reasonable suspicion that they are using illegal drugs.

Laws 2020, Chapter 53, Section 4 waives state time limits and work requirements for TANF benefits during the state emergency declaration for Coronavirus. The FY 2022 budget does not need to re-enact this waiver because Chapter 53 is effective until the emergency declaration ends. This provision may lead to higher caseloads. *(Please see Federal TANF Block Grant in Other Issues for more information on TANF expenditures and a table of expenditure detail by agency.)*

Pandemic Emergency Assistance

The budget includes \$14,546,500 from the Federal Pandemic Emergency Assistance Fund in FY 2022 for Pandemic Emergency Assistance. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$14,546,500 from the Pandemic Emergency Assistance Fund in FY 2022 for emergency grants.

The budget includes a footnote requiring DES report to the President of the Senate, Speaker of the House of Representatives, the Chairmen of the House and Senate Appropriations Committees, and the JLBC by December 15, 2021 and July 15, 2022 on federal Pandemic Emergency Assistance monies provided by the American Rescue Plan Act. The report must include actual expenditures to date, the expenditure plan for remaining monies, and the number of individuals served.

The American Rescue Plan Act establishes the Pandemic Emergency Assistance Fund (PEAF) to assist needy families impacted by the COVID-19 pandemic. The PEAFF is meant to provide short-term benefits to families and may only include expenditures such as emergency assistance and diversion payments, emergency housing and short-term homeless assistance, emergency food aid, short-term utilities payments, burial assistance, and clothing allowances. Benefits may not include tax credits, child care, transportation, or short-term education and training. These PEAFF monies must be expended by September 30, 2022.

Coordinated Hunger Services

The budget includes \$1,754,600 in FY 2022 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 2021.

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 2020, this funding assisted in the distribution of 190.1 million pounds of food.

Tribal Pass-Through Funding

The budget includes \$4,680,300 from the General Fund in FY 2022 for Tribal Pass-Through Funding. This amount is unchanged from FY 2021.

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

Sources	FY 2022
State Share of Retained Earnings	\$ 2,336,000
Federal Incentive Payments	5,589,700
Fees	2,585,700
Excess Appropriation Authority ^{1/}	6,693,300
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,320,300
Uses	
DCSE Administration (DES Operating)	\$13,547,100
Attorney General Legal Services	2,578,500
County Participation	1,079,100
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$20,320,300

^{1/} This line is the difference between appropriation authority and expected revenues.

At its December 2020 JLBC meeting, the Committee gave a favorable review to DES' FY 2021 expenditure plan for replacement of the Arizona Tracking and Locate Automated System (ATLAS). The FY 2021 expenditure plan consists of \$14,282,300 of Federal Funds and \$7,357,600 of Other Appropriated Funds. Total costs for the 5-year project are estimated at \$58,738,400.

County Participation

The budget includes \$8,539,700 in FY 2022 for County Participation. This amount consists of:

CSEA Fund	1,079,100
CSEA Fund (EA)	7,460,600

FY 2022 adjustments are as follows:

Gila County Child Support Enforcement

The budget includes a decrease of \$(200,500) from the Child Support Enforcement Administration Fund (EA) in FY 2022 for the transfer of the Gila County child support enforcement function back to the state.

The division contracted with Gila County to provide their own child support program. As of November 15, 2020, Gila County transferred this function back to the state. There are no remaining counties that provide their own child support programs. This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match. The JLBC Staff is reviewing whether this line item is still necessary.

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 April 30, 2021, the Division of Developmental Disabilities served 45,422 clients, which includes 36,597 clients in the LTC program, 5,264 in Targeted Case Management, and 3,561 clients in the state-only program. The primary disabilities as reported by DES are shown in Table 3.

Disability	Number	Percentage
Intellectual Disability	16,219	35.7%
At Risk	9,672	21.3%
Autism	14,071	31.0%
Cerebral Palsy	3,532	7.8%
Epilepsy	1,928	4.2%
Total	45,422	

Overall DDD Formula Adjustments

The budget includes an increase of \$13,040,800 from the General Fund in FY 2022 for DDD formula changes. Changes are described in further detail below. (Please see the Other Issues section for more information on FY 2023 and FY 2024 formula changes.)

Caseload Growth

The budget includes an increase of \$33,308,800 from the General Fund in FY 2022 for DD caseload changes.

Compared to June 2021, LTC caseloads are expected to grow by 5% to 39,339 members by June 2022 (this amount excludes state-only clients). The 5% caseload growth is based on recent growth (estimated 4.5% in FY 2021, 5.0% in FY 2020, and 5.4% in FY 2019) within the program. LTC caseloads are not COVID-driven, but year-to-year growth has been lower in FY 2020 and FY 2021 than in the recent past.

Table 4 shows the number of clients by placement setting for DDD enrollees in June 2020, and the estimated growth in FY 2021 and FY 2022. Approximately 86.4% of clients are currently at home, and 13.3% receive services in a community-based residential setting, such as a group home or developmental home. The remaining 0.3% of clients receive services in an institution, including an intermediate care facility or a skilled nursing facility.

Placement	FY 20	FY 21 Est	FY 22 Est
Home	30,909	32,371	33,989
Group Home	3,210	3,361	3,529
Developmental Home	1,542	1,614	1,696
Institution	113	120	125
Total	35,774	37,466	39,339

Capitation Rate Adjustments

The budget includes an increase of \$56,459,700 from the General Fund in FY 2022 for a 3.0% net capitation rate increase beginning October 1, 2021. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. The 3.0% capitation rate is based on the historic growth (3% in FY 2020 and 3.5% in FY 2019) in the DDD capitation rate. The FY 2021 capitation rate increase of 9.4% was higher than budgeted, even accounting for COVID-related adjustments (2.6% of total adjustments). The FY 2022 budget redirects the portion of the capitation rate used for one-time COVID-related purposes in FY 2021 for provider rate adjustments in FY 2022. (Please see "Provider Rate Increases" below and the FY 2021 Supplementals narrative for more information.)

Table 5 shows how the capitation adjustment is allocated by service category.

	FY 2021 Capitation Rate ^{1/}	Assumed Growth Rate	FY 2022 Capitation Rate
Administration	248.31	3.0%	255.76
Premium Tax	106.19	3.0%	109.38
Case Management	186.63	3.0%	192.23
HCBS ^{2/}	3,708.03	3.0%	3,819.27
Institutional Care ^{3/}	74.00	3.0%	76.22
Acute Care ^{4/}	1,022.88	3.0%	1,053.57
Total	5,346.04	3.0%	5,506.43

^{1/} Revised rate effective January 1, 2021.
^{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 \$86.04 for reinsurance. Does not include behavioral health expenses.

FMAP Adjustments

The budget includes a decrease of \$(77,000,000) from the General Fund in FY 2022 associated with the enhanced Federal Medical Assistance Percentage (FMAP) through December 31, 2021. The budget also includes an equivalent increase of \$77,000,000 to the Long-Term Care System Fund in FY 2022 due to the higher federal match rate. 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. (Please see the Other Issues section for more information on FMAP adjustments.)

Medicare Clawback

The budget includes an increase of \$272,300 from the General Fund in FY 2022 for adjustments associated with Medicare Clawback Payments.

Other DD General Fund Adjustments

In addition to the \$13,040,800 in DDD formula changes, the budget includes an increase of \$16,755,100 from the General Fund in FY 2022 for other DD policy issues. Changes are described in further detail below.

Salary Increases

The budget includes an increase of \$2,307,700 from the General Fund in FY 2022 for salary increases for program service evaluators and human services workers. This would provide a 5% increase for 6,000 workers.

Provider Rate Increases

The budget includes an increase of \$15,400,000 from the General Fund in FY 2022 for provider rate increases. The legislature intends that the division also reallocate

\$15,000,000 of its base General Fund FY 2022 appropriation that they spent for one-time DD purposes in FY 2021 in order to finance a \$30,000,000 provider rate increase for FY 2022.

Repeal of Health Insurer Fee

The budget includes a decrease of \$(952,600) from the General Fund in FY 2022 for repeal of the Health Insurer Fee.

DDD Administration

The budget includes \$118,405,100 and 294.3 FTE Positions in FY 2022 for DDD Administration. These amounts consist of:

General Fund	37,313,900
Long Term Care System Fund	81,091,200

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$12,572,500 in FY 2022 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	3,908,300
Long Term Care System Fund	8,664,200

Salary Increases

The budget includes an increase of \$2,307,700 from the General Fund in FY 2022 for salary increases for program service evaluators and human services workers.

Statewide Adjustments

The budget includes a decrease of \$(949,500) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(85,800)
Long Term Care System Fund	(863,700)

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 budget includes \$50,055,200 in FY 2022 for the DDD Premium Tax Payment. This amount consists of:

General Fund	15,007,100
Long Term Care System Fund	35,048,100

FY 2022 adjustments are as follows:

Premium Tax Growth

The budget includes an increase of \$6,582,300 in FY 2022 for growth in the premium tax. This amount consists of:

General Fund	1,972,700
Long Term Care System Fund	4,609,600

Background – DES pays a 2% premium tax to the Department of Insurance on capitation payments received from AHCCCS.

Case Management - Medicaid

The budget includes \$85,719,800 and 1,237 FTE Positions in FY 2022 for Case Management - Medicaid. These amounts consist of:

General Fund	25,692,200
Long Term Care System Fund	60,027,600

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$1,017,000 in FY 2022 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	253,200
Long Term Care System Fund	763,800

Statewide Adjustments

The budget includes a decrease of \$(2,252,700) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(683,000)
Long Term Care System Fund	(1,569,700)

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 budget includes \$1,822,088,000 and 94.5 FTE Positions in FY 2022 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	466,075,700
Long Term Care System Fund	1,345,267,000
Health Care Investment Fund	10,745,300

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$243,197,000 in FY 2022 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	(7,336,000)
Long Term Care System Fund	239,787,700
Health Care Investment Fund	10,745,300

These formula adjustments also incorporate a decrease of \$(77,000,000) to the General Fund and an increase of \$77,000,000 to the Long Term Care System Fund for FMAP savings due to a higher federal match rate.

Provider Rate Increases

The budget includes an increase of \$51,333,400 in FY 2022 for provider rate increases. This amount consists of:

General Fund	15,400,000
Long Term Care System Fund	35,933,400

The budget also includes a footnote stating that the Legislature intends that the division reallocate \$15,000,000 of its base General Fund FY 2022 appropriation that the division spent for one-time developmental disability purposes in FY 2021 in order to finance a \$30,000,000 provider rate increase for FY 2022. The JLBC Staff estimates the total amount available for provider rate increases on an ongoing basis would be approximately \$101,366,800 assuming a regular federal match rate.

Remove FY 2021 Supplemental

The budget includes a decrease of \$(123,058,900) in FY 2022 to remove one-time supplemental funding from FY 2021. This amount consists of:

Health Care Investment Fund	(8,058,900)
Long Term Care System Fund	(115,000,000)

(Please see the FY 2021 Supplementals narrative for more information.)

Statewide Adjustments

The budget includes a decrease of \$(405,000) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(113,600)
Long Term Care System Fund	(291,400)

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. This line item also funds staff in state-operated group homes.

Table 6	
FY 2020 Developmental Disabilities Home and Community-Based Services Expenditures for Top 10 Most Used Services	
Service	Expenditures (\$ in M)
Group Homes	\$237.7
Attendant Care	108.9
Day Programs	94.0
Habilitation- Support - Hourly	87.3
Respite	79.8
Adult Development Homes	34.4
Nurses (In-Home)	31.9
Speech Therapy	28.2
Habilitation- Support - Daily	19.8
Habilitation Services – Nursing Supported Group Home	19.7

Institutional Services - Medicaid

The budget includes \$34,149,500 and 457.7 FTE Positions in FY 2022 for Medicaid Institutional Services. These amounts consist of:

General Fund	10,252,000
Long Term Care System Fund	23,897,500

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes a decrease of \$(11,091,500) in FY 2022 for formula adjustments. The formula adjustments include decreased capitation rates for institutional care in FY 2021, projected FY 2022 3.0% capitation rate growth, and the federal match rate change. This amount consists of:

General Fund	(3,324,400)
Long Term Care System Fund	(7,767,100)

Statewide Adjustments

The budget includes a decrease of \$(732,200) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(205,900)
Long Term Care System Fund	(526,300)

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 2020 enrollment of 71, a decrease of 1 from November 2019.

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 15 residents at the facility. The department reports all 15 residents have opted to stay at the ATP-C facility. In November 2020, DES reported that it still planned to close the SOGHs. As of December 2020, the SOGHs are still open due to delays related to COVID-19. The department anticipates closing the SOGHs in 2021. The budget continues this footnote in FY 2022. *(Please see the December 2019 JLBC Agenda Book for more information about DES' plans for ATP-C.)*

Physical and Behavioral Health Services - Medicaid

The budget includes \$465,132,500 and 35.4 FTE Positions in FY 2022 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	134,028,700
Long Term Care System Fund	314,985,900
Health Care Investment Fund	16,117,900

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$73,258,300 in FY 2022 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	16,520,300
Long Term Care System Fund	40,620,100
Health Care Investment Fund	16,117,900

Repeal of Health Insurer Fee

The budget includes a decrease of \$(952,600) from the General Fund in FY 2022 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. Beginning FY 2022, the Health Insurer Fee will be permanently repealed.

Remove FY 2021 Supplemental

The budget includes a decrease of \$(12,088,400) from the Health Care Investment Fund in FY 2022 to remove the FY 2021 supplemental appropriation to the fund. (Please see the FY 2021 Supplementals narrative for more information.)

Statewide Adjustments

The budget includes a decrease of \$(216,900) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	15,000
Long Term Care System Fund	(231,900)

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 budget includes \$4,661,200 from the General Fund in FY 2022 for Medicare Clawback Payments. FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$272,300 from the General Fund in FY 2022 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. The Medicare Clawback payment is based on the population of individual dually enrolled in DDD and AHCCCS programs.

Targeted Case Management - Medicaid

The budget includes \$12,924,500 and 76.8 FTE Positions in FY 2022 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	3,861,900
Long Term Care System Fund	9,062,600

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$1,776,400 in FY 2022 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	508,900
Long Term Care System Fund	1,267,500

Statewide Adjustments

The budget includes a decrease of \$(267,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(93,000)
Long Term Care System Fund	(174,400)

Background – The TCM program provides case management services to DDD clients that are financially eligible for AHCCCS acute care services but do not meet the functional disability requirements to qualify for ALTCS. The program is funded via capitation from AHCCCS. A monthly average of 4,582 clients received TCM services in FY 2020.

Case Management - State-Only

The budget includes \$6,211,400 and 55.8 FTE Positions from the General Fund in FY 2021 for Case Management - State-Only. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(100,500) from the General Fund in FY 2022 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DD program who meet the functional disability requirements but are not financially eligible for the Targeted Case Management program. A monthly average of 3,752 DD state-only clients received case management state-only services in FY 2020.

Cost-Effectiveness Study - Client Services

The budget includes \$1,220,000 from the Special Administration Fund in FY 2022 for Cost-Effectiveness Study (CES) - Client Services. This amount is unchanged from FY 2021.

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.)*

Home and Community Based Services - State-Only

The budget includes \$13,589,000 from the General Fund in FY 2022 for State-Only Home and Community Based Services. This amount is unchanged from FY 2021.

Background – This line item funds residential programs, day programs, and support services for DD clients that do not financially qualify for ALTCS.

Arizona Early Intervention Program

The budget includes \$6,319,000 from the General Fund in FY 2022 for the Arizona Early Intervention Program (AzEIP). This amount is unchanged from FY 2021.

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 \$9,882,000 for AzEIP services in FY 2022. An additional \$4,277,600 is expected from the American Rescue Plan Act. As a result, the total AzEIP funding available is \$20,478,600 in FY 2022. DES reports that AzEIP is currently awaiting final guidance from the Office of Special Education Programs on allowable uses and regulations for the additional funding from the American Rescue Plan Act.

DES reports that there were 16,009 new referrals to AzEIP in FY 2020 and 5,378 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 5,031 DD-eligible children enrolled in the AzEIP program in FY 2020.

State-Funded Long Term Care Services

The budget includes \$41,574,900 and 2 FTE Positions in FY 2022 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	9,115,300
Long Term Care System Fund	32,459,600

FY 2022 adjustments are as follows:

Formula Adjustments

The budget includes an increase of \$1,062,400 from the General Fund in FY 2022 for 3% caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses.

General Fund	265,500
Long Term Care System Fund	796,900

Room and Board Costs

The budget includes an increase of \$1,103,100 from the Long Term Care System Fund in FY 2022 for increased room and board costs for DD clients. The FY 2022 budget also continues an FY 2021 supplemental appropriation of \$4,000,000 for a total increase of \$5,103,100 above the original FY 2021 appropriation. *(Please see the FY 2021 Supplementals narrative for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(4,200) from the Long Term Care System Fund in FY 2022 for statewide adjustments.

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 budget includes \$1,273,693,000 from the Federal CCDF Block Grant in FY 2022 for child care subsidies. FY 2022 adjustments are as follows:

Additional CCDF Funding

The budget includes an increase of \$17,985,200 from the Child Care and Development Fund Block Grant in FY 2022 for continued suspension of the child care waitlist and a continued increase in paid absences allowed.

This increase includes funding to continue suspension of the waitlist and support child care providers. See *Table 7* for additional details.

Table 7

Child Care Subsidy Appropriations

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Base Appropriation	\$146,796,600	\$169,095,000	\$ 169,095,000
Base Appropriation Increase	-	-	17,985,200
Laws 2021, Chapter 18 FY 2021 Supplemental	-	92,712,300	-
FY 2021 Supplemental - Return to Work Child Care	-	30,200,000	-
One-Time Federal Monies ^{1/}	-	-	<u>1,086,612,800</u>
Total Appropriation	\$146,796,600	\$292,007,300	\$1,273,693,000

^{1/} For more information on One-Time Federal Monies please see the Child Care Subsidy line item.

Remove FY 2021 Supplemental

The budget includes a decrease of \$(122,912,300) from the Child Care and Development Fund Block Grant in FY 2022 to remove FY 2021 supplemental appropriations to the fund. This includes a supplemental appropriation of \$30,200,000 for the Return to Work Child Care Program and \$92,712,300 as appropriated in Laws 2021, Chapter 18.

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) provided Arizona an additional \$88,005,800 in CCDF monies. Laws 2021, Chapter 18 appropriated \$92,712,300 from the Child Care and Development Fund Block Grant in FY 2021 for child care services. This supplemental appropriation includes the \$88,005,800 from the CARES Act in addition to \$4,706,500 from the Department's CCDF reserve balance. These funds will be used to maintain suspension of the child care waitlist, provide scholarships to children of essential workers, offer grant programs and other relief to child care providers, and other initiatives to sustain the provider network. The Executive began using these funds in August 2020. *(Please see the FY 2021 Supplementals narrative for more information.)*

One-Time Federal Monies

The budget includes an increase of \$1,086,612,800 from the Child Care and Development Fund Block Grant in FY 2022 for child care initiatives and programs.

In December 2020, the federal Consolidated Appropriations Act (CAA) of 2021 authorized additional COVID-related spending for child care. This provides an additional \$10,000,000,000 nationwide for child care. This resulted in an additional \$248,600,000 in CCDF for Arizona. These funds allow for continued spending flexibilities given to states during the COVID pandemic. These funds also must be obligated by September 30, 2022 and liquidated by September 30, 2023.

Arizona also received an additional \$968,573,500 in CCDF from the American Rescue Plan Act (ARPA). This includes \$596,421,900 in stabilization funding and \$372,151,600 in discretionary funding.

The budgeted FY 2022 increase of \$1,086,612,800 is aimed at supporting additional recipients, providing additional benefits, increasing reimbursement rates, enhancing quality, updating systems, and for provider grants. Of this amount, \$30,200,000 is allocated for Return to Work Child Care. *(Please see the Unemployment Insurance Program Changes/Fund Transfer narrative for more information.)*

The budget includes the following footnote changes related to child care:

- Adds a footnote requiring DES submit a report to the President of the Senate, Speaker of the House, Chairmen of the House and Senate Appropriations Committees and the JLBC by September 15, 2021 and March 15, 2022 on child care monies provided by federal coronavirus relief legislation. The report must include expenditures to date, expenditure plan for remaining monies, number of children served, average child care rates, and the number of child care settings with a quality rating.
- Deletes footnote requiring JLBC review of child care reimbursement rates.
- Deletes footnote on requiring that a minimum of 8,500 children be served by the child care program.
- Adds a footnote requiring DES submit a report to the President of the Senate, Speaker of the House of Representatives, the Chairmen of the House and Senate Appropriations Committees and the JLBC by March 15, 2022 on the number of individuals who have received child care support through Return to Work Grants and the number of those individuals who did not return to unemployment insurance within 6 months.
- Adds a footnote stipulating that \$1,086,612,800 of the \$1,272,026,800 from the Federal CCDF Block Grant in the Child Care Subsidy Line is non-lapsing. This footnote also states that the legislature intends that provider rate increases funded from this amount be contingent on available federal funding and not continue in future years after these monies have been spent.

- Adds a footnote stipulating that the FY 2021 supplemental of \$30,200,000 from the CCDF Block Grant is non-lapsing.

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. These estimates do not reflect the \$1,086,612,800 in CCDF provided from federal COVID legislation and appropriated in FY 2022.

Caseloads – According to the department, the estimated number of children receiving child care services in June 2021 is projected to be 35,600 (see Table 8) excluding ECDHB- and DCS-related child care.

Category	FY 21	FY 21 est	FY 22 est
TANF	1,900	2,300	1,500
Low-Income Working	17,300	28,300	18,700
Transitional Child Care	4,700	5,000	3,600
Total Served	23,900	35,600	23,800

^{1/} These numbers do not include increases associated with the additional \$1,086,612,800 in CCDF provided from federal COVID legislation.

Independent Living Rehabilitation Services

The budget includes \$1,289,400 in FY 2022 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 2021.

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 480 clients in FY 2021 at an average Total Funds cost per client of \$4,300. In addition to these clients, the division is also expected to serve 150 Independent Living clients at an average annual cost of \$2,940 per client using federal Social Services Block Grant monies.

JOBS

The budget includes \$11,005,600 in FY 2022 for JOBS. This amount consists of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2021.

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 9 highlights total estimated expenditures for the JOBS line item.

Expenditures	Amount
Case Management	\$ 6,956,500
Job Training	1,613,200
FLSA Supplement	31,700
Work-Related Transportation	2,104,200
Job Search Stipends	300,000
Total	\$11,005,600

Rehabilitation Services

The budget includes \$7,249,100 in FY 2022 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 2021.

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 8,600 clients in FY 2021 at an average Total Funds cost of \$12,220 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 budget includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2022 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2021.

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 2022 is shown in *Table 10*.

Category	Amount
WIA Line Item	\$53,654,600
Operating Budget	2,420,700
AG Legal Services	10,200
Total	\$56,085,500

Return to Work Grants

The budget includes \$7,500,000 from the General Fund in FY 2022 for Return to Work Grants. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$7,500,000 from the General Fund in FY 2022 for scholarships to part-time community college students.

In order to receive a scholarship, the student must be attending a community college part-time, have received unemployment benefits as of May 15, 2021, work at least 20 hours per week, are enrolled in at least 6 credit hours per semester, and demonstrate financial need. Scholarships may cover up to 6 credit hours per semester or up to 2 years or 4 academic semesters. DES will reimburse community colleges for scholarships provided through the program. These monies are non-lapsing through June 30, 2024.

In addition to these grants and Return to Work Child Care Program, the Executive has also allocated \$238,400,000 from the State Fiscal Recovery Fund provided as part of ARPA to administer a Return to Work Bonus Program. The Return to Work Bonus Program provides eligible unemployment claimants a one-time bonus of up to \$2,000 when they return to work. *(Please see the Unemployment Insurance Program Changes/Fund Transfer narrative for more information on Return to Work Programs.)*

Unemployment Insurance Trust Fund Deposit

The budget includes no funding in FY 2022 for the Unemployment Insurance Trust Fund Deposit line item. FY 2022 adjustments are as follows:

Remove FY 2021 Supplemental

The budget includes a decrease of \$(62,000,000) from the General Fund in FY 2022 to remove the FY 2021 supplemental appropriation to the fund. *(Please see the FY 2021 Supplementals narrative for more information.)*

In addition to the FY 2021 deposit of \$62,000,000 from the General Fund, the Executive has allocated \$758,826,800 in State Fiscal Recovery Fund monies from ARPA to the Unemployment Insurance Trust Fund. *(Please see the Unemployment Insurance Program Changes/Fund Transfer narrative for more information on Return to Work Programs.)*

Other Issues

This section includes information on the following topics:

- FY 2021 Supplementals
- FY 2021 FMAP Savings
- Fund Transfer
- DES Child Care Management System
- Statutory Changes
- Long-Term Budget Impacts
- COVID-19 Funding
- Unemployment Insurance Program Changes
- Federal TANF Block Grant

FY 2021 Supplementals

The FY 2022 budget includes the following supplementals for FY 2021.

Child Care Supplemental

The budget includes a FY 2021 supplemental appropriation of \$122,912,300 from the Child Care and Development Fund Block Grant. This includes:

- \$92,712,300 as appropriated by Laws 2021, Chapter 18 to maintain suspension of the child care waitlist (\$13,000,000), provide scholarships for children of essential workers (\$31,000,000), grant programs and relief for providers during the COVID-19 pandemic (\$35,600,000), and other initiatives to sustain the provider network (\$13,112,300).
- \$30,200,000 for the Return to Work Child Care Program. *(Please see the Child Care Subsidy line item for more information.)*

State Long Term Care Supplemental

The budget includes a FY 2021 supplemental appropriation of \$4,000,000 from the State Long Term Care System Fund for room and board costs for DD clients in FY 2021. *(Please see the State-Funded Long Term Care Services line item for more information.)*

HCIF Supplemental

The budget includes a FY 2021 supplemental appropriation of \$20,147,300 expenditure authority from the Health Care Investment Fund (HCIF) for physician rate increases.

Laws 2020, Chapter 46 establishes a new hospital assessment effective October 1, 2020. Monies from this assessment are to be deposited into the Health Care Investment Fund and used to make directed payments to hospitals as well as increase base reimbursement rates for services reimbursed under the dental and physician fee

schedules. Within DES, Health Care Investment Fund monies will be used for the Physical and Behavioral Health Services and Home and Community Based Services line items.

The budget includes an increase of \$26,863,200 expenditure authority from the HCIF in FY 2022 to continue funding for these physician rate increases. *(Please see the Home and Community Based Services - Medicaid and Physical and Behavioral Health Services - Medicaid line items for more information.)*

Unemployment Insurance Trust Fund Deposit

The budget includes a one-time FY 2021 supplemental appropriation of \$62,000,000 from the General Fund to the Unemployment Insurance Trust Fund. *(Please see the Unemployment Insurance Trust Fund Deposit line item for more information.)*

FY 2021 FMAP Savings

The FY 2022 budget includes one-time FY 2021 savings of \$(115,000,000) from the General Fund for savings associated with the enhanced FMAP. The summary table at the beginning of this narrative has not been updated to reflect these savings. The \$(115,000,000) in savings is less than it would otherwise be as a result of higher-than-budgeted capitation rate adjustments for FY 2021.

In March 2020, the President signed the federal Families First Coronavirus Response Act into law. Among other provisions, the bill temporarily increases the regular Medicaid match rate by 6.2% retroactive to January 1, 2020. Based on guidance from the Biden Administration, the temporary enhanced match rate is currently assumed to be effective through the second quarter of FY 2022. The match rate increase reduces General Fund expenditures for AHCCCS, DCS and DES in FY 2020, FY 2021 and FY 2022. The FY 2021 enacted budget did not adjust DES's General Fund appropriation to account for the savings. FY 2020 match rate savings have been realized through adjustments to the General Fund in FY 2021. The magnitude of DES's level of FY 2020 savings is \$(45,000,000). These FY 2020 savings are reflected as a reduction in the FY 2021 estimate of administrative adjustments.

In FY 2022, the JLBC Staff estimates that the match rate increase will reduce DES's General Fund expenditures by approximately \$(77,000,000). This FY 2022 reduction assumes that the 6.2% increase will be in effect through December 2021, consistent with the current federal emergency declaration. These savings are incorporated into DES' FY 2022 budget numbers.

Fund Transfers

The budget includes an FY 2022 transfer of \$8,000,000 to the Sexual Violence Service Fund. This consists of the following amounts:

- \$2,370,900 from the Department of Health Services (DHS) Health Services Licensing Fund
- \$93,700 from the DHS Health Services Lottery Fund
- \$1,339,000 from the DHS Indirect Cost Fund
- \$343,700 from the Department of Public Safety (DPS) Criminal Justice Enhancement Fund
- \$251,900 from the DPS Licensing Fund
- \$1,356,400 from the DPS Fingerprint Clearance Card Fund
- \$306,800 from the DPS Motor Vehicle Liability Insurance Enforcement Fund
- \$921,900 from the DPS Parity Compensation Fund
- \$202,500 from the DPS Safety Enforcement and Transportation Infrastructure Fund
- \$247,800 from the Arizona Department of Transportation Motor Vehicle Liability Insurance Enforcement Fund
- \$565,400 from the Department of Transportation Vehicle Inspection and Certificate of Title Enforcement Fund

(Please see the Sexual Violence Service line item for more information.)

DES Child Care Management System

The budget includes an FY 2022 transfer of \$9,000,000 from the DES Subaccount in the Automation Projects Fund to the Arizona Department of Administration to update the DES child care management system. *(Please see the Department of Administration - Automation Projects Fund narrative for details regarding this information technology project.)*

Statutory Changes

The Health BRB makes the following statutory changes:

- 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, establishes the Sexual Violence Service Fund for grants to providers serving victims of sexual violence. A report to the Governor, Speaker of the House of Representatives, and President of the

Senate must be submitted by DES on or before October 1 on the population served.

- As permanent law, require that the State Long Term Care Ombudsman visit long term care facilities twice each year to speak with residents or their representatives, investigate and resolve complaints, refer cases to Adult Protective Services or the appropriate agency, and change complaint communication requirements for DD service providers.

The Higher Education BRB makes the following statutory changes:

- As session law, establishes the Return to Work Grant Program to provide part-time community college students with scholarships.

As permanent law, the Tax Omnibus (BRB) makes the follow statutory changes to unemployment insurance taxed and benefits on July 1, 2022:

- An increase in the maximum weekly unemployment insurance benefits from \$240 per week to \$320 per week.
- An increase in the taxable payroll base from \$7,000 to \$8,000 in the next calendar year.
- A decrease in the maximum number of weeks of unemployment benefits from 26 weeks to 24 weeks if the state unemployment rate is less than 5% in the prior calendar quarter.
- Require DES to obtain current and actual employment and earned income information from third-party sources when it determines eligibility for unemployment benefits. The identity verification process may include digital and/or physical identity authentication factors. Requires DES to report by December 31 annually on unemployment insurance fraud for the previous fiscal year.

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 \$62,323,700 in FY 2023 above FY 2022 and \$68,399,700 in FY 2024 above FY 2023. The FY 2024 estimate includes an increase of \$1,000,000 for housing, rental assistance and other services for homeless youth.

COVID-19 Funding

Federal COVID Relief - Federal funds have been distributed to Arizona through multiple COVID relief bills passed at the federal level. The Families First Coronavirus

Response Act provided \$1,000,000,000 in emergency grants to states for unemployment insurance administration. Arizona received an initial grant of \$10,000,000. Additionally, DES received \$2,000,000 for administration of the Arizona Shared Work program that allows employees working reduced hours to receive pro-rated UI benefits. DES also received \$1,000,000 for Dislocated Worker Grants to provide disaster-relief cleanup, humanitarian assistance and employment and training activities.

COVID relief was also provided to the Emergency Food Assistance Program (TEFAP). TEFAP provides emergency food and nutrition assistance. In total, DES is expected to receive \$6,000,000 for administration of the program and an additional \$14,000,000 for commodities.

DES received \$23,400,000 in funding for services associated with the Older Americans Act. Services include congregate and home-delivered meals, supportive services, supportive services for family caregivers, protection of Vulnerable Older Americans activities, and other discretionary projects.

DES received \$8,000,000 in Community Services Block Grants for programs related to poverty. Local entities will receive 90% of these monies.

Supplemental Nutrition Assistance Program (SNAP) emergency allotments were also provided through COVID relief bills. SNAP benefits are 100% federally-funded.

Emergency allotments to individuals total \$289,000,000. Pandemic Electronic Benefit Transfer (P-EBT) availability was also authorized during the COVID pandemic totaling \$201,000,000. Both of these benefit programs are housed within DES but are 100% federally funded.

2021 Consolidated Appropriations Act - The 2021 Consolidated Appropriations Act makes the following estimated allocations to Arizona:

- \$10,000,000 for TEFAP administration
- \$100,000,000 for SNAP administration
- \$248,600,000 from the Child Care and Development Block Grant
- \$4,000,000 for home delivered meals under the Older Americans Act
- \$2,000,000 for Adult Protective Services
- \$100,000 for the Long-Term Care Ombudsman Program

American Rescue Plan Act Allocations - DES received additional allocations through the American Rescue Plan Act passed in March 2021. The state is expected to receive the following allocations:

- \$389,000,000 for the Emergency Rental Assistance Program

- \$17,500,000 for SNAP administration grants
- \$700,000 for the Commodity Supplemental Food Program
- \$15,546,500 from the Pandemic Emergency Assistance Fund
- \$16,000,000 for aging and disability services
- \$31,000,000 for the Older Americans Act
- \$968,573,500 for the Child Care and Development Fund Block Grant Program and Child Care Stabilization Grants
- \$46,000,000 for the Low-Income Home Energy Assistance Program
- \$10,000,000 for the Water Assistance Program

Both the Consolidated Appropriations Act of 2021 (CAA) and the American Rescue Plan Act (ARPA) allocations do not include child care and PEAFF allocations already discussed and appropriated to state agencies.

(Please see the Federal and State COVID Programs section at the front of this book for more information on federal COVID funding allocations.)

Executive Discretionary Funds - Laws 2020, Chapter 56 appropriated \$50,000,000 from the General Fund to the non-appropriated Crisis Contingency and Safety Net Fund (CCSN). The CCSN Fund is administered by the Governor and monies may only be spent following a state of emergency declaration by the Governor.

The Governor has allocated a total of \$1,000,000 to the Double-Up Food Bucks Program in DES. The Double Up Food Bucks Program allows individuals in Arizona who receive assistance from the Supplemental Nutrition Assistance Program (SNAP) to get a \$1 match from the state for every \$1 they spend on fruits and vegetables grown in Arizona. In addition to the \$1,000,000 provided from the CCSN Fund, private-sector partners will contribute \$500,000.

Additionally, the Governor allocated \$250,000 for the Arizona Produce Purchasing Program. This program provides individuals with fresh produce, dairy, and protein items from local producers through a partnership between the Arizona Food Bank Network, DES, and the Department of Agriculture.

The Governor has also allocated \$250,000 to the Special Olympics to provide virtual programming during the COVID pandemic.

The Governor allocated \$600,000 to St. Mary's Food Bank for home-delivery in order to reach an additional 2,000 seniors in Maricopa, Coconino, Gila, Mohave, Pinal, and Yavapai Counties. An additional \$525,000 has also been allocated for Community Food Bank home-delivery to reach 2,000 seniors in Pima County and to continue

providing fresh product to residential senior living facilities.

(Please see the Federal and State COVID Programs section at the front of this book for more information on the CCSN Fund and AZ CRF.)

Unemployment Insurance Program Changes

Background

A.R.S. § 23-779 currently establishes a weekly benefit amount equal to 1/25th of the person's total wages during the quarter in which wages were highest in the prior year, except that the weekly benefit may not exceed \$240. The U.S. Department of Labor (DOL) estimates that Arizona's average weekly benefit amount is \$234 in calendar year 2020. The duration of benefits is 26 weeks.

Arizona state unemployment tax finances the cost of unemployment insurance program benefits. The tax is applied on the first \$7,000 of wages paid for each employee. The actual tax rate varies by employer based on the balance of each employer's reserve of unemployment contributions, utilization of benefits, as well as the systemwide assets in the state's Unemployment Insurance Trust Fund.

Unemployment Insurance Benefit Changes

The Tax Omnibus BRB increases the maximum weekly unemployment insurance benefit from \$240 to \$320, effective July 1, 2022. The resulting increase in the average weekly spending on benefits will be less than \$80, however, because current law limits the weekly benefit to 52% of pre-unemployment earnings.

The Tax Omnibus BRB also decreases the number of weeks of unemployment benefits from 26 weeks to 24 weeks if the state unemployment rate is less than 5% in the prior calendar quarter, effective July 1, 2022.

Unemployment Insurance Tax Changes

The Tax Omnibus BRB increases the taxable payroll base from \$7,000 to \$8,000 beginning January 1, 2023.

Unemployment Insurance Trust Fund Supplemental

The budget includes a one-time FY 2021 supplemental appropriation of \$62,000,000 from the General Fund for a deposit to the Unemployment Insurance Trust Fund.

The Executive reports that the \$62,000,000 General Fund deposit along with a deposit of \$758,826,800 in State Fiscal Recovery Fund monies from ARPA is expected to lower the annual unemployment insurance tax assessment per employee from \$160 in CY 2021 to \$103 in CY 2022. This is lower than the pre-pandemic (CY 2020)

levels of \$112. These transfers are aimed at replenishing the Unemployment Insurance Trust Fund to a pre-pandemic level. The unemployment insurance tax rate will be 1.47% in CY 2022. *(Please see the Unemployment Insurance Trust Fund Deposit SLI for more information.)*

Return to Work Program

The Return to Work Program is aimed at helping individuals transitioning from unemployment back to the workforce. The Return to Work Program includes 3 components:

- *Child Care:* The FY 2022 budget includes \$30,200,000 in CCDF monies provided from federal COVID legislation for Return to Work Child Care. The Return to Work Child Care Program provides child care assistance for families transitioning off unemployment insurance benefits. The Executive estimates serving approximately 10,700 families during a 3-month period. *(Please see the Child Care Subsidy SLI for more information on COVID legislation allocations.)*
- *Cash Bonuses:* The Executive has also allocated \$238,400,000 from the State Fiscal Recovery Fund authorized in ARPA for the Return to Work Bonus Program. The Return to Work Bonus Program provides eligible unemployment claimants a one-time bonus of up to \$2,000 when they return to work.
- *Community College Scholarships:* Lastly, the FY 2022 budget includes \$7,500,000 for Return to Work Grants. This program provides scholarships for students attending community college part-time who have received unemployment benefits as of May 15, 2021. *(Please see the Return to Work Grants SLI for more information on program requirements.)*

Federal TANF Block Grant

The budget appropriates \$222,873,900 of the state's Federal TANF Block Grant monies in FY 2022. *Table 11* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

Table 11

TANF Block Grant Spending

	Actual FY 2020	Estimate FY 2021	Estimate FY 2022
Revenues			
Beginning Balance	\$ 8,331,100	\$ 8,404,500	\$ 6,532,900
TANF Base Revenues	<u>222,898,100</u>	<u>223,059,300</u>	<u>223,059,300</u>
Total TANF Available	\$ 231,229,200	\$ 231,463,800	\$ 229,592,200
Expenditures			
Department of Child Safety	\$ 157,428,800	\$ 159,091,100	\$ 157,468,100
Department of Economic Security			
TANF Cash Benefits	\$ 22,736,400	\$ 22,736,400	\$ 22,736,400
All Other TANF Expenditures	<u>42,659,500</u>	<u>43,103,400</u>	<u>42,669,400</u>
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 65,395,900	\$ 65,839,800	\$ 65,405,800
TOTAL - STATEWIDE	\$ 222,824,700	\$ 224,930,900	\$ 222,873,900
Ending Balance	\$ 8,404,500	\$ 6,532,900	\$ 6,718,300

State Board of Education

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	7.0	19.0 ^{1/}
Personal Services	446,100	495,700	1,502,000
Employee Related Expenditures	155,200	146,600	146,800
Professional and Outside Services	181,400	206,800	206,800
Travel - In State	12,000	25,500	25,500
Travel - Out of State	15,300	15,000	15,000
Other Operating Expenditures	226,500	279,700	278,900
Equipment	1,500	15,000	15,000
OPERATING SUBTOTAL	1,038,000	1,184,300	2,190,000
SPECIAL LINE ITEMS			
Arizona Empowerment Scholarship Account Appeals	0	150,000	150,000
AGENCY TOTAL	1,038,000	1,334,300	2,340,000 ^{2/}
FUND SOURCES			
General Fund	1,038,000	1,334,300	2,340,000
SUBTOTAL - Appropriated Funds	1,038,000	1,334,300	2,340,000
TOTAL - ALL SOURCES	1,038,000	1,334,300	2,340,000

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/} Includes 1 GF FTE Position funded from Special Line Items in FY 2022.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,190,000 and 18 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Investigations Unit

The budget includes an increase of \$1,028,500 and 12 FTE Positions from the General Fund in FY 2022 to expand and move the Investigations Unit from the Arizona Department of Education (ADE) to the State Board of Education. Of this amount, \$556,000 and 6 FTE Positions are associated with the transfer from ADE to the State Board of Education. The remaining \$472,500 and 6 FTE Positions were added in the FY 2022 budget.

Laws 2021, Chapter 2 expands the responsibilities of the Investigations Unit to also require investigations of non-certified school personnel.

Statewide Adjustments

The budget includes a decrease of \$(22,800) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Empowerment Scholarship Account Appeals

The budget includes \$150,000 and 1 FTE Position from the General Fund in FY 2022 for the Arizona Empowerment Scholarship Account (ESA) Appeals. These amounts are unchanged from FY 2021.

The funding in this line item includes \$100,000 and 1 FTE Position to provide administrative support for the

rulemaking process and for the appeals process and \$50,000 for Attorney General legal services for the appeals program.

The appeals process was previously conducted by ADE. A.R.S. § 15-2403 allows a parent to appeal to the State Board of Education any administrative decision made by ADE. Administrative decisions may include determinations of allowable expenses, removal from the ESA program, and enrollment eligibility.

Laws 2020, Chapter 12 requires the State Board of Education to adopt rules regarding the ESA appeals process by November 1, 2020. The adopted rules took effect on January 1, 2021.

Other Issues

Statutory Changes

The K-12 Education BRB makes the following statutory changes:

- As permanent law, transfer responsibility to direct and oversee the work of all investigators related to investigating certified and non-certified school personnel for unprofessional or immoral conduct from ADE to the State Board of Education.
- As permanent law, require school districts to post information about open enrollment on each school's website, including the school's capacity and whether or not the school is accepting open enrollment students by grade level. The State Board of Education shall adopt a model school format school districts may use for describing open enrollment options on their websites and, subject to the availability of appropriated monies, shall design a public awareness campaign about open enrollment options. Stipulates that ADE shall annually report on open enrollment participation by school district, school, and county.
- As permanent law, require the State Treasurer to submit an annual September 1 report to the JLBC and the Governor's Office of Strategic Planning and Budgeting on monies distributed from the Student Support and Safety Fund and Career Training and Workforce Fund to agencies for the administrative costs of implementing the provisions of Proposition 208. The report will include actual distributions from the prior fiscal year and estimated distributions for the current fiscal year.

Proposition 208 – Education Funding

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the State Board of Education receives a self-determined amount from the fund for oversight of teacher retention programs. However, the State Board of Education has estimated no annual costs to fulfill the initiative's requirements. The FY 2022 K-12 BRB requires the Treasurer to report the amount the State Board of Education receives from the fund. *(Please see the Department of Education - Other Issues Section for more information.)*

Department of Education

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	195.9	208.9	202.9 ^{1/}
Personal Services	3,940,700	4,535,000	4,074,500
Employee Related Expenditures	1,391,600	1,677,800	1,468,900
Professional and Outside Services	934,000	510,900	510,900
Travel - In State	17,500	20,100	18,600
Travel - Out of State	20,300	45,300	45,300
Other Operating Expenditures	4,218,100	6,768,500	6,775,600
Equipment	113,600	9,000	6,400
OPERATING SUBTOTAL	10,635,800	13,566,600	12,900,200 ^{2/3/4/5/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	4,904,196,100	5,257,387,500	5,611,174,900 ^{6/-11/}
State Aid Supplement	50,000,000	75,000,000	75,000,000 ^{12/13/}
Results-Based Funding	68,600,000	68,600,000 ^{14/}	68,600,000
Special Education Fund	36,029,200	36,029,200	36,029,200
Other State Aid to Districts	86,600	983,900	983,900
Classroom Site Fund	676,550,200	581,667,300	977,025,600 ^{15/}
Instructional Improvement Fund	45,000,000	63,765,400	63,765,400 ^{16/}
Property Tax Relief			
Additional State Aid	426,944,900	444,211,400	460,630,300
Non-Formula Programs			
Accountability and Achievement Testing	16,422,500	16,428,100	21,423,300 ^{17/18/}
Adult Education	4,498,900	4,641,800	5,000,100
Alternative Teacher Development Program	500,000	500,000	500,000
Arizona Empowerment Scholarship Account Administration	1,283,400	2,233,400	2,176,400
Arizona Structured English Immersion Fund	4,960,400	4,960,400	4,960,400
College Credit by Examination Incentive Program	5,000,000	5,000,000	7,472,100
College Placement Exam Fee Waiver	0	0	1,265,800
Computer Science Pilot Program	1,000,000	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 ^{19/20/21/}
CTED Industry Credential Incentive Program	0	5,000,000	5,000,000 ^{22/}
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{23/}
Early Literacy	12,000,000	12,000,000	12,000,000
Education Learning and Accountability System	5,277,600	5,351,900	5,315,400
English Learner Administration	6,509,900	6,541,600	6,516,900 ^{24/}
Extraordinary Special Education Needs Fund Deposit	0	0	5,000,000
Geographic Literacy	100,000	100,000	100,000 ^{25/}
Gifted Assessments	0	0	850,000 ^{26/}
Gifted Education	884,000	0	0
Jobs for Arizona Graduates	100,000	100,000	100,000 ^{27/}
School Safety Program	17,957,700	31,950,900	31,925,200 ^{28/}
State Block Grant for Vocational Education	11,510,400	11,651,800	11,593,400
Student Level Data Access	0	0	350,000 ^{29/}
Teacher Certification	2,041,000	2,467,200	2,402,900
Teacher Professional Development Pilot	0	400,000	400,000 ^{30/}
Tribal College Dual Enrollment Program	250,000	250,000	325,000
Yuma Elementary School Construction	800,000	0	0
AGENCY TOTAL	6,311,138,600	6,653,788,400	7,433,786,400 ^{31/-34/}

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
FUND SOURCES			
General Fund	5,192,791,800	5,599,591,900	5,910,547,300
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	1,283,400	0	350,000
Department of Education Professional Development Revolving Fund	37,300	2,700,000	2,701,100
Permanent State School Fund	290,489,100	300,612,600	309,832,400
Proposition 301 Fund	7,000,000	7,000,000	7,000,000
Teacher Certification Fund	1,956,300	2,420,700	2,359,100
Tribal College Dual Enrollment Program Fund	250,000	250,000	325,000
SUBTOTAL - Other Appropriated Funds	301,016,100	312,983,300	322,567,600
SUBTOTAL - Appropriated Funds	5,493,807,900	5,912,575,200	6,233,114,900
<u>Expenditure Authority Funds</u>			
Instructional Improvement Fund	45,000,000	63,765,400	63,765,400
Proposition 301	595,218,800	596,844,000	777,574,600
Proposition 301/Classroom Site Fund – Carryforward	56,005,500	(26,528,800)	236,163,800
Proposition 301/Classroom Site Fund – Land Trust	121,106,400	107,132,600	123,167,700
SUBTOTAL - Expenditure Authority Funds	817,330,700	741,213,200	1,200,671,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	6,311,138,600	6,653,788,400	7,433,786,400
Other Non-Appropriated Funds	15,978,300	16,906,500	16,906,500
Federal Funds	1,164,711,900	1,606,020,000	1,606,020,000
TOTAL - ALL SOURCES	7,491,828,800	8,276,714,900	9,056,712,900

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 Joint Technological Education Districts and 435 charter schools in their provision of public education from preschool through grade 12.

FOOTNOTES

- 1/ Includes 112.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2022.
- 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 section 15-211, Arizona Revised Statutes. (General Appropriation Act footnote)
- 4/ Any monies available to the department of education pursuant to section 42-5029, subsection E, paragraph 8, Arizona Revised Statutes, for the failing schools tutoring fund established by section 15-241, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 8, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ Any monies available to the department of education pursuant to section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes, for character education matching grants pursuant to section 15-154.01, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- 6/ Includes K-12 rollover appropriation of \$930,727,700 from Laws 2020, Chapter 58.
- 7/ The appropriation for basic state aid provides basic state support to school districts for maintenance and operations funding as provided by section 15-973, Arizona Revised Statutes, and includes an estimated \$309,832,400 in expendable income derived from the permanent state school fund and from state trust lands pursuant to section 37-521, subsection B, Arizona Revised Statutes, for fiscal year 2021-2022. (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 section 37-521, Arizona Revised Statutes, 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 sections 15-237 and 15-531, Arizona Revised Statutes, 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 section 42-5029, subsection E, paragraph 5, Arizona Revised Statutes, 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 section 42-5029, subsection E, paragraph 5, Arizona Revised Statutes. (General Appropriation Act footnote)
- 11/ In addition to any other appropriation made in fiscal year 2021-2022, 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. (FY 2020 General Appropriation Act footnote)
- 12/ 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.
- 13/ 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)
- 14/ Notwithstanding section 15-901.03, Arizona Revised Statutes, the superintendent of public instruction may transfer \$5,000,000 from the state general fund appropriation for basic state aid for fiscal year 2020-2021 to the results-based funding program for fiscal year 2020-2021 without review by the joint legislative budget committee. Any amount transferred to the results-based funding program under this section that exceeds the amount needed to address a funding shortfall for the results-based funding program for fiscal year 2020-2021 reverts to the state general fund on June 30, 2021. (General Appropriation Act footnote)
- 15/ Any monies available to the department of education for the classroom site fund pursuant to section 37-521, subsection B, paragraph 4 and section 42-5029, subsection E, paragraph 10, Arizona Revised Statutes, in excess of expenditure authority amounts are allocated for the purposes of section 37-521, subsection B, paragraph 4 and section 42-5029, subsection E, paragraph 10, Arizona Revised Statutes. (General Appropriation Act footnote)
- 16/ Any monies available to the department of education from the instructional improvement fund established by section 15-979, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 15-979, Arizona Revised Statutes. (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 section 42-5029, subsection E, paragraph 7, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 7, Arizona Revised Statutes. (General Appropriation Act footnote)
- 19/ Monies appropriated for CTED completion grants are intended to help fund program completion for students who complete at least fifty percent 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 application 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 for CTED completion grants 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 for CTED completion grants is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (General Appropriation Act footnote)
- 22/ 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)
- 23/ The department of education shall distribute the appropriated amount for CTED soft capital and equipment to career technical education districts with fewer than two thousand 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)
- 24/ The department of education shall use the appropriated amount for English learner administration to provide English language acquisition services for the purposes of section 15-756.07, Arizona Revised Statutes, 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 section 15-756.07, Arizona Revised Statutes. Notwithstanding section 41 192, Arizona Revised Statutes, 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)
- 25/ The department of education shall use the appropriated amount for geographic literacy to issue a grant to a statewide geographic alliance for strengthening geographic literacy in this state. (General Appropriation Act footnote)
- 26/ The department of education shall use the appropriated amount for gifted assessments to procure an assessment that local education agencies may administer to pupils in second grade to identify gifted pupils as prescribed in section 15-779.02, Arizona Revised Statutes. (General Appropriation Act footnote)
- 27/ The department of education shall use the appropriated amount for jobs for Arizona graduates to issue a grant to a nonprofit organization for a JOBS for Arizona graduates program. (General Appropriation Act footnote)
- 28/ Any monies available to the department of education for school safety pursuant to section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029, subsection E, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- 29/ On or before December 31, 2021, the department of education shall report to the joint legislative budget committee how the monies appropriated for student level data access are being used to manage access and protect student level data as prescribed in section 15-1043, Arizona Revised Statutes. (General Appropriation Act footnote)
- 30/ 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)
- 31/ After review by the joint legislative budget committee, in fiscal year 2021-2022, the department of education may use a portion of its fiscal year 2021-2022 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 fiscal year 2020-2021. (General Appropriation Act footnote)
- 32/ The department shall provide an updated report on its budget status every three 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 thirty days after the end of the applicable reporting period. (General Appropriation Act footnote)
- 33/ Within fifteen days after each apportionment of state aid that occurs pursuant to section 15-973, subsection B, Arizona Revised Statutes, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)
- 34/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

ADE's FY 2022 General Fund spending increases by \$310,955,400, or 5.6% above the FY 2021 appropriation. The budget includes the following funding changes:

Current Law Formula Adjustments

- An increase of \$2,881,800 for higher-than-budgeted Homeowner's Rebate and 1% Cap costs for FY 2021 ("base adjustment").

- An increase of \$81,682,300 for net 0.4% Average Daily Membership (ADM) growth (unweighted) within school districts and charter schools in FY 2022 (0.8% weighted) and 1,016 additional Empowerment Scholarship Account (ESA) recipients.
- An increase of \$86,491,300 for a 1.21% inflator.
- A decrease of \$(53,160,800) for local property tax growth due to new construction, offset by increased Homeowner's Rebate expenses of \$13,537,100.
- A decrease of \$(9,219,800) to offset higher available endowment earnings under Proposition 123.
- An increase of \$50,000,000 to shift funding for a portion of the 20 X 2020 teacher pay raise plan from the Classroom Site Fund to the Basic State Aid formula via an additional increase to the Base Level.
- A decrease of \$(64,100,000) from the General Fund and a corresponding increase of Proposition 301 Expenditure Authority to shift monies that previously covered School Facilities Board debt service expenses to the Basic State Aid formula pursuant to the FY 2021 K-12 Budget Reconciliation Bill (BRB) (Laws 2020, Chapter 49).
- An increase of \$67,774,600 to increase funding for Additional Assistance pursuant to Laws 2020, Chapter 49. This will result in full funding of the Additional Assistance formula in FY 2022.
- An increase of \$65,000,000 to eliminate the K-12 rollover for districts with between 600 and 2,000 pupils.

Policy Changes

- An increase of \$50,000,000 to increase Basic State Aid funding for Special Education.
- An increase of \$5,000,000 for a one-time deposit in the Extraordinary Special Education Needs Fund.
- A one-time increase of \$5,000,000 for achievement testing.
- An increase of \$5,000,000 to authorize Basic State Aid funding for 4th year funding of CTED pupils.
- An increase of \$2,472,100 for additional funding for the College Credit by Examination Incentive Program.
- An increase of \$2,596,800 for other miscellaneous changes.

As part of the budget's 3-year spending plan, ADE General Fund costs are projected to increase by \$130,418,300 in FY 2023 above FY 2022 and \$195,749,000 in FY 2024 above FY 2023. (See Other Issues for more information.)

Operating Budget

The budget includes \$12,900,200 and 55.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$8,495,700
Department of Education Professional Development Revolving Fund	2,568,800
Teacher Certification Fund	135,700
Proposition 301 Expenditure Authority	1,700,000

FY 2022 adjustments are as follows:

Transfer Investigations Unit to SBE

The budget includes a decrease of \$(556,000) and (6) FTE Positions from the General Fund in FY 2022 to transfer the Investigations Unit to the State Board of Education.

Statewide Adjustments

The budget includes a decrease of \$(110,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(109,500)
Department of Education Professional Development Revolving Fund	1,100
Teacher Certification Fund	(2,000)

(Please see the Agency Detail and Allocations section.)

Formula Programs

Basic State Aid

The budget includes \$5,611,174,900 in FY 2022 for Basic State Aid. This amount consists of:

General Fund	5,150,962,000
Permanent State School Fund	309,832,400
Proposition 301 Expenditure Authority	150,380,500

The \$5,611,174,900 total does not include local property taxes that will help fund K-12 formula costs for FY 2022, 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 2022 adjustments are as follows:

Table 1
FY 2022 Basic State Aid Formula Summary (estimated)

General Fund	
FY 2021 Appropriation	\$4,870,494,400
Enrollment Growth @ 0.4% (unweighted) ^{1/}	81,682,300
1.21% Inflation	86,491,300
Property Taxes from New Construction	(53,160,800)
Endowment Earnings	(9,219,800)
Remove One-Time Prop 301 Bridge Funding	(14,100,000)
Additional Assistance	67,774,600
Rollover Payoff	65,000,000
Special Education Formula Increase	50,000,000
CTED 4 th Year Funding	5,000,000
Gifted Funding Weight	1,000,000
FY 2022 Budget	\$5,150,962,000
Permanent State School Fund	
FY 2021 Appropriation	\$ 300,612,600
Estimated FY 2021 Growth	<u>9,219,800</u>
FY 2022 Budget	\$ 309,832,400
Prop 301 Sales Tax ^{1/}	
FY 2021 Appropriation	\$ 86,280,500
Shift Prop 301 funding to Basic State Aid	<u>64,100,000</u>
FY 2022 Budget	\$ 150,380,500
Local Property Taxes ^{1/}	
FY 2021 Base - estimated	\$2,708,609,600
Property Taxes from New Construction	53,160,800
Non-State Aid Districts - Enrollment	508,000
Non-State Aid Districts - 1.21% Inflation	3,824,500
Non-State Aid Districts - Teacher Salary Increase	2,287,600
Non-State Aid Districts - Additional Assistance	4,025,600
Non-State Aid Districts - Special Education	2,279,400
Non-State Aid Districts - Gifted Funding	<u>51,200</u>
FY 2022 Estimated ^{2/}	\$2,774,746,700
Grand Total (all sources) ^{3/}	\$8,385,921,600

^{1/} Includes \$17,538,000 for 1,016 additional ESA recipients.
^{2/} Non-appropriated, so excluded from appropriated totals. FY 2021 Property tax estimates do not account for enrollment declines in non-state aid districts resulting from the COVID-19 pandemic.
^{3/} An estimated \$460,630,300 of this total will be funded by the state through Homeowner's Rebate and 1% cap funding.
^{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 budget includes an increase of \$81,682,300 from the General Fund in FY 2022 for enrollment growth. This assumes that unweighted K-12 ADM will increase by approximately 0.4% in FY 2022 (see Table 2) and that weighted ADM will increase by approximately 0.8%. (see Table 3). The estimated FY 2022 growth above FY 2021 is prior to any FY 2021 enrollment reductions related to the COVID-19 pandemic. (Please see Other Issues for discussion of COVID-Related Spending.)

The estimated 0.4% unweighted growth rate would result in net growth of 4,023 in Average Daily Membership

Table 2
K-12 ADM (unweighted) ^{1/}

Fiscal Year	District ^{2/}	Charter ^{3/}	Total ^{4/}	Change ^{5/}	% Change
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	906,293	207,887	1,114,180	6,672	0.6%
2021 app	902,724	217,609	1,120,333	6,153	0.6%
2022 est	897,993	226,363	1,124,356	4,023	0.4%
2023 est	893,367	235,472	1,128,839	4,483	0.4%
2024 est	888,847	244,949	1,133,796	4,957	0.4%

^{1/} Actuals for FY 2015 through FY 2020. Numbers shown for 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.
^{5/} ADM change estimates for FY 2021 through FY 2024 are not adjusted for reductions related to the COVID-19 pandemic.

(ADM) across school districts and charter schools in FY 2022 compared to FY 2021, which consists of 8,754 additional ADM within charter schools, offset by a decline of (4,731) in district ADM. (Please see Table 2 for historical unweighted ADM growth and estimated growth from FY 2021 through FY 2024.)

The budget 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 school and 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. (Please see Table 3 for historical weighted ADM growth and estimated growth from FY 2021 through FY 2024.)

The \$81,682,300 for growth also includes \$17,538,000 for cost growth in the 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 are an estimated 9,556 enrollees in the ESA program in FY 2021 for whom ADE expects to incur expenses of \$138,000,000, or an average cost of

\$14,441 per recipient. The budget assumes that enrollment in the ESA program will grow by an estimated 1,016 enrollees in FY 2022. The resulting total ESA enrollment would be 10,572 in FY 2022. The budget additionally assumes that the cost of ESAs will grow to \$14,712 in FY 2022 based on increases to the Base Level and Charter Additional Assistance formula amounts included in the budget.

Based on the above assumptions, the state's total costs associated with the ESA program are anticipated to grow to \$155,538,000 in FY 2022, or an increase of \$17,538,000 in FY 2022 above FY 2021. 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 budgeted funding levels for enrollment and inflation costs in public schools are, therefore, lower than they otherwise would be as a result of such savings.

Table 3

K-12 ADM (weighted) ^{1/}

Fiscal Year	District ^{2/}	Charter ^{3/}	Total ^{4/}	Change ^{5/}	% Change
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	1,243,530	287,222	1,530,752	15,415	1.0%
2021 app	1,244,892	300,795	1,545,687	14,935	1.0%
2022 est	1,244,211	313,189	1,557,400	11,713	0.8%
2023 est	1,243,959	326,206	1,570,166	12,766	0.8%
2024 est	1,244,149	339,839	1,583,988	13,822	0.9%

^{1/} Actuals for FY 2015 through FY 2020. Data for FY 2015 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.

^{5/} ADM change estimates for FY 2021 through FY 2024 are not adjusted for reductions related to the COVID-19 pandemic.

1.21% Inflation Adjustment

The budget includes an increase of \$86,491,300 from the General Fund in FY 2022 for a 1.21% 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 1.21% inflation adjustment increases the base level by \$52.10.

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 2022 adjustment of 1.21% equals the GDP price deflator for calendar year 2020. 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 budget includes a decrease of \$(53,160,800) from the General Fund in FY 2022 due to a 2.30% increase in statewide Net Assessed Value (NAV) from new construction in FY 2022. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) by an estimated \$53,160,800 in FY 2022. It also will decrease state costs by \$(53,160,800), 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”) is increasing by 3.83% in FY 2022, resulting in a net 6.13% NAV increase for new construction and existing property combined for FY 2022.

The 3.83% NAV increase for existing property will not affect net QTR or SETR collections in FY 2022 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 \$3.5388 (from \$3.6742 currently) and the SETR will decrease to \$0.4263 (from \$0.4426 currently) in FY 2022 to offset the estimated 3.83% NAV increase for existing property (see Table 4).

On a related note, the FY 2022 K-12 Budget Reconciliation Bill (BRB) updates 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 2022 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.)

Table 4

TNT Tax Rates

Tax Rate	FY 2021	FY 2022
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.8371	\$1.7694
• Unified districts and elementary districts not located within a high school district	\$3.6742	\$3.5388
• State Equalization Tax Rate (SETR)	\$0.4426	\$0.4263

Endowment Earnings Growth

The budget includes a decrease of \$(9,219,800) from the General Fund and an increase of \$9,219,800 from the Permanent State School Fund in FY 2022 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 \$309,832,400 for FY 2022, which would be \$9,219,800 more than the \$300,612,600 total assumed for FY 2021 (see Table 5).

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. 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.)

Source	FY 2021	FY 2022	Change
Original 2.5% ^{2/}	\$72,263,000	\$72,263,000	\$0
New 4.4% ^{2/}	<u>228,349,600</u>	<u>237,569,400</u>	<u>9,219,800</u>
Total	\$300,612,600	\$309,832,400	\$9,219,800

^{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.

Remove One-Time Proposition 301 Bridge Funding

The budget includes an increase of \$50,000,000 in FY 2022 to remove one-time Proposition 301 Bridge Funding. This amount consists of:

General Fund	(14,100,000)
Proposition 301 Expenditure Authority	64,100,000

The "Bridge to Proposition 301" refers to \$64,100,000 of recurring one-time General Fund monies to finance the 20 X 2020 teacher pay raise plan from FY 2019 through FY 2021. Beginning in FY 2022, \$64,100,000 of education sales tax monies are available for teacher pay raises due to the expiration of School Facilities Board debt service from FY 2020 that was previously covered using the first \$64,100,000 of revenues generated by the Proposition 301 sales tax. The FY 2021 K-12 BRB requires that

\$64,100,000 be transferred to the Superintendent of Public Instruction for Basic State Aid beginning in FY 2022.

The availability of \$64,100,000 of additional education sales tax monies for Basic State Aid, however, only reduces General Fund expenses by \$(14,100,000) because \$50,000,000 of the monies will be used to shift the financing for a portion of the last 5% teacher pay raise implemented in FY 2021 from the Classroom Site Fund to the Base Level beginning in FY 2022 pursuant to Section 137 of the FY 2019 General Appropriation Act, which designated the \$50,000,000 from the Classroom Site Fund as one-time in FY 2021. The \$50,000,000 will therefore be allocated to schools through an additional Base Level increase of \$32.82 for FY 2022 over and above regular inflation. (See the FY 2020 Appropriations Report for additional information regarding the FY 2020 teacher salary increase.)

Additional Assistance

The budget includes an increase of \$67,774,600 from the General Fund in FY 2022 for District Additional Assistance (DAA) and Charter Additional Assistance (CAA). This amount eliminates the formula suspension pursuant to the FY 2021 K-12 BRB. (see Tables 6 and 7).

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	446,556,100	(136,786,000)	309,770,100
2021	447,320,300	(68,393,000)	378,927,300
2022 ^{2/}	444,759,700	0	444,759,700

^{1/} Includes non-state aid districts.
^{2/} FY 2022 formula cost estimate does not account for FY 2021 enrollment declines associated with the COVID-19 pandemic.

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	401,001,400	(6,814,400)	394,187,000
2021	426,958,200	(3,407,200)	423,551,000
2022	451,472,700	0	451,472,700

School districts will receive an estimated \$444,759,700 of DAA funding in FY 2022 under the budget including approximately \$27,061,500 self-funded by non-state aid districts. DAA is authorized by A.R.S. § 15-961, which establishes DAA funding amounts 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 \$451,472,700 of CAA funding in FY 2022 under the budget. 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 budget increases the CAA statutory amounts (if fully funded) by 1.21% for inflation to \$1,897.90 per pupil for Grades K-8 and \$2,211.97 per pupil for Grades 9-12 for FY 2022.

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. *Table 8* below provides a history of General Fund increases to restore the DAA and CAA formula funding levels since FY 2019. Under the 3-year spending plan associated with the enacted FY 2021 budget, Additional Assistance funding will be fully restored by FY 2022 and will have increased by a cumulative total of \$371,098,700.

Table 8

General Fund Increases to Restore Additional Assistance Since FY 2018

<u>Fiscal Year</u>	<u>DAA</u>	<u>CAA</u>	<u>Total</u>
2019	94,972,800	5,027,200	100,000,000
2020	128,735,000	6,814,400	135,549,400
2021	64,367,500	3,407,200	67,774,700
2022 ^{1/}	<u>64,367,400</u>	<u>3,407,200</u>	<u>67,774,600</u>
Total	352,442,700	18,656,000	371,098,700

^{1/} Sections 7 and 8 of the FY 2021 K-12 BRB eliminate the remaining additional assistance suspension in FY 2022. As a result, the 3-year spending plan associated with the enacted FY 2021 budget includes an increase of \$67,774,600 to eliminate the suspensions in FY 2022.

Rollover

The budget includes an increase of \$65,000,000 from the General Fund in FY 2022 for the K-12 rollover. This reduces the deferral of state aid payments from \$930,727,700 currently (FY 2021 payments deferred until FY 2022) to \$865,727,700 (FY 2022 payments deferred until FY 2023) and would eliminate the rollover for school districts with a student count of less than 2,000 pupils

starting in FY 2022. Currently, only districts with less than 600 pupils are exempt from the rollover. The \$65,000,000 includes \$30,000,000 that was already appropriated in Section 164 of the FY 2020 General Appropriation Act and therefore will not appear in the FY 2022 General Appropriation Act.

Laws 2020, Chapter 58 advance appropriated \$930,727,700 from the General Fund in FY 2022 to fund the \$930,727,700 deferred obligation from FY 2021. Those monies, therefore, will not appear in the FY 2022 General Appropriation Act. The Act, however, advance appropriates \$865,727,700 from the General Fund in FY 2023 to fund the deferred FY 2022 obligation.

Special Education Increase

The budget includes an increase of \$50,000,000 from the General Fund in FY 2022 to increase Basic State Aid funding for special education. This amount includes \$44,500,000 to fund an increase in the Group B weight for pupils for children with developmental delays, emotional disabilities, mild intellectual disabilities, a specific learning disability, a speech/language impairment, or other health impairments from 0.003 to 0.093 (increase of \$395 per pupil). It also includes \$5,500,000 for an increase in the Group B weight for self-contained programs for pupils with multiple disabilities, autism, or severe intellectual disability from 5.833 to 5.988 (increase of \$680 per pupil).

Gifted Funding

The budget includes an increase of \$1,000,000 from the General Fund in FY 2022 to establish a Group B formula weight for gifted students, which includes students who score at or above the 97th percentile on a test approved by the State Board of Education. The 0.007 weight will generate a per pupil funding increase of approximately \$31.

CTED 4th Year Funding

The budget includes an increase of \$5,000,000 from the General Fund in FY 2022 to permit the following CTED students to qualify for Basic State Aid funding:

- 9th graders who remain enrolled in a CTED program included on the Office of Economic Opportunity's In-Demand Regional Education List through the 40th day of 11th grade.
- Pupils enrolled in the year immediately following graduation in a program included on the Office of Economic Opportunity's In-Demand Regional Education List and that have enrolled in a CTED for 4 years or less.
- Pupils enrolled an internship program.

State Aid Supplement

The budget includes \$75,000,000 from the General Fund in FY 2022 for State Aid Supplement funding. This amount is unchanged from FY 2021.

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 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 budget includes \$68,600,000 from the General Fund in FY 2022 for Results-Based Funding. This amount is unchanged from FY 2021.

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 budget continues session law provisions from the FY 2021 K-12 Education BRB establishing Results-Based Funding per pupil funding levels and eligibility, including:

- \$400 per pupil for the following:
 - Schools Free and Reduced-Price Lunch (FRPL) eligibility of at least 60% and with AzMERIT scores in the top 13% among other schools with at least 60% FRPL eligibility.
 - Alternative High Schools with AzMERIT scores in the top 27% among other schools with at least 60% FRPL eligibility and FRPL eligibility of at least 60%.
- \$225 per pupil for the following:
 - Schools with FRPL eligibility of less than 60% and with AzMERIT Scores in the top 13% statewide.

- Schools with FRPL eligibility of at least 60% and AzMERIT scores in the top 27% in comparison to other schools with FRPL-eligibility of at least 60%.

The Results-Based Funding distributions would continue to be based on 2019 AzMERIT scores instead of 2020 test scores, as the 2020 statewide assessment was cancelled pursuant to Laws 2020, Chapter 47.

These session law provisions continue to notwithstanding A.R.S. § 15-249.08 in FY 2022, which would otherwise make schools eligible for program funding in FY 2022 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. In the absence of the FY 2022 session law provisions, the statutory formula would generate costs of approximately \$77,180,100, or \$8,580,100 above the current RBF appropriation based on ADE's A-F letter grades for 2020 (same as 2019 pursuant to Laws 2020, Chapter 47) and data from Results-Based Funding distributions for FY 2020.

The budget includes a General Appropriation Act Footnote for FY 2022 to allow the Superintendent of Public Instruction to transfer up to \$5,000,000 from the state General Fund appropriation for Basic State Aid for FY 2022 to this program, if needed, without JLBC review, to address any anticipated funding shortfalls for the program in FY 2021.

Special Education Fund

The budget includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2022 for the Special Education Fund Special Line Item. These amounts are unchanged from FY 2021.

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.

The budget continues a footnote that permits ADE to use a portion of its FY 2022 state General Fund appropriations

for Basic State Aid or Additional State Aid to fund Special Education Fund costs.

Other State Aid to Districts

The budget includes \$983,900 from the General Fund in FY 2022 for Other State Aid to Districts. This amount is unchanged from FY 2021.

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 budget includes \$977,025,600 in FY 2022 for the Classroom Site Fund (CSF). This amount consists of:

Proposition 301 Expenditure Authority	617,694,100
Proposition 301/CSF - Land Trust Expenditure Authority	123,167,700
Proposition 301/CSF - Carry-Forward Balance Expenditure Authority	236,163,800

FY 2022 adjustments are as follows:

Funding Increase

The budget includes an increase of \$395,358,300 in FY 2022 for an estimated increase in Classroom Site Fund distributions for FY 2022. This amount consists of:

Proposition 301 Expenditure Authority	116,630,600
Proposition 301/CSF - Land Trust Expenditure Authority	16,035,100
Proposition 301/CSF - Carry-Forward Balance Expenditure Authority	262,692,600

The increase reflects the Classroom Site Fund per pupil calculation made by the JLBC Staff for FY 2022 pursuant to A.R.S. § 15-977G1, which established a Classroom Site Fund amount of \$733 for FY 2022, or an increase of \$308 compared with FY 2021. *(Please see the Basic State Aid line item for more information on expiration of the Proposition 301 Bridge and the associated shift of Classroom Site Fund monies to the Basic State Aid formula.)*

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 budget includes \$63,765,400 from Instructional Improvement Fund Expenditure Authority in FY 2022 for the Instructional Improvement Fund. This amount is unchanged from FY 2021.

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 budget includes \$460,630,300 from the General Fund in FY 2022 for Additional State Aid. FY 2022 adjustments are as follows:

Prior Year Base Adjustment

The budget includes an increase of \$2,881,800 from the General Fund in FY 2022 to reflect higher-than-budgeted costs for Additional State Aid for FY 2021. The FY 2021 budget assumed that Additional State Aid would cost \$444,211,400 for FY 2021 for the Homeowner’s Rebate and 1% Cap combined. The actual combined cost, however, was \$447,093,200 (\$2,881,800 more), as reported by the Arizona Department of Revenue (DOR) in October 2020 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2022 therefore were \$2,881,800 more than the FY 2021 appropriation.

New Homes

The budget includes an increase of \$13,537,100 from the General Fund in FY 2022 for increased Additional State Aid costs associated with new home construction. The \$13,537,100 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2022. 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 FY 2022 Tax Omnibus bill increases the Homeowner's Rebate percentage to 50.0% beginning in Tax Year 2022 (FY 2023) to offset primary property tax adjustments associated with a reduction in the assessment ratio for commercial property (*Please see the General Fund Revenue section of the Economic and Revenue forecast for additional information*).

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 approximately

\$8,000,000 for Additional State Aid reimbursement from FY 2019 as part of the litigation.

The state is currently appealing the ruling. As a result, the budget does not include any funding changes for Additional State Aid associated with the litigation.

Non-Formula Programs

Accountability and Achievement Testing

The budget includes \$21,423,300 and 24.4 FTE Positions in FY 2022 for Accountability and Achievement Testing. These amounts consist of:

General Fund	14,423,300
Proposition 301 Fund (Appropriated)	7,000,000

FY 2022 adjustments are as follows:

One-Time Increase

The budget includes an increase of \$5,000,000 from the General Fund in FY 2022 for increased costs of ADE's achievement testing contracts. The 3-year spending plan associated with the enacted FY 2022 budget designates the increase as one-time.

Statewide Adjustments

The budget includes a decrease of \$(4,800) from the General Fund in FY 2022 for statewide adjustments.

Background – 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 \$7,000,000” allowable appropriation for School Accountability in A.R.S. § 42-5029E7. This line item does not fund costs associated with English language proficiency exams administered to English learners, which are instead funded in the English Learner Administration line item. (*See English Learner Administration line item for more information about AZELLA testing.*)

In 2019, SBE approved a 5-year assessment plan for Arizona public schools (*see Table 9*) that requires the AzM2 test (formerly called "AzMERIT") to be replaced with a new single statewide assessment that will continue to exist in parallel with "menu of assessment" (MOA) exams authorized by A.R.S. § 15-741.02. Through FY 2021, the 5-year plan requires all students in grades 3-8 and 10th Graders to take AzM2 tests in Math and English Language Arts (ELA). LEAs may also administer a MOA exam to 11th graders that is in addition to the mandatory AzM2 exam.

Table 9

5-Year Assessment Plan ^{1/}

Fiscal Year	Grades 3 – 8	High School
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.

For FY 2021, approved MOA exams include the ACT, SAT and Cambridge. (see Table 10).

Beginning in FY 2022, pupils in grade 3-8 will take a new statewide assessment that will replace the AzM2 exam. At its June 22, 2020 meeting, SBE adopted ADE's recommendation that the contract for the development of the new statewide assessment be awarded to NCS Pearson. High school students, however, will instead be required to take a "Nationally Recognized College Entrance Assessment" in the 9th or 10th Grade and in 11th Grade.

The College Entrance Assessment will serve as the statewide assessment for high school students. At its June 22, 2020 meeting, the State Board of Education adopted ADE's recommendation to select the ACT as the Nationally Recognized College Entrance Assessment. The Menu of Assessments option for LEAs that opt not to administer the ACT will be the SAT. Cambridge exams will therefore no longer be an option under the Menu of Assessments program.

Table 10

Approved MOA Contracts for FY 2021 ^{1/}

Vendor	Cost/ Student	Notes
ACT	\$38	114 LEAs participating (64,000 students)
SAT	\$52	32 LEAs participating (3,000 students)

^{1/} MOA testing is optional but all high school students must take AzMERIT Math and English Language Arts tests as 10th Graders. While Cambridge exams are also approved, ADE reports that no LEAs will use Cambridge for FY 2021.

At its September 2020 meeting, JLBC favorably reviewed ADE's proposed new contract for the statewide assessment, which the agency estimates will generate costs of \$17,500,000 in FY 2021, including:

- \$10,600,000 for tests administered to 552,000 pupils in grades 3 through 8 at an average cost per test of \$19.18.
- \$6,900,000 for ACT tests administered to 175,000 high schoolers once in 9th or 10th grade and again in 11th grade at a cost of \$39.15 per exam.

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 combined cost of these other functions, AzM2 and the MOA would be \$37,500,000 for FY 2022. By comparison, including the \$5,000,000 increase for FY 2022, the combined General Fund, Proposition 301, and Federal Fund resources will total to \$37,500,000 for FY 2022. (see Table 11).

Table 11

Estimated Achievement Testing Costs and Available Funding (ADE estimates) (\$ In Millions)

	FY 2021	FY 2022
Estimated Costs ^{1/}		
AzM2	\$18.2	\$17.5
Menu of Assessments ^{2/}	2.6	3.6
AIMS Science Testing	2.4	2.5
AZELLA ^{3/}	9.8	10.0
Alternative Special Needs Exam (MSAA)	0.9	0.7
Peer Review/Standards Setting	0.0	0.3
Information Technology Support	0.8	1.0
Staff and Administration	1.9	1.9
Total	\$36.6	\$37.5
Estimated Available Funding ^{4/}		
General Fund	\$14.5	\$19.5
Proposition 301 - School Accountability ^{5/}	10.6	10.8
Federal Funds	11.5	7.2
Total	\$36.6	\$37.5

^{1/} ADE estimates as of September 2020. FY 2022 estimates are preliminary.
^{2/} Cost for FY 2022 currently unknown. ADE's estimate is being used as a placeholder
^{3/} Arizona English Language Learner Assessment funded through the English Learner Administration line item.
^{4/} Estimates assume that \$3.6 million of School Accountability carry-forward monies from Proposition 301 will be available to help fund the program in both FY 2021 and FY 2022. Surplus School Accountability monies can be carried forward to subsequent years.
^{5/} Includes carry-forward monies.

The budget 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 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).

Adult Education

The budget includes \$5,000,100 and 3 FTE Positions in FY 2022 for Adult Education. These amounts consist of:

General Fund	4,867,800
Department of Education Professional Development Revolving Fund	132,300

FY 2022 adjustments are as follows:

Increase State Match Funding

The budget includes an increase of \$364,100 from the General Fund in FY 2022 for increased state match funding for Adult Education. ADE estimates that the \$364,100 increase would be sufficient to meet the 25% state match requirement associated with federal Workforce Innovation and Opportunity Act (WIOA) funding for adult education services.

Statewide Adjustments

The budget includes a decrease of \$(5,800) from the General Fund in FY 2022 for statewide adjustments.

Background – 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 2020, 23 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs.

The program also received \$14,343,800 in federal funding in FY 2020. Its federal monies are subject to non-supplanting and maintenance-of-effort requirements stipulated in federal law.

Alternative Teacher Development Program

The budget includes \$500,000 from the General Fund in FY 2022 for an Alternative Teacher Development Program. This amount is unchanged from FY 2021.

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.

Teach for America is also receiving \$500,000 from the Governor's Emergency Education Relief Fund in FY 2021 (See *Other Issues for more information.*)

Arizona Empowerment Scholarship Account Administration

The budget includes \$2,176,400 and 26 FTE Positions from the General Fund in FY 2022 for Arizona Empowerment Scholarship Account Administration. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(57,000) from the General Fund in FY 2022 for statewide adjustments.

Laws 2020, Chapter 12 appropriated \$950,000 and 13 FTE Positions from the General Fund in FY 2021 for an increase in administrative funding for the ESA program within ADE, including:

- \$276,000 and 5 FTE Positions to establish a dedicated call center for the ESA Program.
- \$388,000 and 6 FTE Positions for case managers to review and approve ESA applications.
- \$136,000 and 2 FTE Positions for ESA accounting staff.
- \$150,000 for ADE to conduct statewide seminars and trainings, staff professional development, marketing, and community outreach activities related to the ESA program.

The budget continues to include this funding in FY 2022. On a related note, the budget also continues to include \$150,000 from the General Fund within the State Board of Education to handle appeals associated with the ESA program. (Please see the State Board of Education narrative for additional information.)

Arizona Structured English Immersion Fund

The budget includes \$4,960,400 from the General Fund in FY 2022 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2021.

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 \$3,423,500 to public schools from the fund in FY 2020.

College Credit by Examination Incentive Program

The budget includes \$7,472,100 from the General Fund in FY 2022 for the College Credit by Examination Incentive Program (CCEIP). FY 2022 adjustments are as follows:

Funding Increase

The budget includes an increase of \$2,472,100 from the General Fund in FY 2022 to increase awards to schools with students who obtain a passing score on a qualifying examination for college credit. In FY 2020, the \$5,000,000 appropriation was sufficient to provide incentive bonuses of \$300.92 for high-FRPL schools (more than 50%) and \$200.62 for low-FRPL schools. The \$2,472,100 increase would be sufficient to pay the statutory maximum awards of \$450 for high-FRPL schools and \$300 for low-FRPL schools at current caseload levels.

Background – 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 December 2020 that it distributed 23,432 CCEIP awards in FY 2020. The actual award amounts were pro-rated to \$300.92 per passing scores for districts or charter schools with greater than 50% FRPL eligibility and \$200.62 per passing score for districts or charter schools with less than 50% FRPL eligibility.

Laws 2019, Chapter 98 established the College Credit by Examination Development Fund, which consists 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 50% 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.

College Placement Exam Fee Waiver

The budget includes \$1,265,800 from the General Fund in FY 2022 for a College Placement Exam Fee Waiver. FY 2022 adjustments are as follows:

Funding Increase

The budget includes an increase of \$1,265,800 from the General Fund in FY 2022 for the College Placement Exam Fee Waiver program to cover the out-of-pocket costs of college placement exams for 19,044 FRPL-eligible students.

Beginning in FY 2018, the Governor's Office and the Arizona Department of Education completed an interagency service agreement to partially subsidize the out-of-pocket costs associated with Advanced Placement, International Baccalaureate, and Cambridge International Exams for students eligible for free or reduced-price lunches. The program was initially funded with federal Workforce Innovation and Opportunity Act (WIOA) monies and philanthropic dollars at a level of \$500,000 annually.

The FY 2022 budget includes \$500,000 from the General Fund for the existing program. It also increases funding for the program to eliminate the remaining out-of-pocket costs for students. The Executive estimated that the average out-of-pocket cost per student after accounting for the \$500,000 allocation was \$35. The \$1,265,800 would be sufficient to eliminate the \$35 cost based on current program caseload levels.

Computer Science Pilot Program

The budget includes \$1,000,000 from the General Fund in FY 2022 for a Computer Science Pilot Program. This amount is unchanged from FY 2021.

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 budget includes \$1,000,000 from the General Fund in FY 2022 for CTED Completion Grants. This amount is unchanged from FY 2021.

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. The department shall award grant funding only after an eligible student has successfully completed a CTED program. 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. Program funding is non-lapsing for 1 year beyond the budget year. The budget continues a footnote that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2023).

A.R.S. § 15-393D4c previously prohibited 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. The FY 2022 K-12 BRB authorizes Basic State Aid funding for pupils in the year immediately following graduation if they are enrolled in a program included on an in-demand regional education list compiled by the Office of Economic Opportunity.

CTED Industry Credential Incentive Program

The budget includes \$5,000,000 from the General Fund in FY 2022 for the CTED Industry Credential Incentive Program. This amount is unchanged from FY 2021.

Background – The FY 2020 K-12 Education BRB established a new CTED Industry Credential Incentive Program (A.R.S. § 15-249.15) that provides 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 the 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.

At its December 2020 meeting, JLBC favorably reviewed ADE's proposed list of industry credential incentives qualifying for a \$1,000 incentive for the first year of the program in FY 2021. The list will result in \$3,667,000 of incentive payments made for 3,667 students who completed a certification in an eligible program during the 2018-2019 school year. The remaining \$1,333,000 of unspent monies would also be available for expenditure in FY 2022.

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 2022 General Appropriation Act.

CTED Soft Capital and Equipment

The budget includes \$1,000,000 from the General Fund in FY 2022 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2021.

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 budget continues this footnote for FY 2022.

Early Literacy

The budget includes \$12,000,000 from the General Fund in FY 2022 for Early Literacy. This amount is unchanged from FY 2021.

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 budget includes \$5,315,400 and 24.2 FTE Positions from the General Fund in FY 2022 for the Education

Learning and Accountability System (ELAS) line item. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(36,500) from the General Fund in FY 2022 for statewide adjustments.

Background – The monies in this line item are for continued maintenance and operation of ELAS, but not for further ELAS development. 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).

Funding for ELAS development was last included in the FY 2020 budget, which transferred \$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 to replace the school finance portions of SAIS ("APOR" and "CHAR") that compute formula funding entitlements for school districts and charter schools.

ADE used the first installment of funding for Phase I development expenses, which included replacement of the payment calculation components of APOR (the school district payment system) and CHAR (the charter school payment system). ADE plans to use the new payment system to make Basic State Aid payments to school districts and charter schools during the 2021-2022 school year.

The budget transfers \$7,200,000 from the ESA Fund balances within ADE and the State Treasurer to ADOA's Automation Projects Fund in FY 2022 finish the remaining components of the school finance system in FY 2022 and FY 2023. At its July 2021 meeting, JLBC favorably reviewed ADOA and ADE's proposed expenditures for the project in FY 2022, including:

- \$3,000,000 to ADE for Phase II development expenses. This amount would include funding to develop the following enhancements:
 - Data dashboards in APOR/CHAR to allow districts and charters to analyze changes in Basic State Aid payments.

Table 12

**ELAS Funding by Fiscal Year
(\$ in Millions)**

Fiscal Year	General Fund ^{1/}	Misc ^{2/}	Federal Grants ^{3/}	Total
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
2021	5.3	0.0	0.0	5.3
2022	5.3	7.2	0.0	12.5
Total	67.0	18.2	7.3	92.5

^{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 \$10.2 million transferred from the Department of Education Empowerment Scholarship Account Fund to the Department of Administration Automation Projects Fund for FY 2020 and FY 2022 for further ELAS development.

- APOR/CHAR external reporting functions to allow JLBC/OSPB and districts and charter schools to extract data from the system for analysis. Would also include public reporting of school finance data on ADE's website.
- Replacement of school district and charter budget and Annual Financial Reporting components of system.
- \$600,000 to ADOA-ASET for oversight of the project. A General Appropriation Act footnote requires ADOA to engage consultants that provide project management to ADE, including support in technical documentation, financial tracking and documentation, and program management and governance.

ADOA and ADE's plan leaves \$3,600,000 available to complete the remainder of the project in FY 2023, which the agencies would need to present for the Committee's review at a later date.

The most recent third-party review of the status of the project from September 30, 2020 reported that the project is in "strong health" and 8 of 11 metrics of plan viability and on 4 of 9 metrics of project delivery practices. The remaining components are rated as being in "moderate health." Through FY 2022 ELAS will have

received approximately \$92,500,000 in total funding from all sources combined since its inception. (see Table 12). (See the FY 2020 Appropriations Report for additional information on the prior year uses of project funding).

English Learner Administration

The budget includes \$6,516,900 and 13.5 FTE Positions from the General Fund in FY 2022 for English Learner Administration. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(24,700) from the General Fund in FY 2022 for statewide adjustments.

Background - 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 126,400 students are expected to take the AZELLA in FY 2021. (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. (See the Accountability and Achievement Testing line item narrative for more information.)

Extraordinary Special Education Needs Fund Deposit

The budget includes \$5,000,000 from the General Fund in FY 2022 for an Extraordinary Special Education Needs Fund Deposit. FY 2022 adjustments are as follows:

One-Time Deposit

The budget includes an increase of \$5,000,000 from the General Fund in FY 2022 for a deposit in the Extraordinary Special Education Needs Fund established in A.R.S. § 15-774. The 3-year spending plan associated with the enacted FY 2022 budget designates this deposit as one-time.

School districts and charter schools may apply for grants from the Extraordinary Special Education Needs fund if they have pupils enrolled in special education for whom the district or charter school has not received sufficient

funding for all services needed by the child. The FY 2022 K-12 BRB limits eligibility for grants to school districts and charter school with pupils receiving special education incurring costs of at least 3 times the statewide per pupil funding average. If monies in the fund are insufficient to cover the cost of all claims submitted, ADE shall prioritize claims based on the difference between the total costs for the child and the total funding the district or charter has received for the child. ADE is required to report data on claims submitted to the fund by December 15th annually.

Geographic Literacy

The budget includes \$100,000 from the General Fund in FY 2022 for Geographic Literacy. This amount is unchanged from FY 2021.

The program funds a statewide geographic alliance for strengthening geographic literacy in this state. The budget 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 Assessments

The budget includes \$850,000 from the General Fund in FY 2022 for Gifted Assessments. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$850,000 from the General Fund in FY 2022 for gifted assessments. A General Appropriation Act footnote stipulates that ADE shall use the monies to procure an assessment that local education agencies may use to identify gifted students in 2nd grade. The 3-year spending plan associated with the enacted FY 2022 budget designates this deposit as one-time.

Jobs for Arizona Graduates

The budget includes \$100,000 from the General Fund in FY 2022 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2021.

The program funds a Jobs for Arizona Graduates program. The budget 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. The program annually provides approximately 1,300 Arizona students with college and career readiness services as well as

interventions for students at risk of dropping out of high school.

School Safety Program

The budget includes \$31,925,200 and 4 FTE Positions in FY 2022 for the School Safety program. These amounts consist of:

General Fund	24,125,200
Proposition 301 Expenditure Authority	7,800,000

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(25,700) from the General Fund in FY 2022 for statewide adjustments.

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.

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. Expenditure Authority does not affect the department’s access to funding from Proposition 301 as it may spend whatever funding is available.

School district and charter schools receive funding for up to a 3-year period and may annually submit a modified spending plan if they are approved for a grant. The department opened the current funding cycle in FY 2020.

ADE received a total of \$97,463,900 in grant applications from districts and charter schools in FY 2020, which in total would have funded 302 SROs, 473 school counselors, and 396 social workers annually beginning in FY 2020. In December 2019, ADE received approval from SBE to disburse the grant amounts for FY 2020, which is funding 116 SROs, 148 school counselors and 118 social workers annually through FY 2022.

State Block Grant for Vocational Education

The budget includes \$11,593,400 and 27 FTE Positions from the General Fund in FY 2022 for the State Block

Grant for Vocational Education. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(58,400) from the General Fund in FY 2022 for statewide adjustments.

Background – 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 2020, the department received approximately \$30,287,500 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.

Student Level Data Access

The budget includes \$350,000 from the Department of Education Empowerment Scholarship Account Fund in FY 2022 for Student Level Data Access. FY 2022 adjustments are as follows:

Student Level Data Security

The budget includes an increase of \$350,000 from the Department of Education Empowerment Scholarship Account Fund in FY 2022 for student level data access. A General Appropriation Act footnote stipulates that ADE shall report to JLBC by December 31, 2021 on how the monies are being used to manage access and protect student level data. The FY 2022 K-12 BRB requires ADE to allow access to student level data for county school superintendents, the State Board of Education, and the State Board of Charter Schools.

Teacher Certification

The budget includes \$2,402,900 and 22.9 FTE Positions in FY 2022 for Teacher Certification. These amounts consist of:

General Fund	179,500
Teacher Certification Fund	2,223,400

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(64,300) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(4,700)
Teacher Certification Fund	(59,600)

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 budget includes \$400,000 in one-time funding (through FY 2022) from the General Fund in FY 2022 for a Teacher Professional Development Pilot Program. This amount is unchanged from FY 2021.

The monies for the program in FY 2022 were appropriated in Section 137 of the FY 2020 General Appropriation Act. As a result, these monies do not appear in the FY 2022 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. In its November 2020 report, ADE states that a total of 84 scholarships were awarded under the pilot program between August 2019 and October 2020.

Tribal College Dual Enrollment Program

The budget includes \$325,000 from the Tribal College Dual Enrollment Program Fund in FY 2022 for the Tribal College Dual Enrollment Program. FY 2022 adjustments are as follows:

Caseload Growth

The budget includes an increase of \$75,000 from the Tribal College Dual Enrollment Program Fund in FY 2022 for caseload growth. ADE estimates that program participation increased to 588 students for FY 2020, or a 17% increase compared with FY 2019. The FY 2022 K-12 BRB includes a corresponding \$75,000 increase in the cap on transfers of unclaimed lottery prize monies to the Tribal College Dual Enrollment Program Fund.

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 \$325,000, 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.)

Other Issues

This section includes information on the following topics:

General Issues

- FY 2021 Adjustments
- Statutory Changes
- Long-Term Budget Impacts

Ballot Proposition

- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit

Other Issues

- COVID-Related Spending
- Transwestern Litigation
- Proposition 208
- Proposition 301
- Budget Overrides

Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

FY 2021 Adjustments

The budget assumes that ADE's General Fund expenses associated with Basic State Aid will be \$(436,114,800) lower than the original FY 2021 appropriation. The estimated surplus is based on ADM declines of (38,534), or (3.5)% in comparison to FY 2020. The surplus also accounts for reduced Basic State Aid payments in FY 2021 for "Distance Learning" programs authorized under Executive Order 2020-51 related to school operations during the COVID-19 pandemic. The order stipulates that such programs are funded as if they are Arizona Online Instruction (AOI) programs pursuant to A.R.S. § 15-808. As a result, distance learning students receive 95% of Base Level Funding if they are full-time and 85% if they are part-time.

The budget does not, however, reduce ADE's original FY 2021 appropriation to account for the projected surplus. As a result, the \$(436,114,800) is expected to be accounted for in ADE's General Fund reversion for FY 2021.

Any Basic State Aid funding reduction associated with enrollment declines or distance learning plans as outlined above would be at least partially offset by federal COVID-related spending on K-12 schools (*Please see COVID-Related Spending in Other Issues for additional information*).

Statutory Changes

The K-12 Education BRB makes the following 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 1.21% for standard inflation. The base level also includes an increase of \$32.82 to incorporate into Basic State Aid \$50,000,000 for teacher salary increases that was funded from the Classroom Site Fund on a one-time basis in FY 2021 pursuant to Section 137 of the FY 2019 General Appropriation Act.
- As permanent law, establish a Group B funding weight of 0.007 in the K-12 Basic State Aid formula for gifted pupils who score at or above the 97th percentile, based on national norms, on a test adopted by the State Board of Education.
- As permanent law, increase the Group B funding weight for children with emotional disabilities, mild

intellectual disabilities, a specific learning disability, a speech/language impairment, or other health impairments from 0.003 to 0.093. Increase the Group B funding weight for self-contained programs for children with multiple disabilities, autism, or severe intellectual disability from 5.833 to 5.988.

Results-Based Funding

- 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 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.
- 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 2022.
- As permanent law, amend A.R.S. § 15-911 to add OSPB as a recipient of a report on the aggregate expenditures of local revenues for all school districts.
- As permanent law, increase the maximum allowable annual transfer of unclaimed lottery prize monies to the Department of Education's Tribal College Dual Enrollment Program Fund pursuant to A.R.S. 5-568 from \$250,000 currently to \$325,000.
- As permanent law, transfer responsibility to direct and oversee the work of all investigators related to investigating certified and non-certified school personnel for unprofessional or immoral conduct from the Department of Education to the State Board of Education.

- As permanent law, clarify that districts and charter schools are eligible for reimbursement from the Extraordinary Special Education Needs Fund if they have a pupil receiving special education services who has incurred costs at least 3 times the statewide per pupil funding average. Stipulates that if available monies in the fund are insufficient to fund the cost of all claims that ADE shall prioritize districts and charter schools with the largest difference between the funding received for the student and the actual costs incurred for that student. Requires ADE to report by December 15th annually to the Governor, the President of the Senate, the Speaker of the House of Representatives, and JLBC and OSPB on the number of claims submitted and paid as well as use of the monies by recipient districts and charters.
- As permanent law, require ADE to develop policies to manage access to personally identifiable information, including a detailed security plan.
- As session law, stipulates that ADE must receive review and approval from ITAC and ADOA prior to expending monies appropriated for the school finance system replacement project. Requires ADOA to establish development milestones for ADE's school finance system replacement project within 30 days of the last day of FY 2021. Stipulates that ADE must receive approval from the ADOA director and the Superintendent of Public Instruction prior to receiving funding for any project milestone. Requires ADE to submit a school finance system replacement project staffing plan for review by ADOA and to contract with a third-party vendor for oversight of the project.
- As permanent law, allow local education agencies final authority in determining the use of masks in schools.
- As session law, require school districts and charter schools to report to ADE by July 1, 2021 whether they offered in-person, teacher led instruction for at least 100 days of the 2020-2021 school year, with data delineated by school site. Stipulates that ADE shall submit a report to OSPB and JLBC by August 1, 2021 that compiles the information on in-person instruction reported by school districts and charter schools
- As session law, require ADE to post all the federally required academic learning loss plans on its website.
- As session law, require OSPB to publicly post K12 Supplementary Payment allocations by school district and charter school.
- As session law, permit Buckeye Union High School District to submit corrections to the Teacher Experience Index (TEI) component of Basic State Aid formula calculations for FY 2021.
- As session law, extend the placement of the crisis management team in Peach Springs Unified School District until April 1, 2022.
- As permanent law, establish the Industry Recognized Certificate and Licensure Reimbursement Fund to be administered by the Department of Education. ADE shall use monies in the fund to reduce or eliminate exam costs for industry-recognized certificates and licensures for students eligible for free or reduced-price lunches.
- As session law, notwithstanding any other law to permit the state to only enforce statutory or regulatory requirements that are consistent with ADE's current approved waiver of accountability, school identification, and reporting requirements authorized by the U.S. Department of Education.
- As permanent law, permit schools, rather than school districts and charter schools, to provide instruction under an instructional time model authorized by A.R.S. § 15-901.08, including remote learning up to 50% in FY 2022 and 40% in FY 2023, reallocation of time between courses, and staggered learning times.
- As permanent law, require school districts to post information about open enrollment on each school's website, including the school's capacity and whether or not the school is accepting open enrollment students by grade level. SBE shall adopt a model school format school districts may use for describing open enrollment options on their websites and, subject to the availability of appropriated monies, shall design a public awareness campaign about open enrollment options. Stipulates that ADE shall annually report on open enrollment participation by school district, school, and county.
- As permanent law, revise the Basic State Aid apportionment schedule to require ADE to distribute Basic State Aid payments to school districts and charter schools on the 15th day of every month starting in FY 2023.
- As permanent law, permit Career and Technical Education Districts (CTEDs) to receive ADM for 9th grade pupils enrolled in programs included on the Office of Economic Opportunity in-demand regional education list and that remain enrolled in a CTED through at least the 40th day of their junior year of high school. Also permits CTEDs to receive ADM for pupils enrolled in internship programs and pupils enrolled in a CTED in the year immediately following graduation.
- As permanent law, require ADE to include in its CTED annual report information on average daily membership, student counts, program enrollment, and program completion rates for CTED students in 9th grade eligible for Basic State Aid funding, students enrolled in internship programs, and

students enrolled in the year immediately following graduation.

The Health BRB makes the following statutory change:

- As permanent law, prohibit K-12 schools from requiring vaccines issued under emergency use authorization for attendance.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADE General Fund costs are projected to increase by \$130,418,300 in FY 2023 above FY 2022 and \$195,749,000 in FY 2024 above FY 2023. These estimates are based on:

- 0.4% ADM growth (unweighted) in FY 2023 and FY 2024.
- GDP inflators of 1.78% for FY 2023 and 1.83% for FY 2024. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.0% for FY 2023 and 1.90% for FY 2024.
- An increase in the Homeowner's Rebate to 50.0% in FY 2023 pursuant to Section 1 of Laws 2021, Chapter 412 (Tax Omnibus), which is assumed increase Additional State Aid expenses above current law by \$30,000,000 in FY 2023 and \$30,800,000 in FY 2024.
- General Fund decreases of \$(10,046,600) in FY 2023 and \$(7,798,600) in FY 2024 for higher endowment earnings.
- A decrease of \$(65,000,000) in FY 2023 to remove one-time funding to reduce the Basic State Aid rollover.
- A decrease of \$(16,250,000) in FY 2023 to remove one-time funding for a Teacher Professional Development Pilot program (\$(400,000)), the Arizona Industry Credential Incentive Program (\$(5,000,000)), achievement testing costs (\$(5,000,000)), an Extraordinary Special Education Needs Fund deposit (\$(5,000,000)), and gifted assessments (\$(850,000)).
- An increase of \$8,780,000 in FY 2024 to add ongoing funding for CTED certification exam fee reimbursement (\$1,000,000), an additional 25 literacy coach FTE Positions (\$3,100,000), a kindergarten entry assessment (\$1,500,000), dyslexia screening and training (\$1,280,000), a teacher reading instruction exam (\$1,000,000), the Jobs for Arizona Graduates program (\$400,000), and the Alternative Teacher Development Program (\$500,000).

Endowment Earnings

In FY 2020, endowment earnings from state trust lands funded approximately \$402,800,000 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 2020, public schools received \$402,800,000 of expendable land trust monies from the State Land Department and State Treasurer combined. That total included \$60,600,000 from the Land Department and \$358,100,000 from the State Treasurer (see Table 13).

Source	2015 ^{1/}	2020 ^{2/}	2021 est ^{2/}	2022 est ^{2/}
Land Department	53.2	60.6	60.6	60.6
Treasurer	<u>76.0</u>	<u>342.2</u>	<u>358.1</u>	<u>371.6</u>
Total	129.2	402.8	418.7	432.2

^{1/} Final year prior to Proposition 123.
^{2/} Assumes no change in trust land lease revenues for FY 2020 and FY 2021.

Table 14 shows that K-12 endowment earnings are estimated to equal \$418,700,000 in FY 2021 and \$432,200,000 in FY 2022. Of the \$402,800,000 in K-12 expendable earnings generated for FY 2020, \$290,500,000 was used to fund Basic State Aid pursuant to A.R.S. § 37-521B3, and the remaining \$112,300,000 was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4 (see Table 14). The latter law dedicates to the Classroom Site Fund all growth in K-12 expendable endowment earnings above the FY 2001 level, which was \$72,300,000. (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.)

Source	2015	2020 ^{1/}	2021 ^{1/}	2022 ^{1/}
Basic State Aid	47.3	290.5	300.6	309.8
SFB Debt Service ^{2/}	25.0	0.0	0.0	0.0
Classroom Site Fund	<u>56.9</u>	<u>112.3</u>	<u>118.1</u>	<u>122.4</u>
Total	129.2	402.8	418.7	432.2

^{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 calendar 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.

In calendar year 2020, the state's TPT growth rate was 8.1% and the non-farm employment growth rate was (2.7)%. As a result, the pandemic did not result in both thresholds being met.

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 2022, budgeted K-12 spending constitutes approximately 46.2% 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 2020 that budgeted expenditures for school districts collectively were \$138,863,800 above the AEL for FY 2021. The department, however, revised its computation in February 2021 to reflect changes in district adopted budgets associated with enrollment declines and distance learning adjustments. The department determined that the budget revisions resulted in districts being \$(144,156,500) below the limit for FY 2021.

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.

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of June 2021, the Executive's spending plan included a total of \$4,533,750,400 for ADE-related programs. Of this amount, \$4,009,237,500 is from the Elementary and Secondary School Emergency Relief (ESSER) Fund \$154,512,900 is from the Governor's Emergency Education Relief Fund (GEERF), and \$370,000,000 is from the Coronavirus Relief Fund (CRF). The purposes of the distributions are described in more detail below.

ESSER

The CARES Act establishes the ESSER Fund to distribute federal monies for K-12 education. Arizona is receiving \$4,009,237,500 in ESSER monies. These monies must be obligated by September 30, 2024.

The law stipulates that 90% of the monies, or \$3,608,313,900, be distributed to school districts and charter schools based on their relative share of federal Title I funds. These monies may be expended for purposes already authorized by existing federal education grant programs and are not being used to offset a reduction in state funds. Districts and charter schools must reserve approximately \$465,000,000 of these monies to address learning loss associated with the COVID-19 pandemic.

The remaining 10%, or \$400,923,800, is to be retained by the Superintendent of Public Instruction, including 0.5% (\$20,046,200) for administration. Like districts and charters, the Superintendent must reserve approximately \$129,000,000 for learning loss program. As of June 2021, the Superintendent has reported making the following allocations:

- \$112,400,000 for schools that are not eligible for Title I monies and therefore received no monies from the formula distribution component of the ESSER Fund.
- \$21,300,000 for 140 school counselor and social worker positions on the wait list for the School Safety Program.
- \$9,600,000 for a partnership with ASU Prep Digital to implement a pilot program in digital learning across 8 districts.
- \$22,158,000 for allocations across several other smaller programs.

GEERF

The CARES Act also provided resources for GEERF, which may be allocated at the Governor's discretion to local education agencies, higher education institutions, or other education-related entities. Arizona is receiving \$100,099,400 in GEERF monies for distribution by the Governor, plus an additional \$54,413,500 for Emergency Assistance to Non-Public Schools (EANS). These monies must be obligated by September 30, 2023. The Executive has indicated that it plans to distribute monies from the fund as follows:

- \$40,000,000 for installation of broadband infrastructure along I-17 between Sunset Point and Flagstaff and along I-19 between Tucson and Nogales.
- \$20,000,000 for Acceleration Academies, which will consist of one-time grants to high-needs schools for contracted services and training of existing teaching staff.
- \$6,000,000 for the Arizona Teachers Academy to provide tuition grants to postsecondary students in exchange for teaching in Arizona K-12 schools after graduation.
- \$1,000,000 for the nonprofit organization A for Arizona, which will distribute grants to districts and charter schools for school innovation. These monies would be matched by private donations.
- \$1,000,000 for replacement of vehicles used by teachers and staff of the Arizona Schools for the Deaf and the Blind.
- \$700,000 for Beat the Odds Leadership Academy, a leadership training program for school principals administered by the Center for the Future of Arizona.
- \$500,000 for distribution to Teach for America.

CRF

The Executive has allocated \$370,000,000 of CRF monies for supplementary grants to K-12 schools. The grants will be distributed to districts and charter schools on a one-time basis in FY 2021 to address Basic State Aid funding reductions associated with enrollment declines or greater use of "Distance Learning" programs authorized under

Executive Order 2020-51 related to school operations during the COVID-19 pandemic.

The Executive calculated the grants such that districts and charters receive a grant equal to the difference between their actual Base Support Level funding under Basic State Aid formula for FY 2021 as of the 40th day of instruction and the greater of:

- The FY 2021 Base Level multiplied by 98% of the LEA's weighted ADM from FY 2020.
- The FY 2021 Base Level multiplied by 105% of the LEA's weighted ADM as of the 40th day of instruction from FY 2021.

Effectively, this formula would cap the funding reduction for LEAs at (2)% in comparison with FY 2020. In addition, charter schools are eligible for stabilization of Charter Additional Assistance (CAA). This program allows charter schools to receive a CAA grant equal to the difference between their actual CAA funding under the Basic State Aid formula for FY 2021 as of the 40th day of instruction and their FY 2021 CAA funding calculated using 98% of their FY 2020 unweighted student counts. Funding for District Additional Assistance is already based on prior year enrollment counts under the Basic State Aid formula and is therefore not included in the program.

Subsequent to the Executive's \$370,000,000 allocation, ADE estimated that the initial formulas above would have resulted in \$622,925,100 in formula awards to districts and charters. The Governor's Office of Strategic Planning and Budgeting then made the following additional adjustments to the formula calculations:

- Pro-rating of the initially calculated awards to keep the cost of the grant program within the \$370,000,000 original proposal; and
- Capping of individual grant allocations at \$500 per unweighted pupil based on guidance from the U.S. Department of the Treasury that \$500 per pupil of K-12 expenses may be "presumed" COVID-19 related. As a result, grantees do not need to provide additional backup documentation that their expenditures of the grant monies are COVID-19 related.

ARPA Supplemental Funding

The FY 2022 K-12 BRB requires OSPB to report on its website its allocation of \$350,000,000 of Coronavirus State Fiscal Recovery Fund monies provided through the American Rescue Plan Act (ARPA) to school districts and charter schools to supplement monies provided under ESSER. As of this writing, the allocation of the \$350,000,000 has not yet occurred. (*Please see the*

COVID-Related Spending Summary at the front of this book for more information).

Transwestern Litigation

The Transwestern Pipeline Company is a natural gas pipeline operator with properties within 7 Arizona counties. The company has previously appealed valuation of its properties in Arizona by the Department of Revenue (DOR) dating back to 2010. In the most recent litigation, *Transwestern Pipeline Co. v. Arizona Department of Revenue*, the Superior Court ruled in February 2019 that DOR's valuations dating back to Tax Year 2016 overstated the value of the company's pipelines. The Arizona Court of Appeals upheld the Superior Court's ruling in August 2020 and a settlement was agreed to in October 2020.

As a result of the court judgments, tax jurisdictions with Transwestern property owe refunds, with interest costs, to Transwestern for property taxes collected between Tax Year 2016 and Tax Year 2020. Based on data provided by the affected counties, the total cost of refunds and interest will be approximately \$24,000,000, including \$13,500,000 for school districts and the county state equalization tax rate, and \$10,500,000 for all other jurisdictions (e.g. counties, community college districts, fire districts, etc.).

A.R.S. § 15-915B permits school districts to request a recalculation of their Basic State Aid payments from ADE, including from prior years, if a court judgment results in a Net Assessed Value for property in the district that is different from what ADE used to calculate state payments to the districts. At its July 2021 meeting, JLBC favorably reviewed ADE's proposed state aid re-calculations resulting from the litigation that would increase General Fund Basic State Aid payments to affected school districts by \$7,445,500. The recalculation does not include any adjustments for district taxes that are outside of the Basic State Aid formula (e.g. bonds, overrides, adjacent ways, locally-funded transportation, etc.), nor does it account for interest costs associated with refunds.

The JLBC Staff estimates that, after accounting for state aid recalculations, school districts will have unreimbursed Transwestern refund expenses of \$6,610,100. The FY 2022 budget includes an appropriation of \$17,043,300 from the General Fund in FY 2021 to the Arizona Department of Administration (ADOA) for distributions to counties affected by the Transwestern case. The \$17,043,300 would therefore be sufficient to cover the \$6,610,100 of unreimbursed costs from school districts plus \$10,433,200 of unreimbursed refund costs from other local governments.

A General Appropriation Act footnote stipulates school districts and local governments with unreimbursed refund and interest expenses submit a claim for reimbursement by July 30, 2021. Any reimbursement shall be adjusted for funding school districts receive as a result of state aid recalculations pursuant to A.R.S. § 15-915B. If the appropriation is insufficient to cover the costs of all claims, the counties shall proportionately reduce reimbursement, and shall report the value of any unreimbursed claims to JLBC by September 1, 2021. (Please see ADOA narrative for additional information).

Proposition 208 – Education Funding

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund. Before any distributions are made from the fund, state agencies receive monies based on self-determined "actual reasonable" costs associated with certain requirements of the initiative:

- State Treasurer: administration of the fund.
- Auditor General: oversight of monies received by school districts, charter schools, and career technical education districts.
- Department of Education: oversight of monies received by school districts, charter schools, and career technical education districts.
- Department of Revenue: implementation and enforcement of 3.5% income tax surcharge.
- State Board of Education: oversight of teacher retention programs.

The total costs for these functions reported by these agencies is \$38,900, which solely reflects costs estimated by the Auditor General. ADE and SBE did not estimate any additional costs associated with the above functions, and the Department of Revenue and the State Treasurer did not provide an estimate.

After state agency distributions, the remaining funds will be distributed as follows:

- 85% to school districts and charter schools, including:
 - 50% for hiring and raises for teachers and classroom support personnel. The latter includes positions such as school counselors, psychologists, social workers, nurses and librarians.
 - 25% for hiring and raises for student support services personnel. The latter includes positions

- such as classroom aides, bus drivers, food services staff, and custodians.
- 10% for new teacher retention programs.
- 12% to the Career Training and Workforce Fund, including:
 - Self-determined "actual reasonable" costs to the State Treasurer for administration of the fund.
 - Self-determined "actual reasonable" costs to the Department of Education for implementation of the career training and workforce program. ADE estimated these costs would be \$530,000 annually.
 - Grants to school districts, charter schools, and career technical education districts for career training and workforce programs.
- 3% to the universities for the Arizona Teachers Academy.

Beginning in Tax Year 2021, the revenues collected by Proposition 208 will be impacted by the adoption of SB 1783 (Laws 2021, Chapter 436). Under SB 1783, individuals in Arizona with certain types of income, such as interest, dividends, business profits, and capital gains from the sale of certain capital assets will have the option of paying taxes on their business income on an alternative schedule. Individuals making such an election would not be subject to the 3.5% Proposition 208 surcharge for their income, which will lower the revenues generated by the

Table 15
Distribution of Student Support and Safety Fund
(\$ in Millions)

	Original Estimate	Impact of SB 1783
Agency Distributions ^{1/}	0.6	0.6
School Districts/Charter Schools (85%): ^{2/}		
Teacher/Classroom Support (50%)	418.0	272.0
Student Support Services (25%)	209.0	136.0
Teacher Retention (10%)	<u>83.6</u>	<u>54.4</u>
Subtotal	710.6	462.4
Career Training and Workforce Fund (12%):		
Career Training and Workforce Program	99.8	64.7
Arizona Teachers Academy (3%)	25.0	16.3
Student Support and Safety Fund Total	\$ 836.0	\$ 544.0

^{1/} Agency distributions reported by the Auditor General, ADE, and the State Board of Education as of December 2020. Cost estimates were not provided by the Department of Revenue of the State Treasurer.

^{2/} The initiative stipulates that the Arizona State Schools for the Deaf and Blind and the Department of Juvenile Corrections are to receive monies for teacher/classroom support, student support services, and teacher retention "in the same manner as school districts and charter schools" based on their weighted student counts.

initiative. As shown in *Table 15*, the JLBC Staff estimates that Proposition 208 would have generated \$836,000,000 in revenue in the first full year of implementation in the absence of SB 1783. With SB 1783, the estimated revenues drops to \$544,000,000, or a decrease of \$(292,000,000). Please see *Table 15* for the estimated Student Support and Safety Fund distributions. (Please see *General Fund Revenue* section for additional information on impact of individual income tax changes on Proposition 208 collections.)

Facilities Board bonds authorized by Proposition 301 will be redirected to ADE for the costs of Basic State Aid. 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 \$499,300,000 (62.2%) of the \$803,100,000 collected for FY 2020 (see *Table 16*).

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*).

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 Department combined for FY 2001 (the last year before Proposition 301 took effect), which equaled \$72,300,000 Total reported expenditures from the CSF for FY 2020 were \$620,500,000 (see *Table 16*).

Starting in FY 2022, Laws 2018, Chapter 74 extends the additional 0.6% sales tax through June 30, 2041. Pursuant to the FY 2021 K-12 BRB, the \$64,100,000 of 0.6% sales tax monies previously needed for debt service on School

PROPOSITION 301 SALES TAX REVENUES		Proposition 301 Monies (FY 2020 Actual) (\$ in Millions)
Recipient	Amount	Comment
School Facilities Board	\$64.1	For debt service on \$794.7 million of bonds authorized by Proposition 301 for school repairs and updates.
Universities	88.7	Receive 12% of monies remaining after SFB debt service is deducted.
Community Colleges	22.2	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	\$201.0	
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	499.3	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	\$602.1	
Total - Prop 301 Sales Tax	\$803.1	
CLASSROOM SITE FUND EXPENDITURES (ALL SOURCES)		
Prop 301 Sales Tax (from above)	499.3	
Prop 301/CSF - Land Trust	121.2	
Prop 301/CSF - Carry-Forward	0.0	
Total - Classroom Site Fund	\$620.5 ^{1/}	

^{1/} Total disbursements reported for FY 2020 in ADE’s FY 2022 budget request from September 2020. Does not match estimated amounts in JLBC Staff Classroom Site Fund (CSF) memo dated 4/10/2020, as the latter were estimates based on data available at the time rather than year-end actuals.

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 2021, 94 districts statewide had M&O overrides pursuant to A.R.S. § 15-481, 1 district had a “Special Program” override pursuant to A.R.S. § 15-482, and 28 districts had District Additional Assistance overrides. The total amounts budgeted for overrides for FY 2021 included \$608,800,000 for M&O overrides and \$96,600,000 for District Additional Assistance overrides. Grand total budgeted override funding for FY 2021 therefore equaled \$708,100,000, which was \$64,300,000 above the \$643,800,000 amount budgeted for all overrides collectively in FY 2020 (see Table 17). (See the School Facilities Board budget narrative for a related summary on K-12 Capital Bonding.)

Table 17

**K-12 Budget Overrides
(\$ In Millions)**

Type of Override	FY 2020	FY 2021	Change
M&O	554.9	608.8	53.9
Special Program	0.0	2.7	2.7
Additional Assistance	88.9	96.6	7.7
Total	643.8	708.1	64.3

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 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.

Department of Emergency and Military Affairs

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
PROGRAM BUDGET			
Administration	1,849,900	56,948,100	1,956,400
Emergency Management	3,643,400	7,850,600	8,234,000
Military Affairs	1,788,300	4,080,400	5,107,100
AGENCY TOTAL	7,281,600	68,879,100	15,297,500
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	69.6	69.6	72.6 ^{1/}
Personal Services	1,732,800	1,831,000	1,831,000
Employee Related Expenditures	557,100	586,800	481,700
Professional and Outside Services	23,200	6,000	6,000
Travel - In State	10,500	55,000	55,000
Travel - Out of State	4,100	10,000	10,000
Other Operating Expenditures	1,420,600	1,441,100	2,297,400
Equipment	58,500	50,000	50,000
OPERATING SUBTOTAL	3,806,800	3,979,900	4,731,100
SPECIAL LINE ITEMS			
Emergency Management Matching Funds	1,543,400	1,590,300	1,544,900
Governor's Emergency Fund	0	4,000,000	4,000,000 ^{2/}
Nuclear Emergency Management Program	1,369,800	1,506,100	1,930,400 ^{3/}
Military Airport Planning	89,900	90,000	90,000 ^{4/}
Border Security Fund	0	55,000,000	0
National Guard Cyber Response Revolving Fund Deposit	0	0	300,000
National Guard Matching Funds	344,300	1,712,800	1,701,100 ^{5/}
National Guard Tuition Reimbursement	127,400	1,000,000	1,000,000 ^{6/}
AGENCY TOTAL	7,281,600	68,879,100	15,297,500 ^{2/}
FUND SOURCES			
General Fund	5,911,800	67,373,000	13,367,100
<u>Other Appropriated Funds</u>			
Nuclear Emergency Management Fund	1,369,800	1,506,100	1,930,400
SUBTOTAL - Other Appropriated Funds	1,369,800	1,506,100	1,930,400
SUBTOTAL - Appropriated Funds	7,281,600	68,879,100	15,297,500
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	(69,500)	2,720,200	72,000
Federal Funds	69,121,600	145,228,700	75,796,200
TOTAL - ALL SOURCES	76,333,700	216,828,000	91,165,700

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 1 GF and 8.5 OF FTE Positions funded from Special Line Items in FY 2022.
- ^{2/} 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.
- ^{3/} 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.

- 4/ 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.
- 5/ The \$1,701,100 national guard matching funds appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all fiscal year 2021-2022 monies remaining unexpended and unencumbered on December 31, 2022 revert to the state general fund. (General Appropriation Act footnote, as adjusted for statewide allocations).
- 6/ The appropriated amount for the national guard tuition reimbursement line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until September 30, 2022. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The budget includes \$4,731,100 and 63.1 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

One-Time Aircraft Communication Equipment

The budget includes an increase of \$220,500 from the General Fund in FY 2022 for one-time costs associated with communication equipment for National Guard aircrafts.

Cyber Task Force

The budget includes an increase of \$495,200 from the General Fund in FY 2022 to provide funding for a cyber task force to perform cyber security responsibilities and cyber incident response.

Statewide Adjustments

The budget includes an increase of \$35,500 from the General Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Emergency Management Matching Funds

The budget includes \$1,544,900 from the General Fund in FY 2022 for Emergency Management Matching Funds. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(45,400) from the General Fund in FY 2022 for statewide adjustments.

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 2020, DEMA was awarded \$7,335,000 by the federal government.

In FY 2020, the state match for these monies was funded by \$730,900 from the General Fund operating budget appropriation, \$1,472,400 from the Emergency Management Matching Funds line item appropriation, \$100,000 in In-Kind Assistance, \$766,500 of the Nuclear Emergency Management Fund appropriation, and a \$4,265,200 match from the local government sub-recipients.

In FY 2021, DEMA expects to receive \$8,949,100 in EMPG funds.

Governor's Emergency Fund

The budget includes \$4,000,000 from the General Fund in FY 2022 for the Governor's Emergency Fund. This amount is unchanged from FY 2021.

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 budget includes \$1,930,417 and 8.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2022 for the Nuclear Emergency Management Program line item. FY 2022 adjustments are as follows:

New NEMF Assessment

The budget includes an increase of \$424,301 and 3 FTE Positions from NEMF in FY 2022 for a new NEMF assessment.

Table 1

Nuclear Emergency Management Fund

Agency	FY 2021		FY 2022		FY 2023	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,506,116	8.5	\$1,930,417	8.5	\$1,987,423
Health Services	5.5	789,663	0	0	0	0
Agriculture	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>280,512</u>
Total	13.88	\$2,576,291	11.38	\$2,210,929	11.38	\$2,267,935

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

Laws 2021, Chapter 71 appropriates \$1,930,417 and 8.5 FTE Positions from NEMF in FY 2022 and \$1,987,423 and 8.5 FTE Positions from NEMF in FY 2023.

As a result, these monies do not appear in the General Appropriation Act. DEMA and the Department of Agriculture received monies from Chapter 71. The NEMF appropriation amounts for FY 2021-2023 are displayed in *Table 1*. (Please see the Department of Agriculture 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. The Legislature enacts this revised fee level in a bill outside of the budget process.

DEMA has provided recommendations for the FY 2022 and FY 2023 NEMF funding levels for the 3 agencies as outlined in *Table 1*. The DEMA recommendation for FY 2022 and FY 2023 proposes that DEMA take over the offsite response activities from the Department of Health Services (DHS). This results in a shift of both funds and FTE Positions from DHS to DEMA.

The DEMA recommendations include an increase of \$424,301 in FY 2022 and an increase of \$57,006 in FY 2023 above the FY 2022 level for DEMA. The budget increases NEMF funding to the department by \$424,301 in FY 2022 based on the DEMA recommendations.

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.

Military Airport Planning

The budget includes \$90,000 and 1 FTE Position from the General Fund in FY 2022 for Military Airport Planning. These amounts are unchanged from FY 2021. 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 2020, the fund had an unreserved balance of \$641,491.

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.

Border Security Fund

The budget includes no funding in FY 2022 for the Border Security Funding line item. FY 2022 adjustments are as follows:

Remove One-Time Border Security Funding

The budget includes a decrease of \$(55,000,000) from the General Fund in FY 2022 for the elimination of one-time border security funding appropriated in FY 2021.

DEMA is required to allocate the FY 2021 appropriation in consultation with the Department of Public Safety as follows:

- \$3,700,000 to Cochise County for costs associated with body-worn camera video release.

- \$2,500,000 to Yuma County for costs associated with body-worn camera video release.
- \$2,700,000 to operate a pilot program to reduce human trafficking. This allocation provides \$675,000 to each of the following entities: The Department of Public Safety, the Cochise County Sheriff's Department, the Yuma County Sheriff's Department, and the Pinal County Sheriff's Department.
- \$1,100,000 to the Cochise, Pima, Santa Cruz and Yuma County Sheriff's for cameras and related equipment for Southern Arizona border region enforcement.
- \$20,000,000 for distribution to cities, towns or counties for costs associated with prosecuting and imprisoning individuals charged with border-related crimes.
- \$25,000,000 for costs incurred by the Arizona National Guard in the Southern Arizona border region.

The FY 2022 Criminal Justice Budget Reconciliation Bill (BRB) also established the Border Security Fund consisting of legislative appropriations, gifts, grants and other donations. DEMA is required to use monies in the fund for preventing human trafficking; preventing entry of unlawful individuals and substances into the United States; planning, designing, constructing and maintaining transportation, technology and commercial vehicle inspection infrastructure at the state's international border; clearing indigenous plants; administering and managing construction and maintenance of a physical border fence; awarding grants to counties to provide housing in secure facilities and awarding grants to counties for prosecuting individuals who commit crimes related to unlawful entry of individuals or substances.

National Guard Cyber Response Revolving Fund Deposit

The budget includes \$300,000 from the General Fund in FY 2022 for the National Guard Cyber Response Revolving Fund Deposit line item. FY 2022 adjustments are as follows:

Fund Deposit

The budget includes an increase of \$300,000 from the General Fund in FY 2022 for deposit into the National Guard Cyber Response Revolving Fund.

A.R.S. § 26-183 allows the National Guard to engage in cyber-attack prevention, response and support activities for the state and political subdivisions in the state.

Additionally, A.R.S. § 26-183 establishes the National Guard Cyber Response Revolving Fund consisting of monies appropriated by the Legislature and monies

received as reimbursement costs incurred by the state while rendering aid for the previously stated purposes.

National Guard Matching Funds

The budget includes \$1,701,100 from the General Fund in FY 2022 for the National Guard Matching Funds line item. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(11,700) from the General Fund in FY 2022 for statewide adjustments.

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 budget continues to make this appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2022 monies remaining unexpended and unencumbered on December 31, 2022 revert to the state General Fund.

In FY 2020, DEMA received \$43,063,000 in National Guard Military Operations and Maintenance Projects monies. Of this amount, \$2,949,600 required a 50% match, or \$1,474,800; \$2,242,200 required a 25% match, or \$560,600; and \$2,168,600 required a 5.5% match, or \$119,300, for a total required match of \$2,154,700.

In FY 2020, DEMA utilized \$1,805,700 from the National Guard Matching Funds appropriations (including monies from the FY 2018 appropriation) and \$513,900 from the Military Affairs appropriation. No funds were provided by the Arizona Department of Administration (ADOA) building renewal appropriation in FY 2020.

DEMA estimates their FY 2021 match expenditures will be \$1,700,000.

National Guard Tuition Reimbursement

The budget includes \$1,000,000 from the General Fund in FY 2022 for the National Guard Tuition Reimbursement line item. This amount is unchanged from FY 2021.

DEMA estimates that the \$1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen.

The FY 2022 General Appropriations Act includes a footnote allowing a 90-day extension of the lapsing of any appropriation to the National Guard Tuition Reimbursement Program.

Other Issues

This section includes information on the following topics:

- FY 2021 Supplemental
- Statutory Changes

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$55,000,000 from the General Fund for deposit to the Border Security Fund. *(Please see the Border Security Fund line item for further details.)*

Statutory Changes

The Capital Outlay Bill makes the following statutory changes:

- 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 to June 30, 2026.
- 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 to June 30, 2026.

The FY 2022 Budget Procedures BRB makes the following statutory changes:

- As permanent law, amends A.R.S. § 35-192 to allow the Governor's Emergency Fund to reimburse expenses exceeding \$200,000 from the fund at Department of Forestry and Fire Management cooperator rates with approval of the Governor or the State Emergency Council.

The Criminal Justice BRB makes the following statutory changes:

- As session law, extend the provision allowing the department to expend up to \$1,250,000 from the Military Installation Fund through June 30, 2026 for the construction of a new Readiness Center. This authority was previously in effect through FY 2022.

- As permanent law, establish the non-appropriated Border Security Fund, which shall be used for preventing human trafficking, preventing unlawful entry into the state, commercial vehicle inspection infrastructure, clearing nonindigenous plants, and constructing and maintaining a physical border fence.
- As permanent law, create a National Guard Cyber Response Revolving Fund with monies appropriated by the Legislature and monies received as reimbursement for costs the state has incurred while performing cyber-attack prevention, response, and support activities. Monies in the fund may be used for costs incurred for those same purposes or costs associated with assisting agencies and political subdivisions with cyber support activities.

Department of Environmental Quality

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	322.0	322.0	322.0
Personal Services	17,034,300	18,345,000	16,009,000
Employee Related Expenditures	6,253,100	6,740,400	6,646,300
Professional and Outside Services	2,973,000	2,143,800	2,143,800
Travel - In State	275,200	384,400	384,400
Travel - Out of State	54,400	146,500	146,500
Other Operating Expenditures	11,311,700	18,707,900	20,789,900
Equipment	130,800	1,465,700	1,465,700
OPERATING SUBTOTAL	38,032,500	47,933,700	47,585,600
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	21,119,500	21,119,500	26,219,500
Maricopa County Dust Suppression Pilot Program	200,000	0	0
Nogales Wastewater Infrastructure	2,569,300	0	0
Safe Drinking Water Program	1,707,600	1,854,700	1,814,300
WQARF Priority Site Remediation	13,552,000	15,000,000	15,000,000
AGENCY TOTAL	77,180,900	85,907,900	90,619,400
FUND SOURCES			
General Fund	200,000	15,000,000	15,000,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	8,117,900	5,472,400	5,382,800
Emergency Response Fund	132,700	132,800	132,800
Emissions Inspection Fund	29,928,200	26,665,800	30,293,600
Hazardous Waste Management Fund	1,571,600	1,785,000	1,748,300
Indirect Cost Recovery Fund	13,455,400	14,025,500	13,962,600
Permit Administration Fund	5,276,800	7,327,100	7,166,500
Recycling Fund	3,186,800	1,396,800	1,565,100
Safe Drinking Water Program Fund	1,707,600	1,854,700	2,214,300
Solid Waste Fee Fund	1,155,900	1,280,700	1,853,900
Underground Storage Tank Revolving Fund	5,000,000	160,800	148,800
Voluntary Vehicle Repair and Retrofit Program Fund	0	0	560,000
Water Quality Fee Fund	7,448,000	10,806,300	10,590,700
SUBTOTAL - Other Appropriated Funds	76,980,900	70,907,900	75,619,400
SUBTOTAL - Appropriated Funds	77,180,900	85,907,900	90,619,400
Other Non-Appropriated Funds	72,203,400	66,575,000	66,575,000
Federal Funds	14,593,300	17,280,600	17,280,600
TOTAL - ALL SOURCES	163,977,600	169,763,500	174,475,000

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 is shown here as a General Fund expenditure.
- 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 fiscal year 2021-2022 report to the joint legislative budget committee on or before September 1, 2021. 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 fiscal year 2021-2022. In addition, the department and the advisory board shall prepare and submit to the joint legislative budget committee, on or before October 1, 2021, 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 fiscal year 2020-2021, indicate whether the current stage of remediation is anticipated to be completed in fiscal year 2021-2022 and indicate the anticipated stage of remediation at each listed site at the end of fiscal year 2021-2022, assuming fiscal year 2021-2022 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 4/ All indirect cost recovery fund monies received by the department of environmental quality in excess of \$13,962,600 in fiscal year 2021-2022 are appropriated to the department. Before spending indirect cost recovery fund monies in excess of \$13,962,600 in fiscal year 2021-2022, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 5/ All permit administration fund monies received by the department of environmental quality in excess of \$7,166,500 in fiscal year 2021-2022 are appropriated to the department. Before spending permit administration fund monies in excess of \$7,166,500 in fiscal year 2021-2022, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$47,585,600 and 322 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
Air Quality Fund	\$5,382,800
Emergency Response Fund	132,800
Emissions Inspection Fund	4,074,100
Hazardous Waste Management Fund	1,748,300
Indirect Cost Recovery Fund	13,962,600
Permit Administration Fund	7,166,500
Recycling Fund	1,565,100
Safe Drinking Water Program Fund	400,000
Solid Waste Fee Fund	1,853,900
Underground Storage Tank Revolving Fund	148,800
Voluntary Vehicle Repair and Retrofit Program Fund	560,000
Water Quality Fee Fund	10,590,700

FY 2022 adjustments are as follows:

Emissions Inspection Fund Operating Decrease

The budget includes a decrease of \$(1,400,000) from the Emissions Inspection Fund in FY 2022. This decrease is part of a total \$5,100,000 increase to the Emissions Control Contractor Payment SLI for increased contractor

payments. *(Please see the Emissions Control Contractor Payment section for more information).*

One-Time Hazardous Waste Program Funding

The budget includes a one-time increase of \$604,000 from the Solid Waste Fee Fund in FY 2022 for the Hazardous Waste Management Fund to address a deficit in the Hazardous Waste Management Fund. The Hazardous Waste Management Fund had an FY 2021 structural deficit of \$(651,000).

The Hazardous Waste Program helps ensure that toxic, corrosive, unstable, and ignitable materials are properly stored, treated, transported, and disposed of. The Hazardous Waste Management Fund is used 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.

One-Time Surface Water Program Funding

The budget includes an increase of \$1,160,000 in FY 2022 for the Surface Water Protection Program. This amount consists of:

Recycling Fund	200,000
Safe Drinking Water Program Fund	400,000

Voluntary Vehicle Repair and Retrofit Program Fund 560,000

\$ (1,400,000) from the ADEQ's Operating Budget, the net increase to the department is \$3,700,000.

The Environmental Protection Agency (EPA) and U.S. Army Corps of Engineers published a new federal Navigable Waters Protection Rule in April 2020, finalizing a decision to revise the definition of "Waters of the United States." This new definition created a gap in the regulation of Arizona surface waters. In June 2021, the EPA announced that it intends to revise the definition of "Waters of the United States" to include waterways that were eliminated in the April 2020 rule. Even after a final rule is published, implementation could be delayed for various reasons including legal challenges, and DEQ may still need to administer a state permitting program during that time.

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.

These monies will be used to determine which state waterways require regulation, provide outreach to stakeholders on the new program, and begin administering the pilot program.

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.

Statewide Adjustments

The budget includes a decrease of \$ (712,100) in FY 2022 for statewide adjustments. This amount consists of:

An Environment BRB provision requires ADEQ to charge emissions inspection fees in FY 2022 that are no greater than those charged in FY 2021 for tests conducted in Area A, which refers to the Phoenix Metropolitan Area and includes Maricopa County as well as portions of Pinal and Yavapai Counties. In previous years, this provision required DEQ to charge the same fees as the prior year; the new language could permit different specific fee levels as long as total fees did not increase. *(Please see Other Issues for more information.)*

Air Quality Fund	(89,600)
Emissions Inspection Fund	(72,200)
Hazardous Waste Management Fund	(36,700)
Indirect Cost Recovery Fund	(62,900)
Permit Administration Fund	(160,600)
Recycling Fund	(31,700)
Solid Waste Fee Fund	(30,800)
Underground Storage Tank Revolving Fund	(12,000)
Water Quality Fee Fund	(215,600)

Safe Drinking Water Program

(Please see the Agency Detail and Allocations section.)

The budget includes \$1,814,300 from the Safe Drinking Water Program Fund in FY 2022 for the Safe Drinking Water Program. FY 2022 adjustments are as follows:

The budget continues an 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.

Statewide Adjustments

The budget includes a decrease of \$ (40,400) from the Safe Drinking Water Program Fund in FY 2022 for statewide adjustments.

Emissions Control Contractor Payment

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*.

The budget includes \$26,219,500 from the Emissions Inspection Fund in FY 2022 for the Emissions Control Contractor Payment. FY 2022 adjustments are as follows:

Increased Contractor Payments

The budget includes an increase of \$5,100,000 from the Emissions Inspection Fund in FY 2022 for increased contractor payments. After adjusting for a decrease of

Table 1

Safe Drinking Water Program Costs

<u>Position or Function</u>	<u>Actual FY 2020</u>	<u>Estimated FY 2021</u>
Direct Personnel	\$1,120,000	\$1,162,900
Indirect Cost Fund	335,800	406,800
Contracting	72,300	110,500
Travel	30,100	30,800
Other	<u>149,400</u>	<u>143,700</u>
Total	\$1,707,600	\$1,854,700

The budget continues the Environment BRB provision notwithstanding these statutory provisions but for FY 2022 leaves the General Fund transfer at \$15,000,000.

In prior years, the Legislature has appropriated monies from a variety of DEQ funds to provide a total of \$15,000,000 for this purpose yearly. *Table 2* shows the WQARF funding availability from other funds that have been used in prior years for this purpose.

WQARF Priority Site Remediation

The budget includes \$15,000,000 from the General Fund in FY 2022 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. FY 2022 adjustments are as follows:

WQARF Funding

The FY 2021 budget designated \$5,000,000 of the FY 2021 appropriation as one-time funding. As a result, the budget includes a decrease of \$(5,000,000) of one-time General Fund monies in FY 2022, but also includes an increase of \$5,000,000 from the General Fund in FY 2022. The FY 2022 budget designates this funding as ongoing.

The WQARF funding for FY 2019 through FY 2022 is shown in *Table 3*.

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.

Table 2

FY 2022 WQARF Funding Availability

	<u>Estimated FY 2022 Cash Balance</u>
Air Quality Fund	\$ 2,000,000
Emissions Inspection Fund	7,700,000
Permit Administration Fund	0
Recycling Fund	1,800,000
UST Fund	<u>19,400,000</u>
Total Available	\$30,900,000

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 Environment BRB makes the following statutory changes:

- As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground

Table 3

WQARF Funding

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
General Fund	\$ 0	\$ 0	\$15,000,000	\$15,000,000
Air Quality Fund	5,000,000	2,600,000	0	0
Emissions Inspection Fund	6,500,000	2,800,000	0	0
Permit Administration Fund	0	1,000,000	0	0
Recycling Fund	2,052,000	2,152,000	0	0
UST Fund	<u>0</u>	<u>5,000,000</u>	<u>0</u>	<u>0</u>
Total Appropriation	\$13,552,000	\$13,552,000	\$15,000,000	\$15,000,000
Non-Appropriated	\$ 2,000,000	\$ 2,000,000	\$ 0	\$ 0
Total Funds	\$15,552,000	\$15,552,000	\$15,000,000	\$15,000,000

Storage Tank (UST) Fund in FY 2022 for department administrative expenses and for sewage remediation.

- As session law, continue to appropriate \$15,000,000 from the state General Fund to the Water Quality Assurance Revolving Fund (WQARF).
- As session law, charge fees that are not greater than the FY 2021 level of vehicle emissions inspection fees in FY 2022 (FY 2021 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties).

Fund Transfers

The budget includes an FY 2021 transfer of \$1,500,000 from the Recycling Fund to the Water Quality Fee Fund to address a deficit.

Vehicle Emissions Inspection (VEI) Fees

Fund Sources and Uses

The VEI Program generates more in fees than the cost of administering the program, as shown in *Table 4*.

An Environment BRB provision requires ADEQ to charge emissions inspection fees in FY 2022 that are no greater than those charged in FY 2021 for tests conducted in Area A.

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 onboard diagnostic 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.

Table 4

Emissions Inspection Fund			
	Actual	Estimated	Estimated
Revenues	FY 2020	FY 2021	FY 2022
Balance Forward	\$ 7,593,500	\$ 5,439,000	\$ 6,588,500
Fees	<u>27,775,100</u>	<u>27,815,300</u>	<u>27,815,300</u>
Total Revenues	\$35,368,600	\$33,254,300	\$34,403,800
Expenditures			
Contractor Payment	\$21,119,500	\$21,119,500	\$21,119,500
Operating Expenses	6,010,100	5,546,300	5,546,300
WQARF	<u>2,800,000</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$29,929,600	\$26,665,800	\$26,665,800
Total Balance	\$ 5,439,000	\$ 6,588,500	\$ 7,738,000

Governor's Office of Equal Opportunity

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	92,700	134,300	128,000
Employee Related Expenditures	27,500	52,900	52,700
Travel - In State	800	1,200	1,200
Other Operating Expenditures	9,900	8,500	8,600
Equipment	100	800	800
AGENCY TOTAL	131,000	197,700	191,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Division Fund	131,000	197,700	191,300
SUBTOTAL - Other Appropriated Funds	131,000	197,700	191,300
SUBTOTAL - Appropriated Funds	131,000	197,700	191,300
TOTAL - ALL SOURCES	131,000	197,700	191,300

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 budget includes \$191,300 and 4 FTE Positions from the Personnel Division Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(6,400) from the Personnel Division Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section).*

State Board of Equalization

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	243,700	287,100	274,200
Employee Related Expenditures	84,300	79,900	79,100
Professional and Outside Services	5,600	35,000	35,000
Travel - In State	11,000	16,000	16,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	132,900	235,200	239,600
Equipment	400	15,000	15,000
AGENCY TOTAL	477,900	673,200	663,900^{1/}
FUND SOURCES			
General Fund	477,900	673,200	663,900
SUBTOTAL - Appropriated Funds	477,900	673,200	663,900
TOTAL - ALL SOURCES	477,900	673,200	663,900

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 the respective County Boards of Equalization. The board also hears appeals of centrally-valued properties and equalization orders by the Department of Revenue.

FOOTNOTES

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

Operating Budget

The budget includes \$663,900 and 7 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(9,300) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Board of Executive Clemency

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.5	14.5	14.5
Personal Services	610,000	668,500	638,200
Employee Related Expenditures	210,200	228,300	226,600
Professional and Outside Services	300	32,400	32,400
Travel - In State	600	13,600	13,600
Other Operating Expenditures	233,500	231,700	232,500
Equipment	24,700	10,000	10,000
AGENCY TOTAL	1,079,300	1,184,500	1,153,300 ^{1/2/}
FUND SOURCES			
General Fund	1,079,300	1,184,500	1,153,300
SUBTOTAL - Appropriated Funds	1,079,300	1,184,500	1,153,300
Other Non-Appropriated Funds	15,900	30,100	30,100
TOTAL - ALL SOURCES	1,095,200	1,214,600	1,183,400

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, 2021, 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 fiscal year 2020-2021. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$1,153,300 and 14.5 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(31,200) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Caseload Data

Pursuant to a footnote in the FY 2021 General Appropriation Act, the board submitted a report on its FY 2020 caseload. The board conducted 2,586 case hearings in FY 2020, as described below:

- Phases 1 and 2 Commutation (266): 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 (0): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (9): 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 (376): 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 (1,935): These hearings are conducted when an offender has violated the terms of community supervision.

Arizona Exposition and State Fair Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	3,672,900	4,836,800	4,836,800
Employee Related Expenditures	1,016,400	1,096,000	870,000
Professional and Outside Services	257,900	350,400	350,400
Travel - In State	4,300	2,500	2,500
Travel - Out of State	11,300	10,000	10,000
Other Operating Expenditures	7,903,400	7,139,800	7,139,600
Equipment	178,000	88,200	88,200
AGENCY TOTAL	13,044,200	13,523,700	13,297,500^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Arizona Exposition and State Fair Fund	13,044,200	13,523,700	13,297,500
SUBTOTAL - Other Appropriated Funds	13,044,200	13,523,700	13,297,500
SUBTOTAL - Appropriated Funds	13,044,200	13,523,700	13,297,500
TOTAL - ALL SOURCES	13,044,200	13,523,700	13,297,500

AGENCY DESCRIPTION — The Arizona Exposition and State Fair Board (AESF) 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 budget includes \$13,297,500 and 184 FTE Positions from the AESF Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(226,200) from the AESF Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

2021 State Fair

In August 2020, the AESF Board announced the annual Arizona State Fair (fair) would not be held as a result of the COVID-19 pandemic. Throughout the fall and spring, the AESF held several events including drive through fair food showcases. In March 2022, the AESF announced

that the 2021 fair would be held at Wild Horse Pass Motorsports Park on the Gila River Indian Reservation near Chandler.

Arizona Department of Forestry and Fire Management

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	88.0	210.0	213.0 ^{1/}
Personal Services	1,815,300	1,965,200	1,965,200
Employee Related Expenditures	713,700	758,900	659,000
Professional and Outside Services	103,500	103,500	103,500
Travel - In State	36,300	36,300	36,300
Travel - Out of State	2,900	2,900	2,900
Other Operating Expenditures	339,700	334,500	622,400
Equipment	4,500	4,500	4,500
OPERATING SUBTOTAL	3,015,900	3,205,800	3,393,800
SPECIAL LINE ITEMS			
Environmental County Grants	250,000	250,000	250,000
Fire Suppression	3,200,000	5,370,100 ^{2/}	3,200,000 ^{3/}
Hazardous Vegetation Removal	2,478,300	3,000,000	3,000,000 ^{4/}
Inmate Firefighting Crews	656,500	727,500	784,400
Post-Release Firefighting Crews	955,900	1,063,400	1,151,000
Mount Lemmon Fire District	750,000	0	0
Nonnative Vegetation Species Eradication	2,000,000	1,000,000	1,000,000 ^{5/}
Rural Fire District Reimbursement	0	0	2,500,000 ^{6/}
State Fire Marshal	766,100	777,600	1,168,700
State Fire School	150,000	175,300	279,700
Taylor Fire Training Center	1,000,000	0	0
Wildfire Emergency Response	0	75,000,000 ^{7/}	0
Wildfire Mitigation	0	24,541,800 ^{8/}	0
AGENCY TOTAL	15,222,700	115,111,500	16,727,600 ^{9/}
FUND SOURCES			
General Fund	15,222,700	115,111,500	16,727,600
SUBTOTAL - Appropriated Funds	15,222,700	115,111,500	16,727,600
Other Non-Appropriated Funds	43,895,800	40,080,600	40,080,600
TOTAL - ALL SOURCES	59,118,500	155,192,100	56,808,200

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 170 GF FTE Positions funded from Special Line Items in FY 2022.
- ^{2/} The monies are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations until June 30, 2022. (General Appropriation Act footnote)
- ^{3/} 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.
- ^{4/} The appropriation for the hazardous vegetation removal line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2023. (General Appropriation Act footnote)

- 5/ 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)
- 6/ The appropriation for the rural fire district reimbursement line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 7/ The appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (Laws 2021, 1st Special Session, Chapter 1 footnote)
- 8/ The appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations through June 30, 2022. (Laws 2021, 1st Special Session, Chapter 1 footnote)
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$3,393,800 and 43 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$188,000 from the General Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Environmental County Grants

The budget includes \$250,000 from the General Fund in FY 2022 for Environmental County Grants. This amount is unchanged from FY 2021.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, Cochise 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 budget includes \$3,200,000 from the General Fund in FY 2022 for Fire Suppression. This amount is unchanged from FY 2021.

Remove One-time Funding

The budget includes a decrease of \$(2,170,100) from the General Fund in FY 2022 for one-time FY 2021 supplemental funding.

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. *(See Wildfire Emergency Response SLI and Wildfire Mitigation SLI, and the Other Issues Section for additional monies supporting fire suppression in Arizona.)*

Hazardous Vegetation Removal

The budget includes \$3,000,000 from the General Fund in FY 2022 for a Hazardous Vegetation Removal program. This amount is unchanged from FY 2021.

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 budget includes \$784,400 and 13 FTE Positions from the General Fund in FY 2022 for Inmate Firefighting Crews. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$56,900 from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$1,151,000 and 20 FTE Positions from the General Fund in FY 2022 for Post-Release Firefighting Crews. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$87,600 from the General Fund in FY 2022 for statewide adjustments.

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.

Nonnative Vegetation Species Eradication

The budget includes \$1,000,000 from the General Fund in FY 2022 for the Nonnative Vegetation Species Eradication line item. This amount is unchanged from FY 2021.

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.

Rural Fire District Reimbursement

The budget includes \$2,500,000 from the General Fund in FY 2022 for the Rural Fire District Reimbursement line item. FY 2022 adjustments are as follows:

Rural Fire District Reimbursement

The budget includes a one-time increase of \$2,500,000 from the General Fund in FY 2022 to process and pay claims to reimburse fire districts with a population of less than 5,000 for expenses incurred responding to emergency medical services provided on federal lands.

Local fire districts do not receive payment for providing emergency medical services to persons injured or sick on federal lands. Pursuant to a provision in the Environment Budget Reconciliation Bill (BRB), these funds are available to assist fire districts with a population of less than 5,000, for expenses incurred providing emergency medical services on federal land.

State Fire Marshal

The budget includes \$1,168,700 and 14 FTE Positions from the General Fund in FY 2022 for the State Fire Marshal. FY 2022 adjustments are as follows:

Additional Fire Marshals

The budget includes an increase of \$343,000 and 3 FTE Positions from the General Fund in FY 2022 to hire additional State Fire Marshals. A total of \$116,650 will be used for one-time equipment costs. The additional State Fire Marshals will be responsible for conducting fire safety inspections in state- and county-owned buildings.

Statewide Adjustments

The budget includes an increase of \$48,100 from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$279,700 and 1 FTE Position from the General Fund in FY 2022 for the State Fire School. FY 2022 adjustments are as follows:

Additional Fire School Subsidy Funding

The budget includes an increase of \$100,000 from the General Fund in FY 2022 to increase funding used to subsidize the costs of volunteer fire departments attending the Arizona State Fire School.

Statewide Adjustments

The budget includes an increase of \$4,400 from the General Fund in FY 2022 for statewide adjustments.

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 workshops take place at the Mesa Convention Center in downtown Mesa with the exception of a few held at designated off-site locations.

Besides \$200,000 for subsidizing these costs, the remaining \$79,700 and 1 FTE Position is used for liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

Wildfire Emergency Response

The budget includes no funding in FY 2022 for the Wildfire Emergency Response line item. FY 2022 adjustments are as follows:

Remove One-Time Wildfire Emergency Response Funding

The budget includes a decrease of \$(75,000,000) from the General Fund in FY 2022 to remove one-time FY 2021 supplemental funding for a new Wildfire Emergency Response line item.

Laws 2021, 1st Special Session, Chapter 1, appropriated \$75,000,000 from the General Fund in FY 2021 for the Wildfire Emergency Response line item. This emergency supplemental appropriation is non-lapsing through June 30, 2022.

Monies in this line item are to be used for 6 purposes:

1. Fire suppression and pre-positioning of equipment staff, mitigation of wildfire related flooding
2. Capital expenditures and equipment associated with fire suppression and pre-positioning activities for fire suppression. State capital expenditure for these purposes limited to \$10,000,000.
3. Mitigation projects to address postfire flooding and other damage occurring as a result of fire or fire suppression activities
4. A state or local government agency's emergency liabilities related to emergency sheltering, wraparound services and support activities.
5. Financial assistance to public and private landowners for emergency repairs for infrastructure damage resulting from fires or fire suppression activities. The state is to be the payor of last resort for assistance to private landowners, and total assistance for private landowners is limited to \$10,000,000.
6. Reimbursement to a state agency or political subdivision for the state agency's or political subdivision's cost-share of eligible claims arising from a declared emergency.

Each month the department shall report to the Senate President, Speaker of the House of Representatives and the Joint Legislative Budget Committee on the expenditures, reimbursements, and the balance of the monies in the appropriation. The expenditures and reimbursements are to be delineated for each type of expenditure.

Wildfire Mitigation

The budget includes no funding and 122 FTE Positions in FY 2022 for the Wildfire Mitigation line item. FY 2022 adjustments are as follows:

Remove One-Time Wildfire Mitigation Funding

The budget includes a decrease of \$(24,541,800) from the General Fund in FY 2022 to remove one-time FY 2021 supplemental funding for a new Wildfire Mitigation line item.

Laws 2021, 1st Special Session, Chapter 1 appropriated \$24,541,800 and 122 FTE Staff for wildfire mitigation available until June 30, 2022. The 3-year plan includes \$38,211,200 in FY 2023, and \$32,029,800 in FY 2024 to continue these efforts.

Of the \$24,541,800, the FY 2021 supplemental appropriation supports the following through FY 2022:

- \$16,999,300 for fire mitigation personnel and operating costs:
 - \$6,755,600 and 112 FTE Positions are allocated for DFFM staff personnel for fire mitigation including work with inmate crews, monies for ADC supervision, and other operating costs.
 - \$6,196,500 for inmate crews & ADC costs
 - \$1,157,200 and 10 FTE Positions will provide additional resources to the department's prescribed burning activities associated with hazardous vegetation removal.
 - \$2,890,000 will be used for 4 contracted mechanized crews performing steep-slope hazardous vegetation removal operations.
 - These costs are being phased in and so the budget plan assumes increased costs in FY 2023, and one-time adjustments for equipment in FY 2024.
- \$5,292,500 for vehicle costs:
 - \$3,910,000 will be used for one-time vehicle purchases. The budget plan assumes an additional one-time purchase in FY 2023.
 - \$1,382,500 will be used for operating costs related to wildfire response vehicles. The budget plan assumes an ongoing increase to these costs in FY 2024 with the purchase of a second set of vehicles.
- \$2,250,000 will be used for contracted hazardous vegetation removal grant funding. DFFM receives grant requests from partner organizations in the state to treat approximately 500 acres annually. The additional funding will increase the number of acres treated to roughly 5,000 acres annually. The budget

plan assumes additional funding in FY 2023 and FY 2024.

Monies in this line item are to be used for personnel, operating costs, equipment, and contracted services to mitigate future fires. Appropriation includes monies to support DFFM personnel, supervisory staff from DFFM and the Arizona Department of Corrections, and inmate labor. Because of this ongoing commitment and since the monies are non-lapsing until June 30, 2022. The FTE Positions are retained in the agency budget since the monies are non-lapsing until June 30, 2022 and the 3-year plan includes support to continue the program. *Please see FY 2021 Supplementals in the Other Issues section for more information.*

Other Issues

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$2,170,100 from the General Fund for fire suppression costs incurred in FY 2016 through FY 2020. Monies from the supplemental appropriation are exempt from lapsing until FY 2022. *(Please see the Fire Suppression line item for further details.)*

June 2021 Special Session

Laws 2021, 1st Special Session, Chapter 1 appropriates \$99,541,800 and 122 FTE Positions from the General Fund in FY 2021 for efforts to suppress, mitigation, and deal with the impact of forest fires in Arizona.

Of this amount, \$75,000,000 is a non-lapsing FY 2021 supplemental appropriation for wildfire emergency response to be used for fire suppression, emergency sheltering, support, and services, assistance to public and private landowners, and reimbursement of state/local costs for state or federal disaster declaration. *(Please see the Wildfire Emergency Response line item for additional details regarding the uses of the monies.)*

The remaining \$24,541,800 is appropriated from the General Fund for wildfire mitigation available through June 30, 2022. The appropriation includes 122 DFFM staff supported by ADC corrections staff to oversee the work of 720 inmates (10 crews of 72 inmates) working to remove hazardous vegetation, additional support for vehicles and transportation, contracted hazardous vegetation removal personnel to support fire mitigation efforts including the use of inmate crews under the supervision of DFFM staff and ADC to remove hazardous material, and contracted

services to support DFFM partners. *(Please see the Wildfire Mitigation line item for further details.)*

Statutory Changes

The Budget Procedures Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, amend A.R.S. § 35-192 to allow the Governor’s Emergency Fund to reimburse expenses from the fund at Department of Forestry and Fire Management cooperator rates with approval of the Governor or the State Emergency Council.

The Environment BRB makes the following statutory changes:

- As permanent law, directs DFFM to process and pay claims to reimburse fire districts with a population of less than 5,000 for expenses incurred responding to emergency medical services provided on federal lands.
- As session law, amend Laws 2019, Chapter 263, section 141 to allow monies distributed to the Mount Lemmon fire district to be used for capital and equipment and extend the lapsing date of those monies to December 31, 2022. Chapter 263 appropriated \$750,000 in one-time funding from the General Fund in FY 2020 to DFFM to distribute to the Mount Lemmon Fire District for construction of a new water line. *(Please see the Mount Lemmon line item description in the Department of Forestry and Fire Management narrative in the FY 2019 Appropriations Report for more information).*

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, DFFM's General Fund costs are projected to increase by \$35,711,200 in FY 2023 above FY 2022 and decrease by \$(6,181,400) in FY 2024 compared to FY 2023. These estimates are based on:

- An increase of \$17,102,900 for fire mitigation personnel and operating costs in FY 2023, and a decrease of \$(1,960,000) in FY 2024 for removal of one-time equipment costs.
- An increase of \$10,854,100 for inmate crews and ADC costs in FY 2023, and a decrease of \$(1,031,400) in FY 2024 for removal of one-time ADC equipment and transportation costs.
- Vehicle operating costs for DFFM increasing by \$2,564,200 in FY 2023.

- An increase of \$3,190,000 for DFFM vehicle purchases related to the Healthy Forest Initiative in FY 2023 and a reduction of \$(3,190,000) in FY 2024.
- An increase of contracted hazardous vegetation removal costs of \$4,500,000 in FY 2023.
- A decrease of a one-time FY 2022 appropriation of \$(2,500,000) for rural fire district reimbursements in FY 2023.

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. A.R.S. § 35-144 authorizes DFFM to use up to \$20,000,000 in BSF monies to pay wildland fire suppression claims.

DFFM coordinates the dispatch of local fire districts in response to wildland fires occurring on federal land. Expenditures incurred by local districts are paid for by DFFM using monies from the BSF. DFFM then requests reimbursement from its cooperating federal partners. Federal reimbursements are provided to the State Treasurer to be deposited into the BSF. Of the \$20,000,000 authorized for DFFM use, the BSF balance consists of the cumulative amount the department has used to pay local district fire suppression claims less the amount 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.

As of June 2021, DFFM reports approximately \$13,833,800 in pending BSF capacity awaiting federal reimbursement. *(See the Budget Stabilization Fund Use for Processing Wildland Fire Claims section of the DFFM narrative in the FY 2021 Appropriations Report for more information on DFFM's use of the BSF. See Budget Stabilization Fund section in this Appropriations Report for more information.)*

State Board of Funeral Directors and Embalmers

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	192,300	209,000	202,400
Employee Related Expenditures	79,600	95,400	90,800
Professional and Outside Services	1,700	25,000	34,600
Travel - In State	1,600	5,000	5,000
Travel - Out of State	1,600	5,000	5,000
Other Operating Expenditures	73,200	61,700	65,000
OPERATING SUBTOTAL	350,000	401,100	402,800
SPECIAL LINE ITEMS			
Retirement Payout	11,300	0	0
AGENCY TOTAL	361,300	401,100	402,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Funeral Directors' and Embalmers' Fund	361,300	401,100	402,800
SUBTOTAL - Other Appropriated Funds	361,300	401,100	402,800
SUBTOTAL - Appropriated Funds	361,300	401,100	402,800
TOTAL - ALL SOURCES	361,300	401,100	402,800

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 budget includes \$402,800 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Technology Update

The budget includes an increase of \$9,600 from the Board of Funeral Directors' and Embalmers' Fund in FY 2022 for a one-time technology update. The funding will be used to replace laptop computers used by board members and staff.

Statewide Adjustments

The budget includes a decrease of \$(7,900) from the Board of Funeral Directors' and Embalmers' Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Game and Fish Department

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	13,889,700	16,670,500	16,673,900
Employee Related Expenditures	11,038,200	12,432,100	12,944,200
Professional and Outside Services	1,196,200	1,461,500	1,461,500
Travel - In State	174,000	267,100	267,100
Travel - Out of State	96,300	105,400	105,400
Other Operating Expenditures	7,098,500	11,146,100	11,351,900
Equipment	516,300	929,700	929,700
OPERATING SUBTOTAL	34,009,200	43,012,400	43,733,700
SPECIAL LINE ITEMS			
Pittman-Robertson/Dingell-Johnson Act	3,058,000	3,058,000	3,058,000
AGENCY TOTAL	37,067,200	46,070,400	46,791,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Capital Improvement Fund	1,001,200	1,001,200	1,001,200
Game and Fish Fund	32,749,500	39,703,700	40,461,500
Game, Non-Game, Fish and Endangered Species Fund	170,600	357,900	357,600
Watercraft Licensing Fund	3,129,700	4,991,400	4,955,200
Wildlife Endowment Fund	16,200	16,200	16,200
SUBTOTAL - Other Appropriated Funds	37,067,200	46,070,400	46,791,700
SUBTOTAL - Appropriated Funds	37,067,200	46,070,400	46,791,700
Other Non-Appropriated Funds	39,723,100	41,874,400	41,874,400
Federal Funds	48,014,300	46,826,800	46,826,800
TOTAL - ALL SOURCES	124,804,600	134,771,600	135,492,900

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 budget includes \$43,733,700 and 273.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
Capital Improvement Fund	\$1,001,200
Game and Fish Fund	37,403,500
Game, Non-Game, Fish and Endangered Species Fund	357,600
Watercraft Licensing Fund	4,955,200
Wildlife Endowment Fund	16,200

FY 2022 adjustments are as follows:

Wildlife Series Pay Raise

The budget includes an increase of \$1,586,300 for a 10% pay raise for the Wildlife Series Employees. This amount consists of:

Game and Fish Fund	1,537,800
Game, Non-Game, Fish and Endangered Species Fund	9,500
Watercraft Licensing Fund	39,000

The pay raise will affect the following positions:

Wildlife Manager Series
Wildlife Enforcement Series
Wildlife Specialist Series
Wildlife Series Other
Wildlife Habitat Construction Series

Statewide Adjustments

The budget includes a decrease of \$(865,000) in FY 2022 for statewide adjustments. This amount consists of:

Game and Fish Fund	(780,000)
Game, Non-Game, Fish and Endangered Species Fund	(9,800)
Watercraft Licensing Fund	(75,200)

(Please see the Agency Detail and Allocations section.)

Pittman-Robertson/Dingell-Johnson Act

The budget includes \$3,058,000 from the Game and Fish Fund in FY 2022 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2021.

This line item funds the state's 25% match for federal aid matching funds for wildlife restoration projects. The department also uses \$2,600,000 in non-appropriated funds to match Pittman-Robertson/Dingell-Johnson Act grants.

Department of Gaming

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8 ^{1/}
Personal Services	4,072,800	4,739,700	4,739,700
Employee Related Expenditures	1,498,500	1,654,800	1,654,800
Professional and Outside Services	888,600	1,000,000	1,000,000
Travel - In State	211,400	250,700	250,700
Travel - Out of State	24,400	30,000	30,000
Other Operating Expenditures	1,210,700	1,524,000	2,297,900
Equipment	109,400	0	0
OPERATING SUBTOTAL	8,015,800	9,199,200	9,973,100
SPECIAL LINE ITEMS			
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	2,093,200	2,176,500	2,104,900
County Fairs Livestock and Agriculture Promotion	2,509,500	2,509,500	5,759,500 ^{2/}
Division of Racing	1,592,000	2,318,300	2,261,100
Problem Gambling	1,752,700	2,344,300	2,484,000
Racetrack Purse and Maintenance and Operations Fund	0	0	5,000,000 ^{3/}
Racing Purse Enhancement	0	0	5,000,000 ^{4/}
AGENCY TOTAL	16,213,200	18,797,800	32,832,600 ^{5/}
FUND SOURCES			
General Fund	2,509,500	2,509,500	15,759,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	9,468,500	11,243,500	12,012,100
Fantasy Sports Contest Fund	0	0	145,000
Racing Regulation Fund	1,742,100	2,466,000	2,411,500
Racing Regulation Fund - Unarmed Combat Subaccount	99,900	102,300	99,600
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	2,093,200	2,176,500	2,104,900
SUBTOTAL - Other Appropriated Funds	13,703,700	16,288,300	17,073,100
SUBTOTAL - Appropriated Funds	16,213,200	18,797,800	32,832,600
Other Non-Appropriated Funds	790,500	443,900	443,900
TOTAL - ALL SOURCES	17,003,700	19,241,700	33,276,500

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 2022.
- 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 section 5-113, Arizona Revised Statutes, and to be administered by the office of the governor. (General Appropriation Act footnote)
- 3/ The appropriation made in the racetrack purse and maintenance and operations funding line item shall be distributed to commercial live racing permittees based on each permittee's three-year average of race days reflected in the length of the permit. The monies shall be used to enhance the general purse structure and for track maintenance and operations. (General Appropriation Act footnote)

- 4/ The amount appropriated to the racing purse enhancement line item shall be distributed to a recognized nonprofit horsemen's organization that has represented since 1988 the horsemen participating in racing meetings to be used to promote racing and enhance the general purse structure for eligible horse races held in this state. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Administrative Expenses

The budget includes \$10,055,200 in FY 2022 for administrative expenses, which consists of \$9,910,200 from the Arizona Benefits Fund and \$145,000 from the Fantasy Sports Contest Fund. The appropriation from the Arizona Benefits Fund 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 2021, Gaming had the authority to spend \$9,199,200. In FY 2022, 9% of tribal gaming revenues are forecasted to be \$9,828,100. As a result, the budget increases Gaming's FY 2022 Arizona Benefits Fund expenditure authority by \$628,900 to a level of \$9,828,100. The department can expend the actual 9% level or the expenditure authority level, whichever is lower.

Problem Gambling

The budget includes \$2,484,000 in FY 2022 for Problem Gambling, which consists of \$2,184,000 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 2021, Gaming had the authority to spend \$2,044,300 from the Arizona Benefits Fund. In FY 2022, 2% of tribal gaming revenues are forecasted to be \$2,184,000. As a result, the budget increases Gaming's FY 2022 Arizona Benefits Fund expenditure authority by \$139,700 to a level of \$2,184,000. 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 budget includes \$9,973,100 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
Arizona Benefits Fund	\$9,828,100
Fantasy Sports Contest Fund	145,000

FY 2022 adjustments are as follows:

Align Appropriation with 9% of Gaming Revenues

The budget includes an increase of \$628,900 from the Arizona Benefits Fund in FY 2022 to align the appropriation level for the department's operating budget with 9% of anticipated FY 2022 state gaming revenues. (See Table 2 for more information on projected state revenues and department allocations.)

Fantasy Sports Contest Administrative Funding

The budget includes an increase of \$145,000 from the Fantasy Sports Contest Fund in FY 2022 to fund the department's cost of administering and regulating Fantasy Sports Contests in Arizona. (Please see *Sports Betting/New Compacts narrative below for more information.*)

Arizona Breeders' Award

The budget includes \$250,000 from the Racing Regulation Fund in FY 2022 for the Arizona Breeders' Award. This amount is unchanged from FY 2021.

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 budget includes \$2,104,900 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2022 for Casino Operations Certification. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(71,600) from the Tribal-State Compact Fund in FY 2022 for statewide adjustments.

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 budget includes \$5,759,500 from the General Fund in FY 2022 for County Fairs Livestock and Agriculture Promotion. FY 2022 adjustments are as follows:

Additional County Fair Funding

The budget includes an increase of \$3,250,000 from the General Fund in FY 2022 to increase funding for county fair racing. Of the \$3,250,000 amount, \$2,000,000 is designated as one-time while the remaining increase of \$1,250,000 is ongoing. The 3-year budget plan states that the \$1,250,000 increase will become \$2,250,000 starting in FY 2023.

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 budget includes \$2,261,100 and 40.5 FTE Positions in FY 2022 for operating costs associated with the Division of Racing. These amounts consist of:

Racing Regulation Fund	2,161,500
Racing Regulation Fund - Unarmed Combat Subaccount	99,600

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(57,200) in FY 2022 for statewide adjustments. This amount consists of:

Racing Regulation Fund	(54,500)
Racing Regulation Fund - Unarmed Combat Subaccount	(2,700)

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.

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 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. The budget continues to include \$102,300 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2022 as part of the Division of Racing line item to provide funding for the Division of Boxing and Mixed Martial Arts.

Problem Gambling

The budget includes \$2,484,000 and 5 FTE Positions in FY 2022 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	2,184,000
State Lottery Fund	300,000

FY 2022 adjustments are as follow:

Align Appropriation with 2% of Gaming Revenues

The budget includes an increase of \$139,700 from the Arizona Benefits Fund in FY 2022 to align the appropriation level for the Problem Gambling line item with 2% of anticipated FY 2022 state gaming revenues.

Monies in this line item are for the department to provide problem gambling prevention, treatment and education programs. Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, this is funded from 2% of tribal revenues received by the state that are appropriated to the department for this purpose. (See Table 2 for more information on projected state revenues and department allocations.)

Racetrack Purse and Maintenance and Operations Funding

The budget includes \$5,000,000 from the General Fund in FY 2022 for a Racetrack Purse and Maintenance and Operations Fund line item. FY 2022 adjustments are as follows:

Racing Purse Enhancement Funding

The budget includes an increase of \$5,000,000 from the General Fund in FY 2022 for distribution to commercial live racing permittees to support the sport.

Monies in this line item are to enhance purse structure and for racetrack purse and maintenance and operations. A General Appropriation Act footnote directs the department to distribute to commercial live racing permittees based on each permittee's 3-year average of race days reflected in the length of the permit.

Racing Purse Enhancement

The budget includes \$5,000,000 from the General Fund in FY 2022 for a Racing Purse Enhancement line item. FY 2022 adjustments are as follows:

Racing Purse Enhancement Funding

The budget includes an increase of \$5,000,000 from the General Fund in FY 2022 for distribution to a nonprofit horsemen's organization to promote racing and enhance race purses for eligible races held in Arizona.

Monies in this line item are to be used to enhance purse races and promote the sport for eligible races held in Arizona. A General Appropriation Act footnote directs the monies to be distributed to a nonprofit horsemen's organization that has represented horsemen in racing meetings since 1988.

Other Issues

Statutory Changes

The Budget Procedures Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, convert a dog racing permit to a harness racing permit by January 1, 2023 if the permittee meets all the qualifications for a harness racing permit.
- As permanent law, amend Laws 2021, Chapter 234 to require the Department of Gaming to transfer all monies in the Event Wagering Fund to the General Fund after up to 10% of monies are used for administrative and regulatory purposes. Previously, the department was required to transfer all monies in the fund to the General Fund on the 25th day of each month.

The Revenue BRB makes the following changes:

- As session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2022 only.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, Department of Gaming General Fund costs are projected to decrease by \$(1,000,000) in FY 2023 below FY 2022 and have no further change in FY 2024. *(Please see County Fairs Livestock and Agricultural Promotion for further details).*

Existing Tribal Compacts

The Arizona Tribal-State Gaming Compacts regulate tribal gaming activity of Class III, or casino style, gaming on tribal lands in Arizona. The Compacts were initially passed in November 2002 as Proposition 202, and were renegotiated in 2021.

As of March 2021, there are currently 15 tribes operating a total of 25 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 prior to the March 2021 renegotiation. *(Please see the New 2021 Tribal Compacts section for more information on the revised Tribal-State Gaming Compact).*

Table 1

Class III Gaming Devices Statewide

	FY 2006	FY 2021	Allowed by Compacts
Poker and Blackjack Tables	455	431	3,318 ^{1/}
Slot Machines	<u>12,354</u>	<u>13,640</u>	<u>18,158</u> ^{2/}
Total	12,809	14,071 ^{3/}	21,476

- ^{1/} While the Compacts set the statewide limit at 3,318 betting tables, the Compacts also set a general limit of no more than 150 betting tables at any one casino.
- ^{2/} While the Compacts set the statewide limit at 18,158 slot machines, the Compacts also set a general limit of no more than 1,400 slot machines at any one casino.
- ^{3/} Figures as of March 2021. Does not include impacts of the new 2021 Tribal Compacts.

New 2021 Tribal Compacts

Proposition 202 included provisions authorizing subsequent amendments to the compacts. Under that process, the Tribal-State Gaming Compacts were renegotiated in March 2021, with the required federal compact approval occurring in May 2021. The new 2021 Tribal Compacts make the following changes:

- Authorize additional gaming devices at certain existing casinos and provide for future device count increases.
- Authorize the following new games at Tribal casinos (with table limits per casino): Baccarat (8), Dealer Controlled Electronic Table Games (3), Roulette (8), Craps (8), Sic Bo (4), Event Wagering and Fantasy Sports Contests.
- Authorize an additional 30 Tribal casinos statewide, subject to tribal, geographic and time restrictions.
- Increase the number of authorized table games at each casino: 25 games at rural casinos (from 75 to 100) and 50 games at urban casinos (from 100 to 150).
- Keeps the existing 1% - 8% Tribal Contribution schedule for the Ak-Chin Indian Community, Gila River Indian Community, Pascua Yaqui Tribe, Salt River Pima-Maricopa Indian Community and Tohono O'odham Nation. All other tribes will now contribute 0.75% of net Class III gaming win.
- Provide for tribal payments to the 2021 Compact Trust Fund and distributions to tribes from the fund.

Event Wagering/Fantasy Sports

Laws 2021, Chapter 234 expanded non-tribal gaming in the state and authorized the following activities. Chapter 234 was conditionally effective upon each Indian Tribe with a gaming facility in the Phoenix Metropolitan Area and Pima County entering into a 2021 gaming compact that received approval from the Federal Government. That condition was met on May 24, 2021.

Event Wagering

Regulations

- The Arizona Department of Gaming (Gaming) licenses and regulate operators who offer Event Wagering (also known as sports betting)
- Authorize 20 operator licenses (10 tribal and 10 non-tribal). Non-tribal operators limited to an Arizona professional sports team/franchise, a sports facility that hosts an annual tournament on the PGA Tour, or a promotor of a NASCAR race in this state.
- Authorize 10 limited operator licenses for racetracks/off-tracking betting sites, which must partner with an operator licensee.
- Sports betting available statewide on mobile platforms from all operator licensees. In-person event wagering available at the locations of the 10 non-tribal operators and their associated 10 limited operator licensees.
- Gaming also authorized to issue management service provider and supplier licenses for companies that assist operators in collecting wagers, paying prizes,

establishing odds, providing equipment and other services.

- Wagers allowed on professional and collegiate athletic events, motor racing events, Olympic events and E-Sport events (competitive video games competitions). Prohibits proposition wagers on collegiate sports. Gaming may prohibit other types of wagering if the activity is deemed to be unfair.
- Establish the non-appropriated Event Wagering Fund, which receives license and tax/fee revenue (*see below*). As modified by the Budget Procedures BRB, 90% of monies are deposited into the General Fund with the remaining 10% available for Gaming uses for administrative costs.

Licensing

- Draft program rules include \$750,000 initial license fee (which includes a non-refundable \$100,000 application fee), followed by \$150,000 annual renewal fee for Operator licenses.
- Initial licenses expected to be issued before September 2021.

Fee Collections

- Require Gaming to establish a fee (tax rate) for the privilege of operating event wagering, with the only limitation that Gaming must consider the highest percentage of revenue share paid to the state under the Tribal Gaming Compact (currently 8%).
- Draft rules establish the event wagering privilege fee at 8% for retail operations and 10% for mobile operations.

Fantasy Sports

Regulations

- Authorize Gaming to license and regulate operators who offer Fantasy Sports contests. The legislation does not limit the number of licensees. Licenses are valid for 2 years. An Indian Tribe with a valid Tribal-State Gaming Compact may operate Fantasy Sports Contests without Gaming licensure.
- Gaming also authorized to issue management company, holding company and supplier licenses for companies sufficiently connected to the Fantasy Sports Operator license.
- Fantasy Sports available statewide on online platforms administrated by licensed operators. Prohibits physical kiosk/machine for Fantasy Sports at retail stores, bars, restaurants, and other commercial establishments. Use of fantasy sports contest kiosks/machines permitted at fraternal organizations, veterans' organizations, and horse racing tracks.
- Establish the appropriated Fantasy Sports Contest Fund, which receives license and tax/fee revenue (*see*

below). Gaming may use up to 10% of fund monies for administrative costs.

Licensing

- Draft program rules include \$2,000 initial license fee, followed by \$1,000 biennial renewal fee for Operator licenses.
- Initial licenses expected to be issued before September 2021.

Fee Collections

- Require Gaming to establish a fee (tax rate) for the privilege of operating fantasy sports contests, with the only limitation that Gaming must consider the highest percentage of revenue share paid to the state under the Tribal Gaming Compact (currently 8%).
- Draft rules establish the fantasy sports privilege fee at 5% for all operators.

Keno

- Authorizes the Lottery Commission to operate Keno and mobile-draw games (*please see the Arizona State Lottery Commission section for more details*).

Other

- Creates the 2021 Compact Trust Fund, administered by ADG to distribute inter-tribal payments as required by the new 2021 Gaming Compact.

Fiscal Impact

The enacted budget assumed new gaming revenue from Chapter 234 would increase General Fund revenues by \$200,000,000 in FY 2023 and \$300,000,000 in FY 2024.

The [JLBC Staff fiscal note](#) provided a different fiscal estimate for the legislation.

Gaming Revenues

From FY 2019 to FY 2020, state gaming revenues increased by 3.9% to \$102,037,400. The budget projects that total gaming revenues will decrease to a level of \$90,853,600 in FY 2021 but then increase to a level of \$109,200,800 in FY 2022. The public health emergency declared by the Governor in relation to the COVID-19 pandemic resulted in casino closures during a portion of FY 2020 and the first quarter of FY 2021. The budget assumes 2.5% annual growth for quarters not affected by casino closures. These estimates do include the impact of the 2021 expansion pursuant to the new tribal compacts.

Table 2

Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

Recipient	Proposition 202 Formula	FY 2019 Actuals ^{1/}	FY 2020 Actuals ^{1/}	FY 2021 Projected ^{1/}	FY 2022 Projected
State Government Distribution	88% of total	\$ 98,152,100	\$ 102,037,400	\$ 90,853,600 ^{2/}	\$ 109,200,800 ^{2/}
Local Government Distribution ^{3/}	12% of total	<u>13,149,400</u>	<u>13,970,000</u>	<u>12,389,100</u>	<u>14,891,000</u>
Total	100% of total	\$111,301,500	\$116,007,400	\$103,242,700	\$124,091,800
Allocation of State Government's Share					
Department of Gaming					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,835,100	\$ 9,161,100	\$ 8,176,800 ^{4/}	\$ 9,828,100 ^{4/}
Department of Gaming Problem Gambling	2%	<u>1,963,100</u>	<u>2,040,700</u>	<u>1,817,100</u> ^{5/}	<u>2,184,000</u> ^{5/}
Subtotal-Department of Gaming		\$10,798,200	\$11,201,800	\$9,993,900	\$12,012,100
Other Distributions					
Instructional Improvement Fund (Department of Education)	56% of remainder	48,918,200	50,877,700	45,281,400	54,425,700
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	24,459,100	25,427,700	22,640,700	27,212,800
Arizona Wildlife Conservation Fund	8% of remainder	6,988,300	7,265,100	6,468,800	7,775,100
Tourism Fund	8% of remainder	<u>6,988,300</u>	<u>7,265,100</u>	<u>6,468,800</u>	<u>7,775,100</u>
Subtotal-Other Distributions		\$87,353,900	\$90,835,600	\$80,859,700	\$97,188,700
Total		\$98,152,100	\$102,037,400	\$90,853,600	\$109,200,800

^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

^{2/} The budget projects a (10.9)% decline in FY 2021 and 20.1% growth in FY 2022 for tribal contributions to the Arizona Benefits Fund. The budget forecast reflects temporary casino closures during parts of FY 2020 and FY 2021 due to the COVID-19 pandemic and does not reflect possible changes from the implementation of the new 2021 Tribal Compacts.

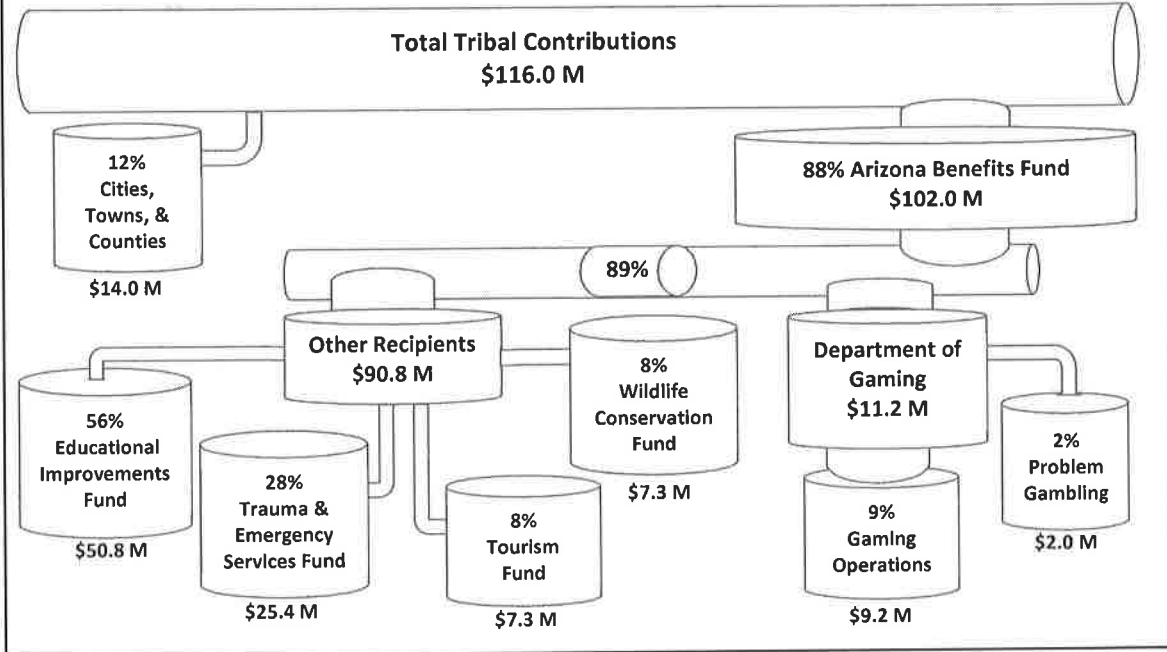
^{3/} Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.

^{4/} While the FY 2021 appropriation includes \$9,199,200 and the FY 2022 appropriation includes \$9,828,100, 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 2021 appropriation includes \$2,044,300 and the FY 2022 appropriation includes \$2,184,000, 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 2020 Tribal Gaming Distributions



Office of the Governor

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	6,670,300	7,424,800	7,313,600 ^{1/2/}
SPECIAL LINE ITEMS			
Arizona Civics Corps	0	0	1,000,000
Crisis Contingency and Safety Net Fund Deposit	50,000,000	0	0
Foster Youth Education Success Fund Deposit	1,500,000	1,500,000	1,500,000
AGENCY TOTAL	58,170,300	8,924,800	9,813,600 ^{3/}
FUND SOURCES			
General Fund	58,170,300	8,924,800	9,813,600
SUBTOTAL - Appropriated Funds	58,170,300	8,924,800	9,813,600
Other Non-Appropriated Funds	2,201,300	3,538,700	3,538,700
Federal Funds	710,479,500	1,209,566,500	34,969,600
TOTAL - ALL SOURCES	770,851,100	1,222,030,000	48,321,900

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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$7,313,600 for fiscal year 2021-2022 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$7,313,600 from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(111,200) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Civics Corps

The budget includes \$1,000,000 from the General Fund in FY 2022 for the Arizona Civics Corps. FY 2022 adjustments are as follows:

Arizona Civics Corps Pilot Program

The budget includes an increase of \$1,000,000 from the General Fund in FY 2022 to provide one-time funding for the Arizona Civics Corps pilot program.

The Arizona Civics Corps pilot program will provide postsecondary scholarships to junior and senior high school students who complete a required number of service hours through approved private and nonprofit partners.

Foster Youth Education Success Fund Deposit

The budget includes \$1,500,000 from the General Fund in FY 2022 for the Foster Youth Education Success Fund Deposit. This amount is unchanged from FY 2021.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona's foster care system.

Other Issues

COVID-Related Spending

Laws 2020, Chapter 56 appropriated \$50,000,000 from the General Fund to the newly-created Crisis Contingency and Safety Net Fund in FY 2020. The fund is administered by the Governor's Office and monies can only be spent for housing assistance, homeless services, economic assistance to small business with fewer than 50 employees, nonprofit organizations, healthcare providers, and food bank operations following an emergency declaration by the Executive. The Executive is required to notify the President of Senate, Speaker of the House of Representatives, and JLBC of the intended use of monies prior to expenditure. As of July 2021, the Executive has allocated a total of \$48,215,000 from the fund (see *Table 1*).

In addition to state appropriations, Arizona has received \$1.86 billion from the federal Coronavirus Relief Fund based on its share of the population. Monies are controlled by the Executive and may be used for necessary expenditures incurred due to the public health emergency from March 1, 2020 to December 31, 2021. As of June 2021, the Executive has allocated \$1.82 billion from the fund (see *Table 2*).

Arizona will receive an additional \$4.18 billion for the Coronavirus State Fiscal Recovery Fund from the American Rescue Plan (ARP) Act. The Executive is required to use these monies to respond to COVID-19 or its negative economic impacts, premium pay for essential workers, lost revenues, and infrastructure projects. The monies will be available through December 31, 2024. As of July 2021, the Executive has allocated \$858.8 million (see *Table 3*). (Please see the *COVID-Related Spending Summary at the front of this book for more information*).

Table 1

Crisis Contingency and Safety Net Fund Allocations

Economic Assistance to Nonprofit Organizations/Small Businesses	\$20,640,000
Homeless Shelters and Housing	18,650,000
Economic Assistance to Healthcare Providers	5,550,000
Food Assistance	<u>3,375,000</u>
Total	\$48,215,000

Table 2

Coronavirus Relief Fund Allocations

(\$ in Millions)

Local Governments	\$441
State Agency Reimbursements ^{1/}	396
K-12 Enrollment Stability Grant	370
UI Allocation	159
Arizona Express Pay Program ^{2/}	150
Universities COVID-19 Response	123
Hospital Staffing/Overtime Expenses	85
Department of Health Services Expenses	70
Elections	9
2020 Census Support	5
Office of Tourism Marketing Campaigns	4
Arizona Commerce Authority Business Assistance	2
Arizona Virtual Teacher Institute	2
Arizona Stay Connected Program	<u>2</u>
Total	\$1,818

^{1/} State agencies were reimbursed for \$300 million in General Fund expenditures and \$96 million in Other Fund expenditures for public health and public safety expenses.

^{2/} Expenditures from the Arizona Express Pay Program will be reimbursed through the Federal Emergency Management Agency (FEMA) Public Assistance program.

Table 3

Coronavirus State Fiscal Recovery Fund Allocations

Department of Economic Security – Unemployment Insurance	\$758,826,752
Department of Transportation – Broadband	<u>100,000,000</u>
Total	\$858,826,752

Governor's Office of Strategic Planning and Budgeting

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,274,600	1,644,300	1,589,600
Employee Related Expenditures	388,300	606,300	583,200
Professional and Outside Services	83,700	121,200	121,200
Travel - In State	500	800	800
Travel - Out of State	12,100	6,900	6,900
Other Operating Expenditures	319,200	381,400	382,800
Equipment	71,800	4,200	4,200
AGENCY TOTAL	2,150,200	2,765,100	2,688,700 ^{1/2/}
FUND SOURCES			
General Fund	2,150,200	2,765,100	2,688,700
SUBTOTAL - Appropriated Funds	2,150,200	2,765,100	2,688,700
TOTAL - ALL SOURCES	2,150,200	2,765,100	2,688,700

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 section 35-190, Arizona Revised Statutes, 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 budget includes \$2,688,700 and 22 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(76,400) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Department of Health Services

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,130.5	1,125.0	1,135.5 ^{1/}
Personal Services	17,540,300	22,947,200	23,539,200
Employee Related Expenditures	7,203,000	9,492,800	9,351,400
Professional and Outside Services	960,000	3,792,000	3,792,000
Travel - In State	336,000	406,900	406,900
Travel - Out of State	65,100	82,900	82,900
Other Operating Expenditures	15,567,600	13,727,700	17,148,600
Equipment	347,400	428,500	428,500
OPERATING SUBTOTAL	42,019,400	50,878,000	54,749,500
SPECIAL LINE ITEMS			
Arizona State Hospital			
Arizona State Hospital-Operating	51,101,600	65,822,900	64,188,000 ^{2/}
Arizona State Hospital-Restoration to Competency	778,900	900,000	900,000 ^{3/}
Arizona State Hospital-Sexually Violent Persons	7,680,100	10,010,700	9,736,100 ^{4/}
Public Health/Family Health			
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	986,200	1,000,000	1,000,000
Alzheimer's Disease Research	3,125,000	1,125,000	3,625,000 ^{5/}
Biomedical Research Support	1,498,800	2,000,000	2,000,000 ^{6/}
Breast and Cervical Cancer and Bone Density Screening	716,900	1,369,400	1,369,400
Community-Based Primary Care Clinic	670,300	0	0
County Tuberculosis Provider Care and Control	469,400	590,700	590,700
Critical Access Hospital Trauma Services	1,500,000	0	0
Emergency Medical Services Local Allocation	408,900	442,000	0
Family Health Pilot Program	0	0	1,500,000 ^{7/}
Folic Acid Program	317,000	400,000	400,000
High Risk Perinatal Services	2,130,500	2,543,400	2,343,400
Homeless Pregnant Women Services	74,900	100,000	200,000 ^{8/}
Medical Student Loan Fund Deposit	0	0	2,000,000
Newborn Screening Program	6,620,500	7,308,400	13,074,900
Nonrenal Disease Management	29,100	198,000	198,000 ^{9/}
Nursing Care Special Projects	64,900	100,000	100,000
Poison Control Centers Funding	485,500	990,000	990,000
Public Health Emergencies Fund Deposit	55,106,600	0	0
Renal Dental Care and Nutrition Supplements	150,000	300,000	300,000
Renal Transplant Drugs	91,500	183,000	183,000
Rural Prenatal Services	1,000,000	500,000	500,000 ^{10/}
State Loan Repayment Program	1,418,600	1,000,000	0
Vulnerable Caregiver Workshops	166,000	0	0
Bureau of Radiation Control			
Radiation Regulation	2,261,300	2,360,200	2,305,000
Nuclear Emergency Management Program	497,000	789,700	0
AGENCY TOTAL	181,447,800	151,016,600	162,358,200 ^{11/12/}
FUND SOURCES			
General Fund	77,183,700	95,897,900	103,419,200
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	2,391,300	2,573,400	2,883,600
ASH Land Earnings Fund	575,100	650,000	650,000
Budget Stabilization Fund	55,000,000	0	0

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
Child Fatality Review Fund	94,700	99,200	196,500
Disease Control Research Fund	986,200	1,000,000	1,000,000
Emergency Medical Services Operating Fund	4,911,700	5,841,900	3,831,300
Environmental Laboratory Licensure Revolving Fund	709,300	952,000	933,300
Federal Child Care and Development Fund Block Grant	882,600	911,500	1,884,100
Health Services Licensing Fund	14,346,000	16,241,300	15,570,600
Health Services Lottery Monies Fund	74,900	100,000	200,000
Indirect Cost Fund	8,785,800	10,678,600	11,302,100
Newborn Screening Program Fund	6,878,600	7,741,200	13,507,700
Nuclear Emergency Management Fund	497,000	789,700	0
Nursing Care Institution Resident Protection Revolving Fund	64,900	138,200	138,200
Prescription Drug Rebate Fund	1,000,000	0	2,500,000
Tobacco Tax and Health Care Fund - Health Research Account	3,498,800	3,000,000	0
Tobacco Tax and Health Care Fund - Medically Needy Account	467,000	700,000	700,000
Vital Records Electronic Systems Fund	3,100,200	3,701,700	3,641,600
SUBTOTAL - Other Appropriated Funds	104,264,100	55,118,700	58,939,000
SUBTOTAL - Appropriated Funds	181,447,800	151,016,600	162,358,200
Other Non-Appropriated Funds	66,190,100	64,978,300	64,978,300
Federal Funds	283,078,500	335,190,100	280,409,300
TOTAL - ALL SOURCES	530,716,400	551,185,000	507,745,800

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 53.1 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ 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)
- 3/ 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.
- 4/ 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.
- 5/ 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 ten 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.
 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)
- 6/ 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, 2023. (General Appropriation Act footnote)

7/ The department of health services shall distribute the monies appropriated for the family health pilot program line item to at least two nonprofit organizations to implement a statewide system to provide direct services, support services, social services case management and referrals to the biological or adoptive parents of children under two years of age, including unborn children. The purpose of the statewide system is to encourage healthy childbirth, support childbirth as an alternative to abortion, promote family formation, aid successful parenting and increase families' economic self-sufficiency. The statewide system services must be available to all residents of this state in both urban and rural areas. Monies may not be used for abortion referral services or distributed to entities that promote, provide referrals for or perform abortions. A nonprofit organization that receives the monies must demonstrate both:

1. Experience in marketing and serving the eligible patient population.
2. That the organization can begin serving clients statewide within sixty days after receiving monies pursuant to this section.

When determining which nonprofit organizations will participate in the family health pilot program, the department shall give preference to nonprofit organizations that are working and providing services in this state.

Each nonprofit organization that participates in the family health pilot program shall submit to the department of health services on a form prescribed by the department a quarterly report of the services and referrals the nonprofit organization provides, including all of the following information:

1. The number of clients served, either by referral or direct services.
2. The number of direct services provided and referrals made.
3. The number of women referred for medical services or medical care.
4. The number of women who received prenatal care.
5. The number of women who were referred for prenatal care.
6. The number of women who received nutrition services.
7. The number of women who were referred for nutrition services.
8. The number of individuals who received adoption services.
9. The number of individuals who were referred for adoption services.
10. The number of individuals who received educational and employment services. (General Appropriation Act footnote)

8/ 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 three 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 one year of age. Monies may not be granted for abortion referral services or distributed to entities that promote, refer or perform abortions. (General Appropriation Act footnote)

9/ The department of health services may use up to four percent of the amount appropriated for nonrenal disease management for the administrative costs to implement the program. (General Appropriation Act footnote)

10/ The sum of \$500,000 is appropriated from the state general fund in each of fiscal years 2020-2021 and 2021-2022 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)

11/ 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 thirtieth 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)

12/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$54,749,500 and 352.4 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$19,224,000
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS) Operating Fund	3,831,300
Environmental Laboratory Licensure Revolving Fund	933,300
Federal Child Care and Development Fund (CCDF) Block Grant	1,884,100
Health Services Licensing Fund	13,265,600
DHS Indirect Cost Fund	11,302,100
Newborn Screening Program Fund	432,800
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,641,600

FY 2022 adjustments are as follows:

Long-Term Care Surveyors

The budget includes an increase of \$1,634,700 and 16 FTE Positions from the General Fund in FY 2022 for additional surveyors in the department's Licensing Division. These positions will assist in the investigation of complaints submitted against long-term care facilities. *(Please see the Other Issues - Auditor General Report section for more information.)*

Cognitive Decline and Caregiver Modules

The budget includes an increase of \$160,000 from the General Fund in FY 2022 to fund cognitive decline and caregiver modules for Arizona's Behavioral Risk Factor Surveillance Survey.

One-Time Adoptions Records IT Upgrades

The budget includes an increase of \$1,000,000 from the General Fund in FY 2022 for one-time upgrades to the vital records IT system to allow the department to release birth records that were sealed due to an adoption pursuant to Laws 2021, Chapter 384.

Cyber Security

The budget includes an increase of \$674,500 from the Indirect Cost Fund in FY 2022 for cybersecurity costs, including \$164,500 for positions related to vulnerability management, \$200,000 for penetration testing, \$150,000 for cyber insurance, and \$160,000 for a patching tool.

Child Fatality Review Team Increase

The budget includes an increase of \$100,000 from the Child Fatality Review Fund in FY 2022 to address changes

in federal reporting guidance and increased complexity in the review of child fatality cases.

One-Time Child Care Licensing System Funding

The budget includes an increase of \$1,000,000 from the Federal CCDF Block Grant in FY 2022 for one-time development costs of a child care services licensing system.

Fund Shift

The budget includes a decrease of \$(37,300) from the EMS Operating Fund in FY 2022 to shift EMS operating costs to the non-appropriated Justice Reinvestment Fund.

The Justice Reinvestment Fund was established by Proposition 207 and receives a portion of revenues from a 16.0% excise tax on recreational marijuana products. The ballot initiative authorizes DHS to spend a portion of monies in the fund to address public health issues in the state. *(See the Other Issues - Proposition 207 section for additional information).*

Statewide Adjustments

The budget includes a decrease of \$(660,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(113,700)
Child Fatality Review Fund	(2,700)
Emergency Medical Services (EMS) Operating Fund	(81,300)
Environmental Laboratory Licensure Revolving Fund	(18,700)
Federal Child Care and Development Fund (CCDF) Block Grant	(27,400)
Health Services Licensing Fund	(305,500)
DHS Indirect Cost Fund	(51,000)
Vital Records Electronic Systems Fund	(60,100)

(Please see the Agency Detail and Allocations section.)

Arizona State Hospital

ASH - Operating

The budget includes \$64,188,000 and 616.5 FTE Positions in FY 2022 for the ASH operating budget. These amounts consist of:

General Fund	61,554,400
ASH Fund	1,983,600
ASH Land Earnings Fund	650,000

FY 2022 adjustments are as follows:

Guilty Except Insane Monitoring

The budget includes an increase \$40,000 from the General Fund in FY 2022 for monitoring guilty except insane persons on conditional release pursuant to Laws 2021, Chapter 390.

Fund Shift

The budget includes a decrease of \$(310,000) from the Health Services Licensing Fund and a corresponding increase of \$310,000 from the ASH Fund in FY 2022 to shift funding sources for a portion of ASH operating costs.

Statewide Adjustments

The budget includes a decrease of \$(1,674,900) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(1,675,100)
ASH Fund	200

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 2020, ASH had an average daily census of 100 patients in its civil commitment unit, 121 patients in its forensic unit, and 95 Sexually Violent Persons (SVPs), for a total of 316 patients.

ASH - Restoration to Competency

The budget includes \$900,000 from the ASH Fund in FY 2022 for ASH - Restoration to Competency. This amount is unchanged from FY 2021.

Background – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2020, there was an average daily census of 4 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

The FY 2022 Health Budget Reconciliation Bill (BRB) continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The budget includes \$9,736,100 and 112.5 FTE Positions from the General Fund in FY 2022 for ASH - Sexually Violent Persons. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(274,600) from the General Fund in FY 2022 for statewide adjustments.

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 2020, ASH had an average daily census of 95 Sexually Violent Persons (SVPs).

Public Health/Family Health

Adult Cystic Fibrosis Care

The budget includes \$105,200 from the General Fund in FY 2022 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2021.

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 budget includes \$1,000,000 from the Disease Control Research Fund in FY 2022 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2021.

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 3,600 clients in FY 2020.

Alzheimer’s Disease Research

The budget includes \$3,625,000 in FY 2022 for Alzheimer’s Disease Research. This amount consists of:

General Fund	1,125,000
Prescription Drug Rebate Fund - State	2,500,000

FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(1,000,000) from the TTHCF - Health Research Account and a corresponding increase of \$1,000,000 from the General Fund in FY 2022 to shift funding sources for Alzheimer’s Disease research.

One-Time Funding

The budget includes an increase of \$2,500,000 from the Prescription Drug Rebate Fund - State in FY 2022 for a one-time increase in Alzheimer’s Disease research

Table 1

Alzheimer's Disease Research Funding

	General Fund	Health Research Account	Prescription Drug Rebate Fund	TOTAL
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
FY 2022	1,125,000	-	2,500,000	3,625,000

funding. The 3-year budget plan also includes \$2,500,000 in one-time funding in FY 2023.

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.

Cancer and Bone Density Screening. These amounts are unchanged from FY 2021.

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.

Biomedical Research Support

The budget includes \$2,000,000 from the General Fund in FY 2022 for Biomedical Research Support. FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(2,000,000) from the TTHCF - Health Research Account and a corresponding increase of \$2,000,000 from the General Fund in FY 2022 to shift funding sources for Biomedical Research Support.

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 budget includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2022 for Breast and Cervical

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2022 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2021.

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.

Emergency Medical Services Local Allocation

The budget includes no funding in FY 2022 for the Emergency Medical Services Local Allocation line item. FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(442,000) from the EMS Operating Fund in FY 2022 to shift funding for the EMS Local Allocation to monies received by DHS from a fund transfer authorized by Proposition 207. The initiative transferred \$19,000,000 from the Medical Marijuana Fund to DHS to fund public health programs. *(See the Other Issues - Proposition 207 section for additional information.)*

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.

Family Health Pilot Program

The budget includes \$1,500,000 from the General Fund in FY 2022 for a Family Health Pilot Program. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$1,500,000 from the General Fund in FY 2022 for a Family Health Pilot Program. The budget requires the department to distribute these monies to non-profit organizations to implement a statewide system to provide direct services, support services, social services case management and referrals to the biological or adoptive parents of children under 2 years of age, including unborn children.

The purpose of the statewide system is to encourage healthy childbirth, support childbirth as an alternative to abortion, promote family formation, aid successful parenting and increase families' economic self-sufficiency. The statewide system services must be available to all residents of this state in both urban and rural areas. The monies may not be used for abortion referral services or distributed to entities that promote, provide referrals for or perform abortions.

The 3-year budget plan also includes \$1,500,000 in one-time funding in FY 2023.

Folic Acid Program

The budget includes \$400,000 from the TTHCF - Medically Needy Account in FY 2022 for the Folic Acid Program. This amount is unchanged from FY 2021.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2020, 30,311 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,343,400 from the General Fund in FY 2022 for High Risk Perinatal Services. FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(450,000) from the EMS Operating Fund in FY 2022 to shift a portion of High Risk Perinatal Services program funding to the non-appropriated Justice Reinvestment Fund.

The Justice Reinvestment Fund was established by Proposition 207 and receives a portion of revenues from a

16.0% excise tax on recreational marijuana products. The ballot initiative authorizes DHS to spend a portion of monies in the fund to address public health issues in the state. (See the *Other Issues - Proposition 207* section for additional information).

Program Expansion

The budget includes an increase of \$250,000 from the General Fund in FY 2022 to expand the High Risk Perinatal Services program to include all newborns with Neonatal Abstinence Syndrome and increase the number of community health nurse visits made under the program.

This line item provides contracted transport services for high risk perinatal care, hospital services, inpatient physician follow-up services, and community health nurse visits for newborns who spent at least 5 days in a neonatal intensive care unit. The purpose of the visits is to identify developmental issues and provide early intervention services to ensure school readiness by age 5.

Homeless Pregnant Women Services

The budget includes \$200,000 from the Health Services Lottery Monies Fund in FY 2022 for Homeless Pregnant Women Services. FY 2022 adjustments are as follows:

Program Increase

The budget includes an increase of \$100,000 from the Health Services Lottery Monies Fund in FY 2022 to increasing funding distributed by the department for Homeless Pregnant Women Services.

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 FY 2022 Health BRB continues a provision to permit the department to use the Health Services Lottery Monies Fund for Homeless Pregnant Women Services.

Medical Student Loan Fund Deposit

The budget includes \$2,000,000 from the General Fund in FY 2022 for a Medical Student Loan Fund Deposit. FY 2022 adjustments are as follows:

Fund Deposit

The budget includes an increase of \$2,000,000 from the General Fund in FY 2022 for deposit to the Medical Student Loan Fund. The fund is used by the Board of Medical Students Loans to distribute financial aid to

qualified resident medical students pursuant to A.R.S. 15-1723 and § 15-1724.

The Medical Student Loan Fund has been administered by DHS since FY 2013. Laws 2021, Chapter 442 transfers administration of the fund back to the Board of Medical Student Loans.

Newborn Screening Program

The budget includes \$13,074,900 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2022 for the Newborn Screening Program. FY 2022 adjustments are as follows:

Expand Newborn Screening Panel

The budget includes an increase of \$5,835,700 from the Newborn Screening Program Fund in FY 2022 for increased testing costs associated with expanding the number of conditions on the state's newborn screening panel. Of this amount, \$4,893,100 is for ongoing operating costs and \$942,600 is for one-time equipment purchases and start-up costs.

The FY 2022 Health BRB requires DHS to add Spinal Muscular Atrophy and X-Linked Adrenoleukodystrophy by December 31, 2022. The remaining 29 conditions included on the U.S. Department of Health and Human Services Recommended Uniform Screening Panel (RUSP) are required to be added by December 31, 2023.

Statewide Adjustments

The budget includes a decrease of \$(69,200) from the Newborn Screening Program Fund in FY 2022 for statewide adjustments.

Background – This line item funds the centralized testing of all newborns in the state for a standard set of 30 disorders, which will be increased to 61 by December 31, 2023. In FY 2020, the program provided screening for 78,327 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 budget includes \$198,000 from the General Fund in FY 2022 for Nonrenal Disease Management. This amount is unchanged from FY 2021.

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 budget includes \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2022 for special projects related to long-term care facilities. This amount is unchanged from FY 2021.

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 budget includes \$990,000 from the General Fund in FY 2022 for Poison Control Centers. This amount is unchanged from FY 2021.

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 2020. 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 2020.

Public Health Emergencies Fund Deposit

The budget includes no funding in FY 2022 for a Public Health Emergencies Fund Deposit. This amount is unchanged from FY 2021.

Laws 2020, Chapter 6 appropriated \$55,000,000 from the Budget Stabilization Fund in FY 2020 for a one-time deposit to the Public Health Emergencies Fund for expenses related to the COVID-19 public health emergency.

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.

In June 2021, DHS reported \$67,260,700 in expenditures currently charged to the fund. Although the fund commitments are greater than monies available in the fund, the department expects monies received through the Federal Emergency Management Agency (FEMA) public assistance program to reimburse the difference. *Table 2* displays expenses charged to the Public Health Emergencies Fund as of June 15, 2021.

COVID-19 Testing	\$20,921,000
Traveling Nurses	12,688,300
PPE Supplies	9,796,700
Post-Acute Bed Reserve	9,401,200
Communications	8,053,200
Arizona Surge Line	3,764,400
Warehousing	1,305,800
St. Luke's Hospital Build-Out	972,700
Contract Services	197,800
Vaccination System	79,400
Ventilators	37,800
Other	42,400
Total as of 6/15/21	\$67,260,700

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the TTHCF - Medically Needy Account in FY 2022 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2021.

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 budget includes \$183,000 from the General Fund in FY 2022 for Renal Transplant Drugs. This amount is unchanged from FY 2021.

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 2020, 89 people received anti-rejection medication assistance.

Rural Prenatal Services

The budget includes \$500,000 from the General Fund in FY 2022 for Rural Prenatal Services. This amount is unchanged from FY 2021.

This line item provides medical student loan repayment options for 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 2022 General Appropriation Act and will be removed in the FY 2023 budget.

DHS uses 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 budget includes no funding in FY 2022 for the State Loan Repayment Program. FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(1,000,000) from the EMS Operating Fund in FY 2022 to shift funding for the State Loan Repayment Program to the non-appropriated Justice Reinvestment Fund.

The Justice Reinvestment Fund was established by Proposition 207 and receives a portion of revenues from a 16.0% excise tax on recreational marijuana products. The ballot initiative authorizes DHS to spend a portion of monies in the fund to address public health issues in the state. *(See the Other Issues - Proposition 207 section for additional 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 2020, this program funded 155 participants.

Bureau of Radiation Control

Radiation Regulation

The budget includes \$2,305,000 and 29 FTE Positions from the Health Services Licensing Fund in FY 2022 for Radiation Regulation. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(55,200) from the Health Services Licensing Fund in FY 2022 for statewide adjustments.

The FY 2022 Health BRB eliminates a longstanding provision with a fee raising authority and exemption related to establishing fees for radiation regulation. The provision included an intent clause that limited additional revenues to \$1,900,000. The Governor's Regulatory Review Council approved a fee increase of \$2,108,600 for the Bureau of Radiation Control on November 3, 2020. DHS was previously required to deposit the first \$300,000 in radiation regulatory fees collected each fiscal year and 10% of the remaining fees to the General Fund. DHS estimated that of the total \$2,108,600 fee increase, \$210,800 will be deposited to the General Fund and \$1,897,800 will be available to spend for regulatory activities.

The FY 2022 Health BRB also includes a provision to eliminate the requirement that DHS deposit the first \$300,000 of fees collected to the General Fund, and includes a legislative intent statement that DHS reduce revenue generated from fees by \$300,000.

Radiation regulation includes oversight of the use, storage, and disposal of sources of radiation.

Nuclear Emergency Management Program

The budget includes no funding in FY 2022 for the Nuclear Emergency Management Program line item. FY 2022 adjustments are as follows:

New NEMF Assessment

The budget includes a decrease of \$(789,663) and (5.5) FTE Positions from the NEMF in FY 2022 for a new NEMF assessment.

Laws 2019, Chapter 24 appropriated \$789,663 and 5.5 FTE Positions from the NEMF to the department in both FY 2020 and FY 2021.

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 2021 - FY 2023 are displayed in *Table 3*. (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. The legislature enacts this revised fee level in a bill outside of the budget process.

DEMA has provided recommendations for the FY 2022 and FY 2023 NEMF funding levels for the 3 agencies as outlined in *Table 3*. The DEMA recommendation for FY 2022 and FY 2023 proposes that DEMA take over the offsite response activities from the Department of Health Services (DHS). This results in a shift of both funds and FTE Positions from DHS to DEMA. The budget decreases NEMF funding to the department by \$(789,663) in FY 2022 based on the DEMA recommendations.

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 assisted in the planning for off-site responses to an emergency at the Palo Verde

Table 3

Nuclear Emergency Management Fund

Agency	FY 2021		FY 2022		FY 2023	
	FTEs	Approp.	FTEs	Approp.	FTEs	Approp.
Emergency and Military Affairs ^{1/}	5.5	\$1,506,116	8.5	\$1,930,417	8.5	\$1,987,423
Health Services	5.5	789,663	0	0	0	0
Agriculture	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>280,512</u>	<u>2.88</u>	<u>280,512</u>
Total	13.88	\$2,576,291	11.38	\$2,210,929	11.38	\$2,267,935

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

Nuclear Generating Station and participated in the annual response exercises.

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Fund Transfers
- COVID-Related Spending
- Proposition 207 - Recreational Marijuana
- Medical Marijuana Fund Balance
- Auditor General Report

Statutory Changes

The FY 2022 Health BRB makes the following statutory changes:

- 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 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. *(See Homeless Pregnant Women Services for more information.)*
- As permanent law, require DHS to report on July 1 of each year to the Joint Legislative Budget Committee on its distribution of Proposition 207 monies, including monies in the Justice Reinvestment Fund and monies received from a \$19,000,000 fund transfer from the Medical Marijuana Fund. *(See the Other Issues - Proposition 207 section for more information.)*
- As permanent law, eliminate the requirement that the first \$300,000 in radiation regulatory fees collected be deposited to the General Fund.
- As session law, require DHS to reduce fees collected for services provided by the Bureau of Radiation Control so that revenues generated by the fees are reduced by \$300,000.
- As session law, require DHS to add Spinal Muscular Atrophy and X-Linked Adrenoleukodystrophy to the newborn screening panel by December 30, 2021. As permanent law, require all congenital disorders that are included on the U.S. Department of Health and Human Services Recommended Uniform Screening Panel to be added by December 31, 2023.
- As permanent law, allow DHS to set fees for newborn screening and require any fee changes to be presented to the JLBC for review. The Legislature

intends that any fee increase not exceed the direct costs of testing.

Fund Transfers

The budget includes the following transfers from this agency's funds to the Sexual Violence Services Fund in FY 2022:

Health Services Licensing Fund	2,370,900
Indirect Cost Fund	1,339,000
Health Services Lottery Monies Fund	93,700

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of June 2021, the Executive's spending plan included a total of about \$76,500,000 for DHS-related programs. Of this amount, about \$4,900,000 is from the Arizona Coronavirus Relief Fund for personal protective equipment and about \$71,600,000 from the federal Coronavirus Relief Fund for testing, contact tracing, surge capacity, and the AZ Stay Connected Program.

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, DHS was reimbursed for a total of \$16,010,200 in expenditures. Of this amount, \$14,677,900 was for General Fund spending. This reduced spending increased the agency's General Fund reversion beyond what it would have otherwise been. The remaining \$1,332,300 of FY 2020 reimbursements offset non-General Fund spending. As a result, these fund balances are higher than they otherwise would have been. In FY 2021, DHS was also reimbursed for \$4,013,500 in non-General Fund expenditures.

The federal government has also passed multiple pieces of legislation to distribute relief funds to the states. DHS is expected to receive approximately \$1.9 billion in federal funds for its response. This includes \$1.5 billion for testing, contact tracing and mitigation, \$224 million for vaccine-related grants, \$153 million for recruiting and training a public health workforce, and \$30 million for other preparedness grants.

(Please see the COVID-Related Spending Summary at the front of this book for more information).

Proposition 207 – Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax on all recreational marijuana. Before any distributions are made from the fund, state agencies receive monies based on self-determined "actual and reasonable" costs associated with certain requirements of the initiative:

- Department of Health Services: regulation of the recreational marijuana industry.
- Department of Revenue: collection of the 16.0% excise tax.
- The Supreme Court: processing expungement petitions for certain marijuana offenses.
- Department of Public Safety: amendments to its criminal records based on granted expungement petitions
- State Treasurer: Administration of the Smart and Safe Arizona Fund

The Department of Public Safety (DPS) initially estimated the costs of processing expungement petitions to be \$29,323,600, which is based off the total number of convictions for marijuana possession. Since expungement petitions are voluntary, the number of petitions filed in other states is significantly lower than the total number of charges, and Proposition 207 only allows petitions for those convicted of possession of 2.5 ounces or less, the DPS estimate is likely overstated. After adjusting for these factors, the JLBC Staff estimates that total state agency distributions will likely be no more than \$5,000,000. After state agency distributions, the remaining funds will be distributed accordingly:

- 33.0% to community college districts, including:
 - 4.95% divided equally among each district.
 - 0.165% divided equally among each provisional district.

- 27.885% divided among the districts according to enrollment.
- 31.4% to municipal police and fire departments, divided according to the number of individuals from each department enrolled in the Public Safety Personnel Retirement System.
- 25.4% to the Highway User Revenue Fund.
- 10.0% to the Justice Reinvestment Fund, including:
 - 3.5% to county health departments.
 - 3.5% to DHS for grants to qualified non-profit organizations that provide justice reinvestment programs.
 - 3.0% to DHS to address public health issues affecting that state.
- 0.2% to the Attorney General for enforcement.

The initiative also mandated a one-time transfer of \$45,000,000 from the Medical Marijuana Fund (*see Other Issues - Medical Marijuana Fund Balance for more information*). Of this amount, \$19,000,000 will be distributed to DHS for public health programs and enforcement of the initiative, \$15,000,000 will be deposited to the Arizona Teachers Academy Fund, \$10,000,000 will be distributed to the Governor's Office of Highway Safety for grants to reduce impaired driving, and \$1,000,000 will be deposited to the Smart and Safe Arizona Fund.

Among the western states that have legalized recreational marijuana, Colorado, Washington, and Oregon have 3 full years of sales data available. Each state had a different experience in how quickly its recreational program was fully implemented. As a result, the JLBC Staff's Proposition 207 fiscal note estimates were based on the third-year sales of these other states. Arizona's third-year excise tax revenue is estimated to be \$166,337,000. Please see *Table 4* for the estimated Smart and Safe Arizona Fund distributions in the third year of revenues.

Medical Marijuana Fund Balance

Proposition 203 passed in the 2010 General Election, creating the Medical Marijuana Program within DHS. In

Agency Distributions (estimated)	\$ 5,000,000
Community Colleges (33%)	53,241,200
Police, Fire, and Sheriff Departments (31.4%)	50,659,800
Highway User Revenue Fund (25.4%)	40,979,600
Justice Reinvestment Fund (10%)	16,133,700
AG Enforcement (0.2%)	<u>322,700</u>
Smart and Safe Arizona Fund	\$166,337,000

FY 2020, there were 259,840 cardholders and 7,820 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 since the program's inception in 2010 (see Table 5).

In FY 2020, the fund had revenues of \$41,002,100 compared to spending of \$17,225,800. Laws 2019, Chapter 318 extended expiration dates of patient cards from 1 year to 2 years. As a result, DHS estimated that annual fund revenue would decrease to \$24,687,900.

Proposition 207, approved by voters in November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. DHS estimates that the ballot initiative will impact participation in the medical marijuana program, resulting in fund revenues of \$15,000,000 in FY 2021. This compares to estimated FY 2021 spending of \$31,256,300, which includes \$18,500,000 of ongoing operating spending and \$12,756,300 in one-time spending for costs associated with a e-licensing system project.

Proposition 207 also includes a one-time transfer of \$45,000,000 from the Medical Marijuana Fund. Of this amount, \$19,000,000 will be distributed to DHS for public health programs and enforcement of the initiative, \$15,000,000 will be deposited to the Arizona Teachers Academy Fund, \$10,000,000 will be distributed to the Governor's Office of Highway Safety for grants to reduce impaired driving, and \$1,000,000 will be deposited to the Smart and Safe Arizona Fund.

In addition, Laws 2021, Chapter 398 includes the following Medical Marijuana Fund transfers:

- \$5,000,000 for county public health departments.
- \$4,000,000 for medical student loans and loan repayment programs.
- \$2,500,000 for suicide prevention.
- \$2,000,000 for mental health research.
- \$1,000,000 for the health care directives registry established pursuant to A.R.S. § 36-3291.

- \$250,000 for marijuana research grants.

The estimated FY 2021 ending fund balance after accounting for the above revenue impacts and fund transfers is about \$16,497,500. Ongoing operating expenditures are expected to decrease as participation in the medical marijuana program declines.

Auditor General Report

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 \$3,269,300 and 44 FTE Positions. The department requested this additional funding in its FY 2022 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 FY 2021 budget included a footnote that requires DHS to report to the Joint Legislative Budget Committee for review by May 31, 2021 on its progress in implementing the audit recommendations. DHS reported that staffing for long-term care surveyors has decreased from 21 FTE

Table 5

Medical Marijuana Fund History

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Revenue	\$28,565,700	\$33,759,500	\$41,002,100
Spending	12,623,400	14,686,400	17,225,800
Ending Balance	49,654,300	68,727,400	92,503,700
Number of Cardholders	173,140	205,609	259,840
Number of Dispensary Agents	5,261	6,383	7,820

Positions to 16 FTE Positions due to turnover, all high priority complaint investigations have been completed on time, and its policies and procedures for conducting investigations have been updated in accordance with audit recommendations.

The FY 2022 budget includes \$1,634,700 and 16 FTE Positions from the General Fund to assist in the investigation of complaints submitted against long-term care facilities.

Arizona Historical Society

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9 ^{1/}
Personal Services	1,281,100	1,368,100	1,306,500
Employee Related Expenditures	494,900	579,400	571,700
Professional and Outside Services	36,100	0	0
Other Operating Expenditures	689,200	624,000	456,400
OPERATING SUBTOTAL	2,501,300	2,571,500	2,334,600
SPECIAL LINE ITEMS			
Field Services and Grants	65,900	65,800	62,500
Papago Park Museum	540,400	558,300	508,900
AGENCY TOTAL	3,107,600	3,195,600	2,906,000 ^{2/}
FUND SOURCES			
General Fund	3,107,600	3,195,600	2,906,000
SUBTOTAL - Appropriated Funds	3,107,600	3,195,600	2,906,000
Other Non-Appropriated Funds	1,167,400	1,027,600	1,027,600
TOTAL - ALL SOURCES	4,275,000	4,223,200	3,933,600

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 2022.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,334,600 and 40.4 FTE Positions from the General Fund in FY 2022. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(236,900) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Field Services and Grants

The budget includes \$62,500 and 0.5 FTE Positions from the General Fund in FY 2022 for Field Services and Grants. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(3,300) from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$508,900 and 10 FTE Positions from the General Fund in FY 2022 for the Papago Park Museum. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(49,400) from the General Fund in FY 2022 for statewide adjustments.

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

Other Issues

Museum Closures

In October 2020, the Society voted to vacate 3 memorandums of understanding for Riordan Mansion, Fort Lowell, and the Downtown Museum in Tucson. Riordan Mansion's responsibilities will be reverted back to the State Parks and Trails Department, while Fort Lowell and the Downtown Museum will be closed.

Museum Attendance

Table 1

FY 2020 Museum Attendance

<u>Facility</u>	<u>Visitors</u>
Arizona History (Tucson)	9,241
Downtown History (Tucson)	2,037
Fort Lowell (Tucson)	2,640
Sosa Carrillo Fremont (Tucson)	0 ^{1/}
Sanguinetti House (Yuma)	2,873
Museum at Papago Park (Tempe)	10,393
Pioneer Museum (Flagstaff)	5,295
Riordan Mansion (Flagstaff)	<u>12,804</u>
Total	45,283

^{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.

Prescott Historical Society of Arizona

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	539,600	540,000	554,800
Employee Related Expenditures	231,400	265,400	280,200
Other Operating Expenditures	61,600	62,300	65,600
AGENCY TOTAL	832,600	867,700	900,600 ^{1/}
FUND SOURCES			
General Fund	832,600	867,700	900,600
SUBTOTAL - Appropriated Funds	832,600	867,700	900,600
Other Non-Appropriated Funds	562,000	548,100	548,100
TOTAL - ALL SOURCES	1,394,600	1,415,800	1,448,700

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 budget includes \$900,600 and 13 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Salary Increases

The budget includes an increase of \$50,000 from the General Fund in FY 2022 for an employee salary increases.

Statewide Adjustments

The budget includes a decrease of \$(17,100) from the General Fund in FY 2022 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Arizona Department of Homeland Security

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 ESTIMATE
FUND SOURCES			
Federal Funds	24,282,500	25,138,200	25,138,200
TOTAL - ALL SOURCES	24,282,500	25,138,200	25,138,200

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.

Board of Homeopathic and Integrated Medicine Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	17,700	23,700	23,000
Employee Related Expenditures	5,900	5,900	5,600
Other Operating Expenditures	16,700	17,000	17,400
AGENCY TOTAL	40,300	46,600	46,000^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	40,300	46,600	46,000
SUBTOTAL - Other Appropriated Funds	40,300	46,600	46,000
SUBTOTAL - Appropriated Funds	40,300	46,600	46,000
TOTAL - ALL SOURCES	40,300	46,600	46,000

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 budget includes \$46,000 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(600) from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Department of Housing

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	201,600	185,600	185,600
Employee Related Expenditures	74,700	72,500	62,300
Professional and Outside Services	0	3,400	3,400
Travel - In State	6,100	8,100	8,100
Other Operating Expenditures	36,700	61,400	61,800
Equipment	3,100	1,500	1,500
OPERATING SUBTOTAL	322,200	332,500	322,700
SPECIAL LINE ITEMS			
Housing Trust Fund Deposit	15,000,000	0	0
AGENCY TOTAL	15,322,200	332,500	322,700
FUND SOURCES			
General Fund	15,000,000	0	0
<u>Other Appropriated Funds</u>			
Housing Trust Fund	322,200	332,500	322,700
SUBTOTAL - Other Appropriated Funds	322,200	332,500	322,700
SUBTOTAL - Appropriated Funds	15,322,200	332,500	322,700
Other Non-Appropriated Funds	19,748,900	19,033,500	19,033,500
Federal Funds	96,437,500	75,806,300	75,806,300
TOTAL - ALL SOURCES	131,508,600	95,172,300	95,162,500

AGENCY DESCRIPTION — The department annually administers approximately \$131.5 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

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

Operating Budget

The budget includes \$322,700 and 3 FTE Positions from the Housing Trust Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(9,800) from the Housing Trust Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Housing Trust Fund Deposit

The budget includes no funding in FY 2022 for the Housing Trust Fund Deposit line item. This amount is unchanged from FY 2021.

The FY 2020 budget included \$15,000,000 from the General Fund. Of the \$15,000,000 amount, the Department of Housing (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 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. This funding has been transferred to the Arizona Health Care Cost Containment System (AHCCCS) to manage. AHCCCS will oversee facility

construction and operational funding, and the Department of Health Services (DHS) will be responsible for the licensing. AHCCCS awarded the grant to Recovery Health Partners in September.

- \$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. There was one respondent to this request for proposal. This proposal is under review.

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. This money was provided to Native American Connections for 2 permanent supporting housing projects, one at Dunlap Point and one at Stepping Stones. These projects have been completed.
- \$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. This project is currently under construction. In addition to this allocation, the department also used \$850,000 from Housing Trust Fund Rental Development monies to fund the project.
- \$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. Construction is for this project is in pre-development.

Other Issues

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020, the Executive's spending plan included a total of \$20,150,000 for Department of Housing related programs. This entire amount is from the Crisis Contingency Safety Net Fund. The uses are as follows:

- \$5,000,000 for assistance to homeless shelters.
- \$250,000 for the St. Vincent de Paul Rental Assistance Program.
- \$5,000,000 for the Foreclosure Prevention Program, which was created to assist landlords whose tenants have been unable to pay rent due to the COVID-19 pandemic.
- \$650,000 for Temporary Rental Assistance Program staffing.
- \$250,000 for Chicanos Por La Causa for their statewide housing program that helps find housing for homeless individuals.
- \$2,000,000 for the Rental Eviction Assistance Program, which provided rent assistance to renters negatively financially impacted by Covid-19.
- \$7,000,000 for the rental property owner preservation fund to assist rental property owners during the Covid-19 pandemic.

In addition to the monies allocated to the department by the Executive, DOH received additional federal grants totaling \$185,600,000. The uses are as follows:

- \$32,000,000 to the state and \$74,000,000 to local governments for community development block grants.
- \$22,000,000 to the state and \$50,000,000 to local governments for homeless assistance/emergency solutions grants.
- \$3,000,000 to local governments for public housing operating funds.
- \$3,000,000 to local governments for tenant-based rental assistance.
- \$700,000 to local governments for supportive housing for persons with disabilities.
- \$100,000 to the state and \$800,000 to local governments for housing opportunities for persons with AIDS.

The federal Consolidated Appropriations Act of 2021 authorized \$25,000,000,000 in COVID-related rental assistance nationwide. These monies were disbursed to states and large local governments using the same methodology as the Coronavirus Relief Fund (CRF). Arizona's allocation and its local jurisdictions received \$293,000,000 in rental assistance under the Consolidated Appropriations Act of 2021. The federal American Rescue Plan Act also included funding to the Department of Housing in the form of \$199,000,000 for Homeowner's Assistance Funding, \$21,000,000 for the Department of Housing's HOME Program, and \$2,000,000 for Neighborhood Reinvestment Coalition grants.

Independent Redistricting Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	0.0	6.0	6.0
Lump Sum Appropriation	0	500,000	7,900,000 ^{1/}
AGENCY TOTAL	0	500,000	7,900,000 ^{2/}
FUND SOURCES			
General Fund	0	500,000	7,900,000
SUBTOTAL - Appropriated Funds	0	500,000	7,900,000
TOTAL - ALL SOURCES	0	500,000	7,900,000

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.

FOOTNOTES

- 1/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, 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 budget includes \$7,900,000 and 6 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Redistricting Cycle Funding

The budget includes an increase of \$7,400,000 from the General Fund in FY 2022 for redistricting cycle funding.

The commission has resumed 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) submitted to the Legislature a recommendation for funding for the IRC. ADOA recommended \$500,000 in FY 2021 using the amount from the previous redistricting cycle. Based on this previous amount, \$500,000 of funding was included for the IRC in the FY 2021 budget. The budget includes \$7,900,000 of one-time, non-lapsing funding for the IRC in FY 2022. (See Table 1 for appropriations provided in the previous 2010 redistricting cycle).

The enacted budget's FY 2023 and FY 2024 spending projections include no additional funding for the IRC. Any future appropriations will depend on redistricting expenses and the Commission's usage of the current FY 2022 non-lapsing appropriation.

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)	<u>1,115,300</u>
Total	\$12,716,227

Other Issues

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental authorizing 6 FTE Positions for the IRC in FY 2021. Previously, the FY 2021 General Appropriation Act had only authorized 3 FTE Positions.

Industrial Commission of Arizona

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.6	235.6	236.6 ^{1/}
Personal Services	9,094,900	9,711,700	9,386,000
Employee Related Expenditures	3,442,200	3,881,400	3,698,400
Professional and Outside Services	1,432,300	1,291,500	1,291,500
Travel - In State	100,700	135,200	135,200
Travel - Out of State	20,900	36,100	36,100
Other Operating Expenditures	3,752,800	5,511,800	5,534,100
Equipment	174,600	40,700	40,700
OPERATING SUBTOTAL	18,018,400	20,608,400	20,122,000
SPECIAL LINE ITEMS			
Municipal Firefighter Reimbursement Administration	0	0	95,000 ^{2/}
AGENCY TOTAL	18,018,400	20,608,400	20,217,000 ^{3/}
FUND SOURCES			
General Fund	0	0	95,000
<u>Other Appropriated Funds</u>			
Administrative Fund	18,018,400	20,608,400	20,122,000
SUBTOTAL - Other Appropriated Funds	18,018,400	20,608,400	20,122,000
SUBTOTAL - Appropriated Funds	18,018,400	20,608,400	20,217,000
Other Non-Appropriated Funds	12,441,100	15,573,100	15,573,100
Federal Funds	2,726,900	3,171,700	3,171,700
TOTAL - ALL SOURCES	33,186,400	39,353,200	38,961,800

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/ Includes 1 GF FTE Position funded from Special Line Items in FY 2022.
- 2/ The legislature intends that the state general fund appropriation be used only for administrative costs of title 23, chapter 11, Arizona Revised Statutes, and that this appropriation does not convey any responsibility for firefighter cancer compensation and benefits claims on to this state. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum by Agency with Special Line Items.

Operating Budget

The budget includes \$20,122,000 and 235.6 FTE Positions from the Administrative Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Named Claimants

The budget includes a decrease of \$(15,275.94) from the Administrative Fund in FY 2022 for the elimination of one-time funding for prior unpaid claims. (Please see the *Named Claimants discussion in ADOA Other Issues.*)

Statewide Adjustments

The budget includes a decrease of \$(471,100) from the Administrative Fund in FY 2022 for statewide adjustments. (Please see the *Agency Detail and Allocations section.*)

Municipal Firefighter Reimbursement Administration

The budget includes \$95,000 and 1 FTE Position from the General Fund in FY 2022 for the Municipal Firefighter Reimbursement Administration line item. FY 2022 adjustments are as follows:

Municipal Firefighter Reimbursement

The budget includes an increase of \$95,000 and 1 FTE Position from the General Fund in FY 2022 for municipal firefighter reimbursement administrative costs. Of this amount, \$15,000 is for one-time costs.

The Revenue Budget Reconciliation Bill (BRB) creates the Municipal Firefighter Cancer Reimbursement Fund and requires the Industrial Commission to assess an annual fee on cities and towns and to proportionally distribute the revenue based on the actual amount paid by municipalities for the cost of cancer-related treatments for firefighters and fire investigators.

Other Issues

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$15,275.94 from the Administrative Fund for a one-time named claimants appropriation (*Please see the Operating Budget for further details.*)

Statutory Changes

The Revenue BRB makes the following statutory changes:

- As permanent law, create the Municipal Firefighter Cancer Reimbursement Fund consisting of fees charged to each city and town that receives state shared revenues for the purpose of reimbursing municipalities for firefighter cancer claims. The total amount of fees may not exceed \$15,000,000 in each fiscal year. The share of fees assessed to each city shall be based on population. Monies in the fund are continuously appropriated.

Department of Insurance and Financial Institutions

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	151.4	152.4	151.4 ^{1/}
Personal Services	6,543,400	5,867,900	5,867,900
Employee Related Expenditures	2,489,500	2,359,400	2,065,600
Professional and Outside Services	519,900	587,400	587,400
Travel - In State	19,500	22,100	22,100
Travel - Out of State	18,800	13,500	13,500
Other Operating Expenditures	1,317,700	1,236,000	1,249,300
Equipment	93,700	114,100	114,100
OPERATING SUBTOTAL	11,002,500	10,200,400	9,919,900
SPECIAL LINE ITEMS			
Insurance Fraud Unit	0	1,848,000	1,800,500
Mental Health Omnibus	0	250,000	0
Reimbursable Programs	0	50,000	50,000 ^{2/}
Local Grants	957,400	957,700	957,700 ^{3/}
Arizona Vehicle Theft Task Force	3,650,000	3,650,000	4,343,500 ^{4/}
ATA Operating Budget	0	672,300	659,300
AGENCY TOTAL	15,609,900	17,628,400	17,730,900 ^{5/6/}
FUND SOURCES			
General Fund	6,697,500	8,090,700	7,663,400
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	5,234,100	5,330,000	6,010,500
Financial Services Fund	3,676,400	4,157,400	4,006,700
Department Revolving Fund	1,900	50,300	50,300
SUBTOTAL - Other Appropriated Funds	8,912,400	9,537,700	10,067,500
SUBTOTAL - Appropriated Funds	15,609,900	17,628,400	17,730,900
Other Non-Appropriated Funds	30,654,800	30,209,000	30,367,900
Federal Funds	181,500	0	0
TOTAL - ALL SOURCES	46,446,200	47,837,400	48,098,800

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/ Includes 9 GF and 6 OF FTE Positions from Special Line Items in FY 2022.
- 2/ 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)
- 3/ 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)
- 4/ Monies in the Arizona vehicle theft task force line item shall be used by the department of insurance and financial institutions to pay seventy-five percent 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)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

6/ Of the department fees required to be deposited in the state general fund by statute, the legislature intends that 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 merged the Department of Financial Institutions (DFI) and Automobile Theft Authority (ATA) into the Department of Insurance (DOI) and renamed the agency the Department of Insurance and Financial Institutions (DIFI), effective after June 30, 2020. The newly-renamed agency retained all the same regulatory functions as the 3 separate agencies. Chapter 252 transferred all property, funds, and appropriated monies of the agencies to DIFI on July 1, 2020.

While the consolidation became effective on July 1, 2020, FY 2020 actual expenditures from all 3 agencies are shown in the table above together as DIFI expenditures.

Laws 2020, Chapter 37 enacted various changes to the DIFI agency structure, including the requirement that certain funding be displayed as a separate line item in the annual General Appropriation Act. Because this legislation was not yet effective at the time the FY 2021 General Appropriation Act was passed, the FY 2021 budget does not include these line item changes. However, the amounts displayed below adjust the DIFI line item format to match the requirements of Chapter 37.

Operating Budget

The budget includes \$9,919,900 and 136.4 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$5,862,900
Financial Services Fund	4,006,700
Department Revolving Fund	50,300

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(280,500) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(129,800)
Financial Services Fund	(150,700)

(Please see the Agency Detail and Allocations section.)

Insurance Fraud Unit

The budget includes \$1,800,500 and 9 FTE Positions from the General Fund in FY 2022 for the Insurance Fraud Unit. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(47,500) in FY 2022 from the General Fund for statewide adjustments.

These monies were previously included in the Department of Insurance operating budget. The department levies a \$1,050 assessment on all licensed insurers to prosecute insurance fraud in the state. Laws 2020, Chapter 37 requires that all monies appropriated for fraud prevention be included as a line item and that all monies shall be used exclusively for insurance fraud prevention.

Mental Health Omnibus

The budget includes no funding in FY 2022 for costs associated with Laws 2020, Chapter 4, referred to as the mental health omnibus. FY 2022 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(250,000) and (1) FTE Position from the General Fund in FY 2022. Chapter 4 requires insurers to comply with the federal Mental Health Parity and Addiction Equity Act and requires insurers financial requirements for mental health insurance benefits are not more restrictive than medical or surgical benefits. Chapter 4 also requires insurers to submit a report to DIFI displaying compliance with the law and requires DIFI to analyze and summarize the reports.

Section 10 of Chapter 4 appropriated this funding to DIFI, as a result these monies did not appear in the FY 2021 General Appropriation Act.

Reimbursable Programs

The budget includes \$50,000 from the ATA Fund in FY 2022 for Reimbursable Programs. This amount is unchanged from FY 2021.

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.

Local Grants

The budget includes \$957,700 from the ATA Fund in FY 2022 for Local Grants. This amount is unchanged from FY 2021.

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.)*

Arizona Vehicle Theft Task Force

The budget includes \$4,343,500 from the ATA Fund in FY 2022 for the Arizona Vehicle Theft Task Force. FY 2022 adjustments are as follows:

Salary Increase

The budget includes an increase of \$693,500 from the ATA Fund in FY 2022 for salary increases to law enforcement and civilian personnel working on the Arizona Vehicle Theft Task Force.

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.)*

ATA Operating Budget

The budget includes \$659,300 and 6 FTE Positions from the ATA Fund in FY 2022 for the Automobile Theft Authority Operating Budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(13,000) in FY 2022 from the ATA Fund for statewide adjustments.

Other Issues

Automobile Theft Authority Grants

DIFI was appropriated \$4,607,700 from the ATA Fund in FY 2021 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.

Table 1 displays the allocations of grants for FY 2020 and estimated FY 2021 distributions by recipient and category.

COVID-Related Spending

The Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, the DIFI was reimbursed for \$181,500 in General Fund spending. This reduced spending increased the agency's General Fund reversionment beyond what it would have otherwise been.

(Please see the COVID-Related Spending Summary at the front of this book for more information).

Table 1

ATA Grant Recipients		
Recipient	FY 2020	FY 2021 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	216,100	216,100
Pinal County Attorney	169,100	169,100
La Paz County Attorney	119,700	119,700
Mohave County Attorney	109,600	109,600
Santa Cruz County Attorney	80,800	80,800
Subtotal	\$ 931,100	\$ 931,100
Law Enforcement Grants		
Quartzite Police Department	\$ 2,800	-
Department of Public Safety	14,000	-
Subtotal	\$ 16,800	\$ TBD
Public Awareness Grants		
Camp Verde Marshall's Office	1,200	-
El Mirage Police Department	1,800	-
Gilbert Police Department	6,600	-
Subtotal	\$ 9,600	\$ TBD
Professional Training Grants	\$ 0	\$ TBD
Unallocated	\$ 200	\$ 26,600
TOTAL	\$4,607,700	\$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 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	183.0	184.0	187.0 ^{1/}
Personal Services	7,357,900	7,445,300	7,142,200
Employee Related Expenditures	2,882,300	3,250,400	3,177,400
Professional and Outside Services	151,300	220,600	220,600
Travel - In State	128,100	144,600	144,600
Travel - Out of State	41,500	40,400	40,400
Other Operating Expenditures	4,365,600	4,961,100	5,003,400
OPERATING SUBTOTAL	14,926,700	16,062,400	15,728,600 ^{2/}
SPECIAL LINE ITEMS			
State Aid	3,919,500	5,735,800	5,679,000
County Reimbursements	187,900	187,900	187,900 ^{3/}
Automation	17,179,100	20,679,400	21,289,200 ^{4/5/6/}
State Foster Care Review Board	3,262,200	3,343,800	3,283,000
Court Appointed Special Advocate	3,447,500	3,544,900	3,987,300
Model Court	438,700	438,700	659,700
Domestic Relations	640,500	661,600	646,500
Judicial Nominations and Performance Review	540,900	553,000	543,900
Commission on Judicial Conduct	521,100	537,700	524,400
Courthouse Security	738,300	750,000	750,000
AGENCY TOTAL	45,802,400	52,495,200	53,279,500 ^{7/}
FUND SOURCES			
General Fund	20,874,100	21,399,300	22,234,700
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	311,800	509,400	494,300
Court Appointed Special Advocate Fund	3,526,500	3,627,500	4,068,000
Criminal Justice Enhancement Fund	3,329,400	4,497,100	4,407,800
Defensive Driving School Fund	3,312,800	4,316,900	4,233,500
Judicial Collection Enhancement Fund	12,519,400	15,198,700	14,895,800
State Aid to the Courts Fund	1,928,400	2,946,300	2,945,400
SUBTOTAL - Other Appropriated Funds	24,928,300	31,095,900	31,044,800
SUBTOTAL - Appropriated Funds	45,802,400	52,495,200	53,279,500
Other Non-Appropriated Funds	27,989,200	23,132,400	23,132,400
TOTAL - ALL SOURCES	73,791,600	75,627,600	76,411,900

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 56.5 GF and 21.8 OF FTE Positions funded from Special Line Items in FY 2022.
- 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, 2021, 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 two 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)
- 6/ Of the amount appropriated to the automation line item, \$133,900 is to expand and maintain the court's electronic management system for water adjudication. (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 budget includes \$15,728,600 and 108.7 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$11,866,500
Confidential Intermediary and Fiduciary Fund	494,300
Criminal Justice Enhancement Fund (CJEF)	7,700
Defensive Driving School Fund	715,200
Judicial Collection Enhancement Fund (JCEF)	2,644,900

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(333,800) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(253,300)
Confidential Intermediary and Fiduciary Fund	(15,100)
Defensive Driving School Fund	(18,100)
JCEF	(47,300)

(Please see the Agency Detail and Allocations section.)

State Aid

The budget includes \$5,679,000 and 3.3 FTE Positions in FY 2022 for State Aid. These amounts consist of:

CJEF	2,733,600
State Aid to the Courts Fund	2,945,400

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(56,800) in FY 2022 for statewide adjustments. This amount consists of:

CJEF	(55,900)
State Aid to the Courts Fund	(900)

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 budget includes \$187,900 from the General Fund in FY 2022 for County Reimbursements. This amount is unchanged from FY 2021.

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.

A General Appropriation Act footnote limits the appropriation for the State Grand Jury to \$97,900 and for Capital Postconviction Relief to \$90,000. The budget continues this in FY 2022.

Automation

The budget includes \$21,289,200 and 15 FTE Positions in FY 2022 for Automation. These amounts consist of:

General Fund	4,522,800
Court Appointed Special Advocate (CASA) Fund	80,700
CJEF	1,666,500
Defensive Driving School Fund	3,518,300
JCEF	11,500,900

FY 2022 adjustments are as follows:

Appellate Case Management System

The budget includes an increase of \$239,400 from the General Fund in FY 2022 for the Appellate Case Management System licensing and maintenance costs.

The 3-year budget plan increases this appropriation to \$300,000 beginning in FY 2023.

AZPOINT Increase and Additional FTE Positions

The budget includes an increase of \$258,800 and 2 FTE Positions from the General Fund in FY 2022 for the Arizona Protective Order Initiation and Notification Tool (AZPOINT). Previously, support staff for this program were funded via a federal grant that was used for the initial funding of AZPOINT, which went live in January 2020.

AZPOINT is an end-to-end system that allows citizens to file a request for an order of protection electronically and enables the Courts to process and issue an order of protection. The system also maintains records associated with the order of protection.

Digital Evidence Storage One-Time Funding

The budget includes a one-time increase of \$400,000 from the General Fund in FY 2022 for digital evidence storage.

The 3-year budget plan also includes \$500,000 in FY 2023 for this purpose. The Criminal Justice Budget Reconciliation Bill (BRB) changes the name of the Arizona Lengthy Trial Fund to the "Arizona Lengthy Trial and Digital Evidence Fund" and allows the AOC to use excess revenue for digital storage costs.

Water Adjudication Case Management

The budget includes an increase of \$133,900 from the General Fund in FY 2022 for the expansion and maintenance costs of the court's case management system for water adjudication.

Statewide Adjustments

The budget includes a decrease of \$(422,300) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(66,100)
Court Appointed Special Advocate (CASA) Fund	(1,900)
CJEF	(33,400)
Defensive Driving School Fund	(65,300)
JCEF	(255,600)

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 budget includes \$3,283,000 and 40 FTE Positions from the General Fund in FY 2022 for the State Foster Care Review Board. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(60,800) from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$3,987,300 and 5.5 FTE Positions from the Court Appointed Special Advocate (CASA) Fund in FY 2022 for CASA. FY 2022 adjustments are as follows:

CASA Funding Increase

The budget includes an increase of \$464,900 from the CASA Fund in FY 2022 to expand the CASA program.

Statewide Adjustments

The budget includes a decrease of \$(22,500) from the CASA Fund in FY 2022 for statewide adjustments.

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 budget includes \$659,700 and 1 FTE Position from the General Fund in FY 2022 for Model Court. FY 2022 adjustments are as follows:

Dependency Alternative Program Expansion

The budget includes an increase of \$221,000 and 1 FTE Position from the General Fund in FY 2022 to expand the Dependency Alternative Program (DAP).

DAP is a voluntary program for eligible families that provides access to legal and child welfare services to quickly determine the best option for a child's custody and prevent a dependency case. Both Maricopa and Pima have existing programs. This funding would provide funding for a coordinator and attorney fees to expand the program to the other 13 counties.

Monies in this line item fund a DAP program coordinator in the AOC and the remaining monies are passed through to counties to improve processing of dependency cases.

Domestic Relations

The budget includes \$646,500 and 4.9 FTE Positions from the General Fund in FY 2022 for Domestic Relations. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(15,100) from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$543,900 and 4.6 FTE Positions from the General Fund in FY 2022 for Judicial Nominations and Performance Review. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(9,100) from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$524,400 and 4 FTE Positions from the General Fund in FY 2022 for the Commission on Judicial Conduct. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(13,300) from the General Fund in FY 2022 for statewide adjustments.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Courthouse Security

The budget includes \$750,000 from JCEF in FY 2022 for Courthouse Security. This amount is unchanged from FY 2021.

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.

Other Issues

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As session law, amend Laws 2018, Chapter 278, Section 17 to allow the Supreme Court to spend money from the funds on a new appellate case management system in FY 2022 and reduce the total allowed expenditure from \$3,150,000 to \$2,600,000. The new system was scheduled to be ready at the end of FY 2021, but due to the impact of the COVID-19 pandemic on staffing, the go-live date was delayed to FY 2022.
- As permanent law, change the name of the Arizona Lengthy Trial Fund to the "Arizona Lengthy Trial and Digital Evidence Fund" and allow the Courts to use excess revenue for digital storage costs.
- As permanent law, prohibit the Supreme Court from using rules or administrative orders from a) abridging, enlarging, or modifying substantive rights of a litigant, and b) abridging, enlarging, or modifying statutory, contractual or common law real property rights questions of substantive law.

Long Term Budget Impacts

As part of the budget's 3-year spending plan, the Supreme Court's General Fund appropriations will increase by \$160,600 in FY 2023 above FY 2022 and decrease by \$(500,000) in FY 2024 below FY 2023. This is based on:

- An increase of \$100,000 in FY 2023 above FY 2022 for additional digital evidence storage funding.
- An increase of \$60,600 in FY 2023 above FY 2022 for the Appellate Case Management System licensing and maintenance costs.
- A decrease of \$(500,000) in FY 2024 below FY 2023 to eliminate digital evidence storage funding.

Proposition 207 – Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the Supreme Court receives a self-determined amount from the fund for processing expungement petitions for certain marijuana offenses. The Supreme Court has estimated annual spending of \$200,000 to \$800,000 to fulfill the initiative's requirements.

(Please see the Department of Health Services - Other Issues Section for more information.)

Judiciary - Court of Appeals

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
PROGRAM BUDGET			
Division I	11,541,700	11,895,500	11,622,300
Division II	5,167,700	5,284,100	5,168,500
AGENCY TOTAL	16,709,400	17,179,600	16,790,800
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	136.8	136.8	136.8 ^{1/}
Personal Services	10,095,200	10,836,200	10,485,600
Employee Related Expenditures	4,143,800	4,503,100	4,456,100
Professional and Outside Services	707,300	8,800	8,800
Travel - In State	142,200	164,600	164,600
Travel - Out of State	18,100	10,800	10,800
Other Operating Expenditures	1,543,500	1,656,100	1,664,900
Equipment	59,300	0	0
AGENCY TOTAL	16,709,400	17,179,600	16,790,800 ^{2/}
FUND SOURCES			
General Fund	16,709,400	17,179,600	16,790,800
SUBTOTAL - Appropriated Funds	16,709,400	17,179,600	16,790,800
TOTAL - ALL SOURCES	16,709,400	17,179,600	16,790,800

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 fiscal year 2021-2022, 98.3 FTE positions are for division one and 38.5 FTE positions are for division two. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Operating Budget

The budget includes \$16,790,800 and 136.8 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts include \$11,622,300 and 98.3 FTE Positions for Division I and \$5,168,500 and 38.5 FTE Positions for Division II. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(388,800) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Judiciary - Superior Court

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.5	235.5	238.5 ^{1/2/}
Personal Services	2,468,000	2,525,800	2,481,400
Employee Related Expenditures	898,700	934,200	918,400
Professional and Outside Services	243,800	59,500	59,500
Travel - In State	22,600	17,700	17,700
Travel - Out of State	11,300	2,000	2,000
Other Operating Expenditures	1,000,700	1,280,500	1,475,600
OPERATING SUBTOTAL	4,645,100	4,819,700	4,954,600 ^{3/}
SPECIAL LINE ITEMS			
Centralized Service Payments	3,054,000	3,605,500	4,135,000 ^{4/}
Judges Compensation	17,371,300	23,970,700	23,826,500 ^{5/}
Adult Standard Probation	19,874,400	20,055,500	21,824,200 ^{6/7/}
Adult Intensive Probation	10,974,200	11,528,900	12,892,100 ^{6/7/}
Community Punishment	1,148,200	2,310,300	2,310,300 ^{6/}
Interstate Compact	471,500	473,800	503,300 ^{6/7/}
Drug Court	1,036,400	1,033,100	1,080,000 ^{7/}
Juvenile Standard Probation	3,554,600	3,674,700	3,705,600 ^{6/7/}
Juvenile Intensive Probation	5,682,000	5,635,500	5,969,300 ^{6/7/}
Juvenile Treatment Services	20,148,000	20,134,500	20,697,900 ^{6/7/8/}
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	8,609,000	8,559,700	8,918,600 ^{6/7/8/}
Juvenile Crime Reduction	1,251,800	3,327,000	3,313,500 ^{6/}
Special Water Master	487,000	244,800	497,200 ^{6/}
General Adjudication Personnel and Support Fund Deposit	0	0	2,000,000
Probation Incentive Payments	0	0	1,000,000 ^{6/}
Probation Officer Vehicles	0	0	187,500
Court-Ordered Removals	315,000	315,000	315,000
AGENCY TOTAL	99,122,500	110,188,700	118,630,600 ^{10/-13/}
FUND SOURCES			
General Fund	92,008,900	98,194,300	106,655,000
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	2,142,400	5,475,800	5,456,200
Drug Treatment and Education Fund	499,900	503,400	504,200
Judicial Collection Enhancement Fund	4,471,300	6,015,200	6,015,200
SUBTOTAL - Other Appropriated Funds	7,113,600	11,994,400	11,975,600
SUBTOTAL - Appropriated Funds	99,122,500	110,188,700	118,630,600
Other Non-Appropriated Funds	4,752,000	4,049,000	4,049,000
Federal Funds	997,000	986,000	986,000
TOTAL - ALL SOURCES	104,871,500	115,223,700	123,665,600

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 238.5 FTE positions, 180 FTE positions represent superior court judges. This FTE position clarification does not limit the counties' ability to add judges pursuant to section 12-121, Arizona Revised Statutes. (General Appropriation Act footnote)
- 2/ Includes 3 GF FTE Positions funded from Special Line Items in FY 2022.
- 3/ All expenditures made by the administrative office of the courts to administer 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)
- 4/ 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)
- 5/ All monies in the judges' compensation line item shall be used to pay for fifty percent of superior court judges' salaries, elected officials' retirement plan costs and related state benefit costs for judges pursuant to section 12-128, Arizona Revised Statutes. 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)
- 6/ 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, juvenile crime reduction and probation incentive payments 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)
- 7/ The amounts appropriated in the adult standard probation, adult intensive probation, interstate compact, drug court, juvenile standard probation, juvenile intensive probation, juvenile treatment services and juvenile diversion consequences line items in fiscal year 2021-2022 include an increase of \$4,251,500 to cover the state's share of probation officer salary increases for fiscal years 2018-2019, 2019-2020, 2020-2021 and 2021-2022. If the counties approve probation officer step or inflation salary increases in fiscal year 2021-2022 that increase the state's share above the amount appropriated, the legislature intends that the counties absorb any additional cost to this state in fiscal year 2021-2022 and subsequent years. (General Appropriation Act footnote)
- 8/ Monies appropriated to juvenile treatment services and juvenile diversion consequences shall be deposited in the juvenile probation services fund established by section 8-322, Arizona Revised Statutes. (General Appropriation Act footnote)
- 9/ The amount appropriated in the special water master line item includes an increase of \$147,600 for two paralegal FTE positions and \$109,700 is for one law clerk FTE position. (General Appropriation Act footnote)
- 10/ Receipt of state probation monies by the counties is contingent on the county maintenance of fiscal year 2019-2020 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriation Act footnote)
- 11/ On or before November 1, 2021, 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 fiscal year 2020-2021 actual, fiscal year 2021-2022 estimated and fiscal year 2022-2023 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)
- 12/ On or before November 1, 2021, 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 November 1, 2020. The administrative office shall also submit a copy of the report to the governor's office of strategic planning and budgeting. 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)

13/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$4,954,600 and 55.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$4,604,800
Criminal Justice Enhancement Fund (CJEF)	332,600
Drug Treatment and Education Fund	4,000
Judicial Collection Enhancement Fund (JCEF)	13,200

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$134,900 in FY 2022 for statewide adjustments. These amounts consist of:

General Fund	140,200
Criminal Justice Enhancement Fund (CJEF)	(6,100)
Drug Treatment and Education Fund	800

(Please see the Agency Detail and Allocations section.)

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 budget includes \$4,135,000 in FY 2022 for centralized service payments. This amount consists of:

General Fund	3,685,100
JCEF	449,900

FY 2022 adjustments are as follows:

Probation Vehicle Maintenance

The budget includes an increase of \$70,700 from the General Fund in FY 2022 for the maintenance costs of new probation officer vehicles.

Statewide Adjustments

The budget includes an increase of \$458,800 from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$23,826,500 and 180 FTE Positions from the General Fund in FY 2022 for Judges Compensation. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(144,200) from the General Fund in FY 2022 for statewide adjustments.

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.

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 budget includes \$21,824,200 in FY 2022 for Adult Standard Probation. This amount consists of:

General Fund	18,050,100
JCEF	3,774,100

FY 2022 adjustments are as follows:

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$1,768,700 from the General Fund in FY 2022 for prior-year probation officer salary and benefits deficits. This amount also includes sufficient funding for a projected 2.5% salary increase in FY 2022. *(Please see the State-Funded Probation Officer Salary and Benefits section in Other Issues for more information.)*

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.

(Please see Table 2 below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2021 and FY 2022.)

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 budget includes \$12,892,100 in FY 2022 for Adult Intensive Probation. This amount consists of:

General Fund	11,356,900
JCEF	1,535,200

FY 2022 adjustments are as follows:

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$962,100 from the General Fund in FY 2022 for prior-year probation officer salary and benefits deficits. This amount also includes sufficient funding for a projected 2.5% salary increase in FY 2022.

Adult Intensive Probation Growth

The budget includes an increase of \$401,100 from the General Fund in FY 2022 for 8 new probation officers. This increase is partially funded by a shift from the Juvenile Standard Probation line item. The net increase to the Superior Court as a result of these new officers is \$243,800.

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.

(Please see Table 2 below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2021 and FY 2022.)

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 budget includes \$2,310,300 in FY 2022 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2021.

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 budget includes \$503,300 in FY 2022 for Interstate Compact. This amount consists of:

General Fund	410,500
JCEF	92,800

FY 2022 adjustments are as follows:

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$29,500 from the General Fund in FY 2022 for prior-year probation officer salary and benefits deficits. This amount also includes sufficient funding for a projected 2.5% salary increase in FY 2022.

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 of June 2021, AOC reported 182 active probationers under supervision under the Interstate Compact line item.

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 budget includes \$1,080,000 from the General Fund in FY 2022 for Drug Court programs. FY 2022 adjustments are as follows:

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$46,900 from the General Fund in FY 2022 for prior-year probation officer salary and benefits deficits. This amount also includes sufficient funding for a projected 2.5% salary increase in FY 2022.

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 budget includes \$3,705,600 in FY 2022 for Juvenile Standard Probation. This amount consists of:

General Fund	3,555,600
JCEF	150,000

FY 2022 adjustments are as follows:

Adult Intensive Probation Funding Shift

The budget includes a decrease of \$(157,300) from the General Fund in FY 2022 and shifts this funding to the Adult Intensive Probation line item.

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$188,200 from the General Fund in FY 2022 for prior-year probation officer salary and benefits deficits. This amount also includes sufficient funding for a projected 2.5% salary increase in FY 2022.

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.

(Please see Table 2 below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2021 and FY 2022.)

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 budget includes \$5,969,300 from the General Fund in FY 2022 for Juvenile Intensive Probation. FY 2022 adjustments are as follows:

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$333,800 from the General Fund in FY 2022 for prior-year probation officer salary and benefits deficits. This amount also includes sufficient funding for a projected 2.5% salary increase in FY 2022.

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.

(Please see Table 2 below for recent probation caseloads in each category and the JLBC Staff estimates for FY 2021 and FY 2022.)

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 budget includes \$20,697,900 from the General Fund in FY 2022 for Juvenile Treatment Services. FY 2022 adjustments are as follows:

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$563,400 from the General Fund in FY 2022 for prior-year probation officer salary and benefits deficits. This amount also includes sufficient funding for a projected 2.5% salary increase in FY 2022.

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 budget includes \$500,000 from the General Fund in FY 2022 for Juvenile Family Counseling. This amount is unchanged from FY 2021.

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 budget includes \$8,918,600 from the General Fund in FY 2022 for Juvenile Diversion Consequences. FY 2022 adjustments are as follows:

Probation Officer Salary/Benefits Deficits

The budget includes an increase of \$358,900 from the General Fund in FY 2022 for prior-year probation officer salary and benefits deficits. This amount also includes sufficient funding for a projected 2.5% salary increase in FY 2022.

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 most recent Juvenile Court Annual Report, there were approximately 7,415 juveniles diverted from formal court proceedings in FY 2020. 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 budget includes \$3,313,500 from CJEF in FY 2022 for Juvenile Crime Reduction. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(13,500) from CJEF in FY 2022 for statewide adjustments.

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 budget includes \$497,200 and 3 FTE Positions from the General Fund in FY 2022 for the Special Water Master line item. FY 2022 adjustments are as follows:

Staffing Increase

The budget includes an increase of \$257,300 and 3 FTE Positions from the General Fund in FY 2022 for additional Special Water Master staff. A General Appropriation Act footnote requires that of this amount, \$147,600 is for 2 paralegals and \$109,700 for 1 law clerk position.

Statewide Adjustments

The budget includes a decrease of \$(4,900) from the General Fund in FY 2022 for statewide adjustments.

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 2020, 672 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 2020 Actual	FY 2021 Estimated ^{1/}	FY 2022 Estimated ^{1/}
Gila River			
Beginning Balance	\$205,700	\$197,600	\$188,200
Revenues ^{2/}	429,100	221,900	221,900
Expenditures	437,200	231,300	245,300
Ending Balance	\$197,600	\$188,200	\$164,800
Little Colorado River			
Beginning Balance	\$125,600	\$152,500	\$165,900
Revenues ^{2/}	76,800	39,100	39,100
Expenditures	49,900	25,700	25,700
Ending Balance	\$152,500	\$165,900	\$179,300

^{1/} As reported by the Administrative Office of the Courts and adjusted by the JLBC.

^{2/} Includes annual General Fund appropriation plus interest.

General Adjudication Personnel and Support Fund Deposit

The budget includes \$2,000,000 from the General Fund in FY 2022 for a General Adjudication Personnel and Support Fund Deposit. FY 2022 adjustments are as follows:

First-Year Deposit

The budget includes an increase of \$2,000,000 from the General Fund in FY 2022 for the first-year deposit to the General Adjudication Personnel and Support Fund.

The FY 2022 Criminal Justice Budget Reconciliation Bill (BRB) created the General Adjudication Personnel and Support Fund and allows the courts and the Department of Water Resources to use the funding for water adjudication staff, equipment and services. Prior to spending any monies from the fund in FY 2022 and FY 2023, the Supreme Court must submit an expenditure plan to the Joint Legislative Budget Committee and the Chairman will determine if the plan requires full Committee review.

Probation Incentive Payments

The budget includes \$1,000,000 from the General Fund in FY 2022 for probation incentive payments. FY 2022 adjustments are as follows:

First-Year Funding

The budget includes an increase of \$1,000,000 from the General Fund in FY 2022 for first-year funding.

The monies in this line item pay for 2 funding programs to reward counties for reducing the number of probationers that are returned to state prison:

- Probation success incentive payments: Payments are distributed to counties if they return fewer probationers to prison in a fiscal year compared to a baseline (the average number returned in FY 2008, FY 2015 and FY 2019). Incentive payments are equal to 50% of the marginal incarceration cost in the Arizona Department of Corrections.
- Probation success incentive grants: The total grant funding is calculated in the same way as the incentive payments, but is equal to 25% of the marginal incarceration cost. Distribution of the grant funding amongst counties is determined by a board consisting of the chief probation officers of each county.

The amount distributed to each county from these programs is subject to available funding.

Probation Officer Vehicles

The budget includes \$187,500 from the General Fund in FY 2022 for probation officer vehicles. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$187,500 from the General Fund in FY 2022 to purchase 6 vehicles for the new Adult Intensive Probation officers.

Court-Ordered Removals

The budget includes \$315,000 from the General Fund in FY 2022 for Court-Ordered Removals. This amount is unchanged from FY 2021.

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

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As permanent law, establish the General Adjudication and Personnel Support Fund to be used by the Supreme Court and Department of Water Resources for general water adjudication staff, equipment and

- services. Allow the Supreme Court to appoint paralegals and law clerks for general water adjudication and require the positions to be fully funded by the state. Require the Supreme Court to submit an expenditure plan to the JLBC prior to expending any monies in FY 2022 and FY 2023. The JLBC may require a review of the plan.
- As permanent law, establish 2 county probation funding programs to reward counties for reducing the number of probationers that are returned to state prison.
- As permanent law, repeal A.R.S. § 12-284.02, an unused statute which allows the courts to charge a fee for electronic filing and access to superior court records.

Probation Caseloads

AOC counts certain probationers as more than 1 case. For example, adult probationers charged with crimes against children are counted as 3 cases. As a result, reported probation counts do not represent actual headcounts.

Beginning January 1, 2020, the Courts also included the 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."

Non-Maricopa County weighted probation caseloads from all categories grew by 0.1% from June 2019 to June 2020. The JLBC Staff estimates total FY 2021 and FY 2022 caseloads of 19,333 and 19,359 from all categories, respectively. This would represent growth of 0.1% in FY 2021 and 0.1% in FY 2022.

While the JLBC Staff estimates minimal growth in overall caseloads, the Adult Intensive caseloads are expected to increase by 6.4% in FY 2021 and 5.2% in FY 2022. As discussed in the Adult Intensive Probation line item, these cases require a lower probationer to probation officer ratio than standard probation, making intensive probation more expensive than standard probation. The budget includes funding for additional Adult Intensive Probation officers to cover the projected caseload increase.

Please see *Table 2* for recent probation caseloads in each category and the JLBC Staff estimates for FY 2021 and FY 2022. (For more information, please see the [Judiciary – Probation Programs program summary on the JLBC website.](#))

Table 2**End of Year Non-Maricopa Probation Caseloads ^{1/}**

<u>Probation Category</u>	<u>FY 2018 Actual</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Actual</u>	<u>FY 2021 Estimate</u>	<u>FY 2022 Estimate</u>
Adult Standard ^{2/}	16,187	16,215	16,325	16,380	16,449
Adult Intensive	1,149	1,255	1,293	1,376	1,448
Juvenile Standard	1,506	1,439	1,386	1,324	1,264
Juvenile Intensive	414	374	303	253	197
Total Caseload	19,256	19,283	19,307	19,333	19,359

^{1/} Numbers represent June probation caseloads. FY 2021 and FY 2022 represent JLBC Staff estimates.

^{2/} Does not include Interstate Compact participants.

State-Funded Probation Officer Salary and Benefits

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.

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 2020 payroll increase for salary was 5.0% for Adult probation officers and 2.0% for Juvenile probation officers. AOC projects total payroll increase will be 2.5% yearly in FY 2021 and FY 2022 for both Adult and Juvenile probation officers.

The FY 2022 budget includes an increase of \$4,251,500 to cover the state's share of probation officer salary increases. This amount includes the cost of prior-year increases in FY 2019 - FY 2021 and sufficient funding for a 2.5% increase in FY 2022 (see *Table 3* for the cost by year).

Table 3**Probation Office Salary/Benefits Funding**

	<u>Amount</u>
FY 2019 and FY 2020	\$1,912,100
FY 2021	1,142,000
FY 2022 (Prospective)	<u>1,197,400</u>
Total	\$4,251,500

A General Appropriation Act footnote states that if the counties approve probation officer salary increases in FY

2022 that increase the state's share above the amount appropriated, the Legislature intends that the counties absorb any additional cost to the state in FY 2022 and subsequent years.

Department of Juvenile Corrections

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	20,385,300	23,755,000	24,012,800
Employee Related Expenditures	13,026,100	16,153,300	15,862,900
Professional and Outside Services	846,500	777,000	777,000
Travel - In State	222,200	296,400	296,400
Travel - Out of State	33,800	14,800	14,800
Other Operating Expenditures	4,933,900	4,598,400	4,632,900
Equipment	471,200	21,700	21,700
AGENCY TOTAL	39,919,000	45,616,600	45,618,500 ^{1/2/}
FUND SOURCES			
General Fund	35,882,700	30,616,200	30,696,600
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	131,200	546,200	533,200
Department of Juvenile Corrections Local Cost Sharing Fund	0	8,450,900	8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	2,485,800	4,017,300	4,044,100
State Education Fund for Committed Youth	1,419,300	1,986,000	1,893,700
SUBTOTAL - Other Appropriated Funds	4,036,300	15,000,400	14,921,900
SUBTOTAL - Appropriated Funds	39,919,000	45,616,600	45,618,500
Other Non-Appropriated Funds	163,200	157,200	157,200
Federal Funds	1,085,500	1,052,800	1,052,800
TOTAL - ALL SOURCES	41,167,700	46,826,600	46,828,500

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 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 budget includes \$45,618,500 and 738.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$30,696,600
Criminal Justice Enhancement Fund (CJEF)	533,200
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900

State Charitable, Penal and Reformatory Institutions Land Fund	4,044,100
State Education Fund for Committed Youth	1,893,700

FY 2022 adjustments are as follows:

Youth Correctional Officer Salary Increase

The budget includes an increase of \$1,582,600 from the General Fund in FY 2022 for a 5% youth correctional officer salary increase.

Land Trust Lease Technical Adjustment

The budget includes an increase of \$91,200 from the General Fund in FY 2022 for a technical adjustment to the department's State Land Trust lease payment.

Named Claimants

The budget includes a decrease of \$(317.23) from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2022 for the elimination of one-time funding for prior year unpaid claims.

Statewide Adjustments

The budget includes a decrease of \$(1,671,600) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	\$(1,593,400)
Criminal Justice Enhancement Fund (CJEF)	(13,000)
State Charitable, Penal and Reformatory Institutions Land Fund	27,100
State Education Fund for Committed Youth	(92,300)

(Please see the Agency Detail and Allocations section.)

Other Issues

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$317.23 from the State Charitable, Penal and Reformatory Institutions Land Fund for prior year unpaid claims.

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 suspended the \$8,450,900 in county cost sharing for Maricopa and Pima Counties on a one-time basis in FY 2020. The FY 2022 budget does not include the suspension, thereby requiring Maricopa and Pima Counties to make deposits into the DJC Local Cost Sharing Fund in FY 2022. Maricopa County will contribute \$6,724,000 while Pima County will contribute \$1,726,900. The budget continues to require Maricopa and Pima Counties to pay their proportional share in FY 2022.

(Please see the County Funding narrative for more information on state distributions to counties.)

Population Counts

Table 1 on the next page lists the DJC population by category since FY 2018. From FY 2018 to FY 2020, the housed population increased from 172 to 223, or 29.7%, while the parole population has decreased.

During FY 2021, the housed population has decreased from 223 to 136, or (39)%. This decrease appears primarily due to reduced court activity during the coronavirus pandemic. At the same time, the parole population increased slightly.

COVID-Related Spending

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, the Department of Juvenile Corrections was reimbursed for \$10,235,576 in General Fund spending. This reduced spending increased the agency's General Fund reversionment beyond what it would have otherwise been.

Proposition 208 – Education Funding

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. After monies in the fund are by used by state agencies for administrative costs of the initiative, DJC will receive a distribution from the fund based on its weighted student count in the same manner as school districts and charter schools.

(Please see the Department of Education - Other Issues Section for more information.)

Table 1

DJC Census

	FY 2018 Average <u>Population</u>	FY 2019 Average <u>Population</u>	FY 2020 Average <u>Population</u>	Population as of <u>May 2021</u>
Housed Population				
Adobe Mountain	172	197	223	136
Parole Population				
Parole	45	37	41	72
Interstate Compact (Inside Arizona) ^{1/}	<u>87</u>	<u>78</u>	<u>75</u>	<u>64</u>
Total Parole Population	<u>132</u>	<u>115</u>	<u>116</u>	<u>136</u>
Total DJC Population	304	312	339	272

^{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 2020 and 1 parolee as of May 2021.

State Land Department

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	129.7	129.7	129.7
Personal Services	6,034,000	6,751,400	6,751,400
Employee Related Expenditures	2,364,800	2,704,900	2,263,700
Professional and Outside Services	3,330,900	3,987,000	3,987,000
Travel - In State	129,200	129,000	129,000
Travel - Out of State	10,500	9,500	9,500
Other Operating Expenditures	3,346,900	3,028,400	2,825,200
Equipment	0	68,000	68,000
OPERATING SUBTOTAL	15,216,300	16,678,200	16,033,800
SPECIAL LINE ITEMS			
CAP User Fees	1,796,300	1,796,300	1,700,000 ^{1/}
Due Diligence Fund Deposit	0	0	1,500,000
Due Diligence Program	130,900	500,000	5,000,000
Fire Suppression	800,000	800,000	800,000
Natural Resource Conservation Districts	534,300	650,000	650,000 ^{2/}
Streambed Navigability Litigation	20,000	220,000	220,000
AGENCY TOTAL	18,497,800	20,644,500	25,903,800 ^{3/}
FUND SOURCES			
General Fund	11,655,300	12,563,800	13,315,100
<u>Other Appropriated Funds</u>			
Due Diligence Fund	130,900	500,000	5,000,000
Environmental Special Plate Fund	148,100	260,600	260,600
Trust Land Management Fund	6,563,500	7,320,100	7,328,100
SUBTOTAL - Other Appropriated Funds	6,842,500	8,080,700	12,588,700
SUBTOTAL - Appropriated Funds	18,497,800	20,644,500	25,903,800
Other Non-Appropriated Funds	682,300	852,800	852,800
TOTAL - ALL SOURCES	19,180,100	21,497,300	26,756,600

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 \$1,700,000 for CAP user fees in fiscal year 2021-2022. For fiscal year 2021-2022, 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 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 fiscal year 2021-2022, \$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 budget includes \$16,033,800 and 129.7 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$9,505,100
Environmental Special Plate Fund	600
Trust Land Management Fund	6,528,100

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes an decrease of \$(644,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(652,400)
Trust Land Management Fund	8,000

(Please see the Agency Detail and Allocations section.)

CAP User Fees

The budget includes \$1,700,000 from the General Fund in FY 2022 for Central Arizona Project (CAP) User Fees. FY 2022 adjustments are as follows:

CAP Rate Adjustment

The budget includes a decrease of \$(96,300) from the General Fund in FY 2022 to realign the funding level for CAP User Fees with the FY 2021 final CAP User Fee rates. This funding level is based on the final FY 2021 rate of \$53 per acre-foot on 32,076 acre-feet of water that the department will be billed for "capital charges" in FY 2021. This amount is \$(96,300) below the FY 2021 appropriation of \$1,796,300. The original FY 2021 appropriation reflected capital charges of \$56 per acre-foot, but CAP rates are not determined until June 15 of each year and the final rate for FY 2021 ended up being \$53 per acre-foot. As a result, the budget also includes a \$(96,300) reduction of General Fund monies to the CAP User Fees line item in FY 2022 to realign CAP funding to the final FY 2021 rate.

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 budget includes \$1,500,000 from the General Fund in FY 2022 for the Due Diligence Fund Deposit line item. FY 2022 adjustments are as follows:

General Fund Deposit into Due Diligence Fund

The budget includes an increase of \$1,500,000 from the General Fund in FY 2022 to be deposited into the department's Due Diligence Fund. The budget's 3-year spending plan includes a continuation of the \$1,500,000 deposit in FY 2023, and no deposit in FY 2024.

Due Diligence Program

The budget includes \$5,000,000 from the Due Diligence Fund in FY 2022 to fund this line item. FY 2022 adjustments are as follows:

Increase in Due Diligence Fund Appropriation Level

The budget includes an increase of \$4,500,000 from the Due Diligence Fund to bring the line item's total appropriation amount from \$500,000 to \$5,000,000.

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 budget includes \$800,000 from the Trust Land Management Fund in FY 2022 for the Fire Suppression line item. This amount is unchanged from FY 2021. 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 budget includes \$650,000 in FY 2022 for Natural Resource Conservation Districts (NRCs). This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2021.

This line item funds natural resource research, activities, and staff at the state's 30 NRCs. 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 NRC 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 NRCs be used to provide grants to NRC environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by 30 NRCs. 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 2020 totaled \$172,600 and was not 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 budget includes \$220,000 from the General Fund in FY 2022 for Streambed Navigability Litigation. This amount is unchanged from FY 2021.

Pursuant to A.R.S. §§ 37-1123 and 37-1124, the State 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 State 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

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, increase the Due Diligence Fund balance cap from \$500,000 to \$5,000,000 before transferring excess monies to the General Fund.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, State Land Department's General Fund costs are projected to remain constant in FY 2023 compared to FY 2022 and decrease by \$(1,500,000) in 2024 compared to FY 2023. These estimates are based on a continuation of \$1,500,000 for the Due Diligence Fund Deposit line item in FY 2023 and no deposit in FY 2024.

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 \$218,226,100 in incremental land trust funds to K-12 schools in FY 2020 and \$228,292,000 in FY 2021. The 4.4% incremental funding increase will provide \$237,219,500 in incremental funds in FY 2022. *(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 generated \$25,756,600 in FY 2020 and \$26,769,200 in FY 2021 for the beneficiaries. In FY 2022, non-K-12 beneficiaries are expected to receive \$27,829,500. 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. In comparison, non-K-12 beneficiaries are expected to receive an estimated \$41,058,300 in FY 2022 through a combination of lease revenues and distributions from the Treasurer. (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.

<u>Beneficiary/Fund</u>	<u>FY 2015 Total Revenue</u> ^{1/}	<u>FY 2021 Ending Balance</u>	<u>FY 2022 Total Revenue</u> ^{2/}	<u>FY 2022 Appropriation</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 97,300	
Normal Schools ASU/NAU	296,600		545,700	
A & M Colleges	445,100		1,216,000	
School of Mines	499,800		1,200,100	
University Fund	2,175,400		3,401,700	
U of A Land - 1881	<u>1,659,400</u>		<u>7,769,800</u>	
Subtotal	\$ 5,160,100		\$14,230,600	
Schools for the Deaf and the Blind ^{4/}				
State Hospital	\$ 424,400		\$ 687,400	
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 701,000	\$ 2,062,800	\$ 1,048,500	\$ 650,000
	\$ 386,300	\$ 2,382,300	\$ 897,900	\$ 400,000
Corrections				
Penitentiaries	\$ 1,382,600	\$ 1,112,400	\$ 2,833,900	\$ 2,790,700
State Charitable (25%)	<u>1,452,500</u>	<u>1,009,900</u>	<u>4,383,200</u>	<u>2,663,700</u>
Subtotal	\$ 2,835,100	\$ 2,122,300	\$ 7,217,100	\$ 5,454,400
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 9,708,100	\$ 3,823,100	\$ 2,074,100
State Charitable (50%)	<u>2,905,000</u>	<u>12,752,700</u>	<u>8,768,500</u>	<u>4,969,100</u>
Subtotal	\$ 4,886,400	\$22,460,800	\$12,591,600	\$ 7,043,200
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 4,224,200	\$ 4,383,200	\$ 4,044,400
Non-K-12 Beneficiaries Total	\$15,845,800		\$41,056,300	
^{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 2022 lease revenues reflect actual FY 2020 amounts and do not incorporate potential revenue impacts caused by the COVID-19 pandemic. ^{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.				

Legislature - Auditor General

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	200.8	200.8	200.8
Personal Services	13,438,200	14,112,100	13,628,400
Employee Related Expenditures	4,671,500	4,974,900	4,752,900
Professional and Outside Services	385,900	431,500	931,500
Travel - In State	81,300	92,800	92,800
Travel - Out of State	12,000	5,500	5,500
Other Operating Expenditures	1,357,600	1,348,700	1,786,400
Equipment	282,800	26,000	26,000
OPERATING SUBTOTAL	20,229,300	20,991,500	21,223,500 ^{1/2/}
SPECIAL LINE ITEMS			
Career Technical Education District Study	400,000	0	0
AGENCY TOTAL	20,629,300	20,991,500	21,223,500 ^{3/4/5/}
FUND SOURCES			
General Fund	20,629,300	20,991,500	21,223,500
SUBTOTAL - Appropriated Funds	20,629,300	20,991,500	21,223,500
Other Non-Appropriated Funds	1,656,000	1,310,300	1,310,300
TOTAL - ALL SOURCES	22,285,300	22,301,800	22,533,800

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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Laws 2021, Chapter 405 appropriated \$500,000 from the General Fund to conduct an audit of voter registration databases and early voting lists.
- 3/ The auditor general shall compile information on how all Arizona school districts and charter schools spent or plan to spend stimulus monies specified in the federal acts related to the COVID-19 pandemic and how the department of education spent or plans to spend its stimulus discretionary monies specified in the federal acts related to the COVID-19 pandemic in fiscal years 2019-2020, 2020-2021 and 2021-2022. On or before January 1, 2022, the auditor general shall issue a report that includes the fiscal years 2019-2020 and 2020-2021 information and on or before January 1, 2023, the auditor general shall issue a report that includes the fiscal year 2021-2022 information. For both reports, the auditor general may develop recommendations, as necessary. The school districts and charter schools shall cooperate with and provide information and records to the auditor general in a format prescribed by the auditor general to facilitate the reporting required in this section. The department of education and other state or local agencies that passed stimulus monies through to school districts and charter schools shall cooperate with and provide necessary information to the auditor general. (General Appropriation Act footnote)
- 4/ The auditor general shall conduct a special audit of financial and related information of any private, nongovernmental grant monies used for this state's 2020 elections and Maricopa county's procurement of voting systems. On or before March 31, 2022, the auditor general shall submit a report to the governor, the president of the senate and the speaker of the house of representatives on all of the following:
 1. Private, nongovernmental grant monies received and expended by the secretary of state's office for the 2020 elections and any balance remaining unexpended on June 30, 2021, for the following:
 - (a) Educating voters how to sign up for the permanent early voting list or how to request an early ballot. The report shall include the type of information provided and where the information was provided.
 - (b) Recruiting poll workers. The report shall include where the recruitment was targeted and advertised and the

requirements for poll worker selection.

- (c) Combating misinformation and disinformation about the 2020 elections. The report shall include the methods used, the type of information provided and where the information was provided.
 - (d) Personnel and employee-related expenses. The report shall include an analysis of why the monies were used for these specific purposes.
2. Private, nongovernmental grant monies received and expended by Maricopa county on programs and processes for the 2020 elections, including the purpose of the expenditures, the amount spent for personnel and employee-related expenses and any balance remaining unexpended on June 30, 2021.
 3. Private, nongovernmental grant monies received and expended by Pima county on programs and processes for the 2020 elections, including the purpose of the expenditures, the amount spent for personnel and employee-related expenses and any balance remaining unexpended on June 30, 2021.
 4. Maricopa county's process to acquire Dominion Voting Systems, including information regarding:
 - (a) Compliance with the county's procurement code.
 - (b) Agreement terms, including acquisition costs, time frames and machine maintenance and security.
 - (c) The Maricopa county board of supervisors meetings to discuss the acquisition, including any public comment.
 - (d) The security and technical analysis that occurred before the acquisition. (General Appropriation Act footnote)

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

Operating Budget

The budget includes \$21,223,500 and 200.8 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

K-12 Federal Funds Oversight

The budget includes an increase of \$250,000 from the General Fund in FY 2022 to compile information on how district schools, charter schools, and the Arizona Department of Education plan to spend discretionary monies received from federal COVID-19 stimulus bills. The Auditor General is required to issue a report by January 1, 2022. In addition to the one-time FY 2022 monies, the 3-year approved budget plan also allocates \$200,000 in FY 2023 one-time for this purpose.

Audit of Non-Governmental Election Funding

The budget includes a one-time increase of \$165,000 from the General Fund in FY 2022 for a financial audit of private, non-governmental grant monies for Arizona's 2020 elections and Maricopa County's procurement of voting systems. The Auditor General is required to submit a report by March 31, 2022.

Voter Registration Database Auditing

Laws 2021, Chapter 405 appropriates \$500,000 from the General Fund in FY 2022 to conduct an audit of voter registration databases and early voting lists.

The Budget Procedures Budget Reconciliation Bill (BRB) requires the Auditor General to review the processes and statutory requirements for maintaining the statewide voter registration database, county early voting lists and the county voter registration databases for Maricopa and Pima Counties. On June 30 of each even-numbered year,

the Auditor General is required to submit a report of its findings to the Senate President and Speaker of the House of Representatives.

Statewide Adjustments

The budget includes a decrease of \$(683,000) from the General Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As permanent law, requires the Auditor General to review the processes and statutory requirements for maintaining the statewide voter registration database, county early voting lists and the county voter registration databases for Maricopa and Pima Counties. Specifies the information the Secretary of State and the county recorders are to provide to the Auditor General. On June 30 of each even-numbered year, the Auditor General shall submit a report of its findings. Appropriates \$500,000 to the Auditor General from the General Fund for this purpose.

Proposition 208 – Education Funding

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative

established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the Auditor General receives a self-determined amount from the fund to adjust the Uniform System of Financial Records to implement the required reporting of monies received by school districts, charter schools, and career technical education districts. The Auditor General has estimated a one-time cost of \$38,880 to initially implement the initiative's requirements. *(Please see the Department of Education - Other Issues Section for more information.)*

Legislature - House of Representatives

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	15,591,700	16,830,000	21,429,300
AGENCY TOTAL	15,591,700	16,830,000	21,429,300 ^{1/2/3/}
FUND SOURCES			
General Fund	15,591,700	16,830,000	21,429,300
SUBTOTAL - Appropriated Funds	15,591,700	16,830,000	21,429,300
TOTAL - ALL SOURCES	15,591,700	16,830,000	21,429,300

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 section 35-190, Arizona Revised Statutes relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$21,429,300 for fiscal year 2021-2022 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The budget includes \$21,429,300 from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$5,000,000 from the General Fund in FY 2022 for additional one-time funding.

Statewide Adjustments

The budget includes a decrease of \$(400,700) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Legislature - Joint Legislative Budget Committee

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,645,600	1,963,200	1,898,400
Employee Related Expenditures	499,100	744,800	715,500
Professional and Outside Services	87,900	125,000	125,000
Travel - In State	100	500	500
Travel - Out of State	800	0	0
Other Operating Expenditures	65,400	99,200	100,500
Equipment	16,300	2,000	2,000
AGENCY TOTAL	2,315,200	2,934,700	2,841,900 ^{1/2/}
FUND SOURCES			
General Fund	2,315,200	2,934,700	2,841,900
SUBTOTAL - Appropriated Funds	2,315,200	2,934,700	2,841,900
TOTAL - ALL SOURCES	2,315,200	2,934,700	2,841,900

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 section 35-190, Arizona Revised Statutes, 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 budget includes \$2,841,900 and 29 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(92,800) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Legislature - Legislative Council

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	55.0	66.0 ^{1/}
Personal Services	3,048,900	3,373,000	3,260,400
Employee Related Expenditures	1,078,200	1,232,600	1,178,500
Professional and Outside Services	9,300	110,000	1,110,000
Travel - In State	0	12,000	12,000
Travel - Out of State	0	6,500	6,500
Other Operating Expenditures	384,000	860,700	880,600
Equipment	896,900	2,527,000	2,527,000
OPERATING SUBTOTAL	5,417,300	8,121,800	8,975,000
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	886,000	904,800	1,115,400 ^{2/}
AGENCY TOTAL	6,303,300	9,026,600	10,090,400 ^{3/4/5/}
FUND SOURCES			
General Fund	6,303,300	9,026,600	10,090,400
SUBTOTAL - Appropriated Funds	6,303,300	9,026,600	10,090,400
TOTAL - ALL SOURCES	6,303,300	9,026,600	10,090,400

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 10 GF FTE Positions funded from Special Line Items in FY 2022.
- 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 section 35-190, Arizona Revised Statutes, 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 budget includes \$8,975,000 and 56 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

IT Improvements

The budget includes an increase of \$1,000,000 from the General Fund in FY 2022 for IT improvements.

Additional FTE Positions

The budget includes an increase of 10 FTE Positions from the General Fund in FY 2022.

Statewide Adjustments

The budget includes a decrease of \$(146,800) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Ombudsman-Citizens Aide Office

The budget includes \$1,115,400 and 10 FTE Positions from the General Fund in FY 2022 for the Ombudsman-Citizens Aide Office. FY 2022 adjustments are as follows:

Additional FTE and Operating Costs

The budget includes an increase of \$236,500 and 1 FTE Position from the General Fund in FY 2022 for an additional attorney and additional operating costs.

Statewide Adjustments

The budget includes a decrease of \$(25,900) from the General Fund in FY 2022 for statewide adjustments.

Legislature - Senate

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	10,560,200	13,253,900	17,969,100
AGENCY TOTAL	10,560,200	13,253,900	17,969,100 ^{1/2/3/}
FUND SOURCES			
General Fund	10,560,200	13,253,900	17,969,100
SUBTOTAL - Appropriated Funds	10,560,200	13,253,900	17,969,100
TOTAL - ALL SOURCES	10,560,200	13,253,900	17,969,100

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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 2/ Included in the lump sum appropriation of \$17,969,100 for fiscal year 2021-2022 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

General Election in Maricopa County and to make recommendations on legislative action.

The budget includes \$17,969,100 from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes an increase of \$5,000,000 from the General Fund in FY 2022 for additional one-time funding.

Statewide Adjustments

The budget includes a decrease of \$(284,800) from the General Fund in FY 2022 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Other Issues

Statutory Changes

The Budget Procedures Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As session law, establishes a special Senate committee on the election audit to receive and review the findings of the Senate audit of the 2020

Department of Liquor Licenses and Control

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	45.2	45.2	51.2
Personal Services	1,331,400	1,440,600	1,950,600
Employee Related Expenditures	941,800	1,161,900	1,369,400
Professional and Outside Services	282,600	217,400	217,400
Travel - In State	81,200	81,100	81,100
Travel - Out of State	500	6,500	6,500
Other Operating Expenditures	590,600	590,700	831,300
Equipment	52,900	0	0
AGENCY TOTAL	3,281,000	3,498,200	4,456,300^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	3,281,000	3,498,200	4,456,300
SUBTOTAL - Other Appropriated Funds	3,281,000	3,498,200	4,456,300
SUBTOTAL - Appropriated Funds	3,281,000	3,498,200	4,456,300
Other Non-Appropriated Funds	897,400	1,002,800	1,002,800
Federal Funds	392,600	0	0
TOTAL - ALL SOURCES	4,571,000	4,501,000	5,459,100

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 budget includes \$4,456,300 and 51.2 FTE Positions from the Liquor Licenses Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

To-Go Cocktail Licenses

The budget includes an increase of \$1,025,000 and 6 FTE Positions from the Liquor Licenses Fund in FY 2022 for the administration of to-go cocktail licenses. This increase includes \$200,000 one-time for related automation costs.

Laws 2021, Chapter 375 allows restaurants, bars, and liquor stores to sell mixed cocktails for carry out and delivery orders beginning October 1, 2021. Restaurants are required to lease off-sale privileges from a bar or liquor store through December 31, 2025, as approved by the department. Beginning in 2026, restaurants will be required to apply for a permit to sell to-go cocktails. The department is required to make permits available in equal number to the number of total bar and liquor store licenses. As of July 2021, there were 3,105 active bar and

liquor store licenses. The bill also requires the department to register alcohol delivery contractors.

Statewide Adjustments

The budget includes a decrease of \$(66,900) from the Liquor Licenses Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Statutory Changes

The Budget Procedures Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As session law, allow the Department of Liquor Licenses and Control to adopt rules and be exempt from rulemaking for recent legislation associated with liquor delivery and off-sale permits and leases.

Arizona State Lottery Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,426,500	4,812,000	4,812,000
Employee Related Expenditures	1,812,300	2,052,600	1,797,400
Professional and Outside Services	724,300	386,800	386,800
Travel - In State	177,900	271,600	271,600
Travel - Out of State	(7,500)	16,800	16,800
Other Operating Expenditures	1,647,800	1,958,900	2,093,300
Equipment	71,400	0	0
OPERATING SUBTOTAL	8,852,700	9,498,700	9,377,900
SPECIAL LINE ITEMS			
Advertising	12,199,500	15,500,000	15,500,000
Charitable Commissions ^{1/}	1,085,500	1,297,200	1,311,400 ^{2/}
Instant Tickets ^{1/}	22,253,500	37,494,900	34,507,200 ^{3/}
On-Line Vendor Fees ^{1/}	9,561,900	10,480,300	10,720,100 ^{4/}
Retailer Commissions ^{1/}	71,046,900	85,846,100	80,658,500 ^{5/}
AGENCY TOTAL	125,000,000	160,117,200	152,075,100 ^{6/}

FUND SOURCES

Other Appropriated Funds

State Lottery Fund	125,000,000	160,117,200	152,075,100
SUBTOTAL - Other Appropriated Funds	125,000,000	160,117,200	152,075,100
SUBTOTAL - Appropriated Funds	125,000,000	160,117,200	152,075,100
Other Non-Appropriated Funds	758,567,900	880,045,300	823,792,800
TOTAL - ALL SOURCES	883,567,900	1,040,162,500	975,867,900

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 twenty percent of tab ticket sales is appropriated to pay sales commissions to charitable organizations. This amount is currently estimated to be \$1,311,400 in fiscal year 2021-2022. (General Appropriation Act footnote)
- 3/ An amount equal to 3.6 percent 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 \$34,507,200 in fiscal year 2021-2022. (General Appropriation Act footnote)
- 4/ An amount equal to a percentage of actual online game sales as determined by contract is appropriated to pay online vendor fees. This amount is currently estimated to be \$10,720,100, or 4.256 percent of actual online ticket sales, in fiscal year 2021-2022. (General Appropriation Act footnote)
- 5/ An amount equal to 6.5 percent 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 percent of gross lottery game sales is appropriated to pay sales commissions to ticket retailers. The combined amount is currently estimated to be 6.7 percent of total ticket sales, or \$80,658,500, in fiscal year 2021-2022. (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 budget includes \$9,377,900 and 98.8 FTE Positions from the State Lottery Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(120,800) from the State Lottery Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Advertising

The budget includes \$15,500,000 from the State Lottery Fund in FY 2022 for Advertising. This amount is unchanged from FY 2021.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The budget includes \$1,311,400 from the State Lottery Fund in FY 2022 for Charitable Commissions. FY 2022 adjustments are as follows:

Tab Ticket Increase

The budget includes an increase of \$14,200 from the State Lottery Fund in FY 2022 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 budget includes \$34,507,200 from the State Lottery Fund in FY 2022 for Instant Tickets. FY 2022 adjustments are as follows:

Instant Ticket Sales Increase

The budget includes a decrease of \$(2,987,700) from the State Lottery Fund in FY 2022 for Instant Tickets due to lower 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 budget includes \$10,720,100 from the State Lottery Fund in FY 2022 for On-Line Vendor Fees. FY 2022 adjustments are as follows:

On-Line Sales Increase

The budget includes an increase of \$239,800 from the State Lottery Fund in FY 2022 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 budget includes \$80,658,500 from the State Lottery Fund in FY 2022 for Retailer Commissions. FY 2022 adjustments are as follows:

Retailer Commissions Increase

The budget includes a decrease of \$(5,187,600) from the State Lottery Fund in FY 2022 for Retailer Commissions due to lower 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

Statutory Changes

The Budget Procedures Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, prohibits the State Lottery from directly or indirectly spending or allocating lottery funds to advertise the lottery at a professional sporting event or in conjunction with any professional sports team.

The K-12 Education BRB makes the following statutory changes:

- As permanent law, increase the maximum allowable annual transfer of unclaimed lottery prize monies to the Department of Education's Tribal College Dual Enrollment Program Fund pursuant to A.R.S. 5-568 from \$250,000 currently to \$325,000.

Keno

Laws 2021, Chapter 234 expanded non-tribal gaming in the state and authorized the Department of Gaming to regulate event wagering and fantasy sports contests, along with authorizing the Lottery Commission to operate keno and mobile draw games. Keno is a lottery game where players select numbers ranging from 1-80 attempting to match 20 numbers chosen by a random number generator. Chapter 234 specifies that:

Regulations

- Keno will be available only at fraternal organizations, veterans' organizations and horse racing tracks/off-track betting sites that receive a Lottery license. Electronic keno formats are allowed but must be geographically restricted (through "geofencing") to the authorized locations.
- The number of authorized keno locations is capped at the number of Class 14 (Private Club) liquor licenses issued to fraternal organizations and veterans' organizations, plus the number of horse racing tracks/off-track betting sites in the state. This location limit number is then increased by 2.0% every 2 years.
- The mobile draw game can be played statewide on mobile devices.

Licensing

- The Lottery director will grant licenses to authorized keno locations using the same process the Lottery uses for all other Lottery retail licenses. Lottery retail

licenses currently do not require an annual fee, there is assumed to be no annual fee for licensing of keno locations.

- Mobile draw games would be operated centrally by the Lottery Commission and would require no further licensing.

Revenue Collections

- Revenue generated from the sale of keno and mobile draw tickets would be treated the same as all other Lottery sales. Given the current level of Lottery sales, all other beneficiaries receive their complete allocation and the General Fund receives any additional growth in Lottery profits. As such, all net proceeds from the new sale of keno and mobile draw tickets will be distributed to the General Fund.

(For more information on Event Wagering and Fantasy Sports Contests, see the Department of Gaming – Other Issues section.)

Fiscal Impact

The enacted budget assumed new gaming revenue from Chapter 234 would increase General Fund revenues by \$200.0 million in FY 2023 and \$300.0 million in FY 2024.

The [JLBC Staff fiscal note](#) provided a different fiscal estimate for the legislation.

Lottery Forecast and Distributions

The budget assumes a 17.3% increase in overall Lottery ticket sales in FY 2021, followed by a (6.0)% decrease in FY 2022. For FY 2021 and FY 2022, the budget assumes Lottery ticket sales of \$1,287,771,500 and \$1,210,414,600, respectively. The high projected ticket sales growth in FY 2021 is driven by higher-than-expected ticket sales during the COVID-19 pandemic. From April to September 2020, Scratchier ticket sales increased by 49.2% compared to the same span in the prior year. We do not know how long these increased sales will persist. As such, the FY 2022 sales forecast assumes return to pre-pandemic levels with some natural growth, which equates to a reduction in total sales in FY 2022.

The FY 2021 forecasted sales and Special Line Items expenditures are higher than the amounts included as part of the *FY 2021 Appropriations Report*. This increase is due to a revised FY 2021 sales forecast. These revised amounts are estimates based on the current sales forecast and the special line item percentages included in the FY 2021 General Appropriation Act footnotes. The

final FY 2021 expenditures will be determined by the actual Lottery ticket sales during FY 2021.

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 2020 and the JLBC Staff projected distributions for FY 2021 and FY 2022. 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 were made from Lottery revenues that would have otherwise been deposited into the General Fund.

In December 2018, ADOA refinanced these bonds. Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Fund.

The FY 2022 budget includes one-time funding of \$269,550,000 from the General Fund to payoff the remaining Lottery Revenue Bond principal balance, ending the annual debt service payments beginning in FY 2022 and redirecting those revenues to the General Fund.

Maricopa County Mass Transit

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,476,800 in each FY 2021 and FY 2022. (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 2021 and FY 2022 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The Lottery revenue bond payments of \$34,509,800 in FY 2021 account towards the \$84,150,000

General Fund - Part 1 requirement, while the full \$84,150,000 General Fund - Part 1 will be realized in FY 2022 and thereafter due to the retirement of the Lottery Revenue Bonds.

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 2021 and FY 2022, 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 \$22,232,700 in FY 2021 and \$22,800,800 in FY 2022. 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 2021 and FY 2022.

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 2021 and FY 2022.

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 2021 and FY 2022, 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 2021 and FY 2022.

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 \$39,436,700 in FY 2020. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$38,405,600 in FY 2021 and \$40,613,800 in FY 2022 to make the expected 80% level of debt service payments. *(Please see the FY 2022 Arizona Board of Regents Capital Outlay section for more details.)*

Current Year/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 past years, the Deferred General Fund - Part 3 transfer made up the entire General Fund - Part 3 bucket. However, due to high ticket sales during the first part of FY 2021, all Lottery distribution allocations are expected to be made by the third quarter transfer, allowing for a partial Current Year General Fund - Part 3 deposit to occur in FY 2021.

The Baseline forecast assumes that by the end of FY 2022, the Deferred General Fund - Part 3 transfer will once again include the entire General Fund - Part 3 allocation. In the example of the FY 2022 Deferred General Fund - Part 3 allocation of \$44,767,100, that will be transferred to the General Fund in FY 2023.

Total Distributions to the General Fund

Total FY 2022 distributions to the General Fund consist of the FY 2022 General Fund Part 1 and Part 2 profit transfers plus the delayed prior year Part 3 transfer from FY 2021. With a FY 2022 Part 1 transfer of \$84,150,000, a Part 2 FY 2022 transfer of \$15,490,000 and a delayed FY 2021 Part 3 transfer of \$46,583,200, total FY 2022 distributions to the General Fund are forecast to be \$146,223,200. *(See Table 1 for more information.)*

Table 1

Forecast of Lottery Revenue Distribution
(\$ in Millions)

<u>Sales</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Instant Sales	\$856.5	\$1,041.5	\$958.5
On-Line Sales	<u>241.5</u>	<u>246.3</u>	<u>251.9</u>
Total Sales	\$1,098.0	\$1,287.8	\$1,210.4
<i>Less:</i>			
Operating Budget	\$ 125.0	\$ 160.1	\$ 152.1
Gaming Distribution	0.3	0.3	0.3
ICACEF/VREF Sales Transfer ^{1/}	0.4	0.2	0.3
Prizes ^{2/}	<u>755.8</u>	<u>880.1</u>	<u>823.8</u>
Net Profit ^{3/4/}	<u>\$216.5</u>	<u>\$247.1</u>	<u>\$233.9</u>
<u>Profit Transfers ^{5/}</u>			
Debt Service Fund	\$ 34.5	\$ 34.5	\$ 0.0
Maricopa County Mass Transit	11.5	11.5	11.5
General Fund - Part 1	49.6	49.6	84.2
Heritage	10.0	10.0	10.0
Health and Welfare Programs	21.9	22.2	22.8
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	39.4	38.4	40.6
Current Year General Fund - Part 3	0.0	14.3	0.0
Deferred General Fund - Part 3	<u>29.6</u>	<u>46.6</u>	<u>44.8</u>
Total Transfers	<u>\$216.5</u>	<u>\$247.1</u>	<u>\$233.9</u>
<u>General Fund</u>			
Delayed Prior Year Transfer ^{5/}	38.5	29.6	46.6
General Fund - Part 1	49.6	49.6	84.2
General Fund - Part 2	15.5	15.5	15.5
General Fund - Part 3	<u>0.0</u>	<u>14.3</u>	<u>0.0</u>
Total General Fund ^{6/}	<u>\$103.6</u>	<u>\$109.0</u>	<u>\$146.3</u>

^{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 (ICACEF) and the Victims' Rights Enforcement Fund (VREF), respectively. The ICACEF 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 ICACEF and VREF from unclaimed prize monies in the State Lottery Fund. In FY 2020, \$394,200 was distributed to the ICACEF/VREF from the sale of tab tickets. An estimated \$177,300 and \$328,200 will be distributed in FY 2021 and FY 2022, respectively. (See Footnote 4.)

^{2/} Prizes are estimated by subtracting net profit, operating budget expenditures, the Department of Gaming transfer, and the ICACEF/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 2020 was 19.79%. The estimated total profit margin is 19.23% in FY 2021 and 19.37% in FY 2022.

^{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 \$325,000 to the Tribal College Dual Enrollment Program Fund (This distribution was \$160,000 in FY 2016, but was increased to \$250,000 pursuant to Laws 2016, Chapter 124 and increased again to \$325,000 pursuant to Laws 2021, Chapter 404).
- An estimated \$822,700 in FY 2021 and \$671,800 in FY 2022 of unclaimed prizes to ICACEF and VREF.

^{5/} Due to the timing of Lottery profit transfers, all or part of 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. In FY 2021, due to high ticket sales in the first part of the year, all statutory distributions will likely be met by the third quarter profit transfer, including some part of the General Fund - Part 3 transfer. The remaining General Fund - Part 3 generated from fourth quarter sales will be delayed to FY 2022.

Board of Massage Therapy

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	237,100	242,000	234,400
Employee Related Expenditures	107,400	111,800	106,400
Professional and Outside Services	20,700	30,800	30,800
Travel - In State	1,500	1,500	1,500
Other Operating Expenditures	87,400	100,000	100,600
Equipment	11,900	0	0
AGENCY TOTAL	466,000	486,100	473,700^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Massage Therapy Fund	466,000	486,100	473,700
SUBTOTAL - Other Appropriated Funds	466,000	486,100	473,700
SUBTOTAL - Appropriated Funds	466,000	486,100	473,700
TOTAL - ALL SOURCES	466,000	486,100	473,700

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 budget includes \$473,700 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(12,400) from the Board of Massage Therapy Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Medical Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	61.5	61.5	61.5
Personal Services	3,110,300	3,266,400	3,104,200
Employee Related Expenditures	1,131,700	1,224,800	1,209,800
Professional and Outside Services	1,027,300	1,217,500	1,217,500
Travel - In State	13,400	13,300	13,300
Travel - Out of State	14,400	13,300	13,300
Other Operating Expenditures	1,036,500	1,271,900	1,728,500
Equipment	198,800	54,900	54,900
OPERATING SUBTOTAL	6,532,400	7,062,100	7,341,500 ^{1/}
SPECIAL LINE ITEMS			
Employee Performance Incentive Program	159,000	165,600	165,600
AGENCY TOTAL	6,691,400	7,227,700	7,507,100
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	6,691,400	7,227,700	7,507,100
SUBTOTAL - Other Appropriated Funds	6,691,400	7,227,700	7,507,100
SUBTOTAL - Appropriated Funds	6,691,400	7,227,700	7,507,100
TOTAL - ALL SOURCES	6,691,400	7,227,700	7,507,100

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 budget includes \$7,341,500 and 61.5 FTE Positions from the Arizona Medical Board Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Cloud Enterprise Funding

The budget includes an increase of \$450,000 from the Arizona Medical Board Fund in FY 2022 to fund ongoing operating expenses associated with information technology modernization and cloud migration.

Statewide Adjustments

The budget includes a decrease of \$(170,600) from the Arizona Medical Board Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Employee Performance Incentive Program

The budget includes \$165,600 from the Arizona Medical Board Fund in FY 2022 for the Employee Performance Incentive Program. This amount is unchanged from FY 2021.

The program was previously funded by a footnote allowing the Arizona Medical Board to use up to 7% of the prior year balance from the Arizona 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.

State Mine Inspector

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	16.0
Personal Services	426,500	520,000	604,700
Employee Related Expenditures	212,700	291,700	308,200
Professional and Outside Services	9,100	7,500	8,700
Travel - In State	60,000	62,400	72,600
Travel - Out of State	0	7,500	8,700
Other Operating Expenditures	165,700	214,600	287,600
Equipment	33,400	3,500	4,100
OPERATING SUBTOTAL	907,400	1,107,200	1,294,600
SPECIAL LINE ITEMS			
Abandoned Mines	171,700	194,700	194,700
Aggregate Mining Land Reclamation	22,800	112,900	181,800 ^{1/}
AGENCY TOTAL	1,101,900	1,414,800	1,671,100 ^{2/}
FUND SOURCES			
General Fund	1,079,100	1,301,900	1,558,200
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	22,800	112,900	112,900
SUBTOTAL - Other Appropriated Funds	22,800	112,900	112,900
SUBTOTAL - Appropriated Funds	1,101,900	1,414,800	1,671,100
Federal Funds	401,100	537,700	537,700
TOTAL - ALL SOURCES	1,503,000	1,952,500	2,208,800

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 fiscal year 2021-2022 are appropriated to the aggregate mining land reclamation line item. Before spending any aggregate mining reclamation fund monies in excess of \$112,900 in fiscal year 2021-2022, 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 budget includes \$1,294,600 and 16 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Additional Mine Inspectors

The budget includes an increase of \$140,200 and 2 FTE Positions from the General Fund in FY 2022 for additional mine inspectors.

Education and Training

The budget includes an increase of \$40,100 from the General Fund in FY 2022 to fund ongoing education and training for the agency's mine inspectors.

Statewide Adjustments

The budget includes an increase of \$7,100 from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Abandoned Mines

The budget includes \$194,700 from the General Fund in FY 2022 for the Abandoned Mines line item. This amount is unchanged from FY 2021.

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 budget includes \$181,800 in FY 2022 for the Aggregate Mining Land Reclamation line item. This amount consists of:

	<u>FY 2022</u>
General Fund	\$68,900
Aggregate Mining Reclamation Fund	112,900

FY 2022 adjustments are as follows:

Increase Program Funding

The budget includes an increase of \$68,900 from the General Fund in FY 2022 to provide additional funding for the Aggregate Mining Land Reclamation Program, including funding to pay consultant fees for reclamation plan reviews.

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.

Naturopathic Physicians Medical Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	74,000	79,000	76,200
Employee Related Expenditures	32,000	32,000	30,100
Professional and Outside Services	19,000	29,000	29,000
Travel - In State	1,200	11,400	11,400
Other Operating Expenditures	46,200	46,200	46,500
AGENCY TOTAL	172,400	197,600	193,200 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Naturopathic Physicians Medical Board Fund	172,400	197,600	193,200
SUBTOTAL - Other Appropriated Funds	172,400	197,600	193,200
SUBTOTAL - Appropriated Funds	172,400	197,600	193,200
TOTAL - ALL SOURCES	172,400	197,600	193,200

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 budget includes \$193,200 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(4,400) from the Naturopathic Physicians Medical Board Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Navigable Stream Adjudication Commission

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	70,800	70,000	70,000
Employee Related Expenditures	31,000	30,000	26,300
Professional and Outside Services	47,300	200,000	200,000
Other Operating Expenditures	19,000	19,000	19,000
Equipment	0	14,000	14,000
AGENCY TOTAL	168,100	333,000	329,300 ^{1/}
FUND SOURCES			
General Fund	120,800	133,000	129,300
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	47,300	200,000	200,000
SUBTOTAL - Other Appropriated Funds	47,300	200,000	200,000
SUBTOTAL - Appropriated Funds	168,100	333,000	329,300
TOTAL - ALL SOURCES	168,100	333,000	329,300

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 budget includes \$329,300 and 2 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$129,300
Arizona Water Banking Fund	200,000

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(3,700) from the General Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As session law, continue to allow use of the Water Banking Fund for 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.)*

State Board of Nursing

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	48.5	48.5	52.0
Personal Services	2,542,000	2,762,400	2,975,400
Employee Related Expenditures	907,600	1,001,200	985,900
Professional and Outside Services	188,300	213,300	213,300
Travel - In State	4,700	4,700	4,700
Travel - Out of State	2,100	2,100	2,100
Other Operating Expenditures	309,200	339,500	475,100
Equipment	65,900	65,900	80,200
OPERATING SUBTOTAL	4,019,800	4,389,100	4,736,700
SPECIAL LINE ITEMS			
Certified Nursing Assistant Credentialing Program	499,400	538,400	538,400
AGENCY TOTAL	4,519,200	4,927,500	5,275,100 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	4,519,200	4,927,500	5,275,100
SUBTOTAL - Other Appropriated Funds	4,519,200	4,927,500	5,275,100
SUBTOTAL - Appropriated Funds	4,519,200	4,927,500	5,275,100
Federal Funds	414,700	414,700	414,700
TOTAL - ALL SOURCES	4,933,900	5,342,200	5,689,800

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 budget includes \$4,736,700 and 52 FTE Positions from the Board of Nursing Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Expand Investigations Team

The budget includes an increase of \$356,400 and 3.5 FTE Positions from the Board of Nursing Fund in FY 2022 for the expansion of the investigations team. Of this amount, \$342,100 is for the ongoing costs of hiring additional investigators and \$14,300 is for one-time equipment purchases.

Preceptorship Awareness Campaign

The budget includes an increase of \$124,000 from the Board of Nursing Fund in FY 2022 for an awareness campaign for the benefits of being a nursing preceptor.

Statewide Adjustments

The budget includes a decrease of \$(132,800) from the Board of Nursing Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section).

Certified Nursing Assistant Credentialing Program

The budget includes \$538,400 from the Board of Nursing Fund in FY 2022 for the Certified Nursing Assistant (CNA) Credentialing Program line item. This amount is unchanged from FY 2021.

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.

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	7.0
Personal Services	241,800	265,300	299,300
Employee Related Expenditures	107,600	114,900	131,000
Professional and Outside Services	2,400	1,800	1,800
Travel - In State	3,200	5,000	5,000
Travel - Out of State	600	2,000	2,000
Other Operating Expenditures	63,200	67,900	73,500
Equipment	9,200	13,500	13,500
AGENCY TOTAL	428,000	470,400	526,100 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	428,000	470,400	526,100
SUBTOTAL - Other Appropriated Funds	428,000	470,400	526,100
SUBTOTAL - Appropriated Funds	428,000	470,400	526,100
TOTAL - ALL SOURCES	428,000	470,400	526,100

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 budget includes \$526,100 and 7 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Investigations Team Expansion

The budget includes an increase of \$68,300 and 1 FTE Position from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2022 for an Investigations Team Expansion. The increase in funding will add an investigator position to support the board's monitoring of probation compliance.

Statewide Adjustments

The budget includes a decrease of \$(12,600) from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY

2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Statutory Changes

The Health Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As permanent law, adds a public member who represents an organization that advocates for the elderly and one person who is a family member of a resident in a skilled nursing facility or assisted living facility as members of the board.
- As permanent law, requires all new licenses and certifications issued after June 30, 2021 to be approved by both the board and DHS.

- As permanent law, continues the board through March 31, 2022 and repeal the board on January 1, 2023.
- As session law, establishes the Nursing Care Institution and Assisted Living Facility Study Committee to consider whether the board should be administered independently, or the duties should be moved to DHS or another successor. Requires the committee to report of its findings by December 1, 2021.

Board of Occupational Therapy Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	91,100	99,800	96,800
Employee Related Expenditures	43,800	52,200	49,900
Travel - In State	500	1,300	1,300
Other Operating Expenditures	34,000	49,400	49,900
Equipment	4,200	2,000	2,000
AGENCY TOTAL	173,600	204,700	199,900^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	173,600	204,700	199,900
SUBTOTAL - Other Appropriated Funds	173,600	204,700	199,900
SUBTOTAL - Appropriated Funds	173,600	204,700	199,900
TOTAL - ALL SOURCES	173,600	204,700	199,900

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 budget includes \$199,900 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(4,800) from the Occupational Therapy Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Dispensing Opticians

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	79,900	81,600	84,100
Employee Related Expenditures	25,300	26,000	26,000
Professional and Outside Services	0	1,000	1,000
Travel - In State	1,600	8,500	8,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	29,600	40,600	41,000
Equipment	5,700	0	0
AGENCY TOTAL	142,100	159,700	162,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Dispensing Opticians Fund	142,100	159,700	162,600
SUBTOTAL - Other Appropriated Funds	142,100	159,700	162,600
SUBTOTAL - Appropriated Funds	142,100	159,700	162,600
TOTAL - ALL SOURCES	142,100	159,700	162,600

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 budget includes \$162,600 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Executive Director Salary Increase

The budget includes an increase of \$6,500 from the Board of Dispensing Opticians Fund in FY 2022 for a 7% salary increase for the Executive Director.

Statewide Adjustments

The budget includes a decrease of \$(3,600) from the Board of Dispensing Opticians Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Optometry

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	107,300	109,200	104,700
Employee Related Expenditures	48,500	52,000	49,600
Professional and Outside Services	2,100	2,500	2,500
Travel - In State	300	500	500
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	52,400	75,000	75,600
Equipment	0	4,000	4,000
AGENCY TOTAL	210,600	248,200	241,900^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Optometry Fund	210,600	248,200	241,900
SUBTOTAL - Other Appropriated Funds	210,600	248,200	241,900
SUBTOTAL - Appropriated Funds	210,600	248,200	241,900
TOTAL - ALL SOURCES	210,600	248,200	241,900

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 budget includes \$241,900 and 2 FTE Positions from the Board of Optometry Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(6,300) from the Board of Optometry Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8.0	8.0	9.0
Personal Services	444,400	508,700	519,900
Employee Related Expenditures	145,300	206,400	223,800
Professional and Outside Services	121,100	158,700	158,700
Travel - In State	1,100	2,500	2,500
Travel - Out of State	4,500	5,500	5,500
Other Operating Expenditures	186,800	156,200	157,200
Equipment	39,500	0	0
AGENCY TOTAL	942,700	1,038,000	1,067,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	942,700	1,038,000	1,067,600
SUBTOTAL - Other Appropriated Funds	942,700	1,038,000	1,067,600
SUBTOTAL - Appropriated Funds	942,700	1,038,000	1,067,600
TOTAL - ALL SOURCES	942,700	1,038,000	1,067,600

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 budget includes \$1,067,600 and 9 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Additional Licensing FTE Position

The budget includes an increase of \$53,400 and 1 FTE Position from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2022 for license processing.

Statewide Adjustments

The budget includes a decrease of \$(23,800) from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Parents Commission on Drug Education and Prevention

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	5,063,700	5,780,700	5,780,700
TOTAL - ALL SOURCES	<u>5,063,700</u>	<u>5,780,700</u>	<u>5,780,700</u>

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.

Arizona State Parks Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0 ^{1/}
Personal Services	5,180,100	5,761,400	6,207,000
Employee Related Expenditures	2,730,000	3,063,600	2,810,300
Professional and Outside Services	365,000	249,200	249,200
Travel - In State	7,000	7,000	7,000
Other Operating Expenditures	4,494,300	4,797,700	6,133,100
Equipment	453,000	300,000	300,000
OPERATING SUBTOTAL	13,229,400	14,178,900	15,706,600 ^{2/}
SPECIAL LINE ITEMS			
Arizona State Parks Heritage Fund Deposit	0	0	5,000,000
Arizona Trail	74,500	0	250,000 ^{3/}
Buckskin Fire District	225,000	0	0
Kartchner Caverns State Park	2,140,800	2,441,000	2,354,500
One-Time Cabin Debt Payoff	0	0	528,400
SPRF Deposit to State Parks Store Fund	0	0	1,000,000
State Lake Improvement Fund Deposit	0	0	4,000,000
State Parks Store	0	0	1,000,000
AGENCY TOTAL	15,669,700	16,619,900	29,839,500 ^{4/}
FUND SOURCES			
General Fund	0	0	9,000,000
<u>Other Appropriated Funds</u>			
Arizona State Parks Store Fund	0		1,000,000
Off-Highway Vehicle Recreation Fund	0	0	16,700
State Lake Improvement Fund	225,000	0	0
State Parks Revenue Fund	15,444,700	16,619,900	19,822,800
SUBTOTAL - Other Appropriated Funds	15,669,700	16,619,900	20,839,500
SUBTOTAL - Appropriated Funds	15,669,700	16,619,900	29,839,500
Other Non-Appropriated Funds	10,504,500	13,320,500	13,320,500
Federal Funds	2,483,900	3,437,000	3,437,000
TOTAL - ALL SOURCES	28,658,100	33,377,400	46,597,000

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 2022.
- 2/ In addition to the operating lump sum appropriation, an amount equal to the revenue share agreement with the United States forest service for Fool Hollow Lake recreation area is appropriated to the Arizona state parks board from the state parks revenue fund established by section 41-511.21, Arizona Revised Statutes. (General Appropriation Act footnote)
- 3/ The appropriation made in the Arizona trail line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (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 budget includes \$15,706,600 and 127.2 FTE Positions from the State Parks Revenue Fund (SPRF) in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
State Parks Revenue Fund	\$15,689,900
Off-Highway Vehicle Recreation Fund	16,700

FY 2022 adjustments are as follows:

10% Ranger Salary Increase

The budget includes an increase of \$649,400 in FY 2022 for an employee salary increase, which consists of \$639,200 from SPRF and \$10,200 from the Off-Highway Vehicle Recreation Fund. An additional \$333,000 from the non-appropriated State Lake Improvement Fund will also be used for a total amount of \$982,400 for salary increases. The budget requires that the increase be allocated for a 10% increase for Park Rangers.

Wastewater System Mitigation and Assessments

The budget includes a one-time increase of \$1,116,000 from SPRF in FY 2022 for wastewater system mitigation and assessments at various Arizona state parks.

Riordan Mansion State Historic Park

The budget includes an increase of \$203,100 from SPRF in FY 2022 for expenses incurred by SPB related to the shifting of operational responsibility of the Riordan Mansion State Historic Park from the Arizona Historical Society to SPB. The budget also continues in FY 2022 a \$147,100 FY 2001 supplemental to SPB for the same purpose.

Fool Hollow Revenue Share Agreement

The budget includes a decrease of \$(26,000) from SPRF in FY 2022 to align the appropriation level to reflect a restructuring of the agency's process paying SPB's portion of the revenue sharing agreement with the U.S. Forest Service for Fool Hollow State Park. The new process will allow SPB to use revenue generated at Fool Hollow State Park to pay SPB revenue share instead of paying out of the agency's operating appropriation.

Statewide Adjustments

The budget includes a decrease of \$(414,800) in FY 2022 for statewide adjustments. This amount consists of:

State Parks Revenue Fund	(421,300)
Off-Highway Vehicle Recreation Fund	6,500

(Please see the Agency Detail and Allocations section.)

Arizona State Parks Heritage Fund Deposit

The budget includes \$5,000,000 from the General Fund in FY 2022 for the Arizona State Parks Heritage Fund Deposit line item. FY 2022 adjustments are as follows:

General Fund Deposit

The budget includes a one-time increase of \$5,000,000 from the General Fund deposit to the Arizona State Parks Heritage Fund in FY 2022.

Monies in the Heritage Fund may be used for local regional or state parks for outdoor recreation and open space development, restoration or renovation (50%; local, regional, and state historical projects (30%); outdoor and environmental education (10%); and local, regional, and state non-motorized trails (10%). Statute directs the State Parks Board in consultation with the Historical Advisory Commission to establish criteria for the use of monies in the fund, and review and evaluate grant applications.

Arizona Trail

The budget includes \$250,000 from SPRF in FY 2022 for funding for the Arizona Trail. FY 2022 adjustments are as follows:

Arizona Trail Maintenance

The budget includes a one-time increase of \$250,000 from SPRF in FY 2022 for maintenance of the Arizona Trail.

Monies in this line item will be used to maintain the Arizona Trail. The Arizona Trail is a 800 mile-long, non-motorized trail beginning at the U.S.-Mexican border and running north-south through the state into Utah.

Kartchner Caverns State Park

The budget includes \$2,354,500 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2022 for Kartchner Caverns State Park. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(86,500) from SPRF in FY 2022 for statewide adjustments.

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.

One-Time Cabin Payoff

The budget includes \$528,400 from SPRF in FY 2022 for funding for the One-Time Cabin Payoff line item. FY 2022 adjustments are as follows:

Cabin Payoff

The budget includes a one-time increase of \$528,400 from SPRF in FY 2022 to pay off the remaining balance of 26 cabins the agency began financing in FY 2018.

In FY 2018, SPB entered into an agreement with a building manufacture to purchase 26 cabins. These cabins were not purchased but financed with a revenue share agreement and installment loan. Once the cabins are fully paid for, SPB will receive 100% of revenues generated by the cabin rentals instead of continuing under a revenue sharing agreement with the manufacturer.

SPRF Deposit to State Parks Store Fund

The budget includes \$1,000,000 from SPRF in FY 2022 for the SPRF Deposit to State Parks Store Fund line item. FY 2022 adjustments are as follows:

SPRF Fund Deposit

The budget includes a one-time increase of \$1,000,000 from SPRF in FY 2022 to be deposited into the agency's State Parks Store Fund. (*see State Parks Store line item for more information.*)

State Lake Improvement Fund Deposit

The budget includes \$4,000,000 from the General Fund in FY 2022 for the State Lake Improvement Fund Deposit line item. FY 2022 adjustments are as follows:

General Fund Deposit

The budget includes a one-time increase of \$4,000,000 from the General Fund in FY 2022 to be deposited into the agency's State Lake Improvement Fund.

Monies in the State Lake Improvement Fund are used 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.

State Parks Store

The budget includes \$1,000,000 from the State Parks Store Fund in FY 2022 for a new State Parks Store line item. FY 2022 adjustments are as follows:

Operational Funding for Parks' Giftshops

The budget includes an increase of \$1,000,000 from the State Parks Store Fund in FY 2022 to establish a new line item for Parks store operations.

Monies in the State Parks Store line item will be used to operate and maintain state-owned giftshops. (*See Statutory Changes in the Other Issues section for more information.*)

Other Issues

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$147,100 from SPRF for expenses incurred by SPB related to the shifting of operational responsibility of the Riordan Mansion State Historic Park from the Arizona Historical Society to SPB. (*Please see the operating budget for further details.*)

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, establish the Park Store Fund consisting of monies deposited pursuant to the fee schedule set by the agency to charge customers for gift shop items. Monies in the fund are subject to appropriation for the purpose of operating and maintaining state-owned gift shops. Monies in the fund are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations and have a fund balance capped at \$1.25 million. Any monies above the cap at the end of each fiscal year would be transferred to the State Parks Revenue Fund.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SPB's General Fund costs are projected to decrease by \$(5,000,000) in FY 2023 below FY 2022 and decrease by \$(4,000,000) in FY 2024 compared to FY 2023. These estimates are based on:

- Removal of a one-time FY 2022 appropriation \$5,000,000 for the State Parks Heritage Fund Deposit.
- A continuation of the FY 2022 funding level of \$4,000,000 for the State Lake Improvement Fund Deposit line item in FY 2023 and a reduction of \$(4,000,000) for the line item in FY 2024.

State Parks Operations

As of June 2021, 28 state parks are open to the public. Twenty-three parks are funded and operated by the state with existing state funds. Five open parks are operated through agreements between the State Parks Board and local governments. *(Please see the [SPB Visitation and Revenue Program Summary](#) available on the JLBC website for additional information on the parks, visitation, and operations.)*

State Personnel Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	2.0	2.0
Personal Services	58,000	110,600	104,500
Employee Related Expenditures	27,900	37,000	36,500
Professional and Outside Services	30,400	132,600	132,600
Travel - In State	200	600	600
Other Operating Expenditures	127,100	46,700	47,200
Equipment	0	5,000	5,000
AGENCY TOTAL	243,600	332,500	326,400^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Personnel Board Subaccount of the Personnel Division Fund	243,600	332,500	326,400
SUBTOTAL - Other Appropriated Funds	243,600	332,500	326,400
SUBTOTAL - Appropriated Funds	243,600	332,500	326,400
TOTAL - ALL SOURCES	243,600	332,500	326,400

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 budget includes \$326,400 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(6,100) from the Personnel Board Subaccount of the Personnel Board Division Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona State Board of Pharmacy

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.4	22.4	25.4
Personal Services	1,278,300	1,515,200	1,762,800
Employee Related Expenditures	457,900	549,700	647,100
Professional and Outside Services	178,100	157,000	157,000
Travel - In State	62,700	65,200	65,200
Travel - Out of State	4,300	4,200	4,200
Other Operating Expenditures	420,900	344,300	364,300
Equipment	75,200	4,000	33,300
OPERATING SUBTOTAL	2,477,400	2,639,600	3,033,900
SPECIAL LINE ITEMS			
Prescriber Report Card	0	50,000	50,000
AGENCY TOTAL	2,477,400	2,689,600	3,083,900 ^{1/2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona State Board of Pharmacy Fund	2,477,400	2,689,600	3,083,900
SUBTOTAL - Other Appropriated Funds	2,477,400	2,689,600	3,083,900
SUBTOTAL - Appropriated Funds	2,477,400	2,689,600	3,083,900
Other Non-Appropriated Funds	1,787,100	362,400	362,400
TOTAL - ALL SOURCES	4,264,500	3,052,000	3,446,300

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/ On or before September 30, 2021, the state board of pharmacy shall submit a report to the joint legislative budget committee on the progress of the board's implementation of recommendations included in the auditor general's September 2020 report, including recommendations regarding policies and procedures for verifying possession of fingerprint clearance cards, ensuring that continuing education requirements are met, documenting complaint jurisdiction, meeting inspection time frames, and enforcing compliance with the controlled substances prescription monitoring program requirements. The report shall include information regarding the board's review of its direct and indirect costs and its determination of the appropriate license and permit fees. (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 budget includes \$3,033,900 and 25.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Compliance Officers

The budget includes an increase of \$445,400 and 3 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2022 to hire compliance officers to inspect facilities

that make compounded drug products and investigate complaints for products distributed out-of-state.

Statewide Adjustments

The budget includes a decrease of \$(51,100) from the Arizona State Board of Pharmacy Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Prescriber Report Card

The budget includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2022 for the Prescriber Report Card program. This amount is unchanged from FY 2021.

This line item funds the development of opioid prescriber report cards as part of the Controlled Substances Prescription Monitoring Program (CSPMP). The prescriber report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

Other Issues

Auditor General Report

In September 2020, the Auditor General published a Board of Pharmacy audit that included recommendations for improvements to the board's policies and procedures for verifying possession of fingerprint clearance cards, ensuring continuing education requirements are met, documenting complaint jurisdiction, meeting inspection time frames, and enforcement of compliance with CSPMP requirements.

The audit also found that the board does not charge license and permit fees based on the cost of providing services and included a recommendation that the board conduct a review and adjust its fees accordingly. This was based on an examination of the board's fees for each license type compared to the potential workload required for processing each type of application, a lack of documentation from the board on its overall fee-setting process, and the board's current fee revenue compared to its expenditures.

In its response to the audit, the board agreed with the findings of the Auditor General and plans to implement new policies and procedures to address different outcomes. Specifically, the board will work to review the direct and indirect costs for its regulatory processes and determine the appropriate license and permit fees.

The budget includes a footnote requiring the board to report on its progress in implementing the audit recommendations by September 30, 2021. The report will include information regarding the board's direct and indirect costs and its determination of the appropriate licensing fees.

Board of Physical Therapy

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	205,600	207,100	200,800
Employee Related Expenditures	73,500	101,800	97,600
Professional and Outside Services	64,300	68,600	68,600
Travel - In State	2,100	2,100	2,100
Other Operating Expenditures	88,500	129,300	130,000
Equipment	4,300	5,000	5,000
AGENCY TOTAL	438,300	513,900	504,100^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	438,300	513,900	504,100
SUBTOTAL - Other Appropriated Funds	438,300	513,900	504,100
SUBTOTAL - Appropriated Funds	438,300	513,900	504,100
TOTAL - ALL SOURCES	438,300	513,900	504,100

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 \$504,100 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(9,800) from the Board of Physical Therapy Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona Pioneers' Home

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	106.3	106.3	106.3
Personal Services	3,677,000	3,665,200	3,981,000
Employee Related Expenditures	1,813,200	1,690,400	1,603,100
Professional and Outside Services	19,500	95,800	95,800
Travel - In State	12,000	26,700	26,700
Other Operating Expenditures	677,700	1,097,800	1,316,500
Equipment	148,600	20,100	20,100
OPERATING SUBTOTAL	6,348,000	6,596,000	7,043,200
SPECIAL LINE ITEMS			
Prescription Drugs	199,500	200,000	0
AGENCY TOTAL	6,547,500	6,796,000	7,043,200 ^{1/2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Miners' Hospital for Miners with Disabilities Land Fund	2,052,700	2,137,500	2,074,100
State Charitable Fund	4,494,800	4,658,500	4,969,100
SUBTOTAL - Other Appropriated Funds	6,547,500	6,796,000	7,043,200
SUBTOTAL - Appropriated Funds	6,547,500	6,796,000	7,043,200
Other Non-Appropriated Funds	693,400	0	0
TOTAL - ALL SOURCES	7,240,900	6,796,000	7,043,200

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 a Lump Sum by Agency.

Operating Budget

The budget includes \$7,043,200 and 106.3 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
Miners' Hospital for Miners with Disabilities Land Fund	\$2,074,100
State Charitable Fund	4,969,100

FY 2022 adjustments are as follows:

Consolidate Funding

The budget includes an increase of \$200,000 from the State Charitable Fund in FY 2022 to consolidate the Prescription Drugs line item into the operating budget.

Minimum Wage Increase

The budget includes an increase of \$431,000 from the State Charitable Fund in FY 2022 for an increase in wages. This appropriation increase will allow the Pioneer's Home to compensate all employees in compliance with minimum wage laws and will provide funding to increase salaries for staff who receive a caregiver certification.

Statewide Adjustments

The budget includes a decrease of \$(183,800) in FY 2022 for statewide adjustments. This amount consists of:

Miners' Hospital for Miners with Disabilities Land Fund	(63,400)
State Charitable Fund	(120,400)

(Please see the Agency Detail and Allocations section.)

Prescription Drugs

The budget includes no funding from the State Charitable Fund in FY 2022 for Prescription Drugs. FY 2022 adjustments are as follows:

Consolidate Funding

The budget includes a decrease of \$(200,000) from the State Charitable Fund in FY 2022 to consolidate the Prescription Drugs line item into the operating budget to simplify the budget display.

This line item was previously used to provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

Other Issues

Capital Projects

The FY 2022 Capital Outlay Bill appropriates \$353,100 from the State Charitable Fund in FY 2022 for capital improvement projects.

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. Proposition 123 expires in FY 2025, but it could be extended if the referendum is returned to voters.

The JLBC Staff projects that the Miners' Hospital Fund will have an FY 2021 ending balance of \$9,708,100. FY 2021 ongoing revenues are projected to be \$3,960,400 compared to an FY 2021 appropriation of \$2,137,500. 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 2021 ending balance of \$12,752,700. FY 2021

ongoing revenues are projected to be \$5,999,100 compared to an FY 2021 appropriation of \$4,658,500. The State Charitable Fund may be used for any charitable purpose within a state institution.

State Board of Podiatry Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	70,200	80,700	78,000
Employee Related Expenditures	22,700	30,800	29,700
Professional and Outside Services	4,000	5,500	5,500
Travel - In State	3,100	2,200	2,200
Travel - Out of State	100	1,500	1,500
Other Operating Expenditures	38,600	53,700	51,300
Equipment	1,900	0	0
AGENCY TOTAL	140,600	174,400	168,200^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Podiatry Fund	140,600	174,400	168,200
SUBTOTAL - Other Appropriated Funds	140,600	174,400	168,200
SUBTOTAL - Appropriated Funds	140,600	174,400	168,200
TOTAL - ALL SOURCES	140,600	174,400	168,200

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 budget includes \$168,200 and 1 FTE Position from the Podiatry Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Named Claimants

The budget includes a decrease of \$(2,800) from the Podiatry Fund in FY 2022 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants discussion in ADOA Other Issues.)*

Statewide Adjustments

The budget includes a decrease of \$(3,400) from the Podiatry Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$2,800 from the Podiatry Fund for a one-time named claimants appropriation.

Commission for Postsecondary Education

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0 ^{1/}
Personal Services	71,700	125,100	125,100
Employee Related Expenditures	25,000	53,900	48,000
Travel - Out of State	100	0	0
Other Operating Expenditures	51,500	47,700	47,800
OPERATING SUBTOTAL	148,300	226,700	220,900
SPECIAL LINE ITEMS			
Arizona College and Career Guide	0	21,300	21,300 ^{2/}
Arizona Minority Educational Policy Analysis Center	30,200	100,700	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	24,500	130,400	130,400 ^{2/}
AGENCY TOTAL	2,948,500	3,224,600 ^{4/}	3,218,000 ^{5/6/}
FUND SOURCES			
General Fund	1,680,000	1,680,900	1,680,900
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,268,500	1,543,700	1,537,100
SUBTOTAL - Other Appropriated Funds	1,268,500	1,543,700	1,537,100
SUBTOTAL - Appropriated Funds	2,948,500	3,224,600	3,218,000
Other Non-Appropriated Funds	981,700	869,500	61,200
Federal Funds	138,300	193,000	193,000
TOTAL - ALL SOURCES	4,068,500	4,287,100	3,472,200

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. As permanent law, the FY 2022 Higher Education Budget Reconciliation Bill repeals the Commission for Postsecondary Education and transfers its responsibilities to the Arizona Board of Regents beginning January 1, 2022.

FOOTNOTES

- 1/ Includes 0.5 OF FTE Positions funded from Special Line Items in FY 2022.
- 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 fiscal year 2021-2022. 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 this 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 twelve percent of the monies in fiscal year 2021-2022. (General Appropriation Act footnote)
- 4/ The addition of the line items in the FY 2020 General Appropriation Act yield a result \$100 more than the total line in the General Appropriation Act.
- 5/ Any unencumbered balance remaining in the postsecondary education fund established by section 15-1853, Arizona Revised Statutes, on June 30, 2021, 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 sections 15-1851 and 15-1852, Arizona Revised Statutes. (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 budget includes \$220,900 and 4.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$34,100
Postsecondary Education Fund	186,800

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(5,800) from the Postsecondary Education Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona College and Career Guide

The budget includes \$21,300 from the Postsecondary Education Fund in FY 2022 for the Arizona College and Career Guide line item. This amount is unchanged from FY 2021.

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 budget includes \$99,900 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2022 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) line item. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(800) from the Postsecondary Education Fund in FY 2022 for statewide adjustments.

AMEPAC promotes minority students’ access to Arizona’s postsecondary educational institutions.

Arizona Teacher Student Loan Program

The budget includes \$426,000 from the General Fund in FY 2022 for the Arizona Teacher Student Loan Program (ATSLP). This amount is unchanged from FY 2021.

This program offers forgivable loans to resident students pursuing a teaching degree at 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.

The FY 2022 Higher Education Budget Reconciliation Bill (BRB) requires that all future ATSLP awards to be made to private school students. Awards were previously provided to both public and private students.

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 budget includes \$2,319,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2022. This amount consists of:

General Fund	1,220,800
Postsecondary Education Fund	1,098,700

These amounts are unchanged from FY 2021.

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 2019, awards were provided to 81 recipients at 8 different postsecondary institutions. Of the total funding

distributed, 77.7% went to public universities, 2.5% to community colleges, and 19.8% to private institutions.

Twelve Plus Partnership

The budget includes \$130,400 and a 0.3 FTE Position from the Postsecondary Education Fund in FY 2022 for the Twelve Plus Partnership (TPP). FY 2022 adjustments are as follows:

General Appropriation Act Correction

The budget includes a decrease of \$(100) from the Postsecondary Education Fund in FY 2022 to correct an error made in the FY 2021 General Appropriation Act, which included \$100 more than the amount funded in the FY 2021 Baseline for this line item. The FY 2022 budget corrects this error and brings the appropriation to the intended funding level of \$130,400 for this line item.

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

This section includes information on the following topics:

- Statutory Changes
- ATA and ATSLP Comparison
- Family College Savings Program Transfer
- Agency Transfer to the Arizona Board of Regents

Statutory Changes

The FY 2022 Higher Education BRB makes the following statutory changes:

- As permanent law, repeal the Commission for Postsecondary Education and transfer its responsibilities to the Arizona Board of Regents beginning January 1, 2022. *(Please see the Agency Transfer to the Arizona Board of Regents section for more information.)*
- As permanent law, repeal the Private Postsecondary Education Student Financial Assistance Program and the Private Postsecondary Education Grant Program.

- As permanent law, require all future awards made from the Arizona Teacher Student Loan Program to be made to private school students.

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 \$15,000,000.

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 2020, there were 43 participants in the ATSLP and the average student age was 31 years old. In FY 2019, 74.4% of ATSLP students were enrolled in public institutions in Arizona. In FY 2020 there were 2,707 students enrolled in the ATA. *(See Arizona Teachers Academy Program Summary for more information.)*

The FY 2022 Higher Education BRB requires that all future ATSLP awards be made only to private school students.

Agency Transfer to the Arizona Board of Regents

Laws 2020, Chapter 88 transfers the Family College Savings Program (FCSP) and all funds in the Family College Savings Program Trust Fund from the Commission for Postsecondary Education to the State Treasurer's Office as of September 30, 2020. Background on this program can be found in the *FY 2020 Appropriations Report*.

The transfer of the FCSP resulted in financial difficulty for the Commission. Of the Commission's total operating

budget, 63% of salaries and 46% of fixed costs were charged to the FCSP Trust Fund in FY 2020. The FCSP transfer resulted in a shortfall of \$(368,100) in FY 2021, increasing to \$(441,400) in each subsequent year.

The FY 2022 Higher Education BRB, as permanent law, transfers responsibilities of the Commission for Postsecondary Education to the Arizona Board of Regents (ABOR) beginning January 1, 2022.

Additionally, the bill repeals 2 of the Commission's inactive loan programs: the Private Postsecondary Education Student Financial Assistance Program and the Private Postsecondary Education Grant Program.

The FY 2022 column of the Commission's budget display does not reflect the agency transfer to ABOR.

Arizona Power Authority

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	34,026,000	22,504,000	22,504,000
TOTAL - ALL SOURCES	34,026,000	22,504,000	22,504,000

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.

State Board for Private Postsecondary Education

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	223,800	247,700	236,700
Employee Related Expenditures	82,900	89,800	88,700
Professional and Outside Services	13,800	14,000	14,000
Travel - Out of State	1,000	2,000	2,000
Other Operating Expenditures	70,800	77,000	66,300
Equipment	2,000	5,800	5,800
AGENCY TOTAL	394,300	436,300	413,500^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board for Private Postsecondary Education Fund	394,300	436,300	413,500
SUBTOTAL - Other Appropriated Funds	394,300	436,300	413,500
SUBTOTAL - Appropriated Funds	394,300	436,300	413,500
Other Non-Appropriated Funds	334,300	264,300	264,300
TOTAL - ALL SOURCES	728,600	700,600	677,800

AGENCY DESCRIPTION — The board licenses and regulates 215 private postsecondary education institutions that service approximately 264,336 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 budget includes \$413,500 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(22,800) from the Board for Private Postsecondary Education Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

State Board of Psychologist Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.5
Personal Services	249,800	269,900	285,800
Employee Related Expenditures	100,300	103,700	106,400
Professional and Outside Services	39,400	40,200	40,200
Travel - In State	3,100	2,200	2,200
Travel - Out of State	1,700	8,600	8,600
Other Operating Expenditures	85,500	95,100	96,400
Equipment	8,500	10,200	11,200
AGENCY TOTAL	488,300	529,900	550,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Psychologist Examiners Fund	488,300	529,900	550,800
SUBTOTAL - Other Appropriated Funds	488,300	529,900	550,800
SUBTOTAL - Appropriated Funds	488,300	529,900	550,800
TOTAL - ALL SOURCES	488,300	529,900	550,800

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 budget includes \$550,800 and 4.5 FTE Positions from the Board of Psychologist Examiners Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Licensing Staff Increase

The budget includes an increase of \$33,100 and 0.5 FTE Positions from the Board of Psychologist Examiners Fund in FY 2022 for a licensing staff increase. The funds will be used to hire additional licensing staff to assist in processing the board's rising caseload.

Statewide Adjustments

The budget includes a decrease of \$(12,200) from the Board of Psychologist Examiners Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Department of Public Safety

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,014.7	2,014.7	2,046.7 ^{1/}
Personal Services	76,629,100	127,110,400	141,869,200
Employee Related Expenditures	70,065,200	111,335,400	117,908,400
Professional and Outside Services	2,599,500	2,776,900	2,926,900
Travel - In State	449,700	553,300	573,300
Travel - Out of State	348,800	530,600	644,600
Other Operating Expenditures	44,172,800	35,109,000	38,910,800
Equipment	20,667,400	10,352,200	20,837,800
OPERATING SUBTOTAL	214,932,500	287,767,800	323,671,000
SPECIAL LINE ITEMS			
ACTIC	1,263,800	1,450,000	1,450,000
Border Strike Task Force Local Support	524,400	1,261,700	1,261,700 ^{2/3/4/}
Border Strike Task Force Ongoing	5,465,800	8,623,900	9,028,800
Civil Air Patrol	75,000	150,000	150,000
DPS - Rapid DNA Testing Equipment	0	0	600,000 ^{5/}
GIITEM	18,048,900	27,083,300	28,311,100 ^{6/7/}
GIITEM Subaccount	1,161,900	2,411,600	2,396,400
Microwave Backbone Statewide Communication System	0	0	48,200,000 ^{8/9/}
Motor Vehicle Fuel	4,408,400	5,454,600	5,454,600
One-Time Active Shooter Equipment	0	0	2,912,900
One-Time AZPOST Support	0	0	1,196,300
Peace Officer Training Equipment	599,500	0	0 ^{10/}
Pharmaceutical Diversion and Drug Theft Task Force	368,300	660,800	455,700
Public Safety Equipment	2,848,400	2,890,000	2,890,000
AGENCY TOTAL	249,696,900 ^{11/}	337,753,700	427,978,500 ^{12/13/14/}
FUND SOURCES			
General Fund	71,923,000	91,138,000	291,650,400
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	147,595,200	200,822,700	86,217,900
Concealed Weapons Permit Fund	2,341,700	2,831,200	2,807,300
Criminal Justice Enhancement Fund	1,191,900	2,999,700	2,931,500
DPS Forensics Fund	12,813,100	23,235,600	22,528,600
Fingerprint Clearance Card Fund	1,087,500	1,596,100	1,581,100
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	2,207,400	2,411,600	2,396,400
Motor Vehicle Liability Insurance Enforcement Fund	944,100	1,302,700	1,254,100
Motorcycle Safety Fund	205,000	205,000	198,900
Parity Compensation Fund	3,011,700	4,175,500	4,000,300
Peace Officer Training Equipment Fund	599,500	0	0
Public Safety Equipment Fund	2,852,100	2,893,700	2,894,000
Risk Management Revolving Fund	1,349,300	1,408,600	1,351,000
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount	623,000	1,715,100	0
State Aid to Indigent Defense Fund	634,200	700,000	0
State Highway Fund	318,200	318,200	8,167,000
SUBTOTAL - Other Appropriated Funds	177,773,900	246,615,700	136,328,100
SUBTOTAL - Appropriated Funds	249,696,900	337,753,700	427,978,500

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
Other Non-Appropriated Funds	38,539,000	45,332,100	45,332,100
Federal Funds	135,269,700	81,707,800	81,707,800
TOTAL - ALL SOURCES	423,505,600	464,793,600	555,018,400

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 176.8 GF FTE Positions and 3 OF FTE Positions funded from Special Line Items in FY 2022.
- 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 twenty-five percent of the cost of the services, and the department shall provide not more than seventy-five percent 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, 2021, the department of public safety shall submit an expenditure plan for the border strike task force local support line item to the joint legislature 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/ The \$600,000 appropriated to the DPS – rapid DNA testing equipment line item in fiscal year 2021-2022 to the department of public safety shall be used to:
 1. Purchase and deploy rapid DNA testing devices throughout this state.
 2. Subject to the availability of monies and on the request of a county sheriff, train that county sheriff's personnel on properly using the rapid DNA testing devices.

On or before October 15, 2021, January 15, 2022, April 15, 2022 and July 15, 2022, the director of the department of public safety shall submit a report to the chairpersons of the judiciary committee of the house of representatives and the judiciary committee of the senate, or their successor committees, containing at least the following information relating to the devices and training prescribed by this section:

 1. The number of rapid DNA tests performed by the department and county sheriffs.
 2. The number of criminal suspects identified or matched by rapid DNA testing to the combined DNA index system.
 3. The total number and types of crimes identified or matched by rapid DNA testing. (General Appropriation Act footnote)
- 6/ Of the \$28,311,100 appropriated to the GIITEM line item, only \$1,403,400 is deposited in the GIITEM fund established by section 41-1724, Arizona Revised Statutes, and is appropriated for the purposes of that section. The \$1,403,400 is exempt from the provisions of section 35-190, Arizona Revised Statutes, 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, as adjusted for statewide allocations)
- 7/ Of the \$28,311,100 appropriated to the GIITEM line item, \$16,257,200 shall be used for one hundred department of public safety GIITEM personnel. The additional staff shall include at least fifty sworn department of public safety positions to be used for immigration enforcement and border security and fifty department of public safety positions to assist GIITEM in various efforts, including:
 1. Strictly enforcing 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 Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act" and 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 GITEM 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, as adjusted for statewide allocations)

- 8/ On or before May 31 of each year until the completion of the update, the department of public safety shall submit a report to the joint legislative budget committee staff on the status and expenditures of the update to the microwave backbone communication system. Each report shall include the current status of the update, update expenditures to date, expected expenditures to complete the update, any changes to the construction timeline, the expected completion date and any change to the scope of the update. (General Appropriation Act footnote)
- 9/ The appropriation made in subsection A of this section (Microwave Backbone Statewide Communication System) does not lapse until the purpose for which the appropriation was made has been accomplished or abandoned or the appropriation stands for a full fiscal year without an expenditure or encumbrance. (General Appropriation Act footnote)
- 10/ 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 section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. Any monies remaining unexpended on June 30, 2022 revert to the fund from which the monies were appropriated. (Revised FY 2021 General Appropriation Act footnote)
- 11/ In addition to the FY 2020 appropriated spending amount displayed, \$76,933,500 of FY 2020 expenditures were shifted to Federal Funds on a one-time basis.
- 12/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 13/ Any monies remaining in the department of public safety joint account on June 30, 2022 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)
- 14/ The legislature intends that after fiscal year 2021-2022, monies received by local law enforcement agencies pursuant to Proposition 207 as approved at the 2020 general election are expected to cover reimbursements to regional peace officer training academies for training officers. (General Appropriation Act footnote)

Operating Budget

The budget includes \$323,671,000 and 1,866.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$246,734,100
Arizona Highway Patrol Fund	32,247,400
Concealed Weapons Permit Fund	2,807,300
Criminal Justice Enhancement Fund (CJEF)	2,797,200
DPS Forensics Fund	22,528,600
Fingerprint Clearance Card Fund	1,581,100
Motor Vehicle Liability Insurance Enforcement Fund	1,254,100
Motorcycle Safety Fund	198,900
Parity Compensation Fund	4,000,300
Public Safety Equipment Fund	4,000
Risk Management Revolving Fund	1,351,000
State Highway Fund	8,167,000

FY 2022 adjustments are as follows:

ACTIC Budget Shift

The budget includes a decrease of \$(700,000) from the General Fund in FY 2022 to shift funding from the DPS Operating Budget to the ACTIC line item. This shift holds

the ACTIC line item harmless, as the enacted budget removed \$700,000 of State Aid to Indigent Defense Fund monies from the DPS ACTIC line item and moved those monies to the Arizona Criminal Justice Commission (ACJC).

Civil Asset Forfeiture Offset

The budget includes a one-time increase of \$3,500,000 from the General Fund in FY 2022 to offset lost revenues from the passage of Laws 2021, Chapter 327. The department estimated the new legislation, which would prohibit the forfeiture of assets until conviction, would result in a loss of revenues deposited into the Anti-Racketeering Revolving Fund. This new one-time funding is intended to help offset the department's loss in revenues during FY 2022.

Concealed Weapons Tracking System Maintenance

The budget includes an increase of \$44,100 from the Concealed Weapons Permit Fund in FY 2022 for ongoing maintenance funding related to the new computerized permit record system.

Employee Overtime Funding

The budget includes an increase of \$6,613,600 from the General Fund in FY 2022 for an increase in the department's overtime budget. DPS currently allocates approximately 1.7% of their Personal Services budget for

overtime expenses, which equates to about 24 hours of overtime per sworn employee per year. This additional funding will increase the estimated hours of overtime per sworn employee per year to 45 hours, along with providing funding for increased overtime for civilian staff.

Highway Safety Fee Repeal Budget Shift

The budget includes a decrease of \$(168,560,200) from the Arizona Highway Patrol Fund in FY 2022 and a corresponding increase of \$160,709,300 from the General Fund and \$7,850,900 from the State Highway Fund in FY 2022 due to the repeal of the Highway Safety Fee. These amounts were assumed in the FY 2021 budget's 3-year spending plan.

The FY 2020 Criminal Justice Budget Reconciliation Bill (BRB) repealed the Highway Safety Fee at the end of FY 2021. The FY 2021 Transportation BRB clarifies that ADOT may not charge the Highway Safety Fee for registrations that expire on June 30, 2021. The budget shift backfills the DPS Highway Patrol budget after the repeal of the Highway Safety Fee on June 30, 2021.

K-9 Unit Funding

The budget includes a one-time increase of \$250,000 from the General Fund in FY 2022 for a newly trained K-9 unit with different drug detection capabilities, as the current K-9 unit dogs have been permanently trained to detect marijuana. After the passage of Proposition 207, statute specifically states that the odor of marijuana does not constitute reasonable suspicion of a crime, expect during marijuana DUI investigations.

Body Camera Program

The budget includes an increase of \$6,869,700 and 29 FTE Positions from the General Fund in FY 2022 funding for the department's new body camera program. The ongoing funding will be used to hire 29 new FTE Positions to manage, administer, and perform IT support for the body camera program. The ongoing funding also includes an annual subscription to the contractor who will provide maintenance support for the cameras and will replace 1,200 body cameras every 3 years.

One-Time Body Camera Funding

The budget includes a one-time increase of \$6,904,400 from the Arizona Highway Patrol Fund in FY 2022 for the one-time purchase of body-worn cameras and accompanying equipment for the department's new body camera program. The equipment entails 2,400 body cameras or 2 cameras per trooper and 1,200 light-bar triggers, in-car access points, and docking stations for each trooper. The funding also includes the one-time purchase of office equipment for the new 29 FTE Positions in the department's body camera program.

Recruitment Funding

The budget includes an increase of \$426,600 from the General Fund in FY 2022 for additional recruitment funding. This new funding will be used for advertising, events, travel, and other expenses associated with the department's recruitment efforts.

Safety Enforcement and Transportation Infrastructure Fund Repeal

The budget includes a decrease of \$(1,715,100) from the Safety Enforcement and Transportation Infrastructure Fund (SETIF) in FY 2022 and a corresponding increase of \$1,715,100 from the Arizona Highway Patrol Fund in FY 2022 due to the repeal of SETIF. SETIF has experienced a decline in revenues from short-term permits as a result of changes in the trucking industry.

Salary Increase

The budget includes an increase of \$21,543,700 from the General Fund in FY 2022 for an employee salary increase. The budget funds a 10% increase in salaries for both civilian and sworn positions. These salary adjustments will be applied agencywide to all employees.

Statewide Adjustments

The budget includes a decrease of \$(9,548,900) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(1,687,900)
Arizona Highway Patrol Fund	(6,713,500)
Concealed Weapons Permit Fund	(68,000)
Criminal Justice Enhancement Fund (CJEF)	(68,200)
DPS Forensics Fund	(707,000)
Fingerprint Clearance Card Fund	(15,000)
Motor Vehicle Liability Insurance Enforcement Fund	(48,600)
Motorcycle Safety Fund	(6,100)
Parity Compensation Fund	(175,200)
Public Safety Equipment Fund	300
Risk Management Revolving Fund	(57,600)
State Highway Fund	(2,100)

(Please see the Agency Detail and Allocations section.)

ACTIC

The budget includes \$1,450,000 from the General Fund in FY 2022 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). FY 2022 adjustments are as follows:

ACTIC Budget Shift

The budget includes a decrease of \$(700,000) from the State Aid to Indigent Defense Fund in FY 2022 and a corresponding increase of \$700,000 from the General

Fund. This shift holds the ACTIC line item harmless, as the enacted budget removed \$700,000 of State Aid to Indigent Defense Fund monies from the DPS ACTIC line item and moved those monies to the Arizona Criminal Justice Commission (ACJC).

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 budget includes \$1,261,700 from the General Fund in FY 2022 for the costs of BSTF Local Support. This amount is unchanged from FY 2021.

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 9 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 budget includes \$9,028,800 and 37 FTE Positions from the General Fund in FY 2022 for the Border Strike Task Force (BSTF). FY 2022 adjustments are as follows:

Salary Increase

The budget includes an increase of \$478,200 from the General Fund in FY 2022 for an employee salary increase.

Statewide Adjustments

The budget includes a decrease of \$(73,300) from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$150,000 from the General Fund in FY 2022 for funding of the Civil Air Patrol (CAP). This amount is unchanged from FY 2021.

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.)*

DPS - Rapid DNA Testing Equipment

The budget includes \$600,000 and 3 FTE Positions from the General Fund in FY 2022 for a new DPS – Rapid DNA Testing Equipment line item. FY 2022 adjustments are as follows:

DPS - Rapid DNA Testing Equipment Line Item

The budget includes a one-time increase of \$600,000 and 3 FTE Positions from the General Fund in FY 2022 for a new DPS – Rapid DNA Testing Equipment line item. The line item funds the purchase of rapid DNA testing equipment for the department's use in criminal investigations.

GIITEM

The budget includes \$28,311,100 and 136.8 FTE Positions in FY 2022 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts consist of:

General Fund	27,911,900
Arizona Highway Patrol Fund	399,200

FY 2022 adjustments are as follows:

Salary Increase

The budget includes an increase of \$1,458,200 from the General Fund in FY 2022 for an employee salary increase.

Statewide Adjustments

The budget includes a decrease of \$(230,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(226,000)
Arizona Highway Patrol Fund	(4,400)

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) \$16,257,200 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 2022 Criminal Justice BRB discontinued the \$400,000 allocation to the Pima County Sheriff's Office in FY 2022. Given the BRB change, the remaining \$903,400 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.)

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 budget includes \$2,396,400 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2022 for the GIITEM Subaccount, to be used for equipment and supplies for border security. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(15,200) from the GIITEM Border Security and Law Enforcement Subaccount in FY 2022 for statewide adjustments.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$1,767,100 in FY 2022. 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 July 15, 2021 meeting, the JLBC gave a favorable review to a partial GIITEM Subaccount expenditure plan

for FY 2021. The plan includes \$463,900 for detention liaison officers, \$547,700 for county sheriff deputies and municipal police department officers to augment the GIITEM Task Force's border district unit (as later adjusted by DPS pursuant to a Committee provision), and \$350,000 for the Pima County Border Crimes Unit. At the September 23, 2020 JLBC meeting, the Committee gave a favorable review of the \$1,050,000 expenditures 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.)

Microwave Backbone Statewide Communication System

The budget includes \$48,200,000 from the Arizona Highway Patrol Fund in FY 2022 for a new Microwave Backbone Statewide Communication System line item. FY 2022 adjustments are as follows:

Microwave Backbone System Upgrades

The budget includes a one-time increase of \$48,200,000 from the Arizona Highway Patrol Fund in FY 2022 for updates to the Microwave Backbone Statewide Communication System.

The line item funds the upgrade of the statewide microwave radio system. The statewide microwave radio system is a series of towers situated on mountain tops and divided into 3 loops that allow DPS troopers and other state 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. This appropriation will fund the construction of the remaining upgrades to the northern loop, which is slated for completion by the end of FY 2024.

Motor Vehicle Fuel

The budget includes \$5,454,600 in FY 2022 for Motor Vehicle Fuel. This amount consists of:

General Fund	4,384,200
Arizona Highway Patrol Fund	936,100
CJEF	134,300

These amounts are unchanged from FY 2021.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

One-Time Active Shooter Equipment

The budget includes \$2,912,900 from the Arizona Highway Patrol Fund in FY 2022 for a new One-Time Active Shooter Equipment line item. FY 2022 adjustments are as follows:

One-Time Active Shooter Equipment Line Item

The budget includes a one-time increase of \$2,912,900 from the Arizona Highway Patrol Fund in FY 2022 for a new One-Time Active Shooter Equipment line item.

This line item funds the one-time purchases of safety equipment for sworn personnel to address active-shooter instances. The funding will provide a rifle-resistant helmet and rifle-resistant vest for each trooper and a rifle-resistant shield for each squad of troopers (7 troopers).

One-Time AZPOST Support

The budget includes \$1,196,300 from the Arizona Highway Patrol Fund in FY 2022 for a new One-Time AZPOST Support line item. FY 2022 adjustments are as follows:

One-Time AZPOST Support Line Item

The budget includes a one-time increase of \$1,196,300 from the Arizona Highway Patrol Fund in FY 2022 for a new One-Time AZPOST Support line item.

This line item provides one-time funding for AZPOST to supplement the board's funding due to a decline in revenues from the Criminal Justice Enhancement Fund. Monies from this line item will be used for reimbursements provided to law enforcement training academies. The budget includes an intent statement that after FY 2022, monies received by local law enforcement agencies under Proposition 207 are expected to cover reimbursements to regional peace officer training academies for training officers.

Peace Officer Training Equipment

The budget includes no funding in FY 2022 for Peace Officer Training Equipment. This amount is unchanged from FY 2021.

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. Laws 2021, Chapter 403 modified the appropriation by adding White Mountain Apache Police Department as a recipient of 1 virtual firing range.
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 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.

Through FY 2020, DPS has expended \$797,300 from the Peace Officer Training Equipment Fund. These expenditures include the \$500,000 for employee overtime pay as well as approximately \$300,000 for 1 virtual training simulator.

Current revenue projections from the department estimate annual revenues of \$1,220,600, with an annual decline of (3)%. By the end of FY 2022, the fund is estimated to collect a total of approximately \$3,858,600, 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 2022 are not projected to exceed the \$4,120,800 in appropriations, the budget includes no new funding. The budget, however, makes the FY 2020 appropriation non-lapsing through FY 2022.

Once these appropriations are completed, the Peace Officer Training Equipment Advisory Commission established by Chapter 312 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 budget includes \$455,700 and 3 FTE Positions in FY 2022 for the Pharmaceutical Diversion and Drug Theft Task Force. These amounts consist of:

General Fund	129,700
Arizona Highway Patrol Fund	326,000

FY 2022 adjustments are as follows:

Salary Increase

The budget includes an increase of \$50,400 from the General Fund in FY 2022 for an employee salary increase.

Statewide Adjustments

The budget includes a decrease of \$(255,500) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(100)
Arizona Highway Patrol Fund	(255,400)

This line item funds a task force to combat the abuse and trafficking of prescription drugs and inappropriate prescriber behavior.

Public Safety Equipment

The budget includes \$2,890,000 from the Public Safety Equipment Fund in FY 2022 to equip DPS officers. This amount is unchanged from FY 2021.

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.

Other Issues

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As session law, exempt the FY 2022 appropriation for DPS body cameras from oversight from the Information Technology Authorization Committee.

The Criminal Justice BRB makes the following statutory changes:

- As permanent law, adds requirements and restrictions for redaction and release of body camera footage by DPS to the public.
- As permanent law, require the director to adopt rules for rapid DNA testing procedures.
- As permanent law, amends Laws 2021 Chapter 322 (HB 2567) and Laws 2021 Chapter 338 (HB 2462) to clarify that the requirements also apply to a person, agency or department; further defines a civilian review board; and makes the bills retroactive to January 1, 2021. Also exempts those who are, or who have ever been AZPOST certified and those serving on the AZPOST board from the training requirements in Chapter 338.
- As session law, continue to allow the State Aid to Indigent Defense Fund to be used for DPS operating expenses.
- As session law, require the Department of Public Safety to purchase a virtual firing range for the White Mountain Apache Police Department using an existing appropriation.

The Transportation BRB makes the following statutory changes:

- As permanent law, repeal the DPS Safety Enforcement and Transportation Infrastructure Funds on July 1, 2021. The remaining balance from the DPS subaccount and subsequent revenue will be deposited to the Arizona Highway Patrol Fund.

Fund Transfers

The budget includes a transfer of \$24,205,700 from the Arizona Highway Patrol Fund to the General Fund in FY 2021.

The budget also includes the following transfers from this agency's funds to the DES Sexual Violence Services Fund in FY 2022:

Criminal Justice Enhancement Fund	343,700
DPS Licensing Fund	251,900
Fingerprint Clearance Card Fund	1,356,400
Motor Vehicle Liability Insurance Enforcement Fund	306,800
Parity Compensation Fund	921,900
Safety Enforcement and Transportation Infrastructure Fund (SETIF) DPS Subaccount	202,500

Proposition 207 - Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax and is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the Department of Public Safety receives a self-determined amount from the fund for costs associated with amending its criminal records based on expungement petitions approved by a Court. The department has estimated one-time costs of \$29,000,000 to fulfill the initiative's requirements. The JLBC Staff believe the DPS estimate to be substantially overstated, particularly in regard to the cost of expungement. *(Please see the Department of Health Services - Other Issues Section for more information.)*

COVID-Related Spending

The Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, DPS was reimbursed for a total of \$76,933,500 in expenditures. Of this amount, \$8,266,800 was for General Fund spending. This reduced spending increased the agency's General Fund revertment beyond what it would have otherwise been. The remaining \$68,666,700 of FY 2020 reimbursements offset non-General Fund spending. As a result, these fund balances are higher than they otherwise would have been.

(Please see the COVID-Related Spending Summary at the front of this book for more information.)

Highway Safety Fee/HURF Shift

Recent History of HURF/SHF Usage

The FY 2020 budget eliminated the remaining DPS HURF appropriation in FY 2020. This funding was replaced by the Highway Safety Fee, which was in effect for part of FY 2019, all of FY 2020 and FY 2021, with a scheduled repeal date of June 30, 2021. *(See the FY 2021 Appropriations Report for more information on the Highway Safety Fee in FY 2020 and FY 2021, 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 2022 Budget

The FY 2022 budget does not include Highway Safety Fee revenues as the fee is set to be repealed on June 30, 2021. The FY 2022 budget includes an increase of \$160,709,300 from the General Fund and \$7,850,900 from the State Highway Fund to backfill the lost revenues from the Highway Safety Fee in the Highway Patrol budget.

Automation Projects Fund – Concealed Weapons Tracking System

The budget includes an FY 2022 transfer of \$550,000 from the Concealed Weapons Permit Fund to the Arizona Department of Administration for the continued development of a new computerized permit record system. *(Please see the Department of Administration – Automation Projects Fund for details regarding this information technology project.)*

Public Safety Personnel Retirement System

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
SPECIAL LINE ITEMS			
EORP Fund Deposit	5,000,000	5,000,000	5,000,000
Prescott Fire Employer Group Deposit	1,000,000	1,000,000	1,000,000 ^{1/}
Department of Public Safety PSPRS Employer Group Deposit	0	500,000,000 ^{2/}	0
Department of Corrections CORP Employer Group Deposit		500,000,000 ^{2/}	0
AGENCY TOTAL	6,000,000	1,006,000,000	6,000,000
FUND SOURCES			
General Fund	6,000,000	1,006,000,000	6,000,000
SUBTOTAL - Appropriated Funds	6,000,000	1,006,000,000	6,000,000
Other Non-Appropriated Funds	14,851,700	24,423,900	17,138,100
TOTAL - ALL SOURCES	20,851,700	1,030,423,900	23,138,100

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.
- 2/ The Board of Trustees of the Public Safety Personnel Retirement System shall account for the appropriations made in this section in the June 30, 2021 actuarial valuation of both the Department of Public Safety Public Safety Personnel Retirement System Group and the State Department of Corrections Corrections Officer Retirement Plan Group. The Board shall account for the appropriations when calculating the employee contribution rates and employer contribution rates, which the Department of Public Safety Public Safety Personnel Retirement System Group shall use when making contributions pursuant to section 38-843, Arizona Revised Statutes, and the State Department of Corrections Corrections Officer Retirement Plan group shall use when making contributions pursuant to section 38-891, Arizona Revised Statutes, during fiscal year 2022-2023.

EORP Fund Deposit

The budget includes \$5,000,000 from the General Fund in FY 2022 as part of the closure of the Elected Officials Retirement Plan (EORP). This amount is unchanged from FY 2021. (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 through FY 2043 (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 budget includes \$1,000,000 from the General Fund in FY 2022 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2021.

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, monies

See the *Consolidated Retirement Report* section for more information on PSPRS membership and actuarial data.

in the line item are not included in the 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 2020, PSPRS re-estimated this liability to be \$10,998,000.

Department of Public Safety PSPRS Employer Group Deposit

The budget includes no funding in FY 2022 for the Department of Public Safety (DPS) PSPRS Employer Group Deposit line item. FY 2022 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000,000) from the General Fund in FY 2022 for the elimination of one-time funding for a deposit to the Department of Public Safety PSPRS Employer Group to reduce unfunded accrued liability.

The reduced DPS pension liability from the FY 2021 deposit will be reflected in the June 30, 2021 PSPRS actuarial valuation, which impacts FY 2023 retirement contributions. The enacted budget's 3-year spending plan assumes that ongoing DPS General Fund spending will be reduced by \$(55,000,000) beginning in FY 2023 due to lower DPS employer contributions.

Department of Corrections CORP Employer Group Deposit

The budget includes no funding in FY 2022 for the Department of Corrections (ADC) CORP Employer Group Deposit line item. FY 2022 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(500,000,000) from the General Fund in FY 2022 for the elimination of one-time funding for a deposit to the Department of Corrections CORP Employer Group to reduce unfunded accrued liability.

The reduced ADC pension liability from the FY 2021 deposit will be reflected in the June 30, 2021 CORP actuarial valuation, which impacts FY 2023 retirement contributions. The enacted budget's 3-year spending plan assumes that ongoing ADC General Fund spending will be reduced by \$(55,000,000) beginning in FY 2023 due to lower ADC employer contributions.

Other Issues

FY 2021 Supplementals

The FY 2022 budget includes FY 2021 supplemental appropriations totaling \$1,000,000,000 from the General Fund to PSPRS to reduce unfunded pension liability in retirement plans managed by the PSPRS Board of Trustees. Of the \$1,000,000,000 funding amount, \$500,000,000 was allocated to reduce DPS PSPRS liabilities and \$500,000,000 was allocated to reduce ADC CORP liabilities. (Please see the DPS and ADC Employer Group Deposit line items for further details.)

State Real Estate Department

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,406,700	1,700,700	1,625,100
Employee Related Expenditures	511,700	656,200	648,800
Professional and Outside Services	88,000	95,000	95,000
Travel - In State	12,100	13,000	13,000
Travel - Out of State	3,200	3,000	3,000
Other Operating Expenditures	336,800	484,700	492,200
Equipment	109,300	45,000	45,000
AGENCY TOTAL	2,467,800	2,997,600	2,922,100 ^{1/}
FUND SOURCES			
General Fund	2,467,800	2,997,600	2,922,100
SUBTOTAL - Appropriated Funds	2,467,800	2,997,600	2,922,100
Other Non-Appropriated Funds	65,500	207,800	207,800
TOTAL - ALL SOURCES	2,533,300	3,205,400	3,129,900

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 budget includes \$2,922,100 and 37 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(75,500) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Statutory Changes

The Budget Procedures Budget Reconciliation Bill makes the following statutory changes:

- As session law, through FY 2022, increase threshold for the termination of a condominium from 80% agreement of owner units to 100% of the votes in the association. This language shall not be construed to interfere with existing contracts.

Residential Utility Consumer Office

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	530,300	757,700	757,700
Employee Related Expenditures	197,400	294,000	305,300
Professional and Outside Services	0	2,400	2,400
Travel - In State	3,400	8,600	8,600
Travel - Out of State	4,900	7,000	7,000
Other Operating Expenditures	169,800	174,200	175,700
OPERATING SUBTOTAL	905,800	1,243,900	1,256,700
SPECIAL LINE ITEMS			
Professional Witnesses	48,300	145,000	145,000 ^{1/}
AGENCY TOTAL	954,100	1,388,900	1,401,700 ^{2/}

FUND SOURCES

Other Appropriated Funds

Residential Utility Consumer Office Revolving Fund	954,100	1,388,900	1,401,700
SUBTOTAL - Other Appropriated Funds	954,100	1,388,900	1,401,700
SUBTOTAL - Appropriated Funds	954,100	1,388,900	1,401,700
TOTAL - ALL SOURCES	954,100	1,388,900	1,401,700

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 section 35-190, Arizona Revised Statutes, 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 budget includes \$1,256,700 and 11 FTE Positions from the RUCO Revolving Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$12,800 in FY 2022 from the RUCO Revolving Fund for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Professional Witnesses

The budget includes \$145,000 from the RUCO Revolving Fund in FY 2022 for Professional Witnesses. This amount is unchanged from FY 2021.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

Board of Respiratory Care Examiners

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	165,400	185,600	179,500
Employee Related Expenditures	67,200	70,300	66,400
Professional and Outside Services	3,200	6,500	6,500
Travel - In State	1,000	1,500	1,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	63,500	67,400	68,200
Equipment	600	0	0
AGENCY TOTAL	300,900	333,300	324,100^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Respiratory Care Examiners Fund	300,900	333,300	324,100
SUBTOTAL - Other Appropriated Funds	300,900	333,300	324,100
SUBTOTAL - Appropriated Funds	300,900	333,300	324,100
TOTAL - ALL SOURCES	300,900	333,300	324,100

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 budget includes \$324,100 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(9,200) from the Board of Respiratory Care Examiners Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona State Retirement System

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	240.9	240.9	240.9
Personal Services	11,867,400	13,635,900	13,025,000
Employee Related Expenditures	4,507,500	5,437,800	5,363,500
Professional and Outside Services	3,233,600	3,055,400	3,055,400
Travel - In State	17,000	30,000	30,000
Travel - Out of State	16,600	49,000	49,000
Other Operating Expenditures	2,842,800	2,323,200	3,136,000
Equipment	362,200	389,500	389,500
AGENCY TOTAL	22,847,100	24,920,800	25,048,400^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Long-Term Disability Trust Fund Administration Account	1,418,300	1,800,000	1,800,000
Arizona State Retirement System Administration Account	21,428,800	23,120,800	23,248,400
SUBTOTAL - Other Appropriated Funds	22,847,100	24,920,800	25,048,400
SUBTOTAL - Appropriated Funds	22,847,100	24,920,800	25,048,400
Other Non-Appropriated Funds	18,031,100	5,051,800	5,051,800
TOTAL - ALL SOURCES	40,878,200	29,972,600	30,100,200

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 budget includes \$25,048,400 and 240.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
Arizona State Retirement System Administration Account	\$23,248,400
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

FY 2022 adjustments are as follows:

Cloud Migration

The budget includes an increase of \$775,000 from the Arizona State Retirement System Administration Account

in FY 2022 to migrate IT applications and data from on-premises data centers to a cloud environment.

Statewide Adjustments

The budget includes a decrease of \$(647,400) from the Arizona State Retirement System Administration Account in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

Department of Revenue

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	880.8	880.8	880.8 ^{1/}
Personal Services	26,019,000	30,326,900	30,326,900
Employee Related Expenditures	10,330,300	12,699,600	11,140,200
Professional and Outside Services	7,300,800	9,197,000	9,197,000
Travel - In State	66,200	52,800	52,800
Travel - Out of State	45,500	0	0
Other Operating Expenditures	13,942,600	14,934,900	15,187,100
Equipment	2,338,500	309,000	309,000
OPERATING SUBTOTAL	60,042,900	67,520,200	66,213,000 ^{2/}
SPECIAL LINE ITEMS			
BRITS Operational Support	6,690,600	7,723,700	7,567,500
E-Commerce Compliance and Outreach	0	0	854,900
Income Tax Information Technology	0	0	466,300 ^{3/}
Out of State TPT Administration	1,344,600	0	0
Tax Fraud Prevention	3,126,000	3,150,000	3,150,000 ^{4/5/}
TPT Simplification	996,800	1,020,000	984,100
Unclaimed Property Administration and Audit	1,467,800	1,368,800	1,467,800 ^{5/}
AGENCY TOTAL	73,668,700	80,782,700	80,703,600 ^{2/3/}
FUND SOURCES			
General Fund	27,289,400	31,799,500	53,542,400
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	45,166,200	47,473,000	25,669,800
Liability Setoff Program Revolving Fund	705,100	815,500	806,900
Tobacco Tax and Health Care Fund	508,000	694,700	684,500
SUBTOTAL - Other Appropriated Funds	46,379,300	48,983,200	27,161,200
SUBTOTAL - Appropriated Funds	73,668,700	80,782,700	80,703,600
Other Non-Appropriated Funds	1,231,900	1,434,800	1,434,800
Federal Funds	109,000	0	0
TOTAL - ALL SOURCES	75,009,600	82,217,500	82,138,400

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 2022.
- ^{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 appropriation for the income tax information technology line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024. (General Appropriation Act footnote)
- ^{4/} 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)
- ^{5/} On or before November 1, 2021, the department shall report the results of private fraud prevention investigation services during fiscal year 2020-2021 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 fiscal year 2020-2021. (General Appropriation Act footnote)

- 6/ If the total value of properties retained by unclaimed property contract auditors exceeds \$1,467,800, the excess amount is transferred from the state general fund to the department of revenue administrative fund established by section 42-1116.01, Arizona Revised Statutes, and is appropriated to the department for contract auditor fees. (General Appropriation Act footnote)
- 7/ The department shall report the department's general fund revenue enforcement goals for fiscal year 2021-2022 to the joint legislative budget committee on or before September 30, 2021. On or before September 30, 2022, 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 fiscal year 2021-2022. The reports shall compare projected and actual state general fund, total state tax, total county tax and total municipal tax revenue enforcement collections for fiscal year 2020-2021 and fiscal year 2021-2022, 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 fiscal year 2020-2021. (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 budget includes \$66,213,000 and 810.8 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$43,525,400
DOR Administrative Fund	21,196,200
Liability Setoff Program Revolving Fund	806,900
Tobacco Tax and Health Care Fund	684,500

FY 2022 adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(18,223,700) from the DOR Administrative Fund in FY 2022 and a corresponding increase of \$18,223,700 from the General Fund to offset decreased revenue in the DOR Administrative Fund resulting from eliminating the local cost sharing fee.

The FY 2022 Revenue Budget Reconciliation Bill (BRB) eliminated the local cost sharing fee levied on cities, towns, counties, councils of governments, and regional transportation authorities used to offset a portion of administrative costs incurred by DOR for collecting, processing, and distributing local and state shared tax revenues. The fee was created in FY 2016 and annually generated \$20,755,800 in revenue from local jurisdictions. To offset the reduction in revenue, the budget includes an increased General Fund appropriation of the same amount.

Statewide Adjustments

The budget includes a decrease of \$(1,307,200) in FY 2022 for statewide adjustments. This amount is as follows:

General Fund	(228,300)
DOR Administrative Fund	(1,060,100)
Liability Setoff Program Revolving Fund	(8,600)
Tobacco Tax and Health Care Fund	(10,200)

(Please see the Agency Detail and Allocations section.)

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The budget includes \$7,567,500 and 51 FTE Positions in FY 2022 for operational support of BRITS. These amounts consist of:

General Fund	4,561,700
DOR Administrative Fund	3,005,800

FY 2022 Adjustments are as follows:

Fund Shift

The budget includes a decrease of \$(2,532,100) from the DOR Administrative Fund in FY 2022 and a corresponding increase of \$2,532,100 from the General Fund to offset decreased revenue in the DOR Administrative Fund resulting from eliminating the local cost sharing fee.

Statewide Adjustments

The budget includes a decrease of \$(156,200) in FY 2022 for statewide adjustments. These amounts consist of:

General Fund	(69,900)
DOR Administrative Fund	(86,300)

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.

E-Commerce Compliance and Outreach

The budget includes \$854,900 from the General Fund in FY 2022 for E-commerce compliance and outreach (ECCO) administrative costs. FY 2022 adjustments are as follows:

E-Commerce Compliance and Outreach

The budget includes an increase of \$854,900 from the General Fund in FY 2022 for ongoing costs to administer out-of-state Transaction Privilege Tax (TPT) e-commerce compliance.

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. Arizona enacted its own "Wayfair" provisions under Laws 2019, Chapter 273. 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

In FY 2020, DOR received \$2,000,000 in one-time monies for this purpose.

Income Tax Information Technology

The budget includes \$466,300 from the General Fund in FY 2022 for Income Tax Information Technology (IT) costs. FY 2022 adjustments are as follows:

One-Time Increase

The budget includes an increase of \$466,300 from the General Fund in FY 2022 for one-time costs associated with Laws 2021, Chapter 425, which created an optional entity-level income tax for partnerships and S Corporations. This increase will allow DOR to make programming changes to the IT tax system to comply with Chapter 425.

Tax Fraud Prevention

The budget includes \$3,150,000 from the General Fund in FY 2022 for Tax Fraud Prevention. This amount is unchanged from FY 2021.

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 \$20.1 million in fraudulent returns in Individual Income Tax returns in FY 2020, compared to \$7.7 million in FY 2019, \$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 budget includes \$984,100 and 19 FTE Positions from the General Fund in FY 2022 for TPT Simplification responsibilities. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(35,900) from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$1,467,800 from the DOR Administrative Fund in FY 2022 for Unclaimed Property Administration and Audit. FY 2022 adjustments are as follows:

Increase Audit Funding

The budget includes an increase of \$99,000 from the DOR Administrative Fund in FY 2022 to bring the appropriation level in line with actual expenditures.

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. This amount is currently estimated at \$1,467,800 based on the level of contract audit fees during FY 2020.

Other Issues

Statutory Changes

The Revenue BRB makes the following statutory changes:

- As permanent law, repeal the fee charged to cities, towns, counties, councils of governments and regional transportation authorities used to recover a

portion of administrative expenses for tax collection services.

- As session law, delay the reversion of Native American Veteran's Income Tax Settlement Fund monies from June 30, 2021 to June 30, 2023.

Tobacco Tax/Master Settlement Agreement

The budget transfers \$836,000 from the Traditional Medicaid Services line item in AHCCCS in FY 2022 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.)*

Proposition 207 – Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax and is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, DOR receives a self-determined amount from the fund for administrative costs to collect the 16% excise tax created by Proposition 207. DOR has estimated annual spending of between \$1,300,000 and \$1,700,000 to fulfill the initiative's requirements. *(Please see the Department of Health Services - Other Issues Section for more information.)*

Proposition 208 – Education Funding

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, DOR receives a self-determined amount from the fund to implement and enforce the tax provisions of Proposition 208. DOR has not yet provided a cost estimate to fulfill the initiative's requirements. *(Please see the Department of Education - Other Issues Section for more information.)*

School Facilities Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	874,300	940,100	900,100
Employee Related Expenditures	278,300	315,600	305,200
Professional and Outside Services	176,800	83,300	83,300
Travel - In State	21,600	24,000	24,000
Travel - Out of State	3,800	0	0
Other Operating Expenditures	220,500	403,100	399,800
Equipment	2,000	5,000	5,000
OPERATING SUBTOTAL	1,577,300	1,771,100	1,717,400
SPECIAL LINE ITEMS			
New School Facilities			
New School Facilities (FY 2019 Authorizations)	36,726,700	0	0
New School Facilities (FY 2020 Authorizations)	75,875,800	45,805,900	0
New School Facilities (FY 2021 Authorizations)	0	12,980,900	11,730,900 ^{1/}
New School Facilities (FY 2022 Authorizations)	0	0	76,881,700 ^{2/}
Retroactive Rate Increases	0	0	63,526,200
Yuma Union High School	0	0	16,515,200 ^{3/}
Kirkland Elementary Replacement School	0	0	3,000,000 ^{4/}
New School Facilities Debt Service	131,870,500	67,177,800	9,938,100 ^{5/ 6/}
Other Programs			
Building Renewal Grants	107,458,800	146,259,000	107,500,000
AGENCY TOTAL	353,509,100	273,994,700	290,809,500 ^{7/}
FUND SOURCES			
General Fund	353,509,100	273,994,700	290,809,500
SUBTOTAL - Appropriated Funds	353,509,100	273,994,700	290,809,500
Other Non-Appropriated Funds	64,331,300	1,263,200	0
TOTAL - ALL SOURCES	417,840,400	275,257,900	290,809,500

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 2020, Chapter 58 appropriated \$11,730,900 from the General Fund in FY 2022 for the New School Facilities FY 2021 authorizations.
- ^{2/} Pursuant to section 15-2041, Arizona Revised Statutes, 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, 2020. (General Appropriation Act footnote)
- ^{3/} The amount appropriated in the Yuma union high school line item shall be distributed to the Yuma union high school district for the construction of a new high school. (General Appropriation Act footnote)
- ^{4/} The amount appropriated in the Kirkland elementary replacement school line item shall be distributed to the Kirkland elementary school district to replace an existing school building, including necessary demolition of existing buildings. (General Appropriation Act footnote)

- 5/ At least thirty 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)
- 6/ Pursuant to section 35-142.01, Arizona Revised Statutes, any reimbursement received by or allocated to the school facilities board under the federal qualified school construction bond program in fiscal year 2021-2022 shall be deposited in or revert to the state general fund. (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 budget includes \$1,717,400 and 17 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(53,700) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

The FY 2022 K-12 Education Budget Reconciliation Bill (BRB) consolidated SFB with the Arizona Department of Administration. Because this legislation was not yet effective at the time the FY 2022 General Appropriation Act was passed, the FY 2022 budget displays the SFB appropriations separately.

New School Facilities

The budget includes \$171,654,000 from the General Fund in FY 2022 for New School Facilities, which is an increase of \$112,867,200 from FY 2021. The FY 2022 funding amount for New School Facilities includes the following:

- \$11,730,900 for the remaining 50% of construction funding to complete 2 projects which were authorized to begin construction in FY 2021.
- \$76,881,700 for the land costs and the first 50% of construction costs for 5 projects that will be authorized to begin construction in FY 2022. This amount includes \$26,645,500 for land, and \$50,236,200 for construction.
- \$63,526,200 to retroactively increase the cost-per-square foot rates for schools approved between FY 2019 and FY 2021 but not yet under construction.
- \$16,515,200 for the first 50% of construction costs to accelerate the construction of a new high school for Yuma Union School District.
- \$3,000,000 to replace the Kirkland Elementary School.

All new school construction is labeled as one-time rather than ongoing. (Please see [Table 3](#) for a summary of FY 2021 through FY 2024 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 16, 2020 meeting, the JLBC approved a 2.76% adjustment in the cost per square foot. This inflation adjustment is based on measure of construction costs since December 2019 when the Committee last adopted an adjustment.

The FY 2022 K-12 Education BRB, as permanent law, increased these cost-per-square foot amounts by 60%. In addition, as session law, the K-12 Education BRB applied this enhanced rate to schools that were approved prior to December 16, 2020, but which had not yet started construction. Finally, the K-12 Education BRB requires that future JLBC adjustments be applied to schools approved by the board to begin construction in the next fiscal year. (Please see [Table 1](#) for statutory funding guidelines.)

Table 1

**New School Facilities
Statutory Funding Guidelines ^{1/2/}**

Type of School	Per Student	\$ Per Square Foot	
		12/16/2020 Funding	FY 2022 K-12 BRB Funding
K-6	90	\$168.90	\$270.24
7-8	100	\$178.31	\$285.30
9-12 (<1,800 pupils)	134	\$206.44	\$330.30
9-12 (≥1,800 pupils)	125	\$206.44	\$330.30

^{1/} Increased by 5% for rural school districts.
^{2/} Adjusted annually for inflation.

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.

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 2020 Authorization)

The budget includes no funding in FY 2022 for New School Facilities projects which are authorized to start construction in FY 2020. FY 2022 adjustments are as follows:

New School Funding Completion

The budget includes a decrease of \$(45,805,900) from the General Fund in FY 2022 for the completion of 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.

The FY 2022 K-12 Education BRB provides retroactive funding for rate increases for schools that have not started construction as of June 15, 2020. (See the *Retroactive Rate Increases for more information*)

New School Facilities (FY 2021 Authorization)

The budget includes \$11,730,900 from the General Fund in FY 2022 for New School Facilities projects which are authorized to start construction in FY 2021. FY 2022 adjustments are as follows:

Continue New School Construction Projects

The budget includes a decrease of \$(1,250,000) from the General Fund in FY 2022 to continue construction for 2 new school projects authorized to start construction in FY 2021. The enacted FY 2021 budget included 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.

The FY 2021 General Appropriation Act already appropriated the remaining \$11,730,900 of funding in FY 2022 for these projects. As a result, these monies did not appear in the FY 2022 General Appropriation Act. (See *Table 3 and the Long-Term Budget Impacts section for more information.*)

The FY 2022 K-12 Education BRB provides retroactive funding for rate increases for schools that have not started construction as of June 15, 2020. (See the *Retroactive Rate Increases for more information*)

New School Facilities (FY 2022 Authorization)

The budget includes \$76,881,700 from the General Fund in FY 2022 for New School Facilities projects which are authorized to start construction in FY 2022. FY 2022 adjustments are as follows:

Begin New School Construction Projects

The budget includes an increase of \$76,881,700 from the General Fund in FY 2022 to begin construction for 5 new school projects authorized to start construction in FY 2022. These school districts are projected to be at capacity in FY 2023 or before. The enacted budget includes 100% of the land costs and 50% of the construction costs with the exception of Tanque Verde Unified project which would receive 100% of the funding in FY 2022. This amount includes the enhanced cost per square foot rates approved in the FY 2022 K-12 Education BRB. The projects are as follows:

- Liberty Elementary (K-8) – for a new elementary school.
- Queen Creek Unified (9-12) – for a new high school including land.
- Sahuarita Unified (9-12) – for a new high school including land.
- Tanque Verde Unified (K-6) – for a new elementary school. The Baseline assumes 100% of the construction costs would be funded in FY 2022.
- Vail Unified (6-8) – for a new elementary school including land.

In addition, the FY 2022 General Appropriation Act appropriated the remaining \$47,950,000 of funding in FY 2023 for these projects.

(See [Table 3](#) and the [Long-Term Budget Impacts](#) section for more information.)

Retroactive Rate Increases

The budget includes \$63,526,200 from the General Fund in FY 2022 for retroactive rate increases for schools that were authorized to start construction between FY 2019 and FY 2021, but which had not yet started construction. FY 2022 adjustments are as follows:

Increase Rates for New Schools

The budget includes an increase of \$63,526,200 from the General Fund in FY 2022 to provide increased funding to new schools approved between FY 2019 and FY 2021, but which had not yet started construction. The projects are as follows:

<u>School District</u>	<u>Project Number</u>
Douglas Unified	020227000-001N
Liberty Elementary	070425000-005N
Maricopa Unified	110220000-022N
Queen Creek Unified	070295000-018N
Safford Unified	050201000-001N
Santa Cruz Valley	120235000-008N
Sahuarita Unified	100230000-014N
Somerton Elementary	140411000-008N
Somerton Elementary	140411000-009N
Tanque Verde Unified	100213000-002N
Tanque Verde Unified	100213000-003N
Vail Unified	100220000-019N
Vail Unified	100220000-020N
Vail Unified	100220000-021N

(See [Table 3](#) and the [Long-Term Budget Impacts](#) section for more information.)

Yuma Union High School

The budget includes \$16,515,200 from the General Fund in FY 2022 for a new high school in the Yuma Union High School District. FY 2022 adjustments are as follows:

New School Funding

The budget includes an increase of \$16,515,200 from the General Fund in FY 2022 to accelerate the new school construction for Yuma Union High School District. The district is expected to be at capacity in FY 2024.

In addition, the FY 2022 General Appropriation Act appropriated the remaining \$16,515,200 of funding in FY 2023 for the remaining cost of this project.

(See [Table 3](#) and the [Long-Term Budget Impacts](#) section for more information.)

Kirkland Elementary Replacement School

The budget includes \$3,000,000 from the General Fund in FY 2022 for the Kirkland Elementary Replacement School line item. FY 2022 adjustments are as follows:

School Replacement Funding

The budget includes an increase of \$3,000,000 from the General Fund in FY 2022 to replace the Kirkland Elementary School. The school has experienced flooding and requires relocation.

New School Facilities Debt Service

The budget includes \$9,938,100 from the General Fund in FY 2022 for New School Facilities Debt Service. FY 2022 adjustments are as follows:

Debt Payoff Savings

The budget includes a decrease of \$(57,238,700) from the General Fund in FY 2022 reduced debt payments. The FY 2022 budget appropriates a total of \$171,700,000 from the General Fund to pay off lease-purchase agreements as refinanced in 2015 pursuant to Laws 2015, Chapter 15, Section 16.

Lease-Purchase Payment

The budget includes a decrease of \$(1,000) from the General Fund in FY 2022 for decreased lease-purchase payments. This reflects the variations in SFB's existing lease-purchase schedule.

Background – In FY 2003-2005, 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.

The FY 2022 budget 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 \$3,729,900, in FY 2022 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 \$6,208,200.

Other Programs

Building Renewal Grants

The budget includes \$107,500,000 from the General Fund in FY 2022 for Building Renewal Grants. FY 2022 adjustments are as follows:

One-Time Funding Adjustment

The budget includes a decrease of \$(38,759,000) from the General Fund in FY 2022 to adjust one-time funding for building renewal grants as outlined in the enacted budget's 3-year spending plan.

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 2022 Building Renewal Appropriations.)*

Table 2
Building Renewal Appropriations
FY 2013 - FY 2022

<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	90,790,900
2021	16,667,900	129,591,100
2022	16,667,900	90,832,100

The FY 2021 budget appropriated a total of 107,500,000 in FY 2021 for building renewal grants. The FY 2022 budget included a \$38,759,000 FY 2021 supplemental appropriation for building renewal grants. Therefore, the total available funding in FY 2021 is 146,259,000 of which \$129,591,100 is designated as one-time. For FY 2022, the Legislature allocated \$90,832,100 of one-time funding which resulted in a total FY 2022 building renewal grant appropriation of \$107,500,000, an amount equal to the original FY 2021 funding level. *(Please see Other Issues for more information.)*

The FY 2022 K-12 BRB, as permanent law, allows SFB to authorize the board to procure professional services to assess, and determine the scope of work to address,

building deficiencies for the building renewal and emergency deficiency corrections program.

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 \$1,190,500 balance at the beginning of FY 2021.

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:

- FY 2021 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- K-12 Capital Bonding
- Public School Credit Enhancement Program
- Minimum Adequacy Guidelines

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$38,759,000 from the General Fund for Building Renewal Grants *(Please see Building Renewal Grants for further details.)*

Statutory Changes

The K-12 Education BRB makes the following statutory changes:

New School Facilities

- As permanent law, increase the new school cost-per-square foot rates by 60%.
- As session law, notwithstanding current new school construction cost-per-square foot rates for schools authorized to begin construction in FY 2022 or earlier that have not yet received final SFB approval to begin construction.
- As permanent law, require SFB to apply the rates approved by the JLBC in the same year when allocating funding to schools approved for new school facilities in that year.

Agency Consolidation

- As permanent law, establish the School Facilities Division within the Arizona Department of Administration. Authorizes the Division to administer the Building Renewal Grants Fund, the Emergency Deficiency Corrections Fund, and the New School Facilities Fund; establish contracts for school inspections related to building adequacy standards; and establish policies and procedures related to preventive maintenance in school buildings
- As permanent law, replace the School Facilities Board with the School Facilities Oversight Board consisting of 6 members appointed by the Governor. Requires the board to approve student population projections submitted by school districts to determine eligibility for New School Facilities funding; submit reports on monies distributed by the board; and adopt minimum school facility adequacy guidelines

Other

- As permanent law, authorize the board to procure professional services to assess, and determine the scope of work to address, building deficiencies for the building renewal and emergency deficiency corrections programs.

Long-Term Budget Impacts

As part of the enacted budget's 3-year spending plan, SFB's General Fund costs are projected to decrease by \$(188,355,700) in FY 2023 above FY 2022 and decrease by \$(32,262,700) in FY 2024 below FY 2023. These estimates are based on:

Debt Service Changes

Because of the debt payoff for lease-purchase agreements, the debt service payments are not projected to change in FY 2023 for FY 2024 for the remaining QSCB Bonds.

New School Construction

The long-term estimates assume 2 types of new school construction funding: 1) Providing the remaining funding in FY 2023 for the schools which were authorized to begin construction in FY 2022; and 2) Conceptual approvals made by SFB as part of the agencies' long-term planning process.

In FY 2023, new school construction spending is projected to decrease by \$(97,523,600). The large reduction is also a result of eliminating one-time retroactive payments. In addition, FY 2024 new school construction spending is projected to decrease by \$(32,262,700) below FY 2023. (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. SFB Conceptual approval for future projects does not represent formal approval of these projects.

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.

SFB new construction projections assume standard demography changes and assume that in FY 2022, a majority of students will return to the school they attended prior to the COVID-19 pandemic.

One-Time Building Renewal Grant Funding

SFB building renewal grant costs funding would decrease by \$(90,832,100) in FY 2023 and remain unchanged for FY 2024. The enacted budget 3-year spending plan labeled \$90,832,100 as one-time and discontinues it being in FY 2023, which would return SFB building renewal grant funding to the ongoing "base" level of \$16,667,900.

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 2020, the total amount of voter-approved school district bonds outstanding was approximately \$5.6 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 5 districts with Class B bond approvals in 2020 for a total of \$307,100,000

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 June 30, 2021, 15 schools have been approved financing through the program – Academy of Math and Science (2 projects), Arizona Agribusiness and Equine Center, BASIS Schools (2 projects), Candeo Schools, Great Hearts Academies (3 projects), Highland Prep (2 projects), Legacy Traditional Schools (2 projects), Paradise Schools, and Vista College Preparatory. The total outstanding principal amount is \$329,425,000. To date, there are no guaranteed financings for which the program has been required to disperse funds. The Credit Enhancement Fund balance is \$106,672,900 and has a leverage ratio of 3.09 (based only on the outstanding principal of issued financing). The statutory limit for the program's leverage ratio is 3.5.

Minimum Adequacy Guidelines

The FY 2019 K-12 Education 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. SFB initiated an expedited rulemaking process to make streamlined and technical changes to its existing guidelines. At the September 2020 JCCR meeting, the Committee gave a favorable review of SFB's fiscal impact statement with a provision stating favorable review does not constitute endorsement of any General Fund appropriations to pay for any increased costs associated with the proposed rule changes. The board expects to consider additional changes to the rules in 2021 which would require further JCCR review.

Table 3

Long-Term New School Facilities Funding

	Type	Sq. Ft	Student Capacity	FY 2021	FY 2022	FY 2023	FY 2024
FY 2020 Starts ^{1/2/}							
Chandler 9-12	New	100,000	800	\$ 8,984,500			
Douglas 9-12	New	87,502	653	8,254,500			
Laveen K-8 (accelerated)	New	92,400	1,000	7,307,000			
Maricopa 9-12	New	125,000	1,000	11,230,700			
Safford K-6	New	42,210	469	3,257,600			
Santa Cruz Valley 9-12 (accelerated)	Addition	26,800	200	2,556,900			
Vail K-5 (accelerated)	New	54,000	675	4,214,700			
Subtotal - FY 2020 Starts				\$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				1,250,000			
Subtotal - FY 2021 Starts				\$12,980,900	\$ 11,730,900		
FY 2022 Starts ^{4/}							
Liberty K-8	New	73,920	800		\$ 10,120,100	\$10,120,100	
Queen Creek 9-12	New	120,375	963		19,880,000	19,880,000	
Queen Creek Land					17,185,500		
Sahuarita 9-12	New	55,375	443		9,145,300	9,145,300	
Sahuarita Land					6,350,000		
Tanque Verde K-6 ^{3/}	New	8,460	94		2,286,200		
Vail 6-8	New	62,836	650		8,804,600	8,804,600	
Vail Land					3,110,000		
Subtotal - FY 2022 Starts					\$ 76,881,700	\$47,950,000	
FY 2022 New School Line Items							
Kirkland Replacement					3,000,000		
Yuma Union 9-12	New	100,000	800		16,515,200	16,515,200	
Retroactive Rate Increases ^{4/}							
Douglas 9-12					13,838,100		
Maricopa 9-12					18,826,700		
Safford K-6					5,462,300		
Santa Cruz Valley 9-12					3,738,400		
Somerton K-6					2,772,900		
Somerton K-6					2,772,900		
Tanque Verde 7-12					3,789,300		
Vail K-5					6,162,000		
Vail K-5					6,163,600		
Subtotal - Retroactive Rate Increases					\$ 63,526,200		
FY 2023 Starts ^{5/}							
To Be Determined						(1,400,000)	
Nadaburg 9-12	New	67,000	558			11,065,200	11,065,200
Subtotal - FY 2023 Starts						\$ 9,665,200	\$11,065,200
FY 2024 Starts ^{5/}							
Laveen K-8	New	92,400	1,000				\$12,649,800
Laveen Land							2,500,000
Liberty K-8	New	73,920	800				10,120,100
Saddle Mountain 9-12	Addition	33,500	299				5,532,600
Subtotal - FY 2024 Starts							\$30,802,500
Total				\$58,786,800	\$171,654,000	\$74,130,400	\$41,867,700

1/ FY 2020 Starts also received a total of \$75,875,800 in FY 2020.

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/ Assumes 100% of construction costs would be funded in the first year due to the small school size.

4/ Allocates retroactive funding to schools previously approved between FY 2019 and FY 2020 that had not started construction.

5/ Reflects the long-term new school construction cost estimates based on SFB conceptual approvals as of December 2020.

Department of State - Secretary of State

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	143.1	143.1	143.1
Personal Services	5,501,600	5,777,600	5,521,600
Employee Related Expenditures	2,149,700	2,311,000	2,279,400
Professional and Outside Services	1,236,300	1,607,800	1,113,300
Travel - In State	3,100	19,000	19,000
Travel - Out of State	15,600	45,000	45,000
Other Operating Expenditures	3,766,700	3,719,300	4,192,900
Equipment	175,800	175,900	175,900
OPERATING SUBTOTAL	12,848,800	13,655,500	13,347,100 ^{1/2/3/}
SPECIAL LINE ITEMS			
Arizona Voter Information Database	0	0	192,500
Election Services	0	4,000,000 ^{4/}	0
HAVA – Other Help America Vote Act Projects	0 ^{5/}	0	0
HAVA – December 2019 Grant - County Allocation	308,700 ^{6/}	0	0
HAVA – December 2019 Grant - SOS Allocation	0 ^{6/}	0	0
Presidential Preference Election	6,171,600 ^{7/8/}	0	0
Uniform State Laws Commission	61,500	99,000	99,000
Library Grants-in-Aid	731,500	651,400	651,400 ^{9/}
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	20,219,100	18,502,900	14,387,000 ^{10/}
FUND SOURCES			
General Fund	19,167,600	17,263,600	12,907,700
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	308,700	0	192,500
Records Services Fund	742,800	1,239,300	1,286,800
SUBTOTAL - Other Appropriated Funds	1,051,500	1,239,300	1,479,300
SUBTOTAL - Appropriated Funds	20,219,100	18,502,900	14,387,000
Other Non-Appropriated Funds	706,100	1,487,900	1,487,900
Federal Funds	3,223,300	6,873,100	6,873,100
TOTAL - ALL SOURCES	24,148,500	26,863,900	22,748,000

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 \$13,347,100 for fiscal year 2021-2022 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 2/ Included in the operating lump sum appropriation of \$13,347,100 for fiscal year 2021-2022 is \$1,286,800 from the records services fund. This appropriation may be used for the payment of obligations incurred in fiscal years 2019-2020, 2020-2021 and 2021-2022. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ The secretary of state may hire one full-time equivalent position to serve as legal advisor and to represent the secretary of state, but the secretary of state may not make expenditures or incur indebtedness to employ outside or private attorneys to provide representation or services. (General Appropriation Act footnote)

- 4/ Before transferring any monies in or out of the election services line item, the secretary of state shall submit a report for review by the joint legislative budget committee. (FY 2021 General Appropriation Act footnote)
- 5/ Notwithstanding section 35-190, Arizona Revised Statutes, 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. (FY 2021 General Appropriation Act footnote)
- 6/ The sum of \$6,690,300 is appropriated from the election systems improvement fund established by section 41-129, Arizona Revised Statutes, in fiscal year 2019-2020 to the secretary of state to be allocated as follows:
 - 1. \$5,352,200 shall be distributed to the counties for election systems improvements. Each county shall receive \$50,000 and the remainder of the monies allocated shall be distributed to each county based on the county's population according to the 2010 United States decennial census.
 - 2. \$1,338,100 shall be used by the secretary of state for election systems improvements. Before spending the monies, the secretary of state shall submit an expenditure plan for review by the joint legislative budget committee.
 The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (FY 2021 General Appropriation Act footnote)
- 7/ Notwithstanding Laws 2019, chapter 263, section 87, the \$4,408,100 appropriated for the presidential preference election line item by Laws 2019, chapter 263, section 87 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until December 31, 2020. (FY 2021 General Appropriation Act footnote)
- 8/ The appropriation made in subsection A (referring to the \$2,616,900 FY 2020 presidential preference election supplemental) of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until December 31, 2020. (FY 2021 General Appropriation Act footnote)
- 9/ 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)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$13,347,100 and 143.1 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$12,060,300
Record Services Fund	1,286,800

FY 2022 adjustments are as follows:

Increase Records Services Appropriation

The budget includes an increase of \$47,500 from the Records Services Fund in FY 2022 for records management expenses. This increase reflects the budget providing a \$494,500 FY 2021 supplemental, which increased to \$542,000 of ongoing funding in FY 2022.

Statewide Adjustments

The budget includes a decrease of \$(355,900) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Voter Information Database

The budget includes \$192,500 from the Election Systems Improvement Fund in FY 2022 for the Arizona Voter Information Database line item. FY 2022 adjustments are as follows:

Operation and Maintenance Funding

The budget includes an increase of \$192,500 from the Election Systems Improvement Fund in FY 2022 for funding of the state's share of operation and maintenance costs for the voter registration database, which is named Access Voter Information Database (AVID).

Election Services

The budget includes no funding from the General Fund in FY 2022 for the Election Services line item. FY 2022 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(4,000,000) from the General Fund in FY 2022 to remove one-time funding of election costs.

For FY 2021, this line item included funding for the Primary Election held on August 4, 2020 and the General Election on November 3, 2020. These monies are being removed as there is no scheduled statewide election in FY 2022. This FY 2022 funding level is consistent with the 3-year spending plan associated with the enacted FY 2021 budget.

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.

Ongoing annual elections services costs are funded out of the agency's operating budget. This line item is intended only to cover variable election costs in an election year.

The Presidential Preference Election is funded in a separate line item.

HAVA - Other Help America Vote Act (HAVA) Projects

The budget includes no funding from the Election Systems Improvement Fund in FY 2022 for this line item. This amount is unchanged from FY 2021.

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.

Because this appropriation was scheduled to lapse at the end of FY 2020, the FY 2021 enacted budget included a 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.

On June 24, 2020, JLBC reviewed the FY 2021 [expenditure plan](#) for these monies, which included voter registration database development costs and county subgrants that had been delayed from FY 2020. In addition, funding was allocated to maintenance costs for the voter registration database and IT security enhancements.

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 Consolidated Appropriations Act of 2020 (December 2019 allocation) or March 2020 federal Coronavirus Aid, Relief, and Economic Security (CARES) Act COVID-19 relief legislation.

HAVA - December 2019 Grant - County Allocation

The budget includes no funding from the Election Systems Improvement Fund in FY 2022 for the HAVA - December 2019 Grant - County Allocation line item. This amount is unchanged from FY 2021.

The FY 2021 enacted budget included an FY 2020 supplemental that allocated \$5,352,200 of HAVA funding to the counties for election systems improvements. Each county received a base amount of \$50,000, with remaining monies allocated based on population according to the 2010 decennial census. Pursuant to a General Appropriation Act footnote, these monies are scheduled to lapse on June 30, 2022.

HAVA - December 2019 Grant - SOS Allocation

The budget includes no funding from the Election Systems Improvement Fund in FY 2022 for the HAVA - December 2019 Grant - SOS Allocation line item. This amount is unchanged from FY 2021.

The FY 2021 enacted budget included an FY 2020 supplemental that allocated \$1,338,100 of HAVA funding to SOS for election systems improvements, subject to JLBC review of the SOS expenditure plan. On June 24, 2020, JLBC reviewed the [expenditure plan](#) for these monies, including a provision requiring that any expenditures for a public information campaign only be made in the form of grants to county recorders for that purpose and shall be distributed as follows: \$50,000 to each of the 5 largest counties according to the 2010 decennial census and \$25,000 to each of the remaining counties. Pursuant to a General Appropriation Act footnote, these monies are scheduled to lapse on June 30, 2022.

After the enactment of the FY 2021 budget, SOS reported that in-kind spending from Maricopa County allowed Arizona to meet the 20% match requirement, giving the state access to the entire grant amount. Given that \$6,690,300 was appropriated as an FY 2020 supplemental, there is \$1,707,000 of unallocated funding from the December 2019 HAVA grant.

Presidential Preference Election (PPE)

The budget includes no funding from the General Fund in FY 2022 for the Presidential Preference Election (PPE) line item. This amount is unchanged from FY 2021.

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. The Republican Party 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.

While the FY 2021 enacted budget opted to reimburse counties at a higher rate than the statutory requirement of \$1.25 per active registered voter, the Budget Procedures Budget Reconciliation Bill (BRB) includes an intent clause stating that the appropriation and reimbursement rates for the 2020 PPE do not set a precedent for reimbursement levels of future PPEs. The next PPE will be held in FY 2024. *For more information, please see footnotes 5-9 in the FY 2021 Appropriations Report.*

Uniform State Laws Commission

The budget includes \$99,000 from the General Fund in FY 2022 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2021.

The Uniform State Laws 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 budget includes \$651,400 from the General Fund in FY 2022 for Library Grants-in-Aid. This amount is unchanged from FY 2021.

This line item funds a portion of the state maintenance of effort (MOE) 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 an MOE requirement, which is tied to the state contribution made in each of the 3 prior years.

Statewide Radio Reading Service for the Blind

The budget includes \$97,000 from the General Fund in FY 2022 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2021.

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

This section includes information on the following topics:

- FY 2021 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- COVID-19 Federal Legislation - Election Funding
- Coronavirus Relief Fund - SOS Allocation

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$494,500 from the Records Services Fund for increased costs associated with records management and storage.

In 2017, the previous administration entered into a 10-year contract with a vendor that resulted in records storage being relocated from the Records Management Center to a private facility.

The total cost of that private contract and other records services expenses for FY 2021 is projected to be \$1,239,300 compared to the originally enacted FY 2021 Records Services Fund appropriation of \$744,800.

The additional FY 2021 supplemental of \$494,500 results in a total FY 2021 Record Services Fund appropriation of \$1,239,300, which aligns with the FY 2021 annual contract costs. Beyond addressing FY 2021 costs, a General Appropriation Act footnote also permits the supplemental to cover expenses from FY 2020. *(Please see the Operating Budget for further details.)*

Statutory Changes

The Budget Procedures Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, cap the procurement exemption for the Library, Archives and Public Records at \$150,000.
- As permanent law, transfer oversight of the State Museum from the Secretary of State to Legislative Council.
- As session law, state that it is legislative intent that the Attorney General has the authority in all state election-related litigation through June 30, 2023. This authority excludes the Clean Elections Commission.
- As permanent law, require the Secretary of State and each county recorder to post on their website a list of each event that the Secretary of State's office or the recorder attends and provides voter registration services.
- As permanent law, specify the type of paper that is used for ballots.
- As session law, require the Secretary of State to request, on or before December 31, 2021, Arizona-specific guidance from the U.S. Election Assistance Commission on federal-only voter registration.
- As permanent law, require the Secretary of State to provide access to the statewide voter registration database to a person or entity that is designated by the Legislature and to the Election Integrity Unit of the Attorney General's office for the purpose of analyzing voter registration rolls. Require the Secretary of State to notify county recorders if the analysis determines there are persons registered to vote who are not eligible. Require county recorders to submit annual reports with information on federal-only voters.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SOS' General Fund costs are projected to increase by \$4,000,000 in FY 2023 above FY 2022, as funding for the Elections Services line item would be restored to \$4,000,000 for the August/November 2022 statewide Primary/General election. For FY 2024, the SOS budget would have a net increase of \$70,000: 1) The \$4,000,000 Election Services amount would be retained for the 2024 PPE; and 2) An increase of \$70,000 for a previously enacted appropriation related to the establishment of an electronic repository of state archives and documents.

In addition, prior budget legislation has delayed the implementation of the Professional Employer

Organization program until June 30, 2023, meaning the program would become active in FY 2024. Since the fund receives revenues from registration and renewal fees, the program is not currently expected to have a General Fund budget impact.

COVID-19 Federal Legislation – Election Funding

In March 2020, the CARES Act allocated \$7,842,100 in election security grants to Arizona for the purpose of preventing, preparing for, and responding to coronavirus in the FY 2020 federal election cycle. After the technical reallocation of funding by the federal Election Assistance Commission (EAC), Arizona's final allocation from the CARES Act HAVA grant was \$7,874,800.

EAC indicated these funds require a 20% state match. Under the standard HAVA guidelines, this match can be fulfilled through a direct appropriation to SOS or through eligible in-kind contributions at the state or county level.

Ultimately, these CARES Act funds were not appropriated by the Legislature and reverted back to the U.S. Treasury due to the federal legislation requiring the monies to be spent before December 31, 2020.

SOS was also allocated monies from the Coronavirus Relief Fund by the Executive in July 2020 (*see the Coronavirus Relief Fund – SOS Allocation section below*).

Coronavirus Relief Fund – SOS Allocation

As part of the state response to COVID-19, the Executive allocated monies for state agency-related programs. As of October 2020, the Executive's spending plan included \$9,449,800 from the Coronavirus Relief Fund (CRF) for pandemic-related costs associated with the FY 2020 election cycle. This amount consisted of \$1,849,800 for state costs and \$7,600,000 for county support.

SOS was also awarded \$1,500,000 from the Center for Election Innovation and Research (CEIR), which supplanted the \$1,500,000 in CRF monies allocated for public education initiatives.

No legislative appropriation is required for these monies to be spent. *Table 1* outlines actual spending of these monies as of March 31, 2021. These monies remain available for obligations incurred through December 31, 2021 (due to the extended deadline from the American Rescue Plan Act).

Table 1

**FY 2021 Elections CRF Allocation
Spending Actuals as of March 31, 2021**

	<u>FY 2021</u>
<u>State Programs</u>	
Temporary Staff	\$ 95,600
PEVL Postage/Use Tax	36,600
Poll Worker Recruitment	3,000
Voter Registration Forms	6,800
Public Education Campaign ^{1/}	<u>0</u>
<i>Subtotal – State Programs</i>	<i>\$ 142,000</i>
<u>County Assistance</u>	
PPE and Sanitation Supplies	1,032,200
Mobile Voting Units/Ballot Boxes	266,500
County Subgrants – Tribal/Rural Areas	201,300
County Subgrants – Voter Count Totals	<u>3,817,000</u>
<i>Subtotal – County Assistance</i>	<i>\$5,317,000</i>
Total	\$5,459,000

^{1/} CRF monies for this initiative were supplanted by CEIR monies.

Under the program, \$5,000,000 was allocated to counties to improve COVID-19 response efforts. Each county was eligible for a base amount of \$100,000, with the remaining monies distributed based on the county's share of registered voters as of January 2, 2020. As of March 31, 2021, the Governor's Office distributed \$3,817,000 in county subgrants. Eligible expenses included safety initiatives such as hiring temporary staff and poll workers, securing ballot drop boxes, and expanding curbside voting. Please see *Table 2* for a breakdown of each county's individual allocation, per the original grant announcement.

Table 2

**County Subgrants Distribution –
CRF Allocation**

	<u>FY 2021</u>
<u>County</u>	
Apache	\$ 145,700
Cochise	166,600
Coconino	177,500
Gila	127,500
Graham	117,100
Greenlee	104,200
La Paz	109,300
Maricopa	2,237,500
Mojave	211,000
Navajo	158,600
Pima	611,300
Pinal	295,200
Santa Cruz	123,800
Yavapai	230,400
Yuma	<u>184,300</u>
Total	\$5,000,000

State Board of Tax Appeals

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	171,800	187,400	179,000
Employee Related Expenditures	65,500	59,700	58,700
Travel - In State	100	400	400
Other Operating Expenditures	42,300	44,600	45,100
Equipment	0	100	100
AGENCY TOTAL	279,700	292,200	283,300 ^{1/}
FUND SOURCES			
General Fund	279,700	292,200	283,300
SUBTOTAL - Appropriated Funds	279,700	292,200	283,300
TOTAL - ALL SOURCES	279,700	292,200	283,300

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 budget includes \$283,300 and 4 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(8,900) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

State Board of Technical Registration

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	1,002,700	1,143,000	1,106,400
Employee Related Expenditures	442,400	488,800	465,200
Professional and Outside Services	19,000	191,600	191,600
Travel - In State	3,100	5,000	5,000
Travel - Out of State	17,200	17,200	17,200
Other Operating Expenditures	367,100	417,500	567,500
Equipment	10,200	0	0
AGENCY TOTAL	1,861,700	2,263,100	2,352,900^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Technical Registration Fund	1,861,700	2,263,100	2,352,900
SUBTOTAL - Other Appropriated Funds	1,861,700	2,263,100	2,352,900
SUBTOTAL - Appropriated Funds	1,861,700	2,263,100	2,352,900
Other Non-Appropriated Funds	53,000	0	0
TOTAL - ALL SOURCES	1,914,700	2,263,100	2,352,900

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 budget includes \$2,352,900 and 25 FTE Positions from the Technical Registration Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

One-Time Record Digitization

The budget includes a one-time increase of \$145,200 from the Technical Registration Fund in FY 2022 for record digitization.

Statewide Adjustments

The budget includes a decrease of \$(55,400) from the Technical Registration Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Office of Tourism

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,792,200	1,903,600	1,903,600
Employee Related Expenditures	662,200	667,600	564,000
Professional and Outside Services	2,553,600	2,249,100	2,249,100
Travel - In State	14,700	20,000	20,000
Travel - Out of State	111,600	114,700	114,700
Other Operating Expenditures	1,268,400	2,249,600	2,249,600
Equipment	182,900	30,500	30,500
OPERATING SUBTOTAL	6,585,600	7,235,100	7,131,500
SPECIAL LINE ITEMS			
Arizona Promotion	1,000,000	1,000,000	1,000,000
Southern Arizona Study Committee	0	0	250,000 ^{1/}
Wine Promotion	100,000	100,000	100,000
AGENCY TOTAL	7,685,600	8,335,100	8,481,500 ^{2/}
FUND SOURCES			
General Fund	7,685,600	8,335,100	8,481,500
SUBTOTAL - Appropriated Funds	7,685,600	8,335,100	8,481,500
Other Non-Appropriated Funds	16,809,400	8,776,100	8,776,100
TOTAL - ALL SOURCES	24,495,000	17,111,200	17,257,600

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/ The appropriation for the southern Arizona study committee line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, 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 budget includes \$7,131,500 and 28 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(103,600) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Promotion

The budget includes \$1,000,000 from the General Fund in FY 2022 for Arizona Promotion funding. This amount is unchanged from FY 2021.

Monies in this line item are used to fund the marketing, advertisement, and promotion of the tourism industry and tourism efforts in the state.

Southern Arizona Study Committee

The budget includes \$250,000 from the General Fund in FY 2022 for the Southern Arizona Study Committee line item. FY 2022 adjustments are as follows:

Study Committee Funding

The budget includes a one-time increase of \$250,000 from the General Fund in FY 2022 to support a study committee evaluating the impact of creating a Southern Arizona regional sports authority. (See Statutory Changes section for more information.)

Monies in this line item are to fund the costs of a study committee researching and analyzing the fiscal, economic development and other impacts of the formation of a Southern Arizona regional sports authority. Per a General Appropriation Act footnote, the funds are non-lapsing.

Wine Promotion

The budget includes \$100,000 from the General Fund in FY 2022 for Wine Promotion funding. This amount is unchanged from FY 2021.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry.

Other Issues

Statutory Changes

The Budget Procedures Budget Reconciliation Bill makes the following statutory changes:

- As session law, establish the Advisory Committee on the Formation of a Southern Arizona Regional Sports Authority.

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). General Fund appropriations and tribal gaming contributions are used for statewide tourism promotion through the Proposition 302 Maricopa County program, the agency annually distributes 90% of the AZSTA transfer to destination marketing organizations (DMOs) or not-for-profit organizations or governmental engaged in year-round marketing and tourism promotion.

In FY 2019, the most recent year not impacted by the COVID-19 pandemic, AOT's overall funding amount totaled \$23,183,500. From FY 2019 to FY 2020, AOT's funding level increased by 6.6% to \$24,727,100, despite FY 2020 fourth quarter revenue decreasing as a result of the pandemic. The agency projects overall FY 2021 funding to be \$17,011,300, representing a (31)% decrease from the previous year. AOT projects overall funding to increase to a level of \$21,757,600 in FY 2022, representing a 28% increase from FY 2021 but still below pre-pandemic revenue levels. However, economic indicators from the first quarter of FY 2021 show better recovery than initially

anticipated, suggesting the overall impact of COVID-19 on tourism revenues in FY 2021 may be overstated. (See Table 2 for additional details on agency revenue. -See the Covid-19 Pandemic narrative in the Other Issues section for additional details on the effects of the pandemic.)

Special Sporting Event Promotion

A.R.S. § 41-2308 appropriates \$1,500,000 annually 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. This appropriation is in effect from FY 2022 to FY 2051. (Please see the State Treasurer narrative for the display of the Special Sporting Event Promotion appropriation.)

COVID-Related Spending

As part of the state response to COVID-19, the Executive allocated \$7,000,000 to support the hospitality and tourism industry prior to January 2021. This amount consists of \$6,000,000 from the federal Coronavirus Relief Fund (CRF) and \$1,000,000 from the state-funded Crisis Contingency and Safety Net Fund (CCSNF). AOT will receive a total of \$4,000,000 from the CRF as part of the Executive's hospitality and tourism allocation. Of that amount, \$3,000,000 will be used to develop a promotional plan for travel, hotel and restaurant activity, and destination visiting. The remaining \$1,000,000 will be used to strengthen AOT's domestic marketing campaigns. The Arizona Commerce Authority will receive a total of \$2,000,000 from the CRF as part of the hospitality and tourism allocation. The final \$1,000,000 will be provided from the state-funded CCSNF and distributed to local Arizona chambers of commerce for programs designed to accelerate local economic recovery.

In addition to these funds the funding from the CCSNF and CRF, AOT made \$200,000 available from the agency's operating budget to further support the restaurant industry. Of the \$200,000 amount, \$100,000 will be allocated to the Arizona Lodging and Tourism Association to expand its AZSAFE+CLEAN Certification program, which helps restaurants and hotels strengthen sanitation and mitigation practices. The remaining \$100,000 will be allocated to the Arizona Restaurant Association to provide consultation to dining establishments interested in expanding their premises to increase physical distancing efforts and maximize seating capacity during the pandemic.

Since January, additional funds have also been made available to assist communities with impacted industries like Tourism:

- The American Rescue Plan (ARP) Act of 2021 (P.L. 117-2), the latest round of federal COVID-19 relief, was enacted on March 11, 2021. This includes local recovery funds that can be used by the city, town, or county that is receiving to aid impacted industries like tourism and travel.
- The state's Crisis Contingency and Safety Net Fund now allocates \$4,000,000 for Safe Outside Restaurant Assistance, to assist restaurants in safe dining. ARP included additional support for the arts, restaurants, and small businesses.

(See the COVID-Related Spending Summary at the front of this book for more information).

Auditor General Report

The Arizona Sports and Tourism Authority (AZSTA) was established as a result of voter-approved Proposition 302 in November 2000. AZSTA is responsible for the ownership and operation of State Farm Stadium in Glendale, in addition to overseeing the statutory distribution of revenues generated by Proposition 302. These monies are used to fund tourism promotion in Maricopa County, maintenance of Cactus League and spring training facilities, and Youth and Amateur Sports programs. Pursuant to Proposition 302, monies designated to promote tourism in Maricopa County are distributed by AZSTA to AOT. *(Please see Funding Sources section for additional information.)*

In November 2020, the Auditor General published an AZSTA performance audit review that included recommendations for improvements to AZSTA's statutory revenue distribution and its facility oversight practices. The audit also provided projections on AZSTA's FY 2021 revenue collection and the additional use of the cash balance in AZSTA's operational account due to a reduction in tourism revenues related to the COVID-19 pandemic. The Auditor General made the following findings:

- From FY 2015 to FY 2020, AZSTA at times distributed revenues inconsistent with statute, resulting in Youth and Amateur Sports receiving \$1,092,673 above its statutory distribution and other recipients receiving less than statutorily directed. AZSTA has since corrected this error.
- A key facility oversight practice relating to State Farm Stadium was discontinued and previous oversight efforts were not properly documented.
- From FY 2015 to FY 2020, AZSTA did not collect enough revenue to fulfill all of its monthly statutory distribution requirements.
- Data from the first quarter of FY 2021 shows a (33)% decrease in operating revenue collections compared

to the first quarter of FY 2020. As a result, AZSTA projects using approximately \$13,300,000 of the \$29,000,000 cash balance in its operational account during the remainder of FY 2021 due to decreased tourism revenue related to the COVID-19 pandemic. *(See Table 1 for AZSTA additional details on AZSTA revenue.)*

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 21 Est.</u>
Tourism-related	\$34.9	\$32.2	\$24.3
Facility-related	<u>25.2</u>	<u>24.2</u>	<u>13.1</u>
Total	\$60.1	\$56.4	\$37.4

Source: November 2020 Auditor General AZSTA Performance Audit

The audit recommended that AZSTA take additional measures to ensure that it accurately distributes revenue according to statutory requirements as well as fully implement and document existing Stadium oversight practices. The Auditor General believes these recommendations can be implemented with AZSTA's existing resources. AZSTA agreed to the auditor's recommendations.

Table 2

Office of Tourism Revenues ^{1/}

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$8,214,000	\$8,335,100	\$8,335,100
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	9,498,000 ^{2/}	4,652,800 ^{3/}	9,329,400 ^{3/}
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>7,015,100</u>	<u>4,023,400</u> ^{3/}	<u>4,093,100</u> ^{3/}
Total		\$24,727,100	\$17,011,300	\$21,757,600

^{1/} The numbers displayed represent revenues to the agency and may not correspond directly to the agencies' actual expenditure or appropriation amounts.
^{2/} Of this amount, 90% or \$8,548,200 was used to support the Proposition 302 Maricopa County program.
^{3/} The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2021 and FY 2022 are estimates provided by the Office of Tourism in September 2020 and may not capture the full impact of the COVID-19 pandemic on agency revenues.

Department of Transportation

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,554.0	4,554.0	4,554.0 ^{1/}
Personal Services	97,936,100	115,562,700	117,257,500
Employee Related Expenditures	44,436,300	53,975,200	52,532,100
Professional and Outside Services	10,796,700	8,834,700	8,834,700
Travel - In State	649,400	575,500	575,500
Travel - Out of State	175,800	175,200	175,200
Other Operating Expenditures	31,724,900	25,823,700	27,370,000
Equipment	5,431,700	7,027,100	7,027,100
OPERATING SUBTOTAL	191,150,900	211,974,100	213,772,100
SPECIAL LINE ITEMS			
Attorney General Legal Services	3,577,700	3,623,700	3,623,700 ^{2/}
Authorized Third Parties	1,988,400	2,088,400	2,104,400
Driver Safety and Livestock Control	556,600	800,000	800,000
Highway Damage Recovery Account	8,000,000	8,000,000	8,000,000
Highway Maintenance	119,662,700	145,211,300	150,220,100 ^{3/4/}
Preventive Surface Treatments	26,922,600	36,142,000	36,142,000 ^{5/}
State Fleet Operations	0	0	13,767,700 ^{6/}
State Fleet Vehicle Replacement	0	0	4,500,000
Vehicle License Tax Deposit	0	0	3,300,000
Vehicle Replacement	12,652,000	15,300,000	15,300,000
Vehicles and Heavy Equipment	17,504,200	19,167,800	19,285,200
AGENCY TOTAL	382,015,100	442,307,300	470,815,200 ^{7/-11/}
FUND SOURCES			
General Fund	0	0	3,300,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	281,000	326,000	324,500
Highway Damage Recovery Account	8,000,000	8,000,000	8,000,000
Highway User Revenue Fund	540,600	679,900	701,600
Ignition Interlock Device Fund	315,100	332,800	351,100
Motor Vehicle Liability Insurance Enforcement Fund	2,038,200	1,781,800	1,772,200
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	755,000	896,000	0
State Aviation Fund	1,786,000	2,064,800	2,014,200
State Fleet Operations Fund	0	0	13,767,700
State Highway Fund	349,306,300	406,915,000	414,704,100
State Vehicle Replacement Fund	0	0	4,500,000
Transportation Department Equipment Fund	17,504,200	19,167,800	19,285,200
Vehicle Inspection and Certificate of Title Enforcement Fund	1,488,700	2,143,200	2,094,600
SUBTOTAL - Other Appropriated Funds	382,015,100	442,307,300	467,515,200
SUBTOTAL - Appropriated Funds	382,015,100	442,307,300	470,815,200
Other Non-Appropriated Funds	34,403,300	22,795,100	22,795,100
Federal Funds	29,218,000	73,481,300	70,604,200
TOTAL - ALL SOURCES	445,636,400	538,583,700	564,214,500

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

FOOTNOTES

- 1/ Includes 1,152 OF FTE Positions funded from Special Line Items in FY 2022.
- 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/ Of the total amount appropriated, \$150,220,100 in fiscal year 2021-2022 for highway maintenance is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the state highway fund established by section 28-6991, Arizona Revised Statutes, on August 31, 2022. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ In accordance with section 35-142.01, Arizona Revised Statutes, 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 section 28-6994, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ The amount appropriated to the preventive surface treatments line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the state highway fund established by section 28-6991, Arizona Revised Statutes, on August 31, 2022. (General Appropriation Act footnote)
- 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/ Of the total amount appropriated, the department of transportation shall pay \$15,981,300 in fiscal year 2021-2022 from all funds to the department of administration for its risk management payment. (General Appropriation Act footnote)
- 8/ 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, 2022 for fiscal year 2021-2022. (General Appropriation Act footnote)
- 9/ On or before February 1, 2022, the Arizona strategic enterprise technology office shall submit, on behalf of the department of transportation, an annual progress report to the joint legislative budget committee staff. The annual report shall provide updated plans for spending the department-dedicated portion of the authorized third-party electronic service partner's fee retention on the motor vehicle modernization project in fiscal year 2021-2022, 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)
- 10/ On or before August 1, 2021, 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 include the amount spent by the ServiceArizona vendor on behalf of this state in the prior fiscal year and a list of the projects funded with those monies. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$213,772,100 and 3,402 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
Air Quality Fund	\$324,500
Highway User Revenue Fund	492,000
Ignition Interlock Device Fund	351,100
Motor Vehicle Liability Insurance Enforcement Fund	1,672,300
State Aviation Fund	2,014,200
State Highway Fund	206,916,600
Vehicle Inspection and Certificate of Title Enforcement Fund	2,001,400

FY 2022 adjustments are as follows:

Enterprise Cloud Migration

The budget includes an increase of \$863,000 from the State Highway Fund in FY 2022 to cover the costs of migrating the department's IT applications and data to the state cloud.

License Plate Production Funding

The budget includes an increase of \$495,400 from the State Highway Fund in FY 2022 for increased license plate production costs. The department updated their equipment which will use higher quality material, resulting in an increased production cost of \$2.17 per plate to \$2.51 per plate.

Named Claimants

The budget includes a decrease of \$(121,140.92) from the State Highway Fund in FY 2022 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants discussion in ADOA Other Issues.)*

Safety Enforcement and Transportation Infrastructure Fund Repeal

The budget includes a decrease of \$(336,000) from the Safety Enforcement and Transportation Infrastructure Fund (SETIF) in FY 2022 and a corresponding increase of \$336,000 from the State Highway Fund in FY 2022 due to the repeal of SETIF in the Transportation Budget Reconciliation Bill (BRB). SETIF has experienced a decline in revenues from short-term permits as a result of innovations in the trucking industry.

Salary Increase

The budget includes an increase of \$6,134,900 in FY 2022 for an employee salary increase. This amount consists of:

Highway User Revenue Fund	4,600
Ignition Interlock Device Fund	29,400
Motor Vehicle Liability Insurance Enforcement Fund	41,700
State Highway Fund	6,043,800
Vehicle Inspection and Certificate of Title Enforcement Fund	15,400

The budget funds an average 9% salary increase for a variety of positions in the following categories: customer service representative, insurance analyst and recovery specialist, procurement, auditor, equipment services, highway operations technicians, signal/light/electrical technicians, transportation construction technician, and transportation engineering specialist.

Secondary Call Center

The budget includes an increase of \$253,800 from the State Highway Fund in FY 2022 for the continuation of a secondary prison call center. The call center, which was created in response to the increased MVD call volumes during the COVID-19 pandemic, assists the MVD in level 1 calls (basic inquiries when no personal information is collected).

Statewide Adjustments

The budget includes a decrease of \$(5,828,000) in FY 2022 for statewide adjustments. This amount consists of:

Air Quality Fund	(1,500)
Highway User Revenue Fund	13,700
Ignition Interlock Device Fund	(11,100)
Motor Vehicle Liability Insurance Enforcement Fund	(49,000)

State Aviation Fund	(50,600)
State Highway Fund	(5,662,700)
Vehicle Inspection and Certificate of Title Enforcement Fund	(66,800)

(Please see the Agency Detail and Allocations section.)

Attorney General Legal Services

The budget includes \$3,623,700 from the State Highway Fund in FY 2022 for Attorney General Legal Services. This amount is unchanged from FY 2021.

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 budget includes \$2,104,400 and 20 FTE Positions in FY 2022 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	209,600
Motor Vehicle Liability Insurance Enforcement Fund	99,900
State Highway Fund	1,701,700
Vehicle Inspection and Certificate of Title Enforcement Fund	93,200

FY 2022 adjustments are as follows:

Salary Increase

The budget includes an increase of \$73,900 in FY 2022 for an employee salary increase. This amount consists of:

Highway User Revenue Fund	4,300
State Highway Fund	64,400
Vehicle Inspection and Certificate of Title Enforcement Fund	5,200

Statewide Adjustments

The budget includes a decrease of \$(57,900) in FY 2022 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	(900)
Motor Vehicle Liability Insurance Enforcement Fund	(2,300)
State Highway Fund	(52,300)
Vehicle Inspection and Certificate of Title Enforcement Fund	(2,400)

This line item funds the oversight of authorized third-parties (ATPs). The oversight includes 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 2020, ATPs retained \$21,971,000 in fees that otherwise would have been deposited to HURF and \$28,633,000 in fees that otherwise would have been deposited to SHF. *(Please see Table 6 in the ADOT Capital Outlay section for more detail.)*

Driver Safety and Livestock Control

The budget includes \$800,000 from the State Highway Fund in FY 2022 for Driver Safety and Livestock Control. This amount is unchanged from FY 2021.

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 budget includes \$8,000,000 from the Highway Damage Recovery Account in FY 2022 for the Highway Damage Recovery Account. This amount is unchanged from FY 2021.

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 budget includes \$150,220,100 and 932 FTE Positions from the State Highway Fund in FY 2022 for Highway Maintenance. FY 2022 adjustments are as follows:

Highway Maintenance Additional Lane Miles

The budget includes an increase of \$3,284,500 from the State Highway Fund in FY 2022 for maintenance of new lane miles across the state. This funding will cover the cost of 104 new lane miles added in FY 2020 and 142 new lane miles added in FY 2021.

Safety Enforcement and Transportation Infrastructure Fund Repeal

The budget includes a decrease of \$(560,000) from the Safety Enforcement and Transportation Infrastructure Fund (SETIF) in FY 2022 and a corresponding increase of \$560,000 from the State Highway Fund in FY 2022 due to the repeal of SETIF.

Salary Increase

The budget includes an increase of \$3,336,900 from the State Highway Fund in FY 2022 for an employee salary increase.

South Mountain Loop 202 Maintenance Costs

The budget includes an increase of \$669,700 from the State Highway Fund in FY 2022 for maintenance of new lane miles for the new South Mountain Loop 202 freeway that was opened 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.

This funding covers the full cost of maintenance, while also adjusting for inflation. ADOT's previous estimated cost for maintenance for the full year failed to include some categories, and this funding makes up the difference.

Statewide Adjustments

The budget includes a decrease of \$(2,282,300) from the State Highway Fund in FY 2022 for statewide adjustments.

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 \$150,220,100 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$13,374,000 available in FY 2022 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Preventive Surface Treatments

The budget includes \$36,142,000 from the State Highway Fund in FY 2022 for Preventive Surface Treatments. This amount is unchanged from FY 2021.

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 \$16,000,000 in Federal Funds available for treatments.

State Fleet Operations

The budget includes \$13,767,700 from the State Fleet Operations Fund in FY 2022 for a new State Fleet Operations line item. FY 2022 adjustments are as follows:

State Fleet Operations Line Item

The budget includes an increase of \$13,767,700 from the State Fleet Operations Fund in FY 2022 for a new State Fleet Operations line item.

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. *(For more detail see State Motor Vehicle Fleet Transfer in the Other Issues section.)*

State Fleet Vehicle Replacement

The budget includes \$4,500,000 from the State Vehicle Replacement Fund in FY 2022 for a new State Fleet

Vehicle Replacement line item. FY 2022 adjustments are as follows:

State Fleet Vehicle Replacement Line Item

The budget includes an increase of \$4,500,000 from the State Vehicle Replacement Fund in FY 2022 for a new State Fleet Vehicle Replacement line item.

The line item funds the replacement of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets. *(For more detail see State Motor Vehicle Fleet Transfer in the Other Issues section.)*

Vehicle License Tax Deposit

The budget includes \$3,300,000 from the General Fund in FY 2022 for a new Vehicle License Tax Deposit line item. FY 2022 adjustments are as follows:

One-Time Vehicle License Tax Deposit

The budget includes an increase of \$3,300,000 from the General Fund in FY 2022 for a one-time Vehicle License Tax deposit.

A provision in the Transportation BRB permits any business engaged in renting vehicles to use monies collected from their 2021 rental vehicle surcharge to reimburse the amount of vehicle license tax imposed on rental vehicles in 2020 and 2021. The line item funds the deposit of General Fund monies into the special distribution of Vehicle License Tax revenues to offset the loss of 2021 excess rental surcharge revenues as a result of the new provision.

Vehicle Replacement

The budget includes \$15,300,000 from the State Highway Fund in FY 2022 for Vehicle Replacement. This amount is unchanged from FY 2021.

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. Through FY 2020, ADOT has expended \$12,480,100 of these funds.

Vehicles and Heavy Equipment Maintenance

The budget includes \$19,285,200 and 200 FTE Positions from the Transportation Department Equipment Fund in FY 2022 for Vehicles and Heavy Equipment. FY 2022 adjustments are as follows:

Salary Increase

The budget includes an increase of \$587,400 from the Transportation Department Equipment Fund in FY 2022 for an employee salary increase.

Statewide Adjustments

The budget includes a decrease of \$(470,000) from the Transportation Department Equipment Fund in FY 2022 for statewide adjustments.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

Other Issues

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$121,140.92 from the State Highway Fund for a one-time named claimants appropriation. *(Please see the Operating Budget section for further details.)*

Statutory Changes

The Transportation BRB makes the following statutory changes:

- As permanent law, repeal the Department of Public Safety (DPS) and ADOT Safety Enforcement and Transportation Infrastructure Funds on July 1, 2021. The remaining balances and subsequent revenue would be deposited to the State Highway Fund and State Highway Patrol Fund.
- As permanent law, establish the State Vehicle Replacement Fund consisting of monies deposited pursuant to a fee schedule set by ADOT to charge agencies for replacing and purchasing vehicles and equipment. The fund is subject to appropriation and exempt from lapsing provisions.
- As permanent law, require ADOT to submit an annual report to the Joint Legislative Budget Committee and Governor's Office of Strategic Planning and Budgeting on October 1 on the amount of monies in each agency subaccount, the number of vehicles being replaced, the number of vehicles at each agency, the

replacement lifecycle for each vehicle, and the number of vehicles identified as not requiring replacement.

- As permanent law, establish the State Fleet Operations Fund consisting of monies deposited pursuant to fee schedule set by ADOT for maintenance of vehicles and equipment. The fund would be subject to appropriation for the purpose of operating and maintaining the motor fleet and exempt from lapsing provisions.
- As permanent law, dismiss a violation for driving without registration or license plates if the person obtains the appropriate registration after the violation but before their court date.
- As permanent law, increase the daily storage fee for an impounded vehicle from \$15 to \$25.
- As permanent law, decrease the mandatory impoundment period for a vehicle from 30 days to 20 days.
- As permanent law, allow passengers in a vehicle other than the spouse to take possession of a vehicle rather than having it towed.
- As permanent law, repeal statutory provisions in ARS § 28-9401 and ARS § 28-9402 which require railroads to submit information to ADOT on major rail projects and create a freight advisory council within ADOT.
- As permanent law, prohibit the department from charging the highway safety fee to any vehicle registrations that take effect starting in July 2021 moving forward. Any issuance of the highway safety fee from July 2021 moving forward will be refunded to the customer.
- As session law, allow any business engaged in renting vehicles to use monies collected from their 2021 rental vehicle surcharge to reimburse the amount of vehicle license tax imposed on rental vehicles in 2020 and 2021.

Fund Transfers

The budget includes a \$1,220,800 fund transfer from the Highway Expansion and Extension Loan Program (HELP) fund to Federal Funds. The HELP program, which allows localities to exchange federal transportation dollars with State Highway Fund monies, is currently inactive subsequent to the onset of the COVID-19 pandemic. The fund transfer will assist the department in cash flow issues with paying transit grants to vendors or sub recipients as a result of the influx of Coronavirus Aid, Relief, and Economic Security (CARES) Act transit monies.

The budget also includes the following transfers from this agency's funds to the DES Sexual Violence Services Fund in FY 2022:

Motor Vehicle Liability Insurance Enforcement Fund	247,800
Vehicle Inspection and Certificate of Title Enforcement Fund	565,400

State Motor Vehicle Fleet Transfer

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 the Arizona Department of Administration (ADOA) to operate the state motor vehicle fleet. 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 6, 2020, 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 4 statutes be repealed and redrafted and 3 additional statutes be conformed.

The FY 2021 Budget Procedures BRB included a provision that delayed the effective date of the Motor Vehicle Pool Consolidation Fund to July 1, 2021. In the meantime, ADOT and ADOA operated under an intergovernmental agreement under which ADOA collected revenues from agencies in the fleet and sent the collections to ADOT to manage the fleet.

The ADOA motor vehicle fleet consists of both a long-term "extended dispatch" and a daily rental system operated under a third-party vehicle rental company. Vehicles included in the extended dispatch system include vehicles that agencies lease from ADOA for their own long-term agency use. The extended dispatch includes the following agencies: Auditor General, ADOA Facilities Management, the Judiciary, Department of Education, Arizona Department of Agriculture, Department of Environmental Quality, State Mine Inspector, Arizona State Parks Board, and the School Facilities Board. The extended dispatch fleet of vehicles are being transferred to ADOT. The fleet does not include vehicles at the Department of Child Safety, State Department of Corrections, Department of Economic Security, Department of Public Safety, Universities and Community Colleges, Arizona State Schools for the Deaf and the Blind, Cotton Research and Protection Council, Arizona Commerce Authority, or ADOT, all of which operate their own fleets. The daily

rental system is available to all state agencies and is typically used by those with occasional transportation needs. The operation of the daily rental system is also being transferred to ADOT.

The FY 2022 Transportation BRB transfers the control of the state fleet from the Arizona Department of Administration (ADOA) to ADOT. The bill also creates a new State Fleet Operations Fund and State Vehicle Replacement Fund, consisting of revenues from fees paid by participating agencies, to cover the cost of maintaining and replacing fleet vehicles.

The FY 2022 Transportation BRB further repeals the Motor Vehicle Pool Revolving Fund and the Motor Vehicle Pool Consolidation Fund and transfers the remaining balances from the funds to the State Vehicle Replacement Fund. The bill also transfers the remaining balance from the department's Interagency Service Agreement Fund, which has been used to fund state fleet operations during the transition period, to the State Fleet Operations Fund.

In addition, the FY 2022 Transportation BRB requires ADOT to submit an annual report to JLBC and OSPB on the state fleet operations in the prior year. Specifically, the report shall include amount of monies in each agency subaccount, the number of vehicles being replaced, the number of vehicles at each agency, the replacement lifecycle for each vehicle, and the number of vehicles identified as not requiring replacement.

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.

In February 2020, ADOT informed the Information Technology Authorization Committee that the department planned to increase the project budget from \$57,632,900 to \$63,108,000 to add driver's license security measures. At its April 2020 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 by July 31, 2021. By the completion of the project in June 2020, \$62,812,100 had been spent on the project out of the \$63,108,000 budget.

The project was officially completed on June 30, 2020. 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 on December 31, 2021, ADOT will enter into a new agreement. ADOT has stated they plan to continue improvements and enhancements to the MvM project beyond June 2020 using the ServiceArizona fee retention, however no additional expenditures are currently anticipated for the project. The ServiceArizona fee retention will also be used for maintenance, operations and support expenses of AZ MVD Now.

The budget includes a footnote which would require ASET, on behalf of ADOT, to submit an annual progress report to the JLBC Staff.

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 May 3, 2023.

Special Plates

For more information, please see the [Special License Plates](#) program summary on the JLBC website.

State Treasurer

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	34.4	34.4	35.4
Personal Services	2,212,900	2,282,600	2,506,800
Employee Related Expenditures	769,100	955,500	817,700
Professional and Outside Services	14,200	19,300	19,300
Travel - In State	2,200	7,500	7,500
Travel - Out of State	2,700	20,000	20,000
Other Operating Expenditures	341,000	480,800	482,500
Equipment	42,400	35,000	35,000
OPERATING SUBTOTAL	3,384,500	3,800,700	3,888,800
SPECIAL LINE ITEMS			
Election Integrity Fund Deposit	0	0	12,000,000 ^{1/}
Justice of the Peace Salaries	1,002,400	1,205,100	1,205,100
Law Enforcement/ Boating Safety Fund Grants	2,183,800	2,183,800	2,183,800
Rural County Interoperability Communication System	0	0	1,500,000 ^{2/}
School Safety Program	0	0	2,500,000 ^{3/}
Special Sporting Event Promotion	0	0	1,500,000 ^{4/}
AGENCY TOTAL	6,570,700	7,189,600	24,777,700 ^{5/ 6/}
FUND SOURCES			
General Fund	1,002,400	1,548,800	15,010,200
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	0	0	2,500,000
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	2,183,800
School Safety Interoperability Fund	0	0	1,500,000
State Treasurer Empowerment Scholarship Account Fund	304,400	0	0
State Treasurer's Operating Fund	3,080,100	3,457,000	3,583,700
SUBTOTAL - Other Appropriated Funds	5,568,300	5,640,800	9,767,500
SUBTOTAL - Appropriated Funds	6,570,700	7,189,600	24,777,700
Other Non-Appropriated Funds	3,600,000	3,600,000	3,600,000
TOTAL - ALL SOURCES	10,170,700	10,789,600	28,377,700

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/ Laws 2021, Chapter 405 appropriated \$12,000,000 from the General Fund for deposit into the Election Integrity Fund. This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (Budget Procedures Budget Reconciliation Bill footnote)
- 2/ The monies appropriated in the rural county interoperability communication system line item may be spent for an interoperability communication system that:
 1. Enables the deployment of secure, multimedia data communications system to a user base consisting of public safety agencies.
 2. Provides a communications solution environment that allows for identifying system users' identity, location and operational status during an incident, secure text messaging and file sharing to all users involved in an incident, secure sharing of collaborative maps, building floor plans and images, integrating manually activated panic alarm

systems that, when activated, establish direct collaboration between public safety agencies, using multiple forms of real-time communications and information collaboration, including voice and full-motion video sharing, during an incident.

3. Is capable of being deployed to end users on existing communication assets owned by participating entities.
4. Allows each participating entity to maintain discretionary real-time control of all communications assets owned or operated by the entity.
5. Encrypts all media communications.
6. Ensures staff privacy.
7. Is United States department of homeland security safety act certified qualified antiterrorism technology.
8. Is compatible with federal emergency management agency interoperable gateway systems for disaster communications.

Of the amount appropriated to the rural county interoperability communication system line item, \$1,500,000 shall be distributed in fiscal year 2021-2022 for costs associated with implementing an interoperable communications sharing platform for public safety needs as follows:

1. Gila county sheriff	\$430,540
2. Graham county sheriff	\$224,930
3. Greenlee county sheriff	\$189,338
4. Pinal county sheriff	\$655,192

On or before November 1, 2021, November 1, 2022 and November 1, 2023, the Gila county sheriff, Graham county sheriff, Greenlee county sheriff and Pinal county sheriff shall submit a report to the joint legislative budget committee of all expenditures made from the rural county interoperability communication system line item in the preceding fiscal year. (General Appropriation Act footnote)

- 3/ The amount appropriated in the school safety program line item in fiscal year 2021-2022 shall be deposited in the school safety interoperability fund established by section 41-1733, Arizona Revised Statutes, and shall be distributed as follows:
 1. Maricopa county sheriff \$2,100,000
 2. Mohave county sheriff \$100,000
 3. Yavapai and Navajo county sheriffs \$300,000 (General Appropriation Act footnote)
- 4/ A.R.S. § 41-2308 annually appropriates \$1,500,000 from the General Fund for Special Sporting Event Promotion. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 6/ On or before June 30, 2022, 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 sections 35-315 and 35-318, Arizona Revised Statutes, 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)

Operating Budget

The budget includes \$3,888,800 and 35.4 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$305,100
State Treasurer's Operating Fund	3,583,700

FY 2022 adjustments are as follows:

PCI Compliance Officer

The budget includes an increase of \$123,600 and 1 FTE Position from the State Treasurer's Operating Fund in FY 2022 for a Payment Card Industry Compliance Officer. This position is intended to conduct internal audits of the Treasurer's Payment Card Industry Data Security Standards and to assist other agencies with their Data Security Standards.

Statewide Accountant Parity Increase

The budget includes an increase of \$100,600 from the State Treasurer's Operating Fund in FY 2022 for a statewide accountant parity increase. This would allow for the accountant positions at the Treasurer's Office to be reclassified as statewide accountants and provide funding for the 10% salary increase related to the reclassification of those positions.

Statewide Adjustments

The budget includes a decrease of \$(136,100) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(38,600)
State Treasurer's Operating Fund	(97,500)

(Please see the Agency Detail and Allocations section.)

Election Integrity Fund Deposit

The Budget Procedures Budget Reconciliation Bill (BRB) BRB appropriates \$12,000,000 from the General Fund in FY 2022 for the Election Integrity Fund Deposit. FY 2022 adjustments are as follows:

One-Time Fund Deposit

The budget includes an increase of \$12,000,000 from the General Fund in FY 2022 for a one-time deposit to the Election Integrity Fund. This appropriation was included in the FY 2022 Budget Procedures BRB.

The FY 2022 Budget Procedures BRB established the Election Integrity Fund, which is administered by the State Treasurer and distributes funding based on applications from county recorders. Monies in the fund are used to pay county recorders for voter education expenses and election security measures, including tabulation equipment, cybersecurity, and postelection hand tabulation efforts.

Justice of the Peace Salaries

The budget includes \$1,205,100 from the General Fund in FY 2022 for Justice of the Peace (JP) salaries. This amount is unchanged from FY 2021.

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 budget includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2022 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2021.

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 2020 and year-to-date FY 2021 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 2020	FY 2021 Thru Oct 26th
Apache	\$ 83,900	\$ 38,200
Coconino	214,000	97,500
Gila	14,500	69,800
La Paz	309,600	141,000
Maricopa	358,300	163,300
Mohave	413,200	208,000
Navajo	27,500	12,500
Yuma	<u>153,100</u>	<u>69,100</u>
Total	\$1,574,100	\$799,400

Rural County Interoperability Communication System

The budget includes \$1,500,000 from the School Safety Interoperability Fund in FY 2022 for the Rural County Interoperability Communication System line item. FY 2022 adjustments are as follows:

One-Time Funding Allocation

The budget includes an increase of \$1,500,000 from the School Safety Interoperability Fund in FY 2022 for the Rural County Interoperability Communication System one-time funding allocation. Pursuant to a General Appropriation Act footnote, these monies are distributed as follows: Gila County Sheriff - \$430,540, Graham County Sheriff - \$224,930, Greenlee County Sheriff - \$189,338, Pinal County Sheriff - \$655,192.

Monies in this line item are used for rural county interoperability communication systems that meet certain requirements, including using multiple forms of real-time communications and video sharing during a public safety incident.

School Safety Program

The budget includes \$2,500,000 from the Arizona Highway Patrol Fund in FY 2022 for the School Safety Program line item. FY 2022 adjustments are as follows:

One-Time Funding Allocation

The budget includes an increase of \$2,500,000 from the Arizona Highway Patrol Fund in FY 2022 for the School Safety Program one-time funding allocation. Pursuant to a General Appropriation Act footnote, these monies are distributed as follows: Maricopa County Sheriff - \$2,100,000, Mohave County Sheriff - \$100,000, Yavapai and Navajo County Sheriffs - \$300,000.

Monies in this line item are distributed to county sheriffs to be used for school safety programs which enable the deployment of a secure, multimedia data communications system to a user base consisting of public safety agencies and public schools. Among other requirements, the communications system must provide for the sharing of text messaging, images, voice audio, full-motion video, files, maps and building floor plans.

Special Sporting Event Promotion

The budget includes \$1,500,000 from the General Fund in FY 2022 for Special Sporting Event Promotion funding. FY 2022 adjustments are as follows:

Begin Multi-Year Appropriation

The budget includes an increase of \$1,500,000 from the General Fund in FY 2022 for the new Special Sporting Event Promotion line item. A.R.S. § 41-2308 annually appropriates \$1,500,000 from the General Fund to the State Treasurer for distribution to the Office of Tourism if certain conditions are met. This appropriation is in effect between FY 2022 and FY 2051 for a total of \$45,000,000.

Monies in this line item are used to promote an auto racing sporting event. The Office of Tourism is required 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. Because this authorization is in permanent statute, the appropriation amount is not included in the General Appropriation Act.

Prior to the release of any monies, statute required an eligible auto racing sporting event to spend at least \$100,000,000 on land acquisitions, construction, improvements, or renovations of their facilities between calendar years 2017-2020.

In November 2016, the parent company of Phoenix International Raceway (PIR), International Speedway Corporation, announced plans to make \$178,000,000 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.

Once these investments were made, statute required the JLBC to certify that the eligible auto racing sporting event spent at least the \$100,000,000 required amount. JLBC certified the spending level at its June 2019 meeting. Under statute, the Treasurer is then authorized to distribute the \$1.5 million annually starting in FY 2022.

Other Issues

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

- As permanent law, establish the Election Integrity Fund consisting of legislative appropriations. The Treasurer shall administer the fund. Monies may only be used to pay county recorders for voter education expenses and election security measures, including tabulation equipment, cybersecurity, and postelection hand tabulation efforts. Based upon applications from the county recorders, the Treasurer shall make payments from the fund.

The Criminal Justice BRB makes the following statutory changes:

- As permanent law, change the name of the Public Safety Interoperability Fund to the School Safety Interoperability Fund and shift the administrative control of the fund from the Department of Public Safety to the Treasurer.

The Health BRB makes the following statutory changes:

- As permanent law, require the State Treasurer to submit an annual September 1 report to the JLBC and the Governor's Office of Strategic Planning and Budgeting on monies distributed from the Smart and Safe Arizona Fund to agencies for the administrative costs of implementing the provisions of Proposition 207. The report will include actual distributions from the prior fiscal year and estimated distributions for the current fiscal year.

The K-12 Education BRB makes the following statutory changes:

- As permanent law, require the State Treasurer to submit an annual September 1 report to the JLBC and the Governor's Office of Strategic Planning and Budgeting on monies distributed from the Student Support and Safety Fund and Career Training and Workforce Fund to agencies for the administrative

costs of implementing the provisions of Proposition 208. The report will include actual distributions from the prior fiscal year and estimated distributions for the current fiscal year.

Peace Officer Training Equipment Fund

Laws 2018, Chapter 312 created the Peace Officer Training Equipment Fund, and made one-time non-lapsing appropriations to the Department of Public Safety and the Supreme Court in FY 2019. The State Treasurer administers the fund and disburses the monies to the recipients. *(Please see the Department of Public Safety section and Supreme Court section for more information.)*

Proposition 207 – Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax and is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the State Treasurer receives a self-determined amount from the fund to administer the Smart and Safe Arizona Fund. The Treasurer's Office has not yet provided a cost estimate to fulfill the initiative's requirements. *(Please see the Department of Health Services - Other Issues Section for more information.)*

Proposition 208 – Education Funding

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund, which is used by state agencies to carry out certain requirements of the initiative. Before any distributions are made from the fund, the State Treasurer receives a self-determined amount from the fund to administer the Student Support and Safety Fund. The Treasurer's Office has not yet provided a cost estimate to fulfill the initiative's requirements. *(Please see the Department of Education - Other Issues Section for more information.)*

Governor's Office on Tribal Relations

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	35,400	33,300	31,800
Employee Related Expenditures	12,100	13,600	13,400
Travel - In State	1,100	500	500
Other Operating Expenditures	12,900	17,300	17,800
AGENCY TOTAL	61,500	64,700	63,500 ^{1/}
FUND SOURCES			
General Fund	61,500	64,700	63,500
SUBTOTAL - Appropriated Funds	61,500	64,700	63,500
Other Non-Appropriated Funds	35,500	20,200	20,200
TOTAL - ALL SOURCES	97,000	84,900	83,700

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 budget includes \$63,500 and 3 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(1,200) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Board of Regents

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,486,000	1,632,100	1,556,700
Employee Related Expenditures	508,900	594,800	591,400
Professional and Outside Services	33,700	75,500	75,500
Other Operating Expenditures	373,100	181,300	196,100
Equipment	1,300	1,600	1,600
OPERATING SUBTOTAL	2,403,000	2,485,300	2,421,300
SPECIAL LINE ITEMS			
Adaptive Athletics	160,000	160,000	160,000 ^{1/}
Arizona Promise Program	0	0	7,500,000
Arizona Teachers Academy	14,997,400	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	300,000	300,000 ^{2/}	300,000 ^{3/}
Western Interstate Commission Office	153,000	153,000	153,000
WICHE Student Subsidies	4,078,000	4,078,000	4,078,000
AGENCY TOTAL	22,395,100	22,480,000	29,916,000 ^{4/5/6/}
FUND SOURCES			
General Fund	22,395,100	22,480,000	29,916,000
SUBTOTAL - Appropriated Funds	22,395,100	22,480,000	29,916,000
Other Non-Appropriated Funds	7,644,400	8,751,100	8,751,100
Federal Funds	250,000	6,000,000	6,000,000
TOTAL - ALL SOURCES	30,289,500	37,231,100	44,667,100

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 the 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 appropriation made by Laws 2020, chapter 58, section 90 for the Washington, D.C. internships line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (General Appropriation Act footnote)
- ^{3/} The Arizona board of regents shall distribute monies appropriated for Washington, D.C. internships in equal amounts to each of the three universities under the jurisdiction of the board to provide full-time students with student internships in Washington, D.C. in partnership with a third-party organization. The Arizona board of regents shall reallocate any monies that are unspent on March 15, 2022 and shall make the monies available to any full-time student enrolled at a university under the jurisdiction of the board to provide student internships in Washington, D.C. The third-party organization must meet the following requirements:

1. Have partnerships with Washington, D.C.-based organizations to provide full-time, semester-long student internships.
 2. Provide at least one academic course and a full-time internship schedule Monday through Thursday each week throughout the duration of student internships.
 3. Have the ability to place as many students in internships as needed by the universities.
 4. Have experience placing students in internships for at least ten consecutive years.
 5. Have dedicated staff to ensure that student interns have access to internships in their areas of interest.
 6. Have fully furnished housing available for student interns. (General Appropriation Act footnote)
- 4/ Within ten 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)
- 5/ 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)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,421,300 and 25.9 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(64,000) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Adaptive Athletics

The budget includes \$160,000 from the General Fund in FY 2022 for Adaptive Athletics. This amount is unchanged from FY 2021.

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 2021.

Arizona Promise Program

The budget includes \$7,500,000 from the General Fund in FY 2022 for the Arizona Promise Program. FY 2022 adjustments are as follows:

New Program

The budget includes an increase of \$7,500,000 from the General Fund in FY 2022 to fund the Arizona Promise Program. The program was established by the FY 2022 Higher Education Budget Reconciliation Bill (BRB) to provide financial assistance to full-time university students who meet certain requirements. Monies for the program are deposited to the Arizona Promise Program Fund and up to 3% of the monies can be used to pay for marketing and administration expenses.

Arizona Teachers Academy

The budget includes \$15,000,000 from the General Fund in FY 2022 for the Arizona Teachers Academy. This amount is unchanged from FY 2021.

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.

Monies appropriated in this line item are deposited to the Arizona Teachers Academy Fund. ABOR provides centralized administrative processes for the academy, including distributing appropriated monies to eligible postsecondary institutions.

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
General Fund	\$15,000,000	\$15,000,000	\$15,000,000
CARES Act GEERF	6,000,000	-	-
Proposition 207	15,000,000	-	-
Proposition 208	-	-	<u>24,808,800</u>
Total	\$36,000,000	\$15,000,000	\$39,808,800

The Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Governor's Emergency Education Relief Fund (GEERF) to states as part of the federal COVID-19 response. Monies received by the state are distributed to education-related entities at the Governor's discretion and are required to be allocated within one year of receipt. The Governor's Office allocated \$6,000,000 from GEERF to ABOR for the Arizona Teachers Academy. The CARES Act requires these monies to be obligated by September 30, 2022.

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative includes a one-time transfer of \$15,000,000 from the Medical Marijuana Fund to the Arizona Teachers Academy Fund. (See the *Department of Health Services section for additional information.*)

Proposition 208, approved by voters in the November 2020 general election, established the Student Support and Safety Fund, which receives monies from a 3.5% income tax surcharge for taxable income in excess of \$250,000 for single taxpayers and \$500,000 for married persons. After monies in the fund are used by state agencies for administrative costs of the initiative, ABOR receives a distribution of 3% from the fund. In the first full year of implementation, ABOR is estimated to receive a distribution of \$24,808,800. This distribution is likely to occur in FY 2023. (Please see the *Department of Education - Other Issues Section for more information.*)

Statute previously set annual award amounts at \$10,000 for graduate students, \$5,000 for undergraduate students, \$3,000 for community college students, and \$2,500 for national board certification students. Proposition 208 eliminates these award amounts and allows awards up to the actual cost of tuition and fees after all other aid is received for both resident and non-resident students. As a result, non-resident students who were previously limited to awards of \$5,000 for undergraduate programs and \$10,000 for graduate programs may become eligible for awards that will cover a

more significant portion of their tuition and fee costs. The initiative also eliminates a requirement that the appropriation for the academy be reduced each fiscal year by the amount of monies remaining in the fund at the end of the prior fiscal year.

Prior to voter approval of Proposition 208, the Legislature enacted Laws 2020, Chapter 85, which amended the program to allow academy graduates to fulfill their service commitment by teaching in schools primarily serving public school students with disabilities, require universities to admit freshman and sophomore students to the academy, add accelerated models for teachers who are currently teaching dual enrollment courses, and allow colleges that are owned, operated or chartered by an Indian tribe to participate in the academy. Since these changes were not included in the ballot initiative, there were 2 different versions of the Arizona Teachers Academy statute. Laws 2021, Chapter 43 combines the initiative changes with the Laws 2020, Chapter 85 changes and repeals the other version of the statute.

Including the base appropriation of \$15,000,000 from the General Fund, total Arizona Teachers Academy resources will be approximately \$36,000,000 in FY 2021 and \$15,000,000 in FY 2022. The academy will receive approximately \$39,808,800 on an ongoing basis beginning in FY 2023 (see *Table 1*).

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.

In FY 2020, 2,707 students were enrolled in the academy, of which 1,748 are undergraduate students, 292 are graduate students, 327 are community college post-baccalaureate students, 340 are teachers seeking a national board certification. The entire \$15,000,000 appropriation was spent in FY 2020, with \$14,550,000 being used for scholarships and \$450,000 being used for marketing and administrative expenses.

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2022 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2021.

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 budget includes \$213,700 from the General Fund in FY 2022 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2021.

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 contribute \$277,200 to the system each year. The 3 state universities also contribute a combined \$277,200 to the system each year.

Washington, D.C. Internships

The budget includes \$300,000 from the General Fund in FY 2022 for Washington, D.C. Internships. This amount is unchanged from FY 2021.

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 budget includes \$153,000 from the General Fund in FY 2022 for the Western Interstate Commission Office. This amount is unchanged from FY 2021.

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 budget includes \$4,078,000 from the General Fund in FY 2022 for WICHE student subsidies. This amount is unchanged from FY 2021.

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 2020, ABOR provided subsidies to 166 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
- FY 2022 27th Pay Period Funding
- Commission for Postsecondary Education Transfer
- Land Trust Funds
- Arizona Financial Aid Trust
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- One-Time Funding
- COVID-Related Spending
- University System Summary Tables

Statutory Changes

The FY 2022 Higher Education BRB makes the following statutory changes:

- As session law, continues to suspend the statutory requirement that the state provide a 2:1 ratio of state

funding to student fees deposited into the Arizona Financial Aid Trust (AFAT).

- As permanent law, revise the current annual inflation adjustment for university capital infrastructure appropriations beginning in FY 2023. Current law requires the adjustment to be based off full calendar year growth rates. The revised calculation would be based on the growth rate from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year to avoid timing issues between the release of preceding year inflation data and enactment of the budget. Using second quarter data will provide certainty in the level of the annual appropriation.
- As permanent law, establish the Agriculture Workforce Development Program in the University of Arizona Cooperative Extension Office to provide reimbursements to food-producing agricultural organizations for the costs of hiring apprentices and require the university to submit a report to the Governor, President of the Senate, and the Speaker of the House of Representatives on December 1 of each year regarding the effectiveness of the program.
- As permanent law, allow a university under the jurisdiction of the Arizona Board or Regents to offer pro bono assistance to claimants who are small landowners in the general stream adjudication of water rights. Require the university to submit a report on the university's assistance activities to the Governor, Speaker of the House of Representatives, and Senate President on November 15 of each year.
- As permanent law, establish the Arizona Promise Program to provide financial assistance to full-time university students who meet certain requirements. Requires the Arizona Board of Regents to guarantee awards to university students. Establishes the Arizona Promise Program Fund in the Arizona Board of Regents consisting of legislative appropriations and other monies for administering the program and limit fund expenditures for marketing and administering the program to 3% of monies in fund each fiscal year.
- As permanent law, prohibit the universities from mandating that students obtain a COVID-19 vaccination, show proof of vaccination, or place any conditions on attendance or participation in classes or academic activities if a person choose not to obtain a vaccine or disclose vaccination status. Students participating in in clinical settings at a healthcare institution may be required to provide proof of COVID-19 vaccination as determined by the healthcare institution. Allows universities to require COVID-19 testing only if there is a significant outbreak in shared student housing and with approval from DHS. States that these requirements do not apply to

students participating in research involving the live COVID-19 virus.

- As session law, eliminate the requirement that the universities use \$376,000,000 in SPEED bond authority for the projects on the Phoenix Biomedical Campus.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, universitywide General Fund costs are projected to decrease by \$(45,057,000) in FY 2023 below FY 2022, and increase by \$538,700 in FY 2024 above FY 2023. These estimates are based on:

- A \$(37,437,600) decrease in FY 2023 to remove one-time operating funding.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the ASU Eastern Europe Cultural Collaborative.
- A decrease of \$(2,750,000) in FY 2023 to remove one-time funding for ASU SCETL.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the ASU Political History and Leadership Program.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the NAU Economic Policy Institute.
- A \$(1,250,000) decrease in FY 2023 to remove one-time funding for the UA Center for the Philosophy of Freedom.
- A \$(3,500,000) decrease in FY 2023 to remove one-time UA wind tunnel funding.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the UA Kazakhstan Studies Program.
- Increases of \$275,500 and \$10,300 in FY 2023 and FY 2024, respectively, to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$605,100 and \$528,400 in FY 2023 and FY 2024, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation. *(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

FY 2022 27th Pay Period Funding

The enacted budget included funding to state agencies for an additional 27th pay period that will occur in FY 2021. Due to differences in pay periods, the Universities will have a 27th pay period 1 year after the rest of state government. In total, the Universities were allocated \$20,052,100 General Fund and \$36,887,300 Other Appropriated Funds for 27th pay period costs in FY 2022.

Section 118 of the FY 2021 General Appropriation Act appropriated funding for this issue in FY 2022 as follows:

- ASU – \$28,386,400, which includes \$9,115,000 from the General Fund and \$19,271,400 from the University Collections Fund (appropriated tuition revenue)
- NAU – \$7,798,100, which includes \$2,939,500 from the General Fund and \$4,858,600 from the University Collections Fund
- UA Main Campus – \$16,483,100, which includes \$5,540,800 from the General Fund and \$10,942,300 from the University Collections Fund
- UA Health Sciences Center – \$4,271,800, which includes \$2,456,800 from the General Fund and \$1,815,000 from the University Collections Fund

Commission for Postsecondary Education Transfer

The FY 2022 Higher Education BRB, as permanent law, repeals the Commission for Postsecondary Education (CPSE) and transfers its responsibilities to ABOR beginning January 1, 2022. The FY 2022 column of the ABOR budget display does not reflect this transfer. (See the Commission for Postsecondary Education 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 2 compares university land trust revenues from FY 2015 (prior to Proposition 123) and FY 2022. The funds will have estimated revenues of \$14,230,600 in FY 2022. (Please see the Land Department narrative for more information.)

	FY 2015	FY 2022
Military Institute	\$ 83,800	\$ 97,300
Normal Schools	296,600	545,700
A&M Colleges	445,100	1,216,000
School of Mines ^{2/}	499,800	1,200,100
Universities Land Fund	3,834,800	11,171,500
University Land Code	2,175,400	3,401,700
U of A Land - 1881	<u>1,659,400</u>	<u>7,769,800</u>
Total	\$ 5,160,100	\$ 14,230,600

^{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 \$60-\$112 in FY 2021 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 FY 2022 Higher Education BRB continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2022. The budget also maintains each university's FY 2022 allocation of General Fund AFAT appropriations at their FY 2021 level, which appears in the individual university budgets. Based on student fees contributed to AFAT in FY 2020, the state’s match would be \$42,972,200, or an increase of \$32,931,000 over the \$10,041,200 appropriation in FY 2022.

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 \$1,000,000 to AFAT. Universities previously deposited a portion of income to the General Fund. In FY 2021, UA will deposit \$664,500 to AFAT from net income received on the sale or transfer of intellectual property. ASU and NAU will not have net income for deposit to AFAT in FY 2021.

In FY 2020, AFAT disbursed \$29,160,100. *(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 3 for more information.)*

The FY 2022 budget includes an increase of \$150,900 from the General Fund in FY 2022 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 \$(6,800) for ASU, \$160,300 for NAU, and \$(2,600) for UA.

Since this funding appears in A.R.S. § 15-1670, this funding will not appear in the FY 2022 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 FY 2022 budget includes an increase of \$344,700 from the General Fund in FY 2022, or 1.23%, for the inflation adjustment. Of this amount, the General Fund appropriations are adjusted \$152,300 for ASU, \$57,700 for NAU, and \$134,700 for UA.

Statute currently requires the inflation adjustment to be calculated based on the growth rate from the second preceding calendar year to the calendar year immediately preceding the fiscal year. Accordingly, the FY 2022 budget makes the FY 2022 adjustment based on the growth rate from CY 2019 to CY 2020.

Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the FY 2022 Higher Education BRB includes a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the

Table 3

FY 2018 – 2031 Research Infrastructure Appropriations

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
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.

provision will increase the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year. In FY 2023, the adjustment will be calculated based on the change from the second quarter of CY 2020 to the second quarter of CY 2021.

The allocation of the original FY 2019 \$27,000,000 statutory amount was based on each university's share of the systemwide transaction privilege tax (TPT) collections in FY 2016.

One-Time Funding

The universities received One-Time Funding appropriations from FY 2017 to FY 2020 for one-time capital improvements or operating expenditures. The FY 2021 budget did not include monies for one-time funding. The FY 2022 budget does include monies for One-Time Funding, with the monies being included in the Universities operating budget appropriations.

(See Table 4 for a history of the allocation by university.)

	<u>FY '17</u>	<u>FY '18</u>	<u>FY '19</u>	<u>FY '20</u>	<u>FY '22</u>
ASU	\$ 7.0	\$ 6.6	\$ 4.2	\$18.9	\$18.8
NAU	4.0	3.2	1.6	6.7	9.0
UA	<u>8.0</u>	<u>3.2</u>	<u>2.2</u>	<u>9.5</u>	<u>9.6</u>
Total	\$19.0	\$13.0	\$ 8.0	\$35.0^{1/}	\$37.4

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

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies to the universities for mitigation, distance learning, furlough prevention, and other COVID-

related costs. As of June 2021, the Executive's spending plan included \$123,000,000 from the federal Coronavirus

Relief Fund for university costs, of which \$46,000,000 is for ASU, \$46,000,000 is for UA, \$23,000,000 is for NAU, and \$8,000,000 is for testing costs at all three universities.

In addition to the Executive allocations, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the 2021 Consolidated Appropriations Act (CAA), and the American Rescue Plan (ARP) Act distribute funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based on the relative share of full-time equivalent students of in-person Pell grant recipients enrolled at the institution. The CARES and ARP Acts require that 50% of monies received be distributed to students as emergency financial aid grants. The CAA requires student grants to be awarded in an at least an equivalent amount to grants provided under the CARES Act allocations.

The federal relief packages also require additional monies to be distributed to Historically Black Colleges and Universities, American Indian Tribally Controlled Colleges and Universities, Minority Serving Institutions, and Strengthening Institutions Program participants.

Arizona's public universities have received a total of \$661,025,459 from the Higher Education Emergency Relief Fund. (Please see Table 5 for distributions by university and the COVID-Related Spending Summary at the front of this book for more information).

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 2022 is \$7.0 billion, including \$878.3 million from the General Fund and \$3.2 billion of

	<u>CARES Act^{1/}</u>	<u>CAA^{2/}</u>	<u>ARP Act^{3/}</u>	<u>Total</u>	<u>Student Grants</u>
ASU	\$ 63,533,137	\$112,906,424	\$191,373,341	\$367,812,902	\$165,813,873
NAU	24,734,965	37,511,826	66,183,680	128,430,471	57,571,054
UA	<u>33,268,877</u>	<u>47,971,859</u>	<u>83,541,350</u>	<u>164,782,086</u>	<u>73,202,574</u>
Total	\$121,536,979	\$198,390,109	\$341,098,371	\$661,025,459	\$296,587,501

^{1/} CARES Act distributions are available to spend through September 30, 2022.
^{2/} CAA distributions are available to spend through September 30, 2023.
^{3/} ARP Act distributions are available to spend through September 30, 2024.

tuition/fee collections. This latter amount is not adjusted for any FY 2022 tuition rate changes. *Table 6* summarizes the FY 2022 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 September 2020 tuition revenue report projected FY 2021 gross tuition and fees to be \$3.2 billion systemwide. Of this amount, \$1.0 billion is appropriated while \$2.2 billion is non-appropriated (see *Table 7*). ABOR submitted a revised tuition revenue report in November 2020 projecting FY 2021 gross tuition and fee revenues to be \$3.4 billion, or \$158.4 million above the initial September projections. ASU's tuition projections remained unchanged and NAU and UA estimates increased by \$9.0 million and \$149.4 million, respectively.

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. In September 2020, the universities projected \$873.2 million in tuition waivers and awards in FY 2021, for a total net tuition of \$2.4 billion. This would represent a (2.7)% decrease in net tuition revenues from FY 2020, or \$(65.9) million. Of this amount, ASU estimated net tuition will increase by \$98.8 million and NAU and UA estimated net tuition will decrease by \$(36.2) million and \$(128.5) million, respectively. These estimates were calculated by

the universities based on expected changes in enrollment during the COVID-19 pandemic.

ABOR's revised November 2020 report also included updated projections for tuition waivers and awards, which increased \$48.7 million from the September report, for total systemwide awards of \$921.9 million. After all awards the universities estimate net tuition revenues will be \$2.5 billion. This would represent a 1.8% increase in net tuition revenues from FY 2020, or \$43.8 million. Of this amount, ASU estimates net tuition will increase by \$98.8 million and NAU and UA estimate net tuition will decrease by \$(33.2) million and \$(21.8) million, respectively. These revised estimates are based on actual fall 2020 enrollment.

See *Table 8* for a comparison of FY 2020 budget revenues and ABOR's FY 2021 revenues from September and November FY 2021 report estimates.

Tuition Rates

ABOR approved FY 2022 tuition rates on April 15, 2021:

- ASU increased rates for undergraduate students (both resident and non-resident) by 0.1% for a student-initiated fee increase. 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 4.5% for resident graduate students, 0.5% for non-resident undergraduate students and 4.8% for non-resident graduate students.
- UA began a similar tuition guarantee program in FY 2015. UA increased tuition and fees by 1.3% for resident graduate students and non-resident undergraduate students and 0.7% for non-resident graduate students.

	Appropriated Funds		Non-Appropriated Funds		Total ^{3/}
	General Fund ^{1/}	Collections Fund ^{1/}	Federal Funds	Other Funds ^{2/}	
ABOR	\$ 29,916,000	\$ 0	\$ 6,000,000	\$ 8,751,100	\$ 44,667,100
ASU	385,261,900	599,978,900	549,744,300	2,195,944,100	3,730,929,200
NAU	135,452,400	139,466,800	124,590,900	291,709,500	691,219,600
UA-Main	250,739,100	317,757,200	195,421,000	1,125,969,200	1,889,886,500
UA-Health Sciences	<u>76,897,700</u>	<u>56,863,400</u>	<u>135,638,400</u>	<u>362,726,500</u>	<u>632,126,000</u>
Total	\$878,267,100	\$1,114,066,300	\$1,011,394,600	\$3,985,100,400	\$6,988,828,400

^{1/} The General Fund amounts exclude monies appropriated for the University 27th Pay Period. The Collections Fund amounts exclude FY 2022 tuition rate changes and monies appropriated for the University 27th pay period.

^{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 \$2,204,457,200 based on FY 2021 amounts, as reflected in *Table 7*. This amount excludes FY 2022 enrollment growth and tuition rate changes.

^{3/} Total universitywide funding includes gross tuition revenues.

Table 9 only includes major tuition categories at main university campuses. A comprehensive list can be found on the [ABOR website](#).

COVID-19 pandemic's impact on student enrollment. ASU and UA enrollment increased 6.0% and 1.8%, respectively. This growth is primarily due to increased enrollment in online programs. NAU enrollment decreased (3.5)%.

Financial Aid

The Arizona University System distributed \$3.1 billion in financial aid in FY 2020. Of the \$3.0 billion total financial aid distributions in FY 2020, the federal government financed \$1.2 billion and university institutional sources provided \$1.2 billion. The latter includes \$981.2 million of foregone tuition collections in the form of waivers and awards. (Please see Table 10 for details.)

Enrollment

Between fall 2019 and fall 2020, university enrollment increased from 184,560 FTE to 190,931, or 3.5%, as displayed in Table 11. This compares to a 4% increase in the prior year. The slowed growth is in part due to the

	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
<u>Appropriated</u>				
Operating Budget ^{2/}	\$ 603,575,900	\$138,921,300	\$297,449,900	\$1,039,947,100
<u>Non-Appropriated</u>				
Operating Budget ^{3/}	\$ 881,283,800	\$ 76,370,700	\$235,635,600	\$ 1,193,290,100
Financial Aid ^{4/}	529,989,100	145,508,000	197,719,900	873,217,000
Plant Fund	20,000,000	1,000,000	4,000,000	25,000,000
Debt Service	<u>78,597,700</u>	<u>6,200,000</u>	<u>28,152,400</u>	<u>112,950,100</u>
Subtotal	\$1,509,870,600	\$229,078,700	\$ 465,507,900	\$2,204,457,200
Total Gross Tuition ^{5/}	\$2,113,446,500	\$368,000,000	\$762,957,800	\$3,244,404,300
Net Tuition ^{5/}	\$1,583,457,400	\$222,492,000	\$565,237,900	\$2,371,187,300

^{1/} As reported in FY 2021 Tuition Revenue Report submitted by ABOR in September 2020.
^{2/} Appropriated tuition includes \$(184.0) million adjustment made by ABOR to the amounts originally included as part of the FY 2021 state budget to reflect estimated revenue adjustments resulting from the tuition setting process in spring 2020.
^{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.

	<u>FY 2020</u> <u>Revenues</u>	<u>FY 2021</u> <u>September Estimates</u>	<u>FY 2021</u> <u>November Estimates</u>
ASU	1,484,637,100	1,583,457,400	1,583,457,400
NAU	258,692,100	222,492,000	225,492,000
UA	<u>693,769,500</u>	<u>565,237,900</u>	<u>671,963,800</u>
Total	2,437,098,700	2,371,187,300	2,480,913,200

Table 9

**Arizona University System
FY 2022 Tuition and Mandatory Fees ^{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	\$11,348	0.1%	\$12,608	0.0%	\$29,438 ^{2/}	0.1%	\$32,288	0.0%
NAU	\$11,896	0.0%	\$12,250	4.5%	\$26,642	0.5%	\$28,240	4.8%
UA	\$12,671	0.0%	\$13,425	1.3%	\$37,193	1.3%	\$33,609	0.7%

^{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 also approved a rate increase for international undergraduate students at ASU, which will be set at \$31,838.

Table 10

**FY 2020 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}**

	<u>Federal</u>	<u>State ^{2/}</u>	<u>Institutional ^{3/}</u>	<u>Private/Other ^{4/}</u>	<u>Total</u>
Grants	\$364,989.5	6,122.5	\$981,168.0	\$251,505.3	\$1,603,785.3
Loans	859,909.7	176.4	0.0	381,426.7	1,241,512.8
Employment	<u>12,720.0</u>	<u>0.0</u>	<u>218,772.4</u>	<u>0.0</u>	<u>231,492.4</u>
Total	\$1,237,619.2	\$6,298.9	\$1,199,940.4	\$632,932.0	\$3,076,790.5

^{1/} Information from ABOR FY 2020 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.

	Fall 2019	Fall 2020	Fall 2019 to Fall 2020
ASU-Tempe	57,143	55,804	(2.3)%
ASU-DPC	12,509	12,414	(0.8)%
ASU-East	5,335	5,227	(2.0)%
ASU-West	5,199	5,716	9.9%
ASU-Online ^{2/}	30,236	37,796	25.0%
ASU-Other	<u>469</u>	<u>535</u>	<u>14.1%</u>
<i>Subtotal</i>	<i>110,891</i>	<i>117,492</i>	<i>6.0%</i>
NAU-Flagstaff	22,727	21,610	(4.9)%
NAU-Online ^{2/}	2,944	3,213	9.1%
NAU-Other	<u>3,339</u>	<u>3,162</u>	<u>(5.3)%</u>
<i>Subtotal</i>	<i>29,010</i>	<i>27,985</i>	<i>(3.5)%</i>
UA-Tucson ^{3/}	40,106	39,264	(2.1)%
UA-PHX Biomedical ^{3/}	819	861	5.1%
UA-Online ^{2/}	2,895	4,176	44.2%
UA-Other	<u>839</u>	<u>1,153</u>	<u>37.4%</u>
<i>Subtotal</i>	<i>44,659</i>	<i>45,454</i>	<i>1.8%</i>
Total	184,560	190,931	3.5%

^{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.
^{2/} Online enrollment represents students enrolled in online-only programs.
^{3/} The UA-Tucson and UA-PHX Biomedical sites include enrollment in UA Health Sciences Center (HSC) programs. In Fall 2020, a total of 6,186 HSC students were enrolled compared to 5,837 students in Fall 2019, or an increase of 6.0%.

Arizona State University

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7,790.8	7,727.6	7,727.6 ^{1/}
Personal Services	532,093,600	540,137,100	540,137,100
Employee Related Expenditures	157,134,700	150,771,900	151,602,300
Professional and Outside Services	53,243,300	25,134,900	25,134,900
Travel - In State	133,200	104,800	104,800
Travel - Out of State	1,983,900	722,900	722,900
Other Operating Expenditures	77,363,600	64,759,400	118,115,500
Equipment	2,905,100	1,333,600	1,333,600
OPERATING SUBTOTAL	824,857,400	782,964,600	837,151,100 ^{2/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	13,456,300	13,458,700	13,451,900 ^{3/}
2017 Capital Infrastructure Funding	12,165,900	12,381,200	12,533,500 ^{4/}
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,718,500	3,746,100	3,723,500
Eastern Europe Cultural Collaborative	0	0	250,000 ^{5/}
Political History and Leadership Program	0	0	250,000 ^{5/}
Downtown Phoenix Campus	107,607,900	106,732,200	106,130,800
One-Time Funding	18,900,000	0	0
School of Civic and Economic Thought and Leadership	3,008,900	3,024,700	5,764,200 ^{2/}
TRIF - Lease Purchase Payment	3,472,400	3,600,000	0
AGENCY TOTAL	993,173,100	931,893,300	985,240,800 ^{8/9/10/}
FUND SOURCES			
General Fund	334,270,600	324,717,400	385,261,900 ^{11/12/13/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	3,472,400	3,600,000	0
University Collections Fund	655,430,100	603,575,900 ^{14/}	599,978,900 ^{15/}
SUBTOTAL - Other Appropriated Funds	658,902,500	607,175,900	599,978,900
SUBTOTAL - Appropriated Funds	993,173,100	931,893,300	985,240,800 ^{16/}
Other Non-Appropriated Funds	2,031,806,700	2,195,949,300	2,195,944,100
Federal Funds	478,316,200	549,744,300	549,744,300
TOTAL - ALL SOURCES	3,503,296,000	3,677,586,900	3,730,929,200

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 549.2 GF and 576.5 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ The amount appropriated for the operating budget includes \$5,718,300 to backfill tuition costs associated with the fiscal year 2021-2022 employer health insurance premium increases. The legislature intends that any future employer health insurance premium increases continue to be allocated using the overall allocation of state general fund and appropriated tuition monies. (General Appropriation Act footnote)
- 3/ A.R.S. § 15-1670 appropriates \$13,451,900 to ASU from the General Fund in FY 2022 to finance lease-purchase payments for research infrastructure projects.
- 4/ A.R.S. § 15-1671 appropriates \$12,533,500 to ASU from the General Fund in FY 2022 for capital infrastructure projects.
- 5/ Arizona state university shall use monies appropriated for the eastern Europe cultural collaborative to facilitate cultural and academic exchanges between university faculty and students and academic institutions in eastern Europe. (General Appropriation Act footnote)

- 6/ The appropriation made in the political history and leadership program line item is to expand the political history and leadership program within the school of historical, philosophical and religious studies at Arizona state university. The monies shall be used at the sole discretion and approval of the lead of the political history and leadership program, and the monies shall be used only to directly support the program of political history and leadership, including teaching staff and teaching support. (General Appropriation Act footnote)
- 7/ 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, 2021, 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)
- 8/ 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)
- 9/ 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)
- 10/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 11/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 12/ The FY 2022 General Fund budget is \$385,261,900. This amount includes \$360,027,100 in ASU's individual section of the FY 2022 General Appropriation Act, \$13,451,900 in A.R.S. § 15-1670 lease-purchase appropriations, and \$12,533,500 in A.R.S. § 15-1671 capital infrastructure appropriations, and \$(750,600) for statewide adjustments.
- 13/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 14/ The FY 2021 University Collections Fund represents the appropriated portion of ASU tuition and fee revenues. In addition, \$1,605,056,200 of the FY 2021 Other Non-Appropriated Funds represents the non-appropriated portion of tuition and fee revenues. These tuition amounts are based on estimates submitted by the universities in September 2020 and are subject to changes in enrollment. Please see the [ABOR agency page](#) for a discussion of how these amounts compare to the most recent estimates submitted by the universities.
- 15/ Any unencumbered balances remaining in the university collections fund on June 30, 2021 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)
- 16/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$28,386,400 in FY 2022 for the occurrence of a 27th pay period. Of this amount, \$9,115,000 is from the General Fund and \$19,271,400 is from the University Collections Fund.

Operating Budget		FY 2022
	General Fund	\$294,652,700
	University Collections Fund	542,498,400
The budget includes \$837,151,100 and 6,601.9 FTE Positions in FY 2022 for the operating budget. These amounts consist of:	FY 2022 adjustments are as follows:	

Ongoing Operating Funding

The budget includes an increase of \$33,350,000 from the General Fund in FY 2022 for ongoing operating funding.

One-Time Operating Funding

The budget includes an increase of \$18,831,300 from the General Fund in FY 2022 for one-time operating funding.

Backfill Employee Health Insurance Costs

The budget includes an increase of \$5,718,300 from the General Fund in FY 2022 to backfill tuition costs associated with the FY 2022 employer health insurance premium increases. The budget includes a Legislative intent statement that any future increases continue to be allocated using the overall allocation of General Fund and appropriated tuition monies, consistent with one-time premium adjustments in prior fiscal years.

Statewide Adjustments

The budget includes a decrease of \$(3,713,100) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(540,200)
University Collections Fund	(3,172,900)

(Please see the Agency Detail and Allocations section.)

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the ASU Other Issues Section and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$13,451,900 from the General Fund in FY 2022 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2022 adjustments are as follows:

Refinance Adjustment

The budget includes a decrease of \$(6,800) from the General Fund in FY 2022 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 2022 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 budget includes \$12,533,500 from the General Fund in FY 2022 for the 2017 Capital Infrastructure Funding line item. FY 2022 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$152,300 from the General Fund in FY 2022 for a 1.23% 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 2022 General Appropriation Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second preceding calendar year to the calendar year immediately preceding the fiscal year (in the example of FY 2022, from CY 2019 to CY 2020).

Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the FY 2022 Higher Education BRB includes a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the provision will increase the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year. In FY 2023, the adjustment will be calculated based on the change from the second quarter of CY 2020 to the second quarter of CY 2021. *(Please see the ABOR section for more information.)*

(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)

Arizona Financial Aid Trust

The budget includes \$5,985,800 from the General Fund in FY 2022 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2021. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Biomedical Informatics

The budget includes \$3,723,500 and 23.2 FTE Positions in FY 2022 for the Biomedical Informatics Department. These amounts consist of:

General Fund	1,879,100
University Collections Fund	1,844,400

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(22,600) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(9,000)
University Collections Fund	(13,600)

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data.

Eastern Europe Cultural Collaborative

The budget includes \$250,000 from the General Fund in FY 2022 for the Eastern Europe Cultural Collaborative. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$250,000 from the General Fund in FY 2022 for the Eastern Europe Cultural Collaborative. The budget requires the monies to be used to facilitate cultural and academic exchanges between university faculty and students and academic institutions in eastern Europe.

Political History and Leadership Program

The budget includes \$250,000 from the General Fund in FY 2022 for the Political History and Leadership Program. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$250,000 from the General Fund in FY 2022 to expand the Political History and Leadership Program within the ASU School of Historical, Philosophical and Religious Studies. The

budget requires that the monies be used at the sole discretion and approval of the program's lead.

Downtown Phoenix Campus

The budget includes \$106,130,800 and 1,076 FTE Positions in FY 2022 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	50,494,700
University Collections Fund	55,636,100

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(601,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(190,900)
University Collections Fund	(410,500)

The Downtown Phoenix Campus offers undergraduate and graduate programs in disciplines including health, nursing, journalism, mass communication, teaching and public programs. The campus opened in 2006.

School of Civic and Economic Thought and Leadership

The budget includes \$5,764,200 and 26.5 FTE Positions from the General Fund in FY 2022 for the School of Civic and Economic Thought and Leadership (SCETL) line item. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$2,750,000 from the General Fund in FY 2022 to increase SCETL funding on a one-time basis.

Statewide Adjustments

The budget includes a decrease of \$(10,500) from the General Fund in FY 2022 for statewide adjustments.

SCETL began matriculating students in fall 2017. The school currently offers a bachelors and minor 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 theory and practice of leadership and statesmanship. In 2020, the school began enrolling for a Master of Arts in classical liberal education and leadership program. The school also hosts community lecture series and events related to public affairs.

TRIF Lease-Purchase Payment

The budget includes no funding from the Technology and Research Initiative Fund (TRIF) in FY 2022 for lease-purchase payment requirements. FY 2022 adjustments are as follows:

Remove Lease-Purchase Payment

The budget includes a decrease of \$(3,600,000) from the Technology and Research Initiative Fund in FY 2022 to remove funding for a retired lease-purchase agreement. The final payment on the agreement will be made in FY 2021.

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
- COVID-Related Spending
- University Collections and FTE Positions Adjustments

Summary

ASU's FY 2022 General Fund budget is \$385,261,900. Of this amount:

- \$360,027,100 is included in ASU's individual section of the FY 2022 General Appropriation Act.
- \$13,451,900 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$12,533,500 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$(750,600) is for statewide adjustments.

These amounts exclude the FY 2022 funding already appropriated in the FY 2021 General Appropriation Act for the occurrence of a 27th University pay period.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ASU's General Fund costs are projected to decrease by \$(21,803,800) in FY 2023 below FY 2022, and increase by \$239,500 in FY 2024 above FY 2023.

These estimates are based on:

- A \$(18,831,300) decrease in FY 2023 to remove one-time operating funding.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the Eastern Europe Cultural Collaborative.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the Political History and Leadership Program.
- A decrease of \$(2,750,000) in FY 2023 to remove one-time funding for SCETL.
- A \$10,200 increase in FY 2023 and \$6,100 in FY 2024 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$267,300 in FY 2023 and \$233,400 in FY 2024 to increase the university's annual Capital Infrastructure Funding appropriation. *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies to the universities for mitigation, distance learning, furlough prevention, and other COVID-related costs. As of June 2021, the Executive's spending plan included \$46,000,000 from the federal Coronavirus Relief Fund for ASU.

In addition to the Executive allocations, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the 2021 Consolidated Appropriations Act (CAA), and the American Rescue Plan (ARP) Act distribute funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based on the relative share of full-time equivalent students of in-person Pell grant recipients enrolled at the institution. The CARES and ARP Acts require that 50% of monies received be distributed to students as emergency financial aid grants. The CAA requires student grants to be awarded in an at least an equivalent amount to grants provided under the CARES Act allocations.

ASU has received a total of \$367,812,902 from the Higher Education Emergency Relief Fund. Of this amount, at least \$165,813,873 is required to be used for student grants. *(Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2021 General Appropriation Act appropriated \$657,196,000 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 2021 to the Joint Legislative Budget Committee in September 2020, and ASU incorporated the adjusted FY 2021 amounts as part of their FY 2022 budget submission. Accordingly, the estimated FY 2021 amount has been adjusted downward by \$(53,620,100) to \$603,575,900.

The FY 2021 FTE Position count has also been adjusted. The FY 2021 General Appropriation Act originally appropriated 7,790.8 FTE Positions in FY 2021 for ASU. The General Fund accounted for 2,419.9 FTE Positions and the University Collections Fund accounted for the remaining 5,370.9 FTE Positions. The estimated number of FY 2021 FTE Positions has been adjusted by (63.2) to 7,727.6. The General Fund accounts for 2,550 FTE Positions and the University Collections Fund accounts for the remaining 5,177.6 FTE Positions.

Northern Arizona University

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,559.3	2,653.5	2,653.5 ^{1/}
Personal Services	168,077,100	169,563,600	169,563,600
Employee Related Expenditures	51,221,700	45,788,700	46,558,900
Professional and Outside Services	11,314,600	10,950,900	10,950,900
Travel - In State	220,700	216,100	216,100
Travel - Out of State	283,900	0	0
Other Operating Expenditures	15,137,700	2,351,000	27,307,400
Equipment	63,900	87,300	87,300
OPERATING SUBTOTAL	246,319,600	228,957,600	254,684,200 ^{2/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	5,899,500	4,879,500	5,039,800 ^{3/}
2017 Capital Infrastructure Funding	4,611,300	4,692,900	4,750,600 ^{4/}
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research	3,000,000	3,000,000	3,000,000 ^{5/}
Economic Policy Institute	500,000	500,300	750,300 ^{5/}
One-Time Funding	6,650,000	0	0
NAU - Yuma	3,010,200	3,076,600	3,075,600
Teacher Training	2,088,800	2,293,000	2,292,700 ^{2/}
AGENCY TOTAL	273,405,400	248,725,900	274,919,200 ^{8/9/}
FUND SOURCES			
General Fund	117,250,900	109,804,600	135,452,400 ^{10/11/12/}
<u>Other Appropriated Funds</u>			
University Collections Fund	156,154,500	138,921,300 ^{13/}	139,466,800 ^{14/}
SUBTOTAL - Other Appropriated Funds	156,154,500	138,921,300	139,466,800
SUBTOTAL - Appropriated Funds	273,405,400	248,725,900	274,919,200 ^{15/}
Other Non-Appropriated Funds	245,528,400	253,727,900	291,709,500
Federal Funds	122,136,200	123,357,400	124,590,900
TOTAL - ALL SOURCES	641,070,000	625,811,200	691,219,600

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 GF FTE Positions funded from Special Line Items in FY 2022.
- 2/ The amount appropriated for the operating budget includes \$244,900 to backfill tuition costs associated with the fiscal year 2021-2022 employer health insurance premium increases. The legislature intends that any future employer health insurance premium increases continue to be allocated using the overall allocation of state general fund and appropriated tuition monies. (General Appropriation Act footnote)
- 3/ A.R.S. § 15-1670 appropriates \$5,039,800 to NAU from the General Fund in FY 2022 to finance lease-purchase payments for research infrastructure projects.
- 4/ A.R.S. § 15-1671 appropriates \$4,750,600 to NAU from the General Fund in FY 2022 for capital infrastructure projects.
- 5/ The biomedical research funding shall be distributed to a nonprofit medical research foundation in this state that collaborates with universities, hospitals and 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 and the director of the governor's office of strategic planning and budgeting on or before February 1, 2022. 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 this state. (General Appropriation Act footnote)

- 6/ 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, 2021, 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)
- 7/ 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)
- 8/ 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)
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 10/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 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/ The FY 2022 General Fund budget is \$135,452,400. This amount would include \$125,683,400 in NAU's individual section of the FY 2022 General Appropriation Act, \$5,039,800 in A.R.S. § 15-1670 lease-purchase appropriations, \$4,750,600 in A.R.S. § 15-1671 capital infrastructure appropriations, and \$(21,400) for statewide adjustments.
- 13/ The FY 2021 University Collections Fund represents the appropriated portion of NAU tuition and fee revenues. In addition, \$130,617,000 of the FY 2021 Other Non-Appropriated Funds represents the non-appropriated portion of tuition and fee revenues. These tuition amounts are based on estimates submitted by the universities in September 2020 and are subject to changes in enrollment. Please see the [ABOR agency page](#) for a discussion of how these amounts compare to the most recent estimates submitted by the universities.
- 14/ Any unencumbered balances remaining in the university collections fund on June 30, 2021 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)
- 15/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$7,798,100 in FY 2022 for the occurrence of a 27th pay period. Of this amount, \$2,939,500 is from the General Fund and \$4,858,600 is from the University Collections Fund.

Operating Budget

The budget includes \$254,684,200 and 2,619.5 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$115,217,400
University Collections Fund	139,466,800

FY 2022 adjustments are as follows:

Ongoing Operating Funding

The budget includes an increase of \$15,950,000 from the General Fund in FY 2022 for ongoing operating funding.

One-Time Operating Funding

The budget includes an increase of \$9,006,300 from the General Fund in FY 2022 for one-time operating funding.

Backfill Employee Health Insurance Costs

The budget includes an increase of \$244,900 from the General Fund in FY 2022 to backfill tuition costs associated with the FY 2022 employer health insurance premium increases. The budget includes a Legislative intent statement that any future increases continue to be allocated using the overall allocation of General Fund and appropriated tuition monies, consistent with one-time premium adjustments in prior fiscal years.

Statewide Adjustments

The budget includes an increase of \$525,400 in FY 2022 for statewide adjustments. This amount consists of:

General Fund	\$(20,100)
University Collections Fund	545,500

(Please see the Agency Detail and Allocations section.)

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the NAU Other issues and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$5,039,800 from the General Fund in FY 2022 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2022 adjustments are as follows:

Refinance Adjustment

The budget includes an increase of \$160,300 from the General Fund in FY 2022 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 2022 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 budget includes \$4,750,600 from the General Fund in FY 2022 for the 2017 Capital Infrastructure Funding line item. FY 2022 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$57,700 from the General Fund in FY 2022 for a 1.23% 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 2022 General Appropriation Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second preceding calendar year to the calendar year immediately preceding the fiscal year (in the example of FY 2022, from CY 2019 to CY 2020).

Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the FY 2022 Higher Education BRB includes a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the provision will increase the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year. In FY 2023, the adjustment will be calculated based on the change from the second quarter of CY 2020 to the second quarter of CY 2021. *(Please see the ABOR section for more information.)*

(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary](#) on the JLBC website for more information.)

Arizona Financial Aid Trust

The budget includes \$1,326,000 from the General Fund in FY 2022 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2021. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Biomedical Research

The budget includes \$3,000,000 from the General Fund in FY 2022 for the Biomedical Research line item. This amount is unchanged from FY 2021.

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 budget includes \$750,300 from the General Fund in FY 2022 for the Economic Policy Institute line item. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$250,000 from the General Fund in FY 2022 to increase funding for the Economic Policy Institute on a one-time basis.

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 budget includes \$3,075,600 and 25.5 FTE Positions from the General Fund in FY 2022 for NAU-Yuma. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(1,000) from the General Fund in FY 2022 for statewide adjustments.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

Teacher Training

The budget includes \$2,292,700 and 8.5 FTE Positions from the General Fund in FY 2022 for Teacher Training. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(300) from the General Fund in FY 2022 for statewide adjustments.

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.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- COVID-Related Spending
- University Collections and FTE Positions Adjustments

Summary

NAU's FY 2022 General Fund Baseline is \$135,452,400. Of this amount:

- \$125,683,400 would be included in NAU's individual section of the FY 2021 General Appropriation Act.
- \$5,039,800 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,750,600 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$(21,400) for statewide adjustments

These amounts exclude the FY 2022 funding already appropriated in the FY 2021 General Appropriation Act for the occurrence of a 27th University pay period.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, NAU's General Fund costs are projected to decrease by \$(8,893,300) in FY 2023 below FY 2022 and increase by \$89,900 in FY 2024 above 2023.

These estimates are based on:

- A \$(9,006,300) decrease in FY 2023 to remove one-time operating funding.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the Economic Policy Institute.
- Increases of \$261,700 in FY 2023 and \$1,400 in FY 2024 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$101,300 in FY 2023 and \$88,500 in FY 2024 to increase the university's annual Capital Infrastructure Funding appropriation. *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies to the universities for mitigation, distance learning, furlough prevention, and other COVID-related costs. As of June 2021, the Executive's spending plan included \$23,000,000 from the federal Coronavirus Relief Fund for NAU.

In addition to the Executive allocations, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the 2021 Consolidated Appropriations Act (CAA), and the American Rescue Plan (ARP) Act distribute funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based on the relative share of full-time equivalent students of in-person Pell grant recipients enrolled at the institution. The CARES and ARP Acts require that 50% of monies received be distributed to students as emergency financial aid grants. The CAA requires student grants to be awarded in an at least an equivalent amount to grants provided under the CARES Act allocations.

NAU has received a total of \$128,430,471 from the Higher Education Emergency Relief Fund. Of this amount, at least \$57,571,054 is required to be used for student grants. (Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2021 General Appropriation Act appropriated \$156,298,700 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 2021 to the Joint Legislative Budget Committee in September 2020, and NAU incorporated the adjusted FY 2021 amounts as part of their FY 2022 budget submission. Accordingly, the estimated FY 2021 amount has been adjusted downward by \$(17,377,400) to \$138,921,300.

The FY 2021 FTE Position count has also been adjusted. The FY 2021 General Appropriation Act originally

appropriated 2,360.1 FTE Positions in FY 2021 for NAU. The General Fund accounted for 884.1 FTE Positions and the University Collections Fund accounted for the remaining 1,476 FTE Positions. The estimated number of FY 2021 FTE Positions has been adjusted by 293.4 to 2,653.5. The General Fund accounts for 1,064.1 FTE Positions and the University Collections Fund accounts for the remaining 1,589.4 FTE Positions.

University of Arizona - Main Campus

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,021.3	5,767.2	5,769.2 ^{1/}
Personal Services	335,167,600	238,829,600	238,829,600
Employee Related Expenditures	113,617,700	81,544,200	84,266,400
Professional and Outside Services	9,759,400	3,253,300	3,253,300
Travel - In State	79,900	103,900	103,900
Travel - Out of State	875,000	43,000	43,000
Other Operating Expenditures	85,423,100	29,999,700	141,128,300
OPERATING SUBTOTAL	544,922,700	353,773,700	467,624,500 ^{2/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	14,250,200	14,251,500	14,248,900 ^{3/}
2017 Capital Infrastructure Funding	10,762,700	10,953,200	11,087,900 ^{4/}
Agriculture	41,189,000	41,739,700	41,441,300
Arizona Cooperative Extension	15,102,900	14,676,400	15,077,000
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	834,100	948,500	1,148,500 ^{5/}
Center for the Philosophy of Freedom	1,751,200	2,556,800	3,763,700 ^{6/}
Kazakhstan Studies Program	0	0	250,000 ^{7/}
School of Mining	0	0	4,000,000
Mining, Mineral and Natural Resources Educational Museum	85,300	428,800	428,800
Natural Resource Users Law and Policy Center	0	0	500,000 ^{8/}
One-Time Funding	9,450,000	0	0
Sierra Vista Campus	6,839,100	6,250,700	6,196,300
AGENCY TOTAL	647,916,600	448,308,700	568,496,300 ^{9/10/}
FUND SOURCES			
General Fund	215,808,900	207,722,200	250,739,100 ^{11/12/13/}
<u>Other Appropriated Funds</u>			
University Collections Fund	432,107,700	240,586,500 ^{14/}	317,757,200 ^{15/}
SUBTOTAL - Other Appropriated Funds	432,107,700	240,586,500	317,757,200
SUBTOTAL - Appropriated Funds	647,916,600	448,308,700	568,496,300 ^{16/}
Other Non-Appropriated Funds	1,215,251,200	1,106,756,100	1,125,969,200
Federal Funds	213,120,200	192,709,200	195,421,000
TOTAL - ALL SOURCES	2,076,288,000	1,747,774,000	1,889,886,500

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 962.9 GF and 283.2 OF FTE Positions funded from Special Line Items in FY 2022.
- ^{2/} The amount appropriated for the operating budget includes \$5,886,500 to backfill tuition costs associated with the fiscal year 2021-2022 employer health insurance premium increases. The legislature intends that any future employer health insurance premium increases continue to be allocated using the overall allocation of state general fund and appropriated tuition monies. (General Appropriation Act footnote)
- ^{3/} A.R.S. § 15-1670 appropriates \$14,248,900 to UA-Main from the General Fund in FY 2022 to finance lease-purchase payments for research infrastructure projects.
- ^{4/} A.R.S. § 15-1671 appropriates \$11,087,900 to UA-Main from the General Fund in FY 2022 for capital infrastructure projects.

- 5/ The university of Arizona may not use monies appropriated for the Arizona geological survey line item for any other purpose and may not transfer the monies appropriated for the Arizona geological survey to the operating budget or any other line item. (General Appropriation Act footnote)
- 6/ 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, 2021, 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)
- 7/ The university of Arizona shall use monies appropriated for the Kazakhstan studies program to facilitate academic exchanges between university students and academic institutions in Kazakhstan. (General Appropriation Act footnote)
- 8/ The amount appropriated for the natural resource users law and policy center line item shall be used by the natural resource users law and policy center within the Arizona cooperative extension to assist claimants in the general stream adjudication of water rights pursuant to section 15-1647, Arizona Revised Statutes. (General Appropriation Act footnote)
- 9/ 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)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 11/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 12/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 13/ The FY 2022 General Fund budget is \$250,739,100. This amount includes \$227,404,000 in UA - Main's individual section of the FY 2022 General Appropriation Act, \$14,248,900 in A.R.S. § 15-1670 lease-purchase appropriations, \$11,087,900 in A.R.S. § 15-1671 capital infrastructure appropriations, and \$(2,001,700) for statewide adjustments.
- 14/ The FY 2021 University Collections Fund represents the appropriated portion of UA Main Campus tuition and fee revenues. In addition, \$569,828,300 of the FY 2021 Other Non-Appropriated Funds represents the non-appropriated portion of tuition and fee revenues. These tuition amounts are based on estimates submitted by the universities in September 2020 and are subject to changes in enrollment. Please see the [ABOR agency page](#) for a discussion of how these amounts compare to the most recent estimates submitted by the universities.
- 15/ Any unencumbered balances remaining in the university collections fund on June 30, 2021 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)
- 16/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$16,483,100 in FY 2022 for the occurrence of a 27th pay period. Of this amount, \$5,540,800 is from the General Fund and \$10,942,300 is from the University Collections Fund.

Operating Budget

The budget includes \$467,624,500 and 4,523.1 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$166,099,300
University Collections Fund	301,525,200

FY 2022 adjustments are as follows:

Ongoing Operating Funding

The budget includes an increase of \$19,200,000 from the General Fund in FY 2022 for ongoing operating funding.

One-Time Operating Funding

The budget includes a one-time increase of \$9,600,000 from the General Fund in FY 2022 for one-time operating funding.

One-Time Wind Tunnel Funding

The budget includes a one-time increase of \$3,500,000 from the General Fund in FY 2022 for materials, labor and installation costs related to the research, development and infrastructure upgrades of a hypersonic wind tunnel.

Backfill Employee Health Insurance Costs

The budget includes an increase of \$5,886,500 from the General Fund in FY 2022 to backfill tuition costs associated with the FY 2022 employer health insurance premium increases. The budget includes a Legislative intent statement that any future increases continue to be allocated using the overall allocation of General Fund and appropriated tuition monies, consistent with one-time premium adjustment in prior fiscal years.

Tuition Revenue Adjustment

The budget includes an increase of \$81,677,100 from the University Collections Fund to adjust the appropriation for the university's revised tuition revenue estimates.

Statewide Adjustments

The budget includes a decrease of \$(6,012,800) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(1,688,400)
University Collections Fund	(4,324,400)

(Please see the Agency Detail and Allocations section.)

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the UA-Main Other Issues Section and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$14,248,900 from the General Fund in FY 2022 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2022 adjustments are as follows:

Refinance Adjustment

The budget includes a decrease of \$(2,600) from the General Fund in FY 2022 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 2022 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 budget includes \$11,087,900 from the General Fund in FY 2022 for the 2017 Capital Infrastructure Funding line item. FY 2022 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$134,700 from the General Fund in FY 2022 for a 1.23% 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 2022 General Appropriation Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second preceding calendar year to the calendar year immediately preceding the fiscal year (in the example of FY 2022, from CY 2019 to CY 2020).

Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the FY 2022 Higher Education BRB includes a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the provision will increase the appropriation annually by the

lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year. In FY 2023, the adjustment will be calculated based on the change from the second quarter of CY 2020 to the second quarter of CY 2021. *(Please see the ABOR section for more information.)*

(Please see the [Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website](#) for more information.)

Agriculture

The budget includes \$41,441,300 and 779.8 FTE Positions in FY 2022 for the Agriculture Programs. These amounts consist of:

General Fund	28,642,300
University Collections Fund	12,799,000

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(298,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(156,800)
University Collections Fund	(141,600)

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 budget includes \$15,077,000 and 353.7 FTE Positions from the General Fund in FY 2022 for the Arizona Cooperative Extension. FY 2022 adjustments are as follows:

One-Time Agriculture Workforce Program

The budget includes a one-time increase of \$500,000 from the General Fund in FY 2022 to provide funding for the Agriculture Workforce Development Program. The FY 2022 Higher Education BRB established the program to provide reimbursement to food-producing organizations for the costs of hiring apprentices. UA is required to submit a report to the Governor, Speaker of the House of Representatives, and the Senate President on December 1 of each year regarding the effectiveness of the program.

The budget assumes the \$500,000 General Fund appropriation will be provided in FY 2022 and FY 2023.

Statewide Adjustments

The budget includes a decrease of \$(99,400) from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$2,729,400 from the General Fund in FY 2022 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2021. *(Please see the Other Issues: Arizona Financial Aid Trust narrative in the ABOR section for more information.)*

Arizona Geological Survey

The budget includes \$1,148,500 and 2 FTE Positions from the General Fund in FY 2022 for the Arizona Geological Survey. FY 2022 adjustments are as follows:

Program Funding Increase

The budget includes an increase of \$200,000 and 2 FTE Positions from the General Fund in FY 2022 to provide additional operating support for the Arizona Geological Survey.

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 budget includes \$3,763,700 and 35 FTE Positions from the General Fund in FY 2022 for the Center for the Philosophy of Freedom (CPF). FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$1,250,000 from the General Fund in FY 2022 to increase CPF funding on a one-time basis.

Statewide Adjustments

The budget includes a decrease of \$(43,100) from the General Fund in FY 2022 for statewide adjustments.

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.

Kazakhstan Studies Program

The budget includes \$250,000 from the General Fund in FY 2022 for the Kazakhstan Studies Program. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$250,000 from the General Fund in FY 2022 for the Kazakhstan Studies Program. The budget requires the monies to be used to facilitate academic exchanges between university students and academic institutions in Kazakhstan.

School of Mining

The budget includes \$4,000,000 from the General Fund in FY 2022 for the School of Mining. FY 2022 adjustments are as follows:

Operating Funding

The budget includes an increase of \$4,000,000 from the General Fund in FY 2022 to provide operating funding to the UA School of Mining.

Mining, Mineral and Natural Resources Educational Museum

The budget includes \$428,800 and 1 FTE Position from the General Fund in FY 2022 for the Mining, Mineral, and Natural Resources Educational Museum. These amounts are unchanged from FY 2021.

This line item funds a curator and monies that will be used by the University to pay for repairs to the building.

Natural Resource Users Law and Policy Center

The budget includes \$500,000 from the General Fund in FY 2022 for the Natural Resource Users Law and Policy Center. FY 2022 adjustments are as follows:

Water Rights Adjudication

The budget includes an increase of \$500,000 from the General Fund in FY 2022 to provide program funding to offer pro bono assistance to claimants who are small landowners in the general stream adjudication of water rights. The program was established by the FY 2022 Higher Education BRB. The university is required to

submit a report on assistance activities to the Governor, Speaker of the House of Representatives, and Senate President on November 15 of each year.

Sierra Vista Campus

The budget includes \$6,196,300 and 74.6 FTE Positions in FY 2022 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,763,300
University Collections Fund	3,433,000

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(54,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(14,000)
University Collections Fund	(40,400)

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
- COVID-Related Spending
- University Collections and FTE Positions Adjustments

Summary

UA - Main's FY 2022 General Fund budget is \$250,739,100. Of this amount:

- \$227,404,000 is included in UA - Main's individual section of the FY 2022 General Appropriation Act.
- \$14,248,900 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$11,087,900 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.
- \$(2,001,700) is for statewide adjustments.

These amounts exclude the FY 2022 funding already appropriated in the FY 2021 General Appropriation Act for the occurrence of a 27th University pay period.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, UA - Main's General Fund costs are projected to decrease by \$(14,359,900) in FY 2023 below FY 2022, and increase by \$209,300 in FY 2024 above FY 2023.

These estimates are based on:

- A \$(9,600,000) decrease in FY 2023 to remove one-time operating funding.
- A \$(1,250,000) decrease in FY 2023 to remove one-time funding for the Center for the Philosophy of Freedom.
- A \$(3,500,000) decrease in FY 2023 to remove one-time wind tunnel funding.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for Kazakhstan Studies Program.
- A \$3,600 increase in FY 2023 and a \$2,800 increase in FY 2024 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$236,500 in FY 2023 and \$206,500 in FY 2024 to increase the university's annual Capital Infrastructure Funding. *(Please see the 2017 University Capital Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies to the universities for mitigation, distance learning, furlough prevention, and other COVID-related costs. As of June 2021, the Executive's spending plan included \$46,000,000 from the federal Coronavirus Relief Fund for UA.

In addition to the Executive allocations, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the 2021 Consolidated Appropriations Act (CAA), and the American Rescue Plan (ARP) Act distribute funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based on the relative share of full-time equivalent students of in-person Pell grant recipients enrolled at the institution. The CARES and ARP Acts require that 50% of monies received be distributed to students as emergency financial aid grants. The CAA requires student grants to be awarded in an at least an equivalent amount to grants provided under the CARES Act allocations.

UA has received a total of \$164,782,086 from the Higher Education Emergency Relief Fund. Of this amount, at

least \$73,202,574 is required to be used for student grants. *(Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2021 General Appropriation Act appropriated \$354,801,800 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 2021 to the Joint Legislative Budget Committee in September 2020, and UA incorporated the adjusted FY 2021 amounts as part of their FY 2022 budget submission. Accordingly, the estimated FY 2021 amount has been adjusted downward by \$(114,215,300) to \$240,586,500.

The FY 2021 FTE Position count has also been adjusted. The FY 2021 General Appropriation Act originally appropriated 6,021.3 FTE Positions in FY 2021 for UA - Main. The General Fund accounted for 2,271.2 FTE Positions and the University Collections Fund accounted for the remaining 3,750.1 FTE Positions. The estimated number of FY 2021 FTE Positions has been adjusted by (254.1) to 5,767.2. The General Fund accounts for 2,617.8 FTE Positions and the University Collections Fund accounts for the remaining 3,149.4 FTE Positions.

University of Arizona - Health Sciences Center

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,366.4	1,308.8	1,308.8 ^{1/}
Personal Services	51,659,600	58,066,000	58,066,000
Employee Related Expenditures	16,680,600	18,683,800	18,683,800
Professional and Outside Services	643,800	495,000	495,000
Travel - In State	44,100	25,800	25,800
Travel - Out of State	138,300	14,700	14,700
Other Operating Expenditures	6,060,200	3,907,200	11,907,200
OPERATING SUBTOTAL	75,226,600	81,192,500	89,192,500 ^{2/}
SPECIAL LINE ITEMS			
Clinical Rural Rotation	317,600	353,600	353,600
Clinical Teaching Support	8,586,800	8,587,000	8,587,000
Liver Research Institute	439,400	440,400	440,400
Phoenix Medical Campus	39,095,300	41,517,600	33,517,600
Telemedicine Network	1,669,000	1,670,000	1,670,000
AGENCY TOTAL	125,334,700	133,761,100	133,761,100 ^{3/4/}
FUND SOURCES			
General Fund	76,897,900	76,897,700	76,897,700 ^{5/6/}
<u>Other Appropriated Funds</u>			
University Collections Fund	48,436,800	56,863,400 ^{7/}	56,863,400 ^{8/}
SUBTOTAL - Other Appropriated Funds	48,436,800	56,863,400	56,863,400
SUBTOTAL - Appropriated Funds	125,334,700	133,761,100	133,761,100 ^{9/}
Other Non-Appropriated Funds	432,842,900	365,169,500	362,726,500
Federal Funds	141,898,900	132,903,100	135,638,400
TOTAL - ALL SOURCES	700,076,500	631,833,700	632,126,000

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 447.1 GF and 70.4 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ The legislature intends that \$8,000,000 of the amount appropriated to the health sciences center operating lump sum appropriation line item be used to expand the college of medicine Phoenix campus and to develop and administer a primary care physician scholarship program at the college of medicine Phoenix campus and the college of medicine Tucson campus. 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/ The FY 2021 University Collections Fund represents the appropriated portion of UA Health Sciences Center tuition and fee revenues. In addition, \$239,302,800 of the FY 2021 Other Non-Appropriated Funds represents the non-appropriated portion of tuition and fee revenues. These tuition amounts are based on estimates submitted by the universities in September 2020 and are subject to changes in enrollment. Please see the [ABOR agency page](#) for a discussion of how these amounts compare to the most recent estimates submitted by the universities.

- 8/ Any unencumbered balances remaining in the university collections fund on June 30, 2021 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)
- 9/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$4,271,800 in FY 2022 for the occurrence of a 27th pay period. Of this amount, \$2,456,800 is from the General Fund and \$1,815,000 is from the University Collections Fund.

Operating Budget

The budget includes \$89,192,500 and 791.3 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$42,576,900
University Collections Fund	46,615,600

FY 2022 adjustments are as follows:

Shift Scholarship Funding to Operating Budget

The budget includes an increase of \$8,000,000 from the General Fund in FY 2022 to shift funding for the Primary Care Physician Scholarship Program from the Phoenix Medical Campus line item to the operating budget. Shifting the funding to the operating budget allows the university to award scholarships to medical students on both the Phoenix and Tucson medical campuses.

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the UA-HSC Other Issues Section and ABOR for more information.)*

Clinical Rural Rotation

The budget includes \$353,600 and 5.9 FTE Positions from the General Fund in FY 2022 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2021.

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 budget includes \$8,587,000 and 205.2 FTE Positions from the General Fund in FY 2022 for Clinical Teaching Support. These amounts are unchanged from FY 2021.

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 budget includes \$440,400 and 6.3 FTE Positions from the General Fund in FY 2022 for the Liver Research Institute. These amounts are unchanged from FY 2021.

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 budget includes \$33,517,600 and 285.4 FTE Positions in FY 2022 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,269,800
University Collections Fund	10,247,800

FY 2022 adjustments are as follows:

Shift Scholarship Funding to Operating Budget

The budget includes a decrease of \$(8,000,000) from the General Fund in FY 2022 to shift funding for the Primary Care Physician Scholarship Program from the Phoenix Medical Campus line item to the operating budget. Shifting the funding to the operating budget allows the university to award scholarships to medical students on both the Phoenix and Tucson medical campuses.

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 was required to allocate \$376,000,000 for the Phoenix Medical Campus. Of that amount, the JCCR has reviewed \$283,445,000. The FY 2022 Higher Education Budget Reconciliation Bill (BRB) repeals this specific allocation for the Phoenix Medical Campus, which will allow ABOR to shift the remaining unused bonding allocation to other projects. *(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 budget includes \$1,670,000 and 14.7 FTE Positions from the General Fund in FY 2022 for the Telemedicine Network. These amounts are unchanged from FY 2021.

Telemedicine is the use of computers, video imaging, broadband Internet, and other telecommunication technologies to diagnose and treat patients in rural communities.

Other Issues

Higher Education Emergency Relief Fund

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, the 2021 Consolidated Appropriations Act (CAA), and the American Rescue Plan (ARP) Act distribute funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based on the relative share of full-time equivalent students of in-person Pell grant recipients enrolled at the institution. The CARES and ARP Acts require that 50% of monies received be distributed to students as emergency financial aid grants. The CAA requires student grants to be awarded in an at least an equivalent amount to grants provided under the CARES Act allocations.

UA has received a total of \$164,782,086 from the Higher Education Emergency Relief Fund. Of this amount, at least \$73,202,574 is required to be used for student grants. *(Please see the [Arizona Board of Regents narrative](#), Other Issues section for more information).*

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2021 General Appropriation Act appropriated \$55,697,400 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 2021 to the Joint Legislative Budget Committee in September 2020, and UA incorporated the adjusted FY 2021 amounts as part of their FY 2022 budget submission. Accordingly, the estimated FY 2021 amount has been adjusted upward by \$1,166,000 to \$56,863,400.

The FY 2021 FTE Position count has also been adjusted. The FY 2021 General Appropriations Act originally appropriated 1,366.4 FTE Positions in FY 2021 for the UA - HSC. The General Fund accounted for 824.7 FTE Positions and the University Collections Fund accounted for the remaining 541.7 FTE Positions. The estimated number of FY 2021 FTE Positions has been adjusted by (57.6) to 1,308.8. The General Fund accounts for 784.1 FTE Positions and the University Collections Fund accounts for the remaining 524.7 FTE Positions.

Department of Veterans' Services

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	497.3	760.3	772.3 ^{1/}
Personal Services	1,314,300	1,155,600	1,100,700
Employee Related Expenditures	470,000	458,600	453,800
Professional and Outside Services	6,400	5,500	5,500
Travel - In State	22,000	22,000	22,000
Travel - Out of State	10,600	10,700	10,700
Other Operating Expenditures	363,500	679,700	695,500
Equipment	18,900	75,800	75,800
OPERATING SUBTOTAL	2,205,700	2,407,900	2,364,000
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	788,000	962,900	941,600
Arizona State Veterans' Homes	34,335,600	39,887,100	50,519,000
Veterans' Benefit Counseling	2,628,900	2,934,300	3,643,800
Veterans' Support Services	52,800 ^{2/}	1,228,400	1,226,100 ^{3/}
Veterans' Trauma Treatment Services	0	450,000	450,000 ^{4/}
Veterans' Suicide Prevention	0	100,000 ^{5/}	0
AGENCY TOTAL	40,011,000	47,970,600	59,144,500 ^{6/}
FUND SOURCES			
General Fund	5,675,400	7,983,500	8,625,500
<u>Other Appropriated Funds</u>			
State Homes for Veterans' Trust Fund	34,335,600	39,887,100	50,519,000
Veterans' Income Tax Settlement Fund	0	100,000	0
SUBTOTAL - Other Appropriated Funds	34,335,600	39,987,100	50,519,000
SUBTOTAL - Appropriated Funds	40,011,000	47,970,600	59,144,500
Other Non-Appropriated Funds	3,601,200	3,460,800	3,460,800
Federal Funds	4,258,700	30,205,500	30,205,500
TOTAL - ALL SOURCES	47,870,900	81,636,900	92,810,800

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 81.5 GF and 644 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ Represents expenditures for the veterans' support services line item for FY 2020 and excludes \$1,149,800 in administrative adjustments to be spent in FY 2021.
- 3/ The amount appropriated for veterans' support services line item shall be distributed to a nonprofit veterans' services organization that provides support services among this state's military and veteran population. The department may spend up to \$76,500 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 to the joint legislative budget committee that includes the status of non-state matching grant monies. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ Monies appropriated for the veterans' trauma treatment services line item shall be used to provide grants to contractors as defined in section 36-2901, Arizona Revised Statutes, 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)

- 5/ The amount appropriated for the veteran suicide prevention shall be distributed to a 501(c)(3) organization located in southern Arizona that works with regional veterans' organizations to improve services to veterans to reduce veteran suicides. The appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (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 budget includes \$2,364,000 and 46.8 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(43,900) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona State Veterans' Cemeteries

The budget includes \$941,600 and 12.5 FTE Positions from the General Fund in FY 2022 for the Arizona State Veterans' Cemeteries. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(21,300) from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$50,519,000 and 644 FTE Positions from the State Homes for Veterans' Trust Fund in FY 2022 for the Arizona State Veterans' Homes. FY 2022 adjustments are as follows:

Operating Costs for New Veterans' Homes

The budget includes an increase of \$9,866,900 from the State Homes for Veterans' Trust Fund in FY 2022 to further annualize the operating costs for new veterans' homes in Flagstaff and Yuma. The FY 2021 budget included \$3,397,300 of funding for the homes' start-up costs. Between the FY 2021 and FY 2022 appropriations, the total FY 2022 operating costs of the 2 homes would be \$13,264,200.

Increased Tucson Operating Capacity

The budget includes an increase of \$1,028,900 from the State Homes for Veterans' Trust Fund in FY 2022 to increase operating capacity at the Tucson Veterans' Home.

Rehabilitation Services

The budget includes an increase of \$495,300 from the State Homes for Veterans' Trust Fund in FY 2022 for additional rehabilitation services.

Statewide Adjustments

The budget includes a decrease of \$(759,200) from the State Homes for Veterans' Trust Fund in FY 2022 for statewide adjustments.

Construction for the two 80-bed facilities began in June 2019. As of July 2021, the Yuma home is expected to open in January 2022 and the Flagstaff home is expected to open in March 2022. The department estimates the final annualized operating cost of the 2 new homes will be \$22,750,000 in FY 2023 and beyond. Of this amount, the department anticipates using \$11,200,000 for the Yuma home and \$11,575,000 for the Flagstaff home. Operating cost estimates for the new homes are based on current homes' costs as well as anticipated occupancy levels. (Please see the [FY 2020 Appropriations Report](#) for more history on the construction of the Yuma and Flagstaff homes.)

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes. Monies in this line item are from fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.

Besides Flagstaff and Yuma, ADVS operates the Phoenix Veterans' Home, a 200-bed facility currently serving 166 individuals. The Tucson Veterans' Home currently serves 120 individuals and has a 120-bed capacity.

Veterans' Benefit Counseling

The budget includes \$3,643,800 and 69 FTE Positions from the General Fund in FY 2022 for Veterans' Benefit Counseling. FY 2022 adjustments are as follows:

Additional Counselors

The budget includes an increase of \$774,000 and 12 FTE Positions from the General Fund in FY 2022 to provide additional counselors for Veterans' Benefit Counseling.

Statewide Adjustments

The budget includes a decrease of \$(64,500) from the General Fund in FY 2022 for statewide adjustments.

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' Support Services

The budget includes \$1,226,100 from the General Fund in FY 2022 for Veterans' Support Services. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(2,300) from the General Fund in FY 2022 for statewide adjustments.

Funding for this line item shall be distributed to a nonprofit veterans' services organization that provides support services, including suicide prevention, to Arizona's military and veteran population. The department may spend up to \$76,500 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization. The program currently includes a 24/7 hotline, career navigation services, and resource mapping.

The FY 2021 General Appropriation Act required the department to provide an expenditure plan to the JLBC which was favorably reviewed at the December 2020 JLBC meeting. The FY 2022 budget changes this review requirement to a reporting requirement.

Veterans' Trauma Treatment Services

The budget includes \$450,000 from the General Fund in FY 2022 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2021.

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.

Veterans' Suicide Prevention

The budget includes no funding in FY 2022 for Veterans' Suicide Prevention. FY 2022 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(100,000) from the Veterans' Income Tax Settlement Fund in FY 2022 for the elimination of one-time funding for the Warrior Healing Center.

Other Issues

FY 2021 Supplemental

The FY 2022 budget includes an FY 2021 supplemental appropriation of \$100,000 from the Veterans' Income Tax Settlement Fund to be distributed to a 501(c)(3) organization located in southern Arizona that works with regional veterans organizations to improve services to veterans to reduce veteran suicides.

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 June 30, 2021, 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.

Auditor General Report

In July 2020, the Auditor General published a Department of Veterans' Services performance audit that included recommendations for improvements to the Military Family Relief Fund. A.R.S. § 41-608.04 created the Post

9/11 Military Family Relief Advisory Committee to establish criteria for the use of monies in the post-9/11 veterans' subaccount and review applications.

As part of the sunset review process pursuant to A.R.S. § 41-2951, the Auditor General identified that the Committee used several eligibility criteria that exceed what is set forth in statute. For example, statute required that the service member have been deployed, while eligibility criteria required deployment to a combat zone. The audit recommended that the department only use eligibility criteria established in statute.

Additionally, the Auditor General concluded that the Department of Veterans' Services lacked proper internal controls to properly safeguard monies in the Military Family Relief Fund. The Department of Veterans' Services agrees with the findings and is working to revise statutory language and implement internal controls.

Northwestern Veterans' Home

The budget includes \$25,000,000 from the General Fund in FY 2022 for the construction and establishment of a veterans' home facility in the Northwestern portion of Arizona.

The Department of Veterans' Services is required to submit the proposed site location to the Arizona Veterans' Service Advisory Commission for approval.

Arizona State Veterinary Medical Examining Board

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	251,000	370,200	357,400
Employee Related Expenditures	77,400	119,000	114,400
Professional and Outside Services	22,000	26,100	26,100
Travel - In State	4,300	8,500	8,500
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	85,900	90,000	90,900
Equipment	12,400	3,000	3,000
AGENCY TOTAL	453,000	618,300	601,800 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Veterinary Medical Examining Board Fund	453,000	618,300	601,800
SUBTOTAL - Other Appropriated Funds	453,000	618,300	601,800
SUBTOTAL - Appropriated Funds	453,000	618,300	601,800
TOTAL - ALL SOURCES	453,000	618,300	601,800

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 budget includes \$601,800 and 6 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(16,500) from the Veterinary Medical Examining Board Fund in FY 2022 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Water Infrastructure Finance Authority

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
SPECIAL LINE ITEMS			
Small Drinking Water Systems Fund Deposit	500,000	0	1,000,000 ^{1/}
Water Projects Assistance Grants	0	0	5,000,000 ^{2/3/4/}
Water Supply Development Revolving Fund Deposit	0	40,000,000	6,000,000
AGENCY TOTAL	500,000	40,000,000	12,000,000 ^{5/}
FUND SOURCES			
General Fund	500,000	40,000,000	12,000,000
SUBTOTAL - Appropriated Funds	500,000	40,000,000	12,000,000
Other Non-Appropriated Funds	127,399,000	67,984,600	67,984,600
Federal Funds	38,891,800	35,770,600	35,770,600
TOTAL - ALL SOURCES	166,790,800	143,755,200	115,755,200

AGENCY DESCRIPTION — The Water Infrastructure Finance Authority (WIFA) finances the construction, rehabilitation, and/or improvement of drinking water, waste water, waste water reclamation, and other water quality facilities/projects. The agency also provides general administrative support to the Greater Arizona Development Authority (GADA). The Chairman of the WIFA board is the Director of the Arizona Department of Environmental Quality (ADEQ) or the Director's representative. The Arizona Finance Authority (AFA) in the Office of Economic Opportunity (OEO) retains oversight of WIFA, however, WIFA is displayed as a separate budget unit due to the agency receiving direct appropriations.

FOOTNOTES

- 1/ On or before December 31, 2021, December 31, 2022 and December 31, 2023, the water infrastructure finance authority of Arizona shall report to the joint legislative budget committee on the annual amount of expenditures from the small drinking water systems fund established by section 49-355, Arizona Revised Statutes, for grants to interim operators, interim managers or owners of small drinking water systems during the prior fiscal year. (General Appropriation Act footnote)
- 2/ Of the amount appropriated to the Water Projects Assistance Grants line item, \$3,000,000 is allocated to provide financial assistance to cities and towns that provide water in Navajo and Apache counties to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary or desirable to enable the cities and towns to adequately perform their duties. The water infrastructure finance authority of Arizona shall develop a separate grant program to distribute these monies to qualified entities on or before June 30, 2022. (General Appropriation Act footnote)
- 3/ Of the amount appropriated to the Water Projects Assistance Grants line item, \$2,000,000 is allocated to provide financial assistance to irrigation districts in Cochise and Graham counties to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary or desirable to enable the irrigation districts to adequately perform their duties. Each county shall receive a \$1,000,000 allocation. The water infrastructure finance authority of Arizona shall develop a separate grant program to distribute these monies to qualified entities on or before June 30, 2022. (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 the lapsing of appropriations. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated by Special Line Items by Agency.

Small Drinking Water Systems Fund Deposit

The budget includes \$1,000,000 from the General Fund in FY 2022 for the Small Drinking Water Systems Fund Deposit line item. FY 2022 adjustments are as follows:

One-Time Small Drinking Water Systems Deposit
The budget includes a one-time increase of \$1,000,000 from the General Fund in FY 2022 for a deposit to the Small Drinking Water Systems Fund.

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. Eligible infrastructure projects must be used to deliver drinking water to 10,000 or fewer people. The fund was created in FY 2017 and received an initial General Fund deposit of \$500,000, which was followed by an additional \$500,000 General Fund deposit in FY 2020.

A General Appropriation Act footnote continues to require WIFA to report on or before December 31, the annual amount of expenditures from the fund for grants to interim operators, interim managers, and owners of small drinking water systems during the previous fiscal year. Pursuant to an FY 2020 General Appropriation Act footnote, the Water Infrastructure Finance Authority of Arizona submitted its FY 2020 annual report on the Small Drinking Water Systems Fund (SDWSF).

Since its inception through FY 2020, a total of \$486,200 was expended for 6 completed projects. WIFA made another \$317,500 of grants to 6 additional projects in FY 2020.

Water Projects Assistance Grants

The budget includes \$5,000,000 from the General Fund in FY 2022 for Water Projects Assistance Grants. FY 2022 adjustments are as follows:

Water Projects Assistance Grants

The budget includes a one-time increase of \$5,000,000 from the General Fund in FY 2022 for grants to support water projects.

Pursuant to General Appropriation Act footnotes, these monies are allocated as follows: 1) \$3,000,000 to cities and towns in Navajo and Apache Counties; 2) \$2,000,000 to irrigation districts in Cochise and Graham Counties with \$1,000,000 allocated for each county.

Monies in this line item are distributed as grants to be used to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary or desirable to enable the relevant entity to adequately perform their duties. The FY 2022 appropriation is non-lapsing.

Water Supply Development Revolving Fund Deposit

The budget includes \$6,000,000 from the General Fund in FY 2022 for the Water Supply Development Revolving Fund Deposit line item. FY 2022 adjustments are as follows:

One-Time Water Supply Development Fund Deposit

The budget includes a one-time increase of \$6,000,000 from the General Fund in FY 2022 for a deposit to the Water Supply Development Revolving Fund.

Remove One-Time Funding Deposit

The budget includes a decrease of \$(40,000,000) from the General Fund in FY 2022 to remove a one-time FY 2021 deposit of \$40,000,000 to the Water Supply Development Revolving Fund. A General Appropriation Act footnote for the FY 2021 deposit requires the monies to be used for projects that are allocated throughout all regions of this state and outside of Active Management Areas, and limits the amount allocated to each project at \$1,000,000.

Monies in this line item are deposits to the Water Supply Development Revolving Fund, which was established by Laws 2007, Chapter 226. The fund is used for providing financial assistance to construct water supply projects to water providers in Arizona, particularly in rural areas, lacking enough water supplies to meet their long-term water demands. Prior to the FY 2021 and FY 2022 deposits, the fund has received appropriations, but those funding allocations were ultimately rescinded and no monies have been expended from the fund.

The FY 2022 Environment BRB expanded the fund uses to allow for water studies. Additional changes to the fund were made by Laws 2021, Chapter 262. *(Please see the Statutory Changes section for more information).*

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, expands the uses of the Water Supply Development Revolving Fund to include water supply studies.

Laws 2021, Chapter 262 makes the following statutory changes to the Water Supply Development Revolving Fund:

- Expands definition of water supply development to include planning, designing, building or developing facilities and adding structures that actively or passively recharge stormwater to the list of qualifying facilities
- Broadens definition of water provider to include: municipal water systems, counties with a population

of less than 300,000 and natural resource conservation districts.

- Increases the maximum grant to water providers for planning or design costs from \$100,000 to \$250,000.
- Requires a water provider to be in a county with less than 1.5 million persons to receive monies from the fund.

FY 2021 Supplemental Funding

The General Appropriation Act includes an FY 2021 supplemental appropriation of \$40,000,000 from the General Fund to the Water Supply Development Revolving Fund. *(Please see the Water Supply Development Revolving Fund Deposit line item for further details.)*

This \$40,000,000 FY 2021 supplemental was part of the enacted budget's \$200,000,000 supplemental funding allocation for water supply and conservation issues. The enacted budget also included an FY 2021 supplemental appropriation of \$160,000,000 from the General Fund to the Drought Mitigation Revolving Fund. *(Please see the Drought Mitigation Board agency section for additional information.)*

Water Infrastructure Finance Authority

Laws 2016, Chapter 372 created the Arizona Finance Authority (AFA) in the new Office of Economic Opportunity (OEO), effective August 6, 2016. The AFA serves as the board for the Water Infrastructure Finance Authority and the Greater Arizona Development Authority (GADA). GADA was previously under the control of WIFA. The Water Infrastructure Finance Authority's budget has been displayed in previous Baseline and Appropriations Report documents within the Office of Economic Opportunity since 2016. There has been no statutory changes to the organization and relationship to AFA, but given the direct funding provided in the FY 2022 enacted budget, WIFA is now displayed as a separate budget unit.

Department of Water Resources

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	145.0	145.0	145.0 ^{1/}
Personal Services	5,174,300	5,598,600	7,917,500
Employee Related Expenditures	1,904,500	2,314,500	2,484,200
Professional and Outside Services	180,500	71,300	71,300
Travel - In State	66,400	73,600	73,600
Travel - Out of State	45,800	21,500	21,500
Other Operating Expenditures	2,171,200	2,280,400	2,353,300
Equipment	362,600	151,600	151,600
OPERATING SUBTOTAL	9,905,300	10,511,500	13,073,000
SPECIAL LINE ITEMS			
Agua Fria Flood Insurance Study	0	0	350,000 ^{2/}
Adjudication Support	1,741,800	1,814,400	1,757,300 ^{3/}
Assured and Adequate Water Supply Administration	1,943,600	2,074,700	2,006,400 ^{4/}
Automated Groundwater Monitoring	338,300	418,600	410,400
Arizona Water Protection Fund Deposit	750,000	250,000	1,250,000
Colorado River Legal Expenses	130,000	500,000	500,000 ^{5/6/}
Conservation and Drought Program	278,900	427,700	414,600
Northwest Basins Groundwater Study	51,700	0	0
Rural Water Studies	1,142,100	1,201,500	1,169,300 ^{7/}
Arizona System Conservation Fund Deposit	30,000,000	0	0
Augmentation and Conservation Assistance Fund Deposit	2,000,000	0	0
Temporary Groundwater and Irrigation Efficiency Projects Fund Deposit	20,000,000	0	0
AGENCY TOTAL	68,281,700	17,198,400	20,931,000 ^{8/}
FUND SOURCES			
General Fund	66,598,100	14,731,600	18,424,400
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	839,100	1,212,400	1,219,100
Assured and Adequate Water Supply Administration Fund	266,700	276,700	268,100
Water Resources Fund	577,800	977,700	1,019,400
SUBTOTAL - Other Appropriated Funds	1,683,600	2,466,800	2,506,600
SUBTOTAL - Appropriated Funds	68,281,700	17,198,400	20,931,000
Other Non-Appropriated Funds	17,197,900	14,722,200	11,863,800
Federal Funds	490,300	3,052,700	4,147,000
TOTAL - ALL SOURCES	85,969,900	34,973,300	36,941,800

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 2022.
- ^{2/} The department of water resources shall use the monies in the Agua Fria flood insurance study line item to complete a study of the hydrology and hydraulics of the Agua Fria River from New Waddell Dam to the confluence with the Gila River. The department may contract with an engineering firm that has not contracted with or otherwise associated with

a county flood control district in an Arizona county with a population of more than one million five hundred thousand persons. On or before March 31, 2023, the department shall complete the report. (General Appropriation Act footnote)

- 3/ Monies in the adjudication support line item may be used only for the exclusive purposes prescribed in section 45-256 and section 45-257, subsection B, paragraph 4, Arizona Revised Statutes. The department of water resources may not transfer any monies into or out of the adjudication support line item. (General Appropriation Act footnote)
- 4/ Monies in the Assured and Adequate Water Supply Administration line item may be used only for the exclusive purposes prescribed in sections 45-108 and 45-576 through 45-579, Arizona Revised Statutes. 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)
- 5/ 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)
- 6/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 7/ 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 this state's active management areas and not be made available for other department operating expenditures. (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 budget includes \$13,073,000 and 85 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<u>FY 2022</u>
General Fund	\$11,334,500
Water Banking Fund	1,219,100
Water Resources Fund	519,400

FY 2022 adjustments are as follows:

Salary Increase for DWR

The budget includes an increase of \$2,782,700 from the General Fund in FY 2022 to increase salaries for the following positions: hydrologists, attorneys, civil engineers, water resource specialists, and information technology/technical positions. In addition, DWR has determined various other positions lack comparable salaries to equivalent positions in other state agencies.

Statewide Adjustments

The budget includes a decrease of \$ (221,200) from the General Fund in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(269,600)
Water Banking Fund	6,700
Water Resources Fund	41,700

(Please see the Agency Detail and Allocations section.)

Agua Fria Flood Insurance Study

The budget includes \$350,000 from the General Fund in FY 2022 for an Agua Fria Flood Insurance Study. FY 2022 adjustments are as follows:

One-Time Study Funding

The budget includes a one-time increase of \$350,000 from the General Fund in FY 2022 for a flood insurance study of the hydrology and hydraulics of the Agua Fria River by March 31, 2023.

The monies in this line item are for a flood insurance study of the Agua Fria from New Waddell Dam to the confluence with the Gila River. As required by a General Appropriation Act footnote, the department may contract with an engineering firm that has not contracted with or otherwise associated with the Maricopa County Flood District.

Adjudication Support

The budget includes \$1,757,300 and 21 FTE Positions from the General Fund in FY 2022 for Adjudication Support. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(57,100) from the General Fund in FY 2022 for statewide adjustments.

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. The FY 2022 budget includes additional funding for

legal-related water adjudication issues in other agencies, including the Supreme Court and the University of Arizona. (For additional details, please see the respective agencies.)

Assured and Adequate Water Supply Administration

The budget includes \$2,006,400 and 21 FTE Positions in FY 2022 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	1,738,300
AAWS Administration Fund	268,100

FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(68,300) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(59,700)
AAWS Administration Fund	(8,600)

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 budget includes \$410,400 and 2 FTE Positions from the General Fund in FY 2022 for Automated Groundwater Monitoring. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(8,200) from the General Fund in FY 2022 for statewide adjustments.

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 budget includes \$1,250,000 from the General Fund in FY 2022 for the Arizona Water Protection Fund Deposit line item. FY 2022 adjustments are as follows:

One-Time Fund Deposit

The budget includes a one-time increase of \$1,000,000 from the General Fund in FY 2022 for a one-time deposit to the Arizona Water Protection Fund.

The Water Protection Fund has received an annual General Fund deposit of \$250,000 since FY 2017, with additional one-time General Fund deposits added in certain years. (See Table 1 below for more information).

<u>Fiscal Year</u>	<u>Ongoing</u>	<u>One-Time</u>
2017	0	250,000
2018	250,000	0
2019	250,000	400,000
2020	250,000	500,000
2021	250,000	0
2022	250,000	1,000,000

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 determines annual recipients.

Colorado River Legal Expenses

The budget includes \$500,000 from the Water Resources Fund in FY 2022 for Colorado River Legal Expenses. This amount is unchanged from FY 2021.

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.

On August 23, 2019, the United States District Court for the District of Arizona dismissed the Navajo Nation's claim. The Navajo Nation filed an appeal of the decision before the United States Court of Appeals for the Ninth Circuit which is currently pending. In April 2021, the Ninth Circuit Court released an opinion that the Supreme Court retained original jurisdiction over water rights claims in Arizona, but concluded the court erred in dismissing the Nation's claim that there was a breach of trust claim premised on the Nation's treaties with the US. Subsequent litigation is expected to continue for several years.

Conservation and Drought Program

The budget includes \$414,600 and 5 FTE Positions from the General Fund in FY 2022 for the Conservation and Drought Program. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(13,100) from the General Fund in FY 2022 for statewide adjustments.

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.

The 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.

Rural Water Studies

The budget includes \$1,169,300 and 11 FTE Positions from the General Fund in FY 2022 for Rural Water Studies. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(32,200) from the General Fund in FY 2022 for statewide adjustments.

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 local and federal partners, with the department providing technical support as needed or financial assistance. The department is currently involved in the following 5 studies, listed by the entity DWR is assisting and the topic of study: Coconino Plateau Watershed Partnership (Ecosystem Services Assessment); Coconino Plateau Watershed Partnership (Aquifer Groundwater Model); Upper San Pedro Partnership (Web-Based Hydrologic Data Portal); United States Geological Survey (Water Use Study and Stream Gage Funding Support); and United States Geological Survey (Verde Valley Watershed Study).

Other Issues

Statutory Changes

The Environment Budget Reconciliation Bill (BRB) makes the following statutory changes:

- 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 2022.

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. As part of the Drought Contingency Plan (DCP) enacted by Laws 2019, Chapter 1,

the Director of DWR was authorized to enter into the new agreement which outlined Arizona's efforts to conserve waters in the Colorado River system.

As part of the DCP, Arizona appropriated \$61,000,000 of total funding across FY 2019 and FY 2020 from the General Fund for several programs as described below.

Colorado River System Conservation

An amount of \$30,000,000 was appropriated from the General Fund to the Arizona System Conservation Fund to reduce the state's Colorado River water use by funding conservation measures and paying certain users to forego water deliveries.

As of the end of FY 2021, the Colorado River Indian Tribe has received 3 payments from the Arizona System Conservation Fund. An amount of \$7,770,000 was paid in December 2019, a second payment of \$5,770,000 was paid in September 2020, and a third payment of \$5,770,000 was paid in May 2021.

Groundwater Projects

An amount of \$29,000,000 was appropriated from the General Fund to the Temporary Groundwater and Irrigation Efficiency Projects Fund to finance the rehabilitation of wells and related infrastructure for qualified irrigation districts located in the Phoenix AMA, Pinal AMA, and the Harquahala INA (irrigation non-expansion area). Laws 2020, Chapter 2 modified the list of requirements for irrigation districts to qualify for monies from the fund. By December 31, 2021, \$20,000,000 of this amount is required to be repaid by irrigation districts to the General Fund. The enacted FY 2022 budget accounts for the \$20,000,000 as revenue to the General Fund in FY 2022 in accordance with the FY 2021 budget's 3-year plan.

As of November 2020, DWR has distributed \$196,400 of the \$9,000,000 in non-loan grant monies from this fund. The Central Arizona Irrigation and Drainage District received the entire \$196,400 disbursement. Several payments totaling \$1,711,800 are currently in the approval process.

DWR reports that none of the \$20,000,000 in loan monies have been distributed. The FY 2020 General Appropriation Act (Section 156) requires these monies to be returned to the General Fund on or before December 31, 2021. DWR has indicated that the state loan program is dependent on the Regional Conservation Partnership Program (RCPP) grant program operated by the United States Department of Agriculture (USDA), as federal monies would facilitate the repayment of the state loans. However, given that the RCPP grant process is taking

longer than anticipated, the current status of the DWR loan program is unclear.

AMA Groundwater Conservation

An amount of \$2,000,000 was appropriated from the General Fund to the Augmentation and Conservation Assistance Fund to support water supply augmentation projects with the state's AMA, such as groundwater recharge. This fund also receives a portion of existing fees for groundwater withdrawal to support these ongoing programs.

FY 2022 Water Supply Budget Items

The FY 2022 budget included a total of \$218,673,900 to fund efforts to increase Arizona's water supply and drought mitigation efforts. These funds are included in the Water Infrastructure Finance Authority, the Department of Water Resources (DWR), the Drought Mitigation Board, the Judiciary, and the University of Arizona budgets. This total amount consists of:

- \$52,000,000 from the General Fund to the Water Infrastructure Finance Authority including FY 2022 appropriations of: \$5,000,000 for water project assistance grants that support rural Arizona communities, a \$6,000,000 deposit to the Water Supply Development Revolving Fund, and a \$1,000,000 deposit to the Small Water Systems Fund. In addition, the budget includes an FY 2021 supplemental deposit to the Water Supply Development Revolving Fund for \$40,000,000.
- \$3,782,700 from the General Fund for DWR including \$2,782,700 for staff salary increases and a \$1,000,000 one-time deposit to the Water Protection Fund.
- \$160,000,000 from the General Fund for the Drought Mitigation Board to support water supply and conservation projects, funded as an FY 2021 supplemental.
- \$2,891,200 from the General Fund to support water rights adjudication including: \$133,900 for water adjudication personnel and support funded through the Supreme Court; \$2,257,300 for water adjudication personnel and support funded through the Superior Court; and \$500,000 to assist claimants in the general stream adjudication of water rights, funded through the Natural Resource Users Law and Policy Center at the University of Arizona.

(For additional details, see the individual agency pages.)

Dam Safety

The Department of Water Resources (DWR) supervises the safety and hazard level of dams in Arizona. DWR supervises 253 dams in the state.

The safety designation (safe, safety deficiency, unsafe) addresses the current condition of the dam. A safety classification does not address the potential consequences of a dam if it were to fail. An unsafe dam is more likely to fail than a safe dam, but an unsafe designation does not mean a dam will imminently fail.

The hazard designation (very low, low, significant, high) addresses the potential consequences if a dam were to fail. The current condition of a dam is not addressed in the hazard designation.

The highest priority dams are classified as "unsafe" and "high-hazard." Of the 253 dams, 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.

The 15 dams are in the following counties shown in *Table 2*. The owner of each dam is responsible for its repairs. The assessment and design repair cost can approach \$1,000,000, with actual construction costs being as much as \$10,000,000.

<u>County</u>	<u>Number of Dams</u>
Apache	1
Cochise	1
Coconino	3
Graham	3
Maricopa	1
Navajo	4
Pinal	<u>2</u>
Total	15

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 \$1,489,900 in revenue for FY 2020. The fund has a current balance of \$6,352,700.

The federal government may also provide repair grants contingent upon a local match.

Table 3 lists dams considered to be "unsafe" and the year that it was constructed.

<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

Fredonia presents an example of the challenge of repairing dams. While the federal government committed 65% of the estimated \$10,000,000-12,000,000 in repair costs and DWR offered \$1,000,000, 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.

CAPITAL OUTLAY

**Capital Outlay
Summary**

	FY 2021 SUPPLEMENTAL	FY 2022 APPROVED
BUILDING RENEWAL		
ADOA Building System		53,638,700
ADOT Building System		15,710,400
ABOR Building System		0
SUBTOTAL		69,349,100
INDIVIDUAL PROJECTS		
ADOA Building System		100,143,500
ADOT Building System	321,001,500	439,010,000
ABOR Building System	0	0
SUBTOTAL	321,001,500	539,153,500
DEBT AND LEASE-PURCHASE FINANCING		
Debt Payoff ^{2/}	977,100,000	0
LOCAL ASSISTANCE		
Phoenix Convention Center ^{2/}		24,498,500
Rio Nuevo District ^{3/}		16,000,000
SUBTOTAL	977,100,000	40,498,500
TOTALS		
ADOA Building System		153,782,200
ADOT Building System	321,001,500	454,720,400
ABOR Building System		0
Other Funding (Lease-Purchase/Local Assistance)	977,100,000	40,498,500
TOTAL - ALL PROJECTS ^{4/}	1,298,101,500	649,001,100
FUND SOURCES		
General Fund	1,298,101,500	133,131,400
<u>Other Appropriated Funds</u>		
Capital Outlay Stabilization Fund		18,000,000
Department of Corrections Building Renewal Fund		5,864,300
Arizona Correctional Industries Revolving Fund		3,767,400
ADC Special Services Fund		447,800
Inmate Store Proceeds Fund		1,349,200
Prison Construction and Operations Fund		10,000,000
Collection Enforcement Revolving Fund		4,000,000
Schools for the Deaf and the Blind Fund		150,000
Military Installation Fund		191,000
Game and Fish Fund		3,815,800
Game and Fish Capital Improvement Fund		850,000
Arizona State Hospital Fund		1,000,000
Arizona State Hospital Land Fund		1,000,000
DJC State Charitable Penal and Reformatory Institutions Land Fund		2,500,000
Legislative, Executive, and Judicial Buildings Land Fund		400,000
State Lottery Fund		152,800
State Parks Revenue Fund		4,307,900
Pioneers' State Charitable Fund		353,100
Arizona Highway Patrol Fund		3,000,000
State Aviation Fund		26,310,400
State Highway Fund		428,410,000
SUBTOTAL - Other Appropriated Funds	0	515,869,700
SUBTOTAL - Appropriated Funds	1,298,101,500	649,001,100

	FY 2021 SUPPLEMENTAL	FY 2022 APPROVED
Other Non-Appropriated Funds		571,905,000
Federal Funds		1,030,406,000
TOTAL - ALL SOURCES	1,298,101,500	2,251,312,100

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.

FOOTNOTES

- 1/ This amount was appropriated or allocated by the FY 2022 General Appropriation Act (Laws 2021, Chapter 408, Section 101).
- 2/ This amount was appropriated or allocated by the FY 2022 General Appropriation Act (Laws 2021, Chapter 408, Section 122).
- 3/ This amount was appropriated or allocated by the FY 2022 General Appropriation Act (Laws 2021, Chapter 408, Section 123).
- 4/ Unless otherwise noted, amounts were appropriated by the FY 2022 Capital Outlay Bill (Laws 2021, Chapter 406).

The following amounts are one-time appropriations:

Summary

The budget includes a total of \$649,001,100 from Appropriated Funds in FY 2022. Of the total, \$133,131,400 is from the General Fund and \$515,869,700 is from Other Appropriated Funds. The budget 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 budget includes total funding of \$69,349,100 in FY 2022 for Building Renewal, which consists of General Fund and Other Appropriated Funds. These amounts include:

	FY 2022
Arizona Department of Administration Capital Outlay Stabilization Fund @ 49.2% (excludes ADC,	\$24,200,000

Game and Fish, Lottery buildings)	
Department of Corrections	
ADC Building	28,070,100
Renewal Fund @ 100%	
Game and Fish Department	
Game and Fish Fund @ 100%	1,215,800
State Lottery Commission	
State Lottery Fund @ 100%	<u>152,800</u>
Subtotal - ADOA	\$53,638,700
Arizona Department of Transportation	
State Highway Fund @ 91.0%	\$15,400,000
State Aviation Fund @ 94.1%	<u>310,400</u>
Subtotal - ADOT	\$15,710,400

(See the individual building systems' section for more information.)

Individual Projects

The budget includes total funding of \$539,153,500 in FY 2022 for individual capital projects, which consists of \$64,227,100 General Fund and \$474,926,400 from Other Appropriated Funds.

In addition, the enacted budget appropriated a total of \$321,001,500 from the General Fund for non-lapsing FY 2021 supplementals for various individual transportation projects and for statewide pavement rehabilitation projects.

(See the individual building systems' sections for more information.)

Debt and Lease-Purchase Financing

The budget includes no funding in FY 2022 for payments related to prior year lease-purchase financing to resolve budget shortfalls. Given the payoff of the ADOA Leaseback Financing, FY 2022 will include no debt service payments for this issuance.

The budget includes \$977,100,000 from the General Fund for various debt payoff appropriations that were allocated as non-lapsing FY 2021 supplementals.

(See the Debt and Lease-Purchase Financing section for more information.)

Local Assistance

The budget includes \$40,498,500 from the General Fund in FY 2022 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 2022
APPROVED

BUILDING RENEWAL

Department of Administration ^{1/2/3/4/}	24,200,000
Department of Corrections ^{5/}	28,070,100
Game and Fish Department ^{6/}	1,215,800
Arizona State Lottery Commission	152,800
ALL PROJECTS ^{7/}	53,638,700

INDIVIDUAL PROJECTS

Arizona Department of Administration ^{7/}	
1601/1645 W. Jefferson Demolition and Central Plant Conversion ^{8/}	2,800,000
Air Handler Units ^{9/}	3,500,000
Taylor Rodeo Arena ^{9/}	1,000,000
Dark Sky Discovery Center ^{9/10/}	2,500,000
Attorney General ^{11/}	
Deferred Maintenance 15 S 15 th Ave ^{8/}	4,000,000
Arizona Department of Corrections ^{12/}	
Eyman Fire and Life Safety Upgrades ^{8/}	25,564,400
Arizona State Schools for the Deaf and the Blind ^{12/}	
Classroom Notification System (Tucson Campus) ^{9/}	150,000
Department of Emergency and Military Affairs	
Fire Suppression Repairs and Roof Replacement ^{7/9/}	1,118,100
Yuma County Fairgrounds Relocation ^{9/11/12/}	5,000,000
Arizona Exposition and State Fair ^{12/}	
Capital Improvements ^{8/}	1,000,000
Veterans Memorial Coliseum Fire Alarm Replacement ^{8/}	1,000,000
Game and Fish Department ^{12/}	
Dam Maintenance ^{9/}	150,000
Property Maintenance ^{9/}	300,000
Hatchery Maintenance ^{9/}	400,000
Hatchery Capital Renewal ^{9/}	2,600,000
Arizona Department of Health Services ^{12/}	
Building Demolition ^{9/}	2,000,000
Arizona Department of Juvenile Corrections ^{12/}	
Door Replacement ^{8/}	2,500,000
Legislative Council	
Historic Capital Repair and Renovations ^{9/13/}	11,900,000
Arizona State Parks Board ^{12/}	
Capital Improvements ^{9/14/}	2,396,700
Dead Horse Ranch Amphitheater ^{9/}	150,000
Kartchner Caverns Discovery Center Roof ^{9/}	450,000
Red Rock Fire Suppression ^{9/}	126,000
Red Rock Maintenance Building ^{9/}	435,200
Rockin' River Park Construction ^{9/}	750,000
Arizona Pioneers' Home ^{12/}	
Capital Improvements ^{9/}	353,100
Arizona Department of Public Safety ^{12/}	
Wellness and Training Center ^{8/}	3,000,000
Arizona Department of Veteran Services ^{13/15/16/}	
Northwestern Veterans' Home ^{8/}	25,000,000
SUBTOTAL	100,143,500
TOTAL - ALL PROJECTS	153,782,200

FUND SOURCES

General Fund	92,632,900
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	18,000,000
Department of Corrections Building Renewal Fund	5,864,300
Arizona Correctional Industries Revolving Fund	3,767,400
ADC Special Services Fund	447,800
Inmate Store Proceeds Fund	1,349,200
Prison Construction and Operations Fund	10,000,000
Collection Enforcement Revolving Fund	4,000,000
Schools for the Deaf and the Blind Fund	150,000
Military Installation Fund	191,000
Game and Fish Fund	3,815,800
Game and Fish Capital Improvement Fund	850,000
Arizona State Hospital Fund	1,000,000
Arizona State Hospital Land Fund	1,000,000
DJC State Charitable Penal and Reformatory Institutions Land Fund	2,500,000
Legislative, Executive, and Judicial Buildings Land Fund	400,000
State Lottery Fund	152,800
State Parks Revenue Fund	4,307,900
Pioneers' State Charitable Fund	353,100
Arizona Highway Patrol Fund	3,000,000
SUBTOTAL - Other Appropriated Funds	61,149,300
SUBTOTAL - Appropriated Funds	153,782,200
TOTAL - ALL SOURCES <small>17/18/19/20/21/22/23/24/25/</small>	153,782,200

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 2022 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/ Notwithstanding section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2021-2022 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 (Capital Outlay Appropriation Act footnote)
- 2/ 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 section 41-792.01, Arizona Revised Statutes, 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. (Capital Outlay Appropriation Act footnote)
- 3/ Notwithstanding title 41, chapter 4, article 7, Arizona Revised Statutes, the department may use monies appropriated for building renewal in fiscal year 2021-2022 for building projects related to retrofitting facilities for space consolidation initiatives. (Capital Outlay Appropriation Act footnote)
- 4/ On or before November 30, 2021 and May 31, 2022, the department of administration shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. (Capital Outlay Appropriation Act footnote)
- 5/ On or before November 30, 2021 and May 31, 2022, the state department of corrections shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. The department may not spend any of this appropriation on personal services or overhead expenses related to managing the funded projects. (Capital Outlay Appropriation Act footnote)

- 6/ On or before November 30, 2021 and May 31, 2022, the Arizona game and fish department shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. (Capital Outlay Appropriation Act footnote)
- 7/ Notwithstanding section 35-190, Arizona Revised Statutes, each appropriation made in this section that is unexpended on June 30, 2023 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 8/ Before spending the appropriation made in subsection A of this section (the individual projects as listed), the agency shall submit the scope, purpose and estimated cost of the capital improvements to the joint committee on capital review pursuant to section 41-1252, Arizona Revised Statutes. (Capital Outlay Appropriation Act footnote)
- 9/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriation made in subsection A of this section is not subject to review by the joint committee on capital review (Capital Outlay Appropriation Act footnote)
- 10/ Monies distributed pursuant to this subsection must be used for capital costs. (Capital Outlay Appropriation Act footnote)
- 11/ On or before July 31, 2022 and July 31, 2023, the department of emergency and military affairs shall report to the joint committee on capital review on the status of expenditures and the progress in relocating the Yuma county fairgrounds. (Capital Outlay Appropriation Act footnote)
- 12/ The appropriation made in subsection A of this section does not lapse until the purpose for which the appropriation was made has been accomplished or abandoned or the appropriation stands for a full fiscal year without an expenditure or encumbrance. (Capital Outlay Appropriation Act footnote)
- 13/ The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (Capital Outlay Appropriation Act footnote)
- 14/ On or before November 30, 2021 and May 31, 2022, the Arizona state parks board shall report to the joint legislative budget committee staff on the status of all capital projects and capital expenditures. (Capital Outlay Appropriation Act footnote)
- 15/ The appropriation made in subsection A of this section is intended to be this state's share of the costs and is not subject to expenditure for any purpose unless the department of veterans' services has irrevocable commitments from the United States government to fund at least sixty-five percent of the total costs. (Capital Outlay Appropriation Act footnote)
- 16/ The department shall submit the proposed site location in the northwestern portion of this state to the Arizona veterans' service advisory commission established by section 41-602, Arizona Revised Statutes, for approval. The department shall provide the commission a feasibility analysis of suitable sites to consider when approving the site location. (Capital Outlay Appropriation Act footnote)
- 17/ The department of administration may spend up to five percent of the amounts appropriated to the department in this act, excluding amounts to be distributed to non-state agencies, for expenditures for project management of building renewal and capital projects. All other monies appropriated to the department in this act 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)
- 18/ Except as provided in subsection A of this section, 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)
- 19/ Pursuant to section 41-1252, Arizona Revised Statutes, 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)
- 20/ Notwithstanding Laws 2019, chapter 264, section 2, the \$17,000,000 appropriated to the department of administration by Laws 2019, chapter 264, section 2 in fiscal year 2019-2020 for building renewal is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (Capital Outlay Appropriation Act footnote)
- 21/ Notwithstanding Laws 2019, chapter 264, section 3, the \$1,000,000 appropriated to the department of administration by Laws 2019, chapter 264, section 3 in fiscal year 2019-2020 to replace the air handler units at the house of representatives and senate buildings at 1700 West Washington Street is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (Capital Outlay Appropriation Act footnote)
- 22/ Notwithstanding Laws 2019, chapter 264, section 13, the \$414,000 appropriated to the Arizona pioneers' home by Laws 2019, chapter 264, section 13 in fiscal year 2019-2020 for capital improvements is exempt from the provisions of section

35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (Capital Outlay Appropriation Act footnote)

- 23/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$3,759,000 to the department of emergency and military affairs for construction of a readiness center made by Laws 2018, chapter 277, section 8 that remains unexpended on June 30, 2026 reverts to the fund from which the monies were appropriated. (Revised FY 2021 Capital Outlay Appropriation Act footnote)
- 24/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$3,875,000 to the department of emergency and military affairs for construction of a readiness center made by Laws 2019, chapter 264, section 6 that remains unexpended on June 30, 2026 reverts to the fund from which the monies were appropriated. (Revised FY 2021 Capital Outlay Appropriation Act footnote)
- 25/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency. (Capital Outlay Appropriation Act footnote)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2021, Chapter 406 (FY 2022 Capital Outlay Bill).

Building Renewal

The budget includes \$53,638,700 from the General Fund and Other Appropriated Funds in FY 2022 for Building Renewal within the ADOA Building System. These amounts consist of:

- \$24,200,000 to ADOA, which consists of \$6,200,000 from the General Fund and \$18,000,000 from the Capital Outlay Stabilization Fund (COSF). This amount funds 49.2% of the ADOA building renewal formula. The FY 2021 appropriation of \$16,000,000 from COSF represented 32.1% of the ADOA formula.
- \$28,070,100 to the Arizona Department of Corrections (ADC), which consists of \$22,205,800 from the General Fund and \$5,864,300 from the ADC Building Renewal Fund, which funds 100% of the ADC building renewal formula. The FY 2021 appropriation of \$5,464,300 from the ADC Building Renewal Fund represented 20.4% of the ADC formula.
- \$1,215,800 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 2021 appropriation of \$1,157,900 from the Game and Fish Fund also represented 100% of the Game and Fish formula.
- \$152,800 to the Arizona State Lottery Commission from the State Lottery Fund, which funds 100% of the Lottery building renewal formula. The FY 2021 appropriation of \$146,700 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 budget includes a footnote allowing ADOA to use monies appropriated for building renewal to retrofit facilities for space consolidation initiatives.

The budget includes a footnote allowing ADOA to use up to five percent (5%) of all capital outlay appropriations to the department for project management-related expenses. This footnote does not apply to appropriations for distribution to nonstate entities.

The budget continues the footnote requiring that unused building renewal monies revert after 2 fiscal years at the end of FY 2023.

The budget modifies the footnote for reporting dates for agency building renewal and capital expenditures status reports to align with the JCCR review process. The dates been adjusted from January 31 and July 31 to November 30 and May 31.

Individual Projects

Arizona Department of Administration 1601/1645 W Jefferson Demolition and Central Plan Conversion

The budget includes \$2,800,000 from the General Fund in FY 2022 to demolish the ADC buildings at 1601/1645 West Jefferson and to convert the Central Plant to service the Department of Education Building at 1535 W. Jefferson. ADC will relocate to a building vacated by AHCCCS.

Arizona Department of Administration Air Handler Units

The budget includes \$3,500,000 from the General Fund in FY 2022 to complete the replacement of the air handler units at the House of Representatives and Senate buildings at 1700 West Washington Street.

Arizona Department of Administration Taylor Rodeo Arena

The budget includes \$1,000,000 from the General Fund in FY 2022 to ADOA to distribute to the Town of Taylor for capital improvements to the Taylor Rodeo Ground.

Arizona Department of Administration Dark Sky Discovery System

The budget includes \$2,500,000 from the General Fund in FY 2022 to ADOA to distribute to a nonprofit organization that is designated as an international dark sky discovery center and that is focused on dark sky preservation in Arizona. A budget footnote requires that the monies be used for capital costs.

Attorney General Deferred Maintenance

The budget includes \$4,000,000 from the Collection Enforcement Revolving Fund in FY 2022 to the Attorney General to complete deferred maintenance projects at 15 S. 15th Ave.

Arizona Department of Corrections Eyman Fire and Life Safety

The budget includes \$25,564,400 in FY 2022 to replace and upgrade fire and life safety systems at the Eyman prison complex. This amount consists of:

General Fund	\$10,000,000
Arizona Correctional Industries	
Revolving Fund	3,767,400
ADC Special Services Fund	447,800
Inmate Store Proceeds Fund	1,349,200
Prison Construction and Operations Fund	10,000,000

Arizona Schools for the Deaf and the Blind Classroom Notification System Replacement

The budget includes \$150,000 from the Schools for the Deaf and the Blind Fund in FY 2022 to replace the classroom notification system at the Tucson campus.

Department of Emergency and Military Affairs Fire Suppression and Roof Replacement

The budget includes \$1,118,100 in FY 2022 to replace and upgrade fire suppression systems and roofs at DEMA readiness centers. This amount consists of:

General Fund	927,100
Military Installation Fund	191,000

Readiness Centers serve as the home base and training center for units in the Arizona National Guard. These facilities house soldiers during drills and provide storage for equipment and weapons between exercises. The appropriation consists of one-third of the total funding for

the project with federal funds matching the remaining two-thirds of project costs.

Department of Emergency and Military Affairs Yuma County Fair Grounds Relocation

The budget includes \$5,000,000 from the General Fund in FY 2022 to distribute to Yuma County for military installation preservation and enhancement projects. The Yuma County Fairgrounds have begun to encroach on military installation easements. The funding will be used by the county to relocate the fairgrounds. The budget includes a footnote requiring DEMA to report semi-annually to the JCCR on the status of expenditures and progress in relocating the fairgrounds.

Arizona Exposition and State Fair Capital Improvements

The budget includes \$1,000,000 from the General Fund in FY 2022 to the State Fair Board for capital improvements. This includes improvements to the facility in order to ensure that the fairgrounds are operable during the month of the state fair and for contracted events year-round.

Arizona Exposition and State Fair Veterans Memorial Coliseum Fire Alarm

The budget includes \$1,000,000 from the General Fund in FY 2022 to the State Fair Board for replace the fire alarm system at the Veterans Memorial Coliseum.

Game and Fish Dam Maintenance

The budget includes \$150,000 from the Game and Fish Capital Improvement Fund in FY 2022 to the Arizona Game and Fish Department (AGFD) for dam maintenance. The department owns and operates 38 dams throughout the state. The department plans to use the funds for vegetation removal, flood warning system maintenance, dam safety regulation compliance, and structural repairs.

Game and Fish Property Maintenance

The budget includes \$300,000 from the Game and Fish Capital Improvement Fund in FY 2022 to the AGFD for property maintenance.

The department owns 60 properties throughout the state. This funding will be used to supplement base funding for operation and maintenance projects.

Game and Fish Hatchery Maintenance

The budget includes \$400,000 from the Game and Fish Capital Improvement Fund in FY 2022 to the AGFD for hatchery maintenance.

The department owns 6 fish hatcheries throughout the state, all of which are in Northern Arizona. The

department plans to use the funds for hatchery facility upgrades and repairs and parking lot rehabilitations. AGFD hatcheries supply the state's rivers, streams and lakes with their recreational fish population.

Game and Fish Hatchery Capital Renewal

The budget includes \$2,600,000 from the Game and Fish Fund in FY 2022 to the AGFD conduct major renovation projects at AGFD hatcheries.

Department of Health Services Demolition

The budget includes \$2,000,000 in FY 2022 to demolish unused buildings on the Arizona State Hospital Campus. This amount consists of:

Arizona State Hospital Fund	1,000,000
Arizona State Hospital Land Fund	1,000,000

The 2 unused buildings have deteriorated. Funding for demolition would also be used to abate hazardous material. The department anticipates leasing the vacant land for a future private-public partnership.

Department of Juvenile Corrections Door Replacement

The budget includes \$2,500,000 from the DJC State Charitable, Penal, and Reformatory Institutions Fund in FY 2022 to the Department of Juvenile Corrections to replace doors in 4 units at the Adobe Mountain School facility.

Legislative Council Historic Capitol Renovations and Repairs

The budget includes \$11,900,000 in FY 2022 to repair, restore, and renovate the Historic Capitol building at 1700 West Washington Street. This amount consists of:

General Fund	11,500,000
Legislative, Executive, and Judicial Public Buildings Land Fund	400,000

Arizona State Parks Board Capital Improvements

The budget includes \$2,396,700 from the State Parks Revenue Fund in FY 2022 to the State Parks Board (ASPB) for capital improvements. This amount funds 100% of the ASPB agency specific building renewal formula.

Statewide capital improvements may include new capital projects such as camping sites, restroom buildings, shop buildings, or outdoor areas (ramadas, tables and grills). In addition, ASPB may use the funding for major maintenance and building renewal which could include projects for water/wastewater facilities, leach fields, septic tanks, roofing repairs and structural stabilization

In addition, the budget adds a new footnote requiring the Arizona State Parks Board to report to the JLBC Staff semi-annually on agency building renewal and capital expenditures.

Arizona State Parks Board Dead Horse Amphitheater

The budget includes \$150,000 from the State Parks Revenue Fund in FY 2022 to the State Parks Board (ASPB) to construct a new Amphitheater at Dead Horse Ranch State Park. The funding will complete a project initially started in FY 2018.

Arizona State Parks Kartchner Cavern Discovery Center Roof Replacement

The budget includes \$450,000 from the State Parks Revenue Fund in FY 2022 to the State Parks Board (ASPB) to replace the roof at the Discovery Center at Kartchner Cavern.

Arizona State Parks Red Rock Fire Suppression

The budget includes \$126,000 from the State Parks Revenue Fund in FY 2022 to the State Parks Board (ASPB) to replace the fire suppression system at Red Rock State Park.

Arizona State Parks Red Rock Maintenance Building

The budget includes \$435,200 from the State Parks Revenue Fund in FY 2022 to the State Parks Board (ASPB) to replace the maintenance building at Red Rock State Park.

Arizona State Parks Rockin' River Ranch

The budget includes \$750,000 from the State Parks Revenue Fund in FY 2022 to the State Parks Board (ASPB) for the further development of the new Rockin' River Ranch State Park in Camp Verde.

Rockin' River will be a day-use park with access to trails and the Verde River. Funding will be utilized to develop roads and parking areas, trail construction, demolition of dilapidated structures, and installing vault toilets. Design for this project was originally initiated in FY 2018.

Arizona Pioneers' Home Capital Improvements

The budget includes \$353,100 from the from the Pioneers' State Charitable Fund in FY 2022 to the Arizona Pioneers' Home for capital improvement projects.

The Pioneers' home was built in 1911 and has continued capital improvement needs including replacing aging windows and equipment.

Department of Public Safety Wellness Center

The budget includes \$3,000,000 from the from the Arizona Highway Patrol Fund in FY 2022 to the

Department of Public Safety (DPS) to construct a new wellness and training center.

DPS plans to repurpose 15,099 square foot of vacant building space at its headquarters in Phoenix to construct a Defensive Tactics and Wellness Center.

Department of Veteran Services Flagstaff Veterans' Home

The budget includes \$25,000,000 from the General Fund in FY 2022 for the construction of a new State Veterans' Home in Northwestern Arizona. The amount appropriated reflects 35% of the estimated cost; the federal government will pay the other 65%

The budget includes a footnote requiring the department to submit the proposed site to the Arizona Veterans' Service Advisory Commission for approval. The department shall provide the commission a feasibility analysis of suitable sites to consider when approving the site location.

Other Issues

Appropriations Non-Lapsing Status

The budget extends the non-lapsing status of the following appropriations:

- Extends the lapsing date of the \$17,000,000 FY 2020 appropriation to ADOA for Building Renewal to June 30, 2022
- Extends the lapsing date of the \$1,000,000 FY 2020 appropriation to ADOA for the Legislature's Air Handlers to June 30, 2022
- Extends the lapsing date of the \$414,000 to the Pioneers' Home for capital improvements to June 30, 2022.
- Extends the lapsing date of the \$3,759,000 FY 2019 General Fund appropriation to DEMA for construction of a new Tucson Readiness Center to June 30, 2026.
- Extends the lapsing date of the \$3,875,000 FY 2020 General Fund appropriation to DEMA for construction of a new West Valley Readiness Center to June 30, 2026.

Rent Adjustments

In FY 2022, state building rent payments total \$31,885,800 which is estimated to be paid from the following fund sources: \$18,815,700 from the General Fund, \$9,481,800 from Other Appropriated Funds, and \$3,588,300 from Non-Appropriated Funds. In FY 2022, state building rent payments will increase by \$64,500 in

total, which consists of the following fund sources: \$(339,500) from the General Fund, \$347,400 from Other Appropriated Funds, and \$56,600 from Non-Appropriated Funds.

The change in rent payments is primarily due to agencies moving within the Capitol Mall but does not include any savings for agencies reducing space as part of ADOA's space consolidation initiatives.

The budget includes a Summary of Rent Charges as of July 2021, 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.)

The FY 2022 Budget Procedures Budget Reconciliation Bill (BRB) as session law allows ADOA to approve agency rent exemptions in FY 2022 without JCCR review.

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 2020, and provides estimates for FY 2021 and FY 2022.

Table 1
COSF Revenues and Expenditures
(in millions)

	FY 2020	FY 2021	FY 2022
	Actuals	Estimate	Estimate
Beginning Balance	\$17.6	\$22.9	\$ 8.6
Revenue	<u>32.5</u>	<u>33.8</u>	<u>31.9</u>
Total Available	\$50.1	\$56.7	\$40.5
Expenditures			
COSF Operating	\$15.1	\$18.7	\$18.5
Capital Projects			
FY '19 Building Renewal	7.4	0	0
FY '20 Building Renewal	3.6	13.1	0
FY '21 Building Renewal ^{1/}	0	16.0	0
FY '22 Building Renewal ^{1/}	0	0	18.0
Admin. Adjustments	<u>1.1</u>	<u>0.3</u>	<u>0</u>
Total Expenditures	\$27.2	\$48.1	\$36.5
Ending Balance	\$ 22.9	\$8.6	\$4.0

^{1/} Since ADOA building renewal appropriations do not lapse for 2 years, monies appropriated in FY 2021 and FY 2022 may also be spent in the following fiscal year.

SUMMARY OF RENT CHARGES 1/ 2/3/

BUDGET UNITS	Fiscal Year 2021 Appropriations Report				Fiscal Year 2022 Appropriations Report				Difference FY 2022 - FY 2021			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Acupuncture Board of Examiners												
1740 W Adams	-	13,000	-	13,000	-	13,100	-	13,100	-	100	-	100
Administration, AZ Department of												
1400 W Washington	-	-	-	-	-	95,100	-	95,100	-	95,100	-	95,100
1510 W Adams	-	-	-	-	-	-	-	-	-	-	-	-
1520 W Adams	-	-	-	-	-	-	-	-	-	-	-	-
1537 W Jackson	-	118,200	-	118,200	-	118,200	-	118,200	-	-	-	-
1616 W Adams	-	105,600	-	105,600	-	105,600	-	105,600	-	-	-	-
1802 W Jackson	-	24,000	59,500	83,500	-	24,000	59,500	83,500	-	-	-	-
1840 W Jackson	-	87,800	-	87,800	-	95,600	-	95,600	-	7,800	-	7,800
1850 W Jackson	-	60,600	-	60,600	-	60,600	-	60,600	-	-	-	-
1700 W Washington	-	159,000	-	159,000	-	159,000	-	159,000	-	-	-	-
1740 W Adams	-	45,000	-	45,000	-	43,700	-	43,700	-	(1,300)	-	(1,300)
1919 W Jefferson	-	-	-	-	-	18,300	-	18,300	-	18,300	-	18,300
1501 W Madison	-	82,400	-	82,400	-	-	-	-	-	(82,400)	-	(82,400)
1801 W Madison	-	29,200	-	29,200	-	29,300	-	29,300	-	100	-	100
1805 W Madison	-	33,800	-	33,800	-	33,800	-	33,800	-	-	-	-
400 W Congress, Tucson	-	65,000	-	65,000	-	65,100	-	65,100	-	100	-	100
402 W Congress, Tucson	-	77,300	-	77,300	-	77,300	-	77,300	-	-	-	-
416 W Congress, Tucson	-	3,800	-	3,800	-	3,800	-	3,800	-	-	-	-
Subtotal - AZ Dept of Administration	-	891,700	59,500	951,200	-	929,400	59,500	988,900	-	37,700	-	37,700
Administrative Hearings, Office of												
1740 W Adams	86,500	-	110,000	196,500	86,400	-	110,000	196,400	(100)	-	-	(100)
African American Affairs, AZ Commission of												
1700 W Washington	8,100	-	-	8,100	8,100	-	-	8,100	-	-	-	-
Agriculture, AZ Department of												
1688 W Adams	299,700	-	337,900	637,600	299,700	-	337,900	637,600	-	-	-	-
400 W Congress, Tucson	48,400	-	7,200	55,600	48,400	-	7,200	55,600	-	-	-	-
Subtotal - AZ Dept of Agriculture	348,100	-	345,100	693,200	348,100	-	345,100	693,200	-	-	-	-
AZ Health Care Cost Containment System												
Kingman Building	-	-	-	-	-	-	-	-	-	-	-	-
Arts, AZ Commission on the												
417 W Roosevelt	-	-	67,900	67,900	-	-	67,900	67,900	-	-	-	-
Attorney General - Department of Law												
400 W Congress, Tucson	-	-	131,500	131,500	-	-	131,500	131,500	-	-	-	-
402 W Congress, Tucson	170,500	55,400	200,300	426,200	170,500	55,400	200,300	426,200	-	-	-	-
416 W Congress, Tucson	-	-	157,700	157,700	-	-	157,700	157,700	-	-	-	-
Capitol Center	597,400	1,058,200	51,200	1,706,800	641,000	1,135,300	54,900	1,831,200	43,600	77,100	3,700	124,400
Subtotal - Attorney General - Dept of Law	767,900	1,113,600	540,700	2,422,200	811,500	1,190,700	544,400	2,546,600	43,600	77,100	3,700	124,400
Barbers, Board of												
1740 W Adams	-	25,000	-	25,000	-	25,100	-	25,100	-	100	-	100
Behavioral Health Examiners, Board of												
1740 W Adams	-	72,100	-	72,100	-	72,400	-	72,400	-	300	-	300
Charter Schools, State Board for												
1616 W Adams	96,300	-	-	96,300	96,300	-	-	96,300	-	-	-	-
Child Safety, Department of												
Kingman Building	-	-	-	-	-	-	-	-	-	-	-	-
400 W Congress, Tucson	33,200	-	-	33,200	28,900	-	-	28,900	(4,300)	-	-	(4,300)
Capitol Center	291,300	-	-	291,300	291,300	-	-	291,300	-	-	-	-
Subtotal - Department of Child Safety	324,500	-	-	324,500	320,200	-	-	320,200	(4,300)	-	-	(4,300)
Chiropractic Examiners, State Board of												
1740 W Adams	-	26,900	-	26,900	-	26,900	-	26,900	-	-	-	-

	Fiscal Year 2021 Appropriations Report				Fiscal Year 2022 Appropriations Report				Difference FY 2022 - FY 2021			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Citizens Clean Elections Commission												
1616 W Adams	-	-	74,200	74,200	-	-	74,200	74,200	-	-	-	-
Contractors, Registrar of												
400 W Congress, Tucson	-	49,300	2,600	51,900	-	49,300	2,600	51,900	-	-	-	-
1700 W Washington	-	335,300	17,600	352,900	-	367,300	19,300	386,600	-	32,000	1,700	33,700
Subtotal - Registrar of Contractors	-	384,600	20,200	404,800	-	416,600	21,900	438,500	-	32,000	1,700	33,700
Corporation Commission												
1200 W Washington	-	721,600	-	721,600	-	721,600	-	721,600	-	-	-	-
1300 W Washington	-	955,300	-	955,300	-	962,900	-	962,900	-	7,600	-	7,600
400 W Congress, Tucson	4,600	68,000	4,600	77,200	4,600	68,000	4,600	77,200	-	-	-	-
Subtotal - Corporation Commission	4,600	1,744,900	4,600	1,754,100	4,600	1,752,500	4,600	1,761,700	-	7,600	-	7,600
Corrections, State Department of												
1601 W Jefferson	1,024,600	-	-	1,024,600	1,024,600	-	-	1,024,600	-	-	-	-
1645 W Jefferson	913,100	-	-	913,100	913,100	-	-	913,100	-	-	-	-
1831 W Jefferson	363,700	-	-	363,700	363,700	-	-	363,700	-	-	-	-
Subtotal - State Dept of Corrections	2,301,400	-	-	2,301,400	2,301,400	-	-	2,301,400	-	-	-	-
Cosmetology, Board of												
1740 W Adams	-	116,200	-	116,200	-	116,200	-	116,200	-	-	-	-
Dental Examiners, State Board of												
1740 W Adams	-	56,100	-	56,100	-	56,100	-	56,100	-	-	-	-
Economic Security, Department of												
1400 W Washington	-	-	-	-	164,300	328,400	164,300	657,000	164,300	328,400	164,300	657,000
1624 W Adams	60,600	-	98,800	159,400	-	-	-	-	(60,600)	-	(98,800)	(159,400)
1700 W Washington	6,500	-	19,500	26,000	6,500	-	19,500	26,000	-	-	-	-
1789 W Jefferson (DES West)	1,888,300	464,400	742,900	3,095,600	1,888,300	464,400	742,900	3,095,600	-	-	-	-
Kingman Building	-	-	-	-	-	-	-	-	-	-	-	-
400 W Congress, Tucson	129,900	311,800	207,800	649,500	129,900	311,800	207,800	649,500	-	-	-	-
DES Group Homes	190,100	273,300	-	463,400	190,100	273,300	-	463,400	-	-	-	-
Capitol Center	144,900	32,600	26,500	204,000	144,900	32,600	26,500	204,000	-	-	-	-
Subtotal - Department of Economic Security	2,420,300	1,082,100	1,095,500	4,597,900	2,524,000	1,410,500	1,161,000	5,095,500	103,700	328,400	65,500	497,600
Education, Department of												
1535 W Jefferson	474,300	131,800	711,500	1,317,600	474,400	131,800	711,700	1,317,900	100	-	200	300
416 W Congress, Tucson	-	10,400	105,600	116,000	-	10,400	105,700	116,100	-	-	100	100
Subtotal - Department of Education	474,300	142,200	817,100	1,433,600	474,400	142,200	817,400	1,434,000	100	-	300	400
Education, State Board of												
1535 W Jefferson	42,900	-	-	42,900	42,900	-	-	42,900	-	-	-	-
1700 W Washington	74,100	-	-	74,100	74,100	-	-	74,100	-	-	-	-
Subtotal - State Board of Education	117,000	-	-	117,000	117,000	-	-	117,000	-	-	-	-
Emergency and Military Affairs, Department of												
400 W Congress St	8,000	-	-	8,000	8,000	-	-	8,000	-	-	-	-
Environmental Quality, Department of												
400 W Congress, Tucson	-	162,000	-	162,000	-	162,000	-	162,000	-	-	-	-
416 W Congress, Tucson	-	7,200	-	7,200	-	7,200	-	7,200	-	-	-	-
Subtotal - Dept. of Environmental Quality	-	169,200	-	169,200	-	169,200	-	169,200	-	-	-	-
Equalization, State Board of												
400 W Congress, Tucson	27,100	-	-	27,100	27,100	-	-	27,100	-	-	-	-
416 W Congress, Tucson	2,000	-	-	2,000	2,000	-	-	2,000	-	-	-	-
Subtotal - Board of Equalization	29,100	-	-	29,100	29,100	-	-	29,100	-	-	-	-
Executive Clemency, Board of												
1645 W Jefferson	117,700	-	-	117,700	117,700	-	-	117,700	-	-	-	-
Funeral Directors & Embalmers, State Board of												
1740 W Adams	-	19,600	-	19,600	-	19,700	-	19,700	-	100	-	100
Gaming, Department of												
400 W Congress, Tucson	-	19,200	-	19,200	-	4,300	-	4,300	-	(14,900)	-	(14,900)
Governor, Office of the												
1700 W Washington	858,700	-	-	858,700	855,100	-	-	855,100	(3,600)	-	-	(3,600)

	Fiscal Year 2021 Appropriations Report				Fiscal Year 2022 Appropriations Report				Difference FY 2022 - FY 2021			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1700 W Washington (Office of Highway Safety)	-	-	100,800	100,800	-	-	104,300	104,300	-	-	3,500	3,500
400 W Congress, Tucson	41,000	-	-	41,000	41,000	-	-	41,000	-	-	-	-
Subtotal - Office of the Governor	899,700	-	100,800	1,000,500	896,100	-	104,300	1,000,400	(3,600)	-	3,500	(100)
Gov's Ofc of Strategic Planning & Budgeting												
1700 W Washington	178,500	-	-	178,500	178,500	-	-	178,500	-	-	-	-
Health Services, Department of												
1740 W Adams	4,800	-	-	4,800	4,800	-	-	4,800	-	-	-	-
1818 W Adams	286,400	-	-	286,400	286,400	-	-	286,400	-	-	-	-
400 W Congress, Tucson	183,600	-	-	183,600	183,600	-	-	183,600	-	-	-	-
402 W Congress, Tucson	4,500	-	-	4,500	4,500	-	-	4,500	-	-	-	-
Subtotal - Department of Health Services	479,300	-	-	479,300	479,300	-	-	479,300	-	-	-	-
Homeland Security, AZ Dept of												
1700 W Washington	-	-	181,900	181,900	-	-	181,900	181,900	-	-	-	-
Homeopathic & Integrated Medicine Examiners, Board of												
1740 W Adams	-	3,800	-	3,800	-	3,800	-	3,800	-	-	-	-
Insurance and Financial Institutions, Department of												
1919 W Jefferson	-	-	5,400	5,400	-	-	5,400	5,400	-	-	-	-
Judiciary - Court of Appeals												
400 W Congress, Tucson	520,100	-	-	520,100	520,100	-	-	520,100	-	-	-	-
Judiciary - Supreme Court												
1501 W Washington	3,906,900	-	-	3,906,900	3,906,900	-	-	3,906,900	-	-	-	-
400 W Congress, Tucson	114,500	-	-	114,500	114,500	-	-	114,500	-	-	-	-
Subtotal - Supreme Court	4,021,400	-	-	4,021,400	4,021,400	-	-	4,021,400	-	-	-	-
Subtotal - Judiciary	4,541,500	-	-	4,541,500	4,541,500	-	-	4,541,500	-	-	-	-
Juvenile Corrections, Department of												
400 W Congress, Tucson	-	-	-	-	19,200	-	-	19,200	19,200	-	-	19,200
1624 W Adams	498,100	-	-	498,100	-	-	-	-	(498,100)	-	-	(498,100)
Subtotal - Department of Juvenile Corrections	498,100	-	-	498,100	19,200	-	-	19,200	(478,900)	-	-	(478,900)
Land Department, State												
1616 W Adams	1,065,100	-	-	1,065,100	1,065,100	-	-	1,065,100	-	-	-	-
Liquor Licenses and Control, Department of												
402 W Congress, Tucson	-	16,000	-	16,000	-	16,000	-	16,000	-	-	-	-
Massage Therapy, Board of												
1740 W Adams	-	29,000	-	29,000	-	29,100	-	29,100	-	100	-	100
Medical Board, AZ												
1740 W Adams	-	211,400	-	211,400	-	211,400	-	211,400	-	-	-	-
Mine Inspector, State												
1700 W Washington	102,600	-	-	102,600	102,600	-	-	102,600	-	-	-	-
Naturopathic Physicians Medical Board												
1740 W Adams	-	11,000	-	11,000	-	11,000	-	11,000	-	-	-	-
Navigable Stream Adjudication Commission, AZ												
1700 W Washington	13,700	-	-	13,700	13,700	-	-	13,700	-	-	-	-
Nursing, State Board of												
1740 W Adams	-	190,800	-	190,800	-	190,800	-	190,800	-	-	-	-
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.												
1740 W Adams	-	24,000	-	24,000	-	24,000	-	24,000	-	-	-	-
Occupational Therapy Examiners, State Board of												
1740 W Adams	-	13,100	-	13,100	-	13,100	-	13,100	-	-	-	-
Opticians, State Board of Dispensing												
1740 W Adams	-	12,100	-	12,100	-	12,100	-	12,100	-	-	-	-
Optometry, State Board of												
1740 W Adams	-	13,900	-	13,900	-	14,000	-	14,000	-	100	-	100
Osteopathic Examiners in Medicine and Surgery, AZ Board of												
1740 W Adams	-	39,600	-	39,600	-	39,600	-	39,600	-	-	-	-
Parks Board, AZ State												

	Fiscal Year 2021 Appropriations Report				Fiscal Year 2022 Appropriations Report				Difference FY 2022 - FY 2021			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
1100 W Washington	-	-	65,200	65,200	-	-	65,200	65,200	-	-	-	-
Personnel Board												
1740 W Adams	-	12,900	-	12,900	-	13,000	-	13,000	-	100	-	100
Pharmacy, AZ State Board of												
1616 W Adams	-	161,000	-	161,000	-	161,000	-	161,000	-	-	-	-
Physical Therapy, Board of												
1740 W Adams	-	22,500	-	22,500	-	22,500	-	22,500	-	-	-	-
Podiatry Examiners, State Board of												
1740 W Adams	-	11,000	-	11,000	-	11,000	-	11,000	-	-	-	-
Postsecondary Education, Commission												
1740 W Adams	-	-	-	-	-	13,900	-	13,900	-	13,900	-	13,900
Private Postsecondary Education, State Board for												
1740 W Adams	-	21,300	5,600	26,900	-	10,300	2,800	13,100	-	(11,000)	(2,800)	(13,800)
Psychologist Examiners, State Board of												
1740 W Adams	-	22,500	-	22,500	-	22,600	-	22,600	-	100	-	100
Public Safety, Department of												
14 N 18th Avenue	-	42,400	-	42,400	-	42,400	-	42,400	-	-	-	-
1700 W Washington	67,600	17,600	18,600	103,800	67,600	17,600	18,600	103,800	-	-	-	-
400 W Congress, Tucson	14,800	3,800	4,100	22,700	14,800	3,800	4,100	22,700	-	-	-	-
Subtotal - Department of Public Safety	82,400	63,800	22,700	168,900	82,400	63,800	22,700	168,900	-	-	-	-
Respiratory Care Examiners, Board of												
1740 W Adams	-	17,500	-	17,500	-	17,600	-	17,600	-	100	-	100
Revenue, Department of												
402 W Congress, Tucson	97,000	145,600	-	242,600	97,000	145,600	-	242,600	-	-	-	-
1600 W Monroe	1,242,500	1,863,800	-	3,106,300	1,242,500	1,863,700	-	3,106,200	-	(100)	-	(100)
Subtotal - Department of Revenue	1,339,500	2,009,400	-	3,348,900	1,339,500	2,009,300	-	3,348,800	-	(100)	-	(100)
Rio Nuevo Board												
400 W Congress, Tucson	-	-	15,300	15,300	-	-	-	-	-	-	(15,300)	(15,300)
School Facilities Board												
1700 W Washington	148,600	-	-	148,600	148,600	-	-	148,600	-	-	-	-
Secretary of State - Dept of State												
1700 W Washington	502,700	-	-	502,700	502,700	-	-	502,700	-	-	-	-
400 W Congress, Tucson	8,300	-	-	8,300	8,300	-	-	8,300	-	-	-	-
Polly Rosenbaum Building	2,139,600	-	-	2,139,600	2,139,600	-	-	2,139,600	-	-	-	-
Subtotal - Secretary of State - Dept of State	2,650,600	-	-	2,650,600	2,650,600	-	-	2,650,600	-	-	-	-
Transportation, Department of												
Capitol Center	-	124,400	-	124,400	-	-	-	-	-	(124,400)	-	(124,400)
Treasurer, State												
1700 W Washington	-	193,000	-	193,000	-	193,000	-	193,000	-	-	-	-
Tribal Relations, Governor's Office on												
1700 W Washington	18,000	-	-	18,000	18,000	-	-	18,000	-	-	-	-
Veterinary Medical Examining Board, AZ State												
1740 W Adams	-	34,000	-	34,000	-	34,000	-	34,000	-	-	-	-
Water Resources, Department of												
1802 W Jackson	33,800	-	-	33,800	33,800	-	-	33,800	-	-	-	-
GRAND TOTAL	19,155,200	9,134,400	3,531,700	31,821,300	18,815,700	9,481,800	3,588,300	31,885,800	(339,500)	347,400	56,600	64,500

1/ Reflects rental charges to agencies as of July 2021 with rental rates enacted by Laws 2021, Chapter 406, Section 36, 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.

3/ The Department of Administration may approve whole or partial rent exemptions in FY 2022 without recommendation from the Joint Committee on Capital Review. The department shall report to the Joint Legislative Budget Committee Staff on each proposed agency rent exemption before approving the exemption.

Capital Outlay

Arizona Department of Transportation Building System

	FY 2021 SUPPLEMENTAL*	FY 2022 APPROVED
BUILDING RENEWAL		
ADOT Building Renewal ^{1/2/3/}		15,710,400
SUBTOTAL		15,710,400
INDIVIDUAL PROJECTS ^{4/5/}		
Airport Planning and Development ^{6/7/8/9/}	18,000,000	26,000,000
Controlled Access Highways ^{6/9/10/11/12/13/}		117,168,000
Debt Service ^{6/9/10/11/12/13/}		148,900,000
Interstate 17, Anthem to Sunset Point ^{6/}		45,000,000
Liquid Brine Tanks ^{14/15/}		1,950,000
Vehicle Fueling Facilities ^{14/15/}		1,800,000
Wickenburg Maintenance Facilities ^{16/}		3,150,000
Statewide Highway Construction ^{6/9/10/11/12/13/}		95,042,000
Butte Avenue Bridge Replacement, Florence ^{6/9/}	1,000,000	
Camelback Widening, Goodyear ^{6/9/}	8,000,000	
Hill Street Corridor, Globe ^{6/9/}	1,169,400	
I-10 Widening, Phoenix to Casa Grande ^{6/9/17/}	50,000,000	
Loop 303 Study ^{6/9/}	150,000	
Main Street Improvement, Jerome ^{6/9/}	560,000	
Ocotillo Road Bridge Construction, Gilbert ^{6/9/}	7,900,000	
Pavement Rehabilitation, Greater Arizona ^{6/9/18/}	90,000,000	
Pinal County North/South Corridor Study ^{6/9/}	4,000,000	
SR 69 Repavement, Prescott Valley ^{6/9/}	4,700,000	
SR 77 Pavement Rehabilitation, near Oro Valley ^{6/9/}	13,600,000	
SR 87 Local Match, Pinal County ^{6/9/}	750,000	
SR 88 Studies ^{6/9/}	700,000	
SR 90 Improvement, near Fort Huachuca ^{6/9/}	10,600,000	
SR 95 Improvement, Near Yuma Proving Grounds ^{6/9/}	10,000,000	
SR 95 Repavement, Mohave County ^{6/9/}	46,700,000	
SR 186/State Business Route 10, Willcox ^{6/9/}	3,500,000	
SR 347 and Riggs Road Design, Study, and Construction ^{6/9/}	35,000,000	
SR 377 Guardrail and Shoulder Study ^{6/9/}	140,000	
Tangerine Road Improvement, Marana ^{6/9/}	5,000,000	
20 th Avenue Repair, Safford ^{6/9/}	1,032,100	
67 th Avenue Drainage and Road Widening, Peoria ^{6/9/}	8,500,000	
SUBTOTAL	321,001,500	439,010,000
TOTAL - ALL PROJECTS ^{11/12/13/19/20/}	321,001,500	454,720,400
* Represents only FY 2021 supplemental appropriations, including a State Aviation Fund deposit, various individual projects, and statewide pavement rehabilitation projects. (Please see the FY 2021 Appropriations Report for the original FY 2021 appropriations.)		
FUND SOURCES		
General Fund	321,001,500	0
<u>Other Appropriated Funds</u>		
State Aviation Fund	0	26,310,400
State Highway Fund	0	428,410,000
SUBTOTAL - Other Appropriated Funds	0	454,720,400
SUBTOTAL - Appropriated Funds	321,001,500	454,720,400
Other Non-Appropriated Funds	0	571,905,000
Federal Funds	0	1,030,406,000
TOTAL - ALL SOURCES	321,001,500	2,057,031,400

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 section 41-793.01, Arizona Revised Statutes, the amounts appropriated in this section are appropriated for fiscal year 2021-2022 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. (Capital Outlay Appropriation Act footnote)
- 2/ Notwithstanding section 35-190, Arizona Revised Statutes, each appropriation made in this section that is unexpended on June 30, 2023 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 3/ On or before November 30, 2021 and May 31, 2022, the department of transportation shall report to the joint legislative budget committee staff on the status of all nonhighway construction capital projects and nonhighway construction capital expenditures. (Capital Outlay Appropriation Act footnote)
- 4/ Pursuant to section 41-1252, Arizona Revised Statutes, 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/ Notwithstanding Laws 2019, chapter 264, section 16, the \$2,300,000 appropriated to the department of transportation by Laws 2019, chapter 264, section 16 in fiscal year 2019-2020 to construct new maintenance buildings in Seligman and Williams is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (Capital Outlay Appropriation Act footnote)
- 6/ The appropriation made in subsection A of this section does not lapse until the purpose for which the 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)
- 7/ The sum of \$26,000,000 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2021-2022 to the department of transportation 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 appropriations act and in this act are appropriated to the department of transportation in fiscal year 2021-2022 for the purposes provided in this subsection. (Capital Outlay Appropriation Act footnote)
- 8/ On or before December 31, 2021, 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. The report shall delineate projects by individual airport and fiscal year, including any future year commitments. (Capital Outlay Appropriation Act footnote)
- 9/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriation made in subsection A of this section is not subject to review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 10/ The sum of \$361,110,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2021-2022 to the department of transportation 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 subsection. (Capital Outlay Appropriation Act footnote)
- 11/ On or before November 1, 2021, 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 the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting have approved modifications to the format. (Capital Outlay Appropriation Act footnote)
- 12/ On or before November 1, 2021, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2022-2023 and the estimated debt service payment amount for each of fiscal years 2022-2023, 2023-2024, 2024-2025 and 2025-2026 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 fiscal year 2020-2021 appropriations report. (Capital Outlay Appropriation Act footnote)

- 13/ On or before November 1, 2021, the department of transportation shall report capital outlay information for fiscal years 2020-2021, 2021-2022 and 2022-2023 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 two, three and six, as found in the fiscal year 2020-2021 appropriations report. (Capital Outlay Appropriation Act footnote)
- 14/ Notwithstanding section 35-190, Arizona Revised Statutes, each appropriation made in this section that is unexpended on June 30, 2024 reverts to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 15/ Before spending the appropriation made in subsection A of this section, 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 section 41-1252, Arizona Revised Statutes. (Capital Outlay Appropriation Act footnote)
- 16/ Notwithstanding Laws 2019, chapter 264, section 17, the \$4,600,000 appropriated to the department of transportation by Laws 2019, chapter 264, section 17 in fiscal year 2019-2020 to construct new maintenance facilities in Wickenburg is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. (Capital Outlay Appropriation Act footnote)
- 17/ A. The sum of \$50,000,000 is appropriated from the state general fund in fiscal year 2020-2021 to the department of transportation to widen Interstate 10 between Phoenix and Casa Grande.
- B. Except as provided in subsection C of this section, the appropriation made in subsection A of this section reverts to the state general fund on June 30, 2022 if the department is not able to secure right-of-way agreements necessary for the project on or before June 30, 2022. The department may use the appropriation to secure the right-of-way agreements, but construction may not begin until all right-of-way agreements for the project are secured. If the department secures federal funding for this project on or before June 30, 2022, the appropriation in subsection A of this section reverts to the state general fund on June 30, 2023 if the department is not able to secure right-of-way agreements necessary for the project on or before June 30, 2023. (Capital Outlay Appropriation Act footnote)
- 18/ The sum of \$90,000,000 is appropriated from the state general fund in fiscal year 2020-2021 to the department of transportation for pavement rehabilitation projects. The department shall select pavement rehabilitation projects that are all of the following:
1. Not located in Maricopa or Pima County.
 2. On roads that are graded as being in fair or poor condition by the department.
 3. Not contained in the department's 2021-2025 five-year transportation facilities construction program. (Capital Outlay Appropriation Act footnote)
- 19/ 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)
- 20/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Unless otherwise specified, funding for capital projects is appropriated by Laws 2021, Chapter 406 (FY 2022 Capital Outlay Bill).

Building Renewal

Building Renewal

The budget includes \$15,710,400 in FY 2022 for Building Renewal within ADOT's Building System. This amount consists of \$15,400,000 from the State Highway Fund (SHF) and \$310,400 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 99.9% funding of the highway building renewal formula and 100% funding of the aviation building renewal formula. The FY 2021 budget appropriated \$13,000,000 from the SHF and \$281,700 from the SAF, which represented 91% funding of the highway building renewal formula and 94.1% 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 any individual projects such as maintenance facility upgrades described in the Individual Projects section.

Individual Projects

Airport Planning and Development

The budget includes \$26,000,000 from the State Aviation Fund (SAF) in FY 2022 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 2021-2025 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 budget includes an estimated urban freeway controlled access funding level of \$117,168,000 from SHF in FY 2022. 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 budget includes \$148,900,000 from SHF in FY 2022 for the appropriated portion of the debt service on bonds. ADOT has approximately \$1,891,577,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2022 debt service payments. *(Please see Table 5 for more information on debt service.)*

Interstate 17, Anthem to Sunset Point

The budget includes \$45,000,000 from SHF in FY 2022 to continue funding a project to expand capacity on Interstate 17 from Anthem to Sunset Point. The overall \$332,505,000 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 \$202,505,000 in half-cent sales tax monies and Federal Funds allocated from MAG 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 did not appear in the FY 2022 Capital Outlay Bill.

Liquid Brine Tanks

The budget includes \$1,950,000 from SHF in FY 2022 for the construction of new liquid brine tanks and production facilities. Located in Globe, Show Low, Prescott Valley, and Keams Canyon, these new 10,000-gallon storage tanks will provide salt brine for the department to de-ice highways in these areas. This project funding lapses on June 30, 2024.

Vehicle Fueling Facilities

The budget includes \$1,800,000 from SHF in FY 2022 for the replacement of vehicle fueling facilities in Flagstaff, Holbrook, and Kingman. The department has expressed that the existing fuel systems have reached the end of their lifecycle. These facilities provide fuel for the department's operation throughout the state. This project funding lapses on June 30, 2024.

Wickenburg Maintenance Facilities

The budget includes \$3,150,000 from SHF in FY 2022 for maintenance facility replacements in Wickenburg. The FY 2022 Capital Outlay Bill also extends the \$4.6 million FY 2020 appropriation for the Wickenburg maintenance facility through the end of FY 2023. The Wickenburg maintenance yard includes a maintenance office, a small Department of Public Safety outpost office, an equipment shop, and 3 storage buildings. ADOT states the yard is small, outdated, susceptible to flooding, and inefficient for coordination between the supervisor and crew. The department plans to demolish and replace the structures with a 5,200 square foot office building, a 4,800 square foot 4-bay truck barn, and a 4,000 square foot 5-bay maintenance building. ADOT also plans to construct an on-site fuel facility. This project's new funding (along with the extension of prior funding) lapses on June 30, 2023.

Statewide Highway Construction

The budget includes \$95,042,000 from SHF in FY 2022 for controlled access, debt service on bonds, and new construction. Only a small portion of the state's total \$2,062,200,000 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 2022 budget 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 any ADOT operating and capital issues and statewide adjustments made during the budget process, which would reduce the level of available highway construction funding.

As noted in the HURF distribution table (please see Table 6), an additional amount of \$279,529,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2022. The Statewide Transportation Acceleration Account (STAN) is estimated to have a depleted balance.

Table 1	
State Highway Fund	
FY 2022 Highway Construction & Debt Service	
	<u>Capital Outlay Bill</u>
Controlled Access	\$117,168,000
Debt Service	148,900,000
Highway Construction	<u>95,042,000</u>
Total	\$361,110,000

Other Issues

FY 2021 Supplemental

The enacted budget appropriates the following amounts as non-lapsing FY 2021 supplementals for various individual projects and for statewide pavement rehabilitation projects:

State Aviation Fund Deposit

The budget includes \$18,000,000 from the General Fund in FY 2021 for deposit into the State Aviation Fund for planning, development, land acquisition and facility improvements for local public airport facilities.

Butte Avenue Bridge Replacement, Florence

The budget includes \$1,000,000 from the General Fund in FY 2021 to replace the Butte Avenue Bridge in Florence.

Camelback Widening, Goodyear

The budget includes \$8,000,000 from the General Fund in FY 2021 to be distributed to the City of Goodyear to widen Camelback Road between State Route 303 and Litchfield Road.

Hill Street Corridor, Globe

The budget includes \$1,169,400 from the General Fund in FY 2021 to improve Hill Street Corridor in Globe.

I-10 Widening, Phoenix to Casa Grande

The budget includes \$50,000,000 from the General Fund in FY 2021 to widen Interstate 10 between Phoenix and Casa Grande. A footnote requires that the appropriation lapse the end of FY 2022 if ADOT is unable to secure right-of-way agreements by that time. In addition, if ADOT receives federal funding for the project before June 30, 2022, a footnote requires that the appropriation lapse at the end of FY 2023 if ADOT is unable to secure right-of-way agreements by that time.

Loop 303 Study

The budget includes \$150,000 from the General Fund in FY 2021 to study options for expanding on and off ramps at the intersection of Grand Avenue and State Route 303.

Main Street Improvement, Jerome

The budget includes \$560,000 from the General Fund in FY 2021 for Jerome street improvements.

Ocotillo Road Bridge Construction, Gilbert

The budget includes \$7,900,000 from the General Fund in FY 2021 to construct a bridge and extend Ocotillo Road in Gilbert.

Pavement Rehabilitation, Greater Arizona

The budget includes \$90,000,000 from the General Fund in FY 2021 for pavement rehabilitation projects that meet the following criteria: 1) Located outside of Maricopa and Pima Counties; 2) On roads that are graded as being in fair or poor condition by ADOT; and 3) Are not contained in ADOT's FY 2021 – FY 2025 5-Year Construction Program.

Pinal County North/South Corridor Study

The budget includes \$4,000,000 from the General Fund in FY 2021 for the study of a north/south corridor in Pinal County.

SR 69 Repavement, Prescott Valley

The budget includes \$4,700,000 from the General Fund in FY 2021 for the repavement of a 3-mile stretch of road along State Route 69 in the town of Prescott Valley.

SR 77 Pavement Rehabilitation, near Oro Valley

The budget includes \$13,600,000 from the General Fund in FY 2021 for pavement rehabilitation along State Route 77 near Oro Valley.

SR 87 Local Match, Pinal County

The budget includes \$750,000 from the General Fund in FY 2021 to distribute to Pinal County to supplement a

local match to improve State Route 87 between Hanna and Houser Roads.

SR 88 Studies

The budget includes \$700,000 from the General Fund in FY 2021 for a vegetation study and design concept report for State Route 88.

SR 90 Improvement, near Fort Huachuca

The budget includes \$10,600,000 from the General Fund in FY 2021 to improve State Route 90 near Fort Huachuca.

SR 95 Improvement, Near Yuma Proving Grounds

The budget includes \$10,000,000 from the General Fund in FY 2021 for the improvement of State Route 95 near Yuma Proving Grounds.

SR 95 Repavement, Mohave County

The budget includes \$46,700,000 from the General Fund in FY 2021 for the repavement of State Route 95 between Interstate 40 and Sara Park and between Parkway Intersection in Bullhead City and Courtwright Road in Mohave Valley.

SR 186/State Business Route 10, Willcox

The budget includes \$3,500,000 from the General Fund in FY 2021 to repair State Route 186 and State Business Route 10 in Willcox.

SR 347 and Riggs Road Design, Study, and Construction

The budget includes \$35,000,000 from the General Fund in FY 2021 for the design, right-of-way, easement, environmental study, and the construction of an overpass at Riggs Road and State Route 347. This amount is allocated as follows: 1) \$2,500,000 for study costs; 2) \$7,500,000 for final design plans, right-of-way and easement costs; and 3) \$25,000,000 for construction costs.

SR 377 Guardrail and Shoulder Study

The budget includes \$140,000 from the General Fund in FY 2021 to study the shoulder and construction of a guardrail along State Route 377 between Holbrook and Heber.

Tangerine Road Improvement, Marana

The budget includes \$5,000,000 from the General Fund in FY 2021 for the improvement of Tangerine Road near Interstate 10 and the Town of Marana

20th Avenue Repair, Safford

The budget includes \$1,032,100 from the General Fund in FY 2021 to be distributed to the City of Safford for the repair and maintenance of 20th Avenue.

67th Avenue Drainage and Road Widening, Peoria

The budget includes \$8,500,000 from the General Fund in FY 2021 to be distributed to the City of Peoria for the widening and improvement of drainage along 67th Avenue.

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 \$1,106,744,000 in FY 2020 to \$1,632,493,000 in FY 2021 and level at \$1,602,311,000 in FY 2022.

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Aviation Federal Funds	\$518	\$4,394	\$8,309
Highway Federal Grants	<u>665,949</u>	<u>1,041,119</u>	<u>1,022,097</u>
Subtotal - Federal Funds	\$666,467	\$1,045,513	\$1,030,406
Bond Proceeds	\$55,877	\$11,181	\$172,258
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	6,451	5,930	5,023
Maricopa Regional Area Road Fund	376,949	568,869	393,624
Subtotal - Other Non- Appropriated Funds	\$440,277	\$586,980	\$571,905
Total	\$1,106,744	\$1,632,493	\$1,602,311

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2022 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 October 27, 2020 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 \$1,002,013,000 for FY 2022. (Please see *Table 3* for additional details.)

Table 3

**State Highway Fund
Highway Construction Projects Beginning in FY 2022
(\$ in Thousands)**

	FY 2022 ^{1/}
Construction	\$113,309
Urban Controlled Access ^{2/}	501,306
Pavement Preservation Maintenance	334,421
Other ^{3/}	<u>52,977</u>
Total	\$1,002,013

^{1/} Data from ADOT's 2021-2025 5-Year Transportation Facilities Construction Program, representing the total cost of multi-year projects beginning in FY 2022.

^{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 2022 budget includes \$361,110,000 for highway construction, including \$95,042,000 of net SHF monies for statewide highway construction.

Table 5 summarizes expenditures for highway construction that are planned in the future and currently underway from FY 2020 through FY 2022 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 2022 by category of construction. Table 5 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2020, Table 5 shows that total cash highway construction expenditures were \$1,162,500,000 while \$314,300,000 was spent on debt service. In FY 2021, total estimated cash highway construction expenditures are \$1,514,700,000 with total debt service of \$312,900,000. In FY 2022, total estimated cash highway construction expenditures are \$1,678,300,000 with total debt service of \$383,900,000.

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 \$119,662,700 in FY 2020, \$145,211,300 in FY 2021, and \$150,220,100 in FY 2022. Of the \$383,900,000 total FY 2022 debt service amount in Table 5, only \$148,900,000 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 2020 through FY 2022. The line in Table 6 showing net SHF Available for Statewide Highway Construction, which totals \$95,042,000 for FY 2022, 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 2020 HURF collections of \$1,480,836,000 were (2.6)% below FY 2019 collections. As of June 2021, HURF year-to-date collections were 9.9% higher than the prior year collections.

The gas tax is the largest source of HURF collections, accounting for 35% of HURF revenue in FY 2020. The average price per gallon of regular gasoline in Arizona is \$3.12 in June 2021, or 83 cents per gallon higher than a year ago, according to the American Automobile Association.

VLT comprises the second largest source of HURF collections at 32%, a percentage which has been increasing in recent years. From FY 2016 to FY 2020, the gas tax share of total collections has decreased by (2.2)% while VLT's share has increased by 3.0%.

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. The department accelerated their forecast process in 2020 to account for the recent changes in the economy consequent to the COVID-19 pandemic. The HURF projections listed in Table 6 account for the results of this accelerated forecast, which was completed in October 2020. The ADOT forecast, however, did not take into consideration potential revenue collections from Proposition 207. (Please see the Proposition 207 – Recreational Marijuana section for more information.)

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.

Proposition 207 - Recreational Marijuana

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax and is used by state agencies to carry out certain requirements of the initiative. After monies in the fund are used by state agencies for administrative costs of the initiative, HURF receives a distribution of 25.4% from the fund.

The JLBC Staff analysis of the fiscal impact of Proposition 207 was based on the third year of implementation due to the difficulty in estimating sales in the first 2 years. In that third year of recreational marijuana sales, HURF is estimated to receive a distribution of \$40,979,600. These additional HURF revenues will be distributed according to the standard formula outlined in *Table 4*. (Please see the *Department of Health Services - Other Issues Section for more information*.)

Broadband Infrastructure

The Executive has allocated \$100,000,000 from the State Fiscal Recovery Fund as a part of the American Rescue Plan Act (ARPA) to ADOT to expand broadband infrastructure along I-17 and I-19. The new infrastructure will entail broadband conduit and fiber optic cabling along these highway segments.

Table 5

Highway Construction and Debt Service Expenditures by Fund Source
(\$ in Millions)

<u>Sources</u>	<u>FY 2020 Actual</u>	<u>FY 2021 Estimate</u>	<u>FY 2022 Estimate</u>
State Highway Fund (SHF)			
Appropriated			
HURF - Statewide Debt Service	\$ 104.5	\$ 109.3	\$ 117.9
HURF - MAG Debt Service	36.7	30.4	31.0
MAG/PAG 15.2% Controlled Access - Construction	227.8	102.1	312.9
Net SHF Funds Available for Statewide Highway	103.5	73.6	95.0
Total SHF - Appropriated	\$ 472.5	\$ 315.4	\$ 556.8
Non-Appropriated			
SHF Highway Construction ^{1/}	\$ -	\$ -	\$ -
Total SHF - Non-Appropriated	\$ -	\$ -	\$ -
Total SHF Highway Construction Expenditures	\$ 472.5	\$ 315.4	\$ 556.8
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 665.9	\$ 1,041.1	\$ 1,022.1
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 178.3	\$ 357.7	\$ 101.0
MRARF Debt Service	142.2	143.2	205.0
Total Maricopa Regional Area Road Fund Highway	\$ 320.5	\$ 500.9	\$ 306.0
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 0	\$ 0	\$ 59.3
MRARF - Highway Construction Expenditures	3.0	0	113.0
GAN - Highway Construction Expenditures	52.9	11.2	0
Total Bond Proceeds Highway Construction	\$ 55.9	\$ 11.2	\$ 172.3
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	6.5	5.9	5.0
Total Local Agency Deposits Fund Highway	\$ 6.5	\$ 5.9	\$ 5.0
Total Highway Construction Expenditures	\$ 1,521.3	\$ 1,874.5	\$ 2,062.2
Total Debt Service			
SHF	\$ 141.2	\$ 139.7	\$ 148.9
Federal Aid	30.9	30.0	30.0
MRARF	142.2	143.2	205.0
Total Debt Service	\$ 314.3	\$ 312.9	\$ 383.9 ^{2/}
Total Cash Highway Construction Expenditures			
SHF	\$ 331.3	\$ 175.6	\$ 407.9
Federal Aid	635.1	1,011.2	992.1
MRARF	178.3	357.7	101.0
Bond Proceeds	55.8	11.2	172.3
Local Agency Deposits Fund	6.5	5.9	5.0
Total Cash Highway Construction Expenditures	\$ 1,207.0	\$ 1,561.6	\$ 1,678.3
Total Highway Construction Expenditures	\$ 1,521.3	\$ 1,874.5	\$ 2,062.2

^{1/} Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

^{2/} Information provided by the department. Includes \$148,900,000 for HURF bonds (\$117,879,000 for statewide program and \$31,021,000 MAG program); \$29,978,000 for Grant Anticipation Notes; and \$204,970,000 for MRARF bonds.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ In Thousands)

	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,502,807	\$1,541,710	\$1,594,757
Less: ServiceArizona ATP Fee Retention	5,080	6,904	7,215
Brick and Mortar ATP Fee Retention	3,384	4,464	4,665
ServiceArizona ATP Credit Card Fee Reimbursements	12,181	14,617	16,810
Brick and Mortar ATP Credit Card Fee Reimbursements	<u>1,326</u>	<u>1,525</u>	<u>1,754</u>
Total HURF Collections	\$1,480,836	\$1,514,200	\$1,564,313
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	658	680	680
Reversions from DPS	(199)	0	0
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	11,082	10,687	10,964
Cities ^{2/}	16,003	0	0
Counties ^{2/}	9,969	0	0
Controlled Access ^{2/}	<u>4,028</u>	<u>0</u>	<u>0</u>
Net HURF Collections	\$1,438,295	\$1,501,833	\$1,551,669
Less: Cities ^{3/}	438,680	458,059	473,259
Counties ^{3/}	273,276	285,348	294,817
VLT Transfer to General Fund ^{4/}	23,343	23,343	0
VLT Transfer to Parity Compensation Fund ^{5/}	3,543	3,850	4,051
VLT Transfer to General Fund (5-Year VLT) ^{6/}	2,474	2,000	2,300
VLT Transfer to General Fund (Abandoned Vehicle) ^{7/}	6,156	6,200	6,400
Controlled Access ^{8/}	<u>108,553</u>	<u>113,449</u>	<u>117,168</u>
Net SHF (Discretionary)	\$ 582,270	\$ 609,584	\$ 653,674
Plus: Other Income ^{9/}	102,915	82,131	72,500
Less: Operating Budget	349,306	406,915	414,704
Dept of Public Safety Transfer from Highway Fund	318	318	8,167
Capital Outlay	46,900	0	6,900
Building Renewal	13,000	13,000	15,400
ServiceArizona ATP VLT Retention ^{10/}	15,336	23,032	20,872
Brick and Mortar ATP VLT Retention ^{10/}	13,297	19,971	18,097
HURF Exchange Program ^{11/}	2,291	15,300	15,300
Debt Service ^{12/}	141,220	139,718	148,900
Other	<u>0</u>	<u>-121</u>	<u>-17,208</u>
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{13/}	\$ 103,517	\$ 73,582	\$ 95,042
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	461,409	298,718	279,529
STAN Account Beginning Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total SHF Available for Statewide Highway Construction	\$ 564,926	\$ 372,300	\$ 374,571

^{1/} Provides monies for economic strength highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board.

^{2/} The FY 2018 Revenue Budget Reconciliation Bill (BRB) requires, as session law, \$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. The FY 2021 budget discontinued this policy and did not include any direct local government allocation. The FY 2022 budget maintains the discontinuance of this policy and does not include any direct local government allocation.

^{3/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{4/} Due to the Highway Safety Fee, the FY 2020 General Appropriation Act transferred \$23,343,200 from the SHF share of VLT to the state General Fund due to the "excess" Highway Safety Fee amount and monies freed up from the reduced use of SHF in the DPS budget. The FY 2021 General Appropriation Act continued that policy with the transfer of \$23,343,200 from the SHF share of VLT to the state General Fund. The FY 2022 budget discontinues this policy due to the repeal of the Highway Safety Fee at the end of FY 2021.

^{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, an FY 2020 enacted and FY 2021 budget transfer from the Arizona Highway Patrol Fund to the SHF, and \$8.5 million in FY 2020 from prior years for Travel ID revenue that was deposited into HURF instead of 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 2022
APPROVED

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 \$32,740,600 to the universities from the General Fund in FY 2022 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$28,372,000 to the universities from the General Fund in FY 2022 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 accounts for the replacement value, age, and life cycle of a building. In FY 2022, ABOR reports funding 100% of the building renewal formula would be \$186,100,000. The budget includes no

funding for Building Renewal in the ABOR Building System.

Summary of University Debt

ABOR estimates that as of the end of FY 2022, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$3,652,575,400. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,008,868,700
NAU	417,150,000
UA (all campuses)	<u>1,226,556,700</u>
Total	\$3,652,575,400

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2022 will be \$336,702,800. The debt service payments made by each of the universities would be as follows:

ASU (all campuses)	\$170,366,800
NAU	36,158,800
UA (all campuses)	<u>130,177,200</u>
Total	\$336,702,800

In addition to University system revenues being allocated for FY 2022 debt service payments, \$38,381,900 would be paid by Lottery monies, \$32,740,600 would be paid by the General Fund for 2003 research infrastructure projects, and \$8,660,600 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 \$3,652,575,400 in FY 2022 university debt, ABOR is projected to have \$393,700,400 in outstanding lease-purchase balances, with an overall debt service payment of \$70,147,500. The FY 2022 General Fund share of the debt service is \$32,740,600. 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 \$3,652,575,400 in FY 2022 university debt, ABOR is projected to have \$3,258,875,000 in outstanding bond balances, including both system revenue and lottery bonds. The projected debt service is \$266,555,300.

University Lottery Bonds

One component of the \$3.3 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 building renewal projects and new facilities. ABOR was required to allocate \$376,000,000 for the Phoenix Medical Campus. Of that amount, the JCCR has reviewed \$283,445,000. The FY 2022 Higher Education Budget Reconciliation Bill (BRB) repeals this specific allocation for the Phoenix Medical Campus, which will allow ABOR to shift the remaining unused bonding allocation to other projects.

Debt service payments for SPEED bonds will total \$47,977,600 in FY 2022, 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 \$3.3 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 2022 budget assumes

a 1.23% increase from FY 2021, resulting in a total FY 2022 appropriation of \$28,372,000. Debt service payments will total \$17,321,200 in FY 2022, 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.)*

Based on current statute, the budget makes the FY 2022 adjustment based on the growth rate from CY 2019 to CY 2020. Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the FY 2022 Higher Education BRB includes a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the provision will increase the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year. With the enactment of this change, for FY 2023 the adjustment will be calculated based on the change from the second quarter of CY 2020 to the second quarter of CY 2021. *(Please see the ABOR agency section 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 2024. 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: 5.0% (5.4% with SPEED) in FY 2023
- NAU: 6.2% (7.8% with SPEED) in FY 2023
- UA: 5.4% (6.6% with SPEED) in FY 2024

These ratios incorporate the debt service impact of planned construction projects. The universities estimate that they have the capacity to issue \$2.5 billion in additional debt beyond the planned projects based on these debt service ratios.

Capital Outlay

Debt and Lease-Purchase Financing

FY 2021
SUPPLEMENTAL

DEBT PAYOFF APPROPRIATIONS* ^{1/2/}

2016 Refinance Payoff - Kingman Private Prison	68,850,000
2015 Refinance Payoff - School Facilities Board	171,700,000
2019 Lottery Revenue Bonds Refinance Payoff	269,550,000 ^{3/}
2019A Refinance Payoff - ADOA Leaseback	470,000,000
TOTAL - ALL PROJECTS	977,100,000

* These amounts represent General Fund debt payoff appropriations included in the FY 2022 budget, which were allocated as non-lapsing FY 2021 supplementals. This display only includes FY 2021 supplemental appropriations and does not represent total FY 2021 debt service and lease-purchase payments. Given the payoff of the ADOA Leaseback Financing, FY 2022 will include no debt service payments for this issuance. All other debt service and lease-purchase payments are reflected in individual agency budgets (*Please see Table 1*).

FUND SOURCES

General Fund	977,100,000
TOTAL - ALL SOURCES	977,100,000

DESCRIPTION — This section summarizes the state's debt and lease-purchase obligations.

FOOTNOTES

- ^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.
- ^{2/} A. The sum of \$977,100,000 is appropriated from the state general fund in fiscal year 2020-2021 to the department of administration to pay for the retirement or defeasance of financing agreements and state lottery revenue bonds. Of this amount:
1. \$65,850,000 is for the retirement or defeasance of the financing agreement entered into pursuant to Laws 2016, chapter 119, section 24.
 2. \$171,700,000 is for the retirement or defeasance of the financing agreement entered into pursuant to Laws 2015, chapter 15, section 16.
 3. \$269,550,000 is for the retirement or defeasance of the state lottery revenue bonds issued pursuant to Laws 2010, sixth special session, chapter 4, section 1.
 4. \$470,000,000 is for the retirement or defeasance of the financing agreement entered into pursuant to Laws 2009, third special session, chapter 6, section 32.
- B. The director of the department of administration, for and on behalf of the Arizona school facilities board, may execute and deliver documents, engage fiduciaries and take or direct all actions necessary in connection with the retirement and defeasance of the financing agreement described in subsection A, paragraph 2 of this section.
- C. The director of the department of administration shall notify the director of the joint legislative budget committee not more than ten days after each retirement or defeasance is executed as required in subsection A of this section. Each notification shall include the date and final cost of each retirement or defeasance.
- D. The monies appropriated in subsection A of the section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. Any amounts remaining after the retirements or defeasances are executed as required by subsection A of this section revert to the state general fund. (General Appropriation Act footnote)
- ^{3/} The legislature intends that the retirement or defeasance of state lottery revenue bonds entered into pursuant to Laws 2010, sixth special session, chapter 4, section 1 occur on or before June 30, 2022 and that no monies from the state lottery fund established by section 5-571, Arizona Revised Statutes, be distributed to the state lottery revenue bond debt service fund established by section 5-534, Arizona Revised Statutes, beginning in fiscal year 2021-2022 to allow the state general fund to receive savings from the retirement or defeasance of state lottery revenue bonds. (General Appropriation Act footnote)

2016 Refinance Payoff - Kingman Private Prison

The budget includes \$65,850,000 from the General Fund in FY 2021 to ADOA to retire the financing agreement entered into pursuant to Laws 2016, Chapter 119, Section 24 for the Kingman Private Prison.

Beginning in FY 2022, retirement of the financing agreement will eliminate \$17.5 million in scheduled annual debt service payments from FY 2022 to FY 2024, and the scheduled payment of \$13.5 million in FY 2025. The budget includes a corresponding appropriation reduction in the Arizona Department of Corrections budget.

After accounting for the bill's appropriation of \$65,850,000, the state would realize net savings of \$19,000 through FY 2025 after transaction costs.

2015 Refinance Payoff - School Facilities Board

The budget includes \$171,700,000 from the General Fund in FY 2021 to ADOA to retire the financing agreement entered into pursuant to Laws 2015, Chapter 15, Section 16 for the School Facilities Board.

Beginning in FY 2022, retirement of the financing agreement will eliminate \$57.2 million in scheduled annual debt service payments from FY 2022 to FY 2024. The budget includes a corresponding appropriation reduction in the School Facilities Board budget.

After accounting for the bill's appropriation of \$171,700,000, the state would realize net savings of \$8,900 through FY 2024 after transaction costs.

2019 Lottery Revenue Bonds Refinance Payoff

The budget includes \$269,550,000 from the General Fund in FY 2021 to ADOA to retire state lottery revenue bonds issued pursuant to Laws 2010, 6th Special Session, Chapter 4, Section 1.

Beginning in FY 2022, retirement of the bonds will eliminate \$34.5 million in scheduled annual debt service payments from FY 2022 to FY 2029. The payments are distributed from the State Lottery Fund to the State Lottery Revenue Bond Debt Service Fund pursuant to A.R.S. § 5-572. The budget includes a legislative intent statement that the retirement of bonds will occur on or before June 30, 2022 to allow the General Fund to receive revenues that would have otherwise been distributed to pay debt service beginning in FY 2022.

After accounting for the bill's appropriation of \$269,550,000, the state would realize net savings of \$6,535,800 through FY 2029 after transaction costs.

2019A Refinance Payoff – ADOA Leaseback

The budget includes \$470,000,000 from the General Fund in FY 2021 to retire the financing agreement entered into pursuant to Laws 2009, 3rd Special Session, Chapter 6, Section 32 for the sale/leaseback of state buildings.

Beginning in FY 2022, retirement of the financing agreement will eliminate \$53.7 million in scheduled annual debt service payments from FY 2022 to FY 2030.

After accounting for the bill's appropriation of \$470,000,000, the state would realize net savings of \$13,278,900 through FY 2030 after transaction costs.

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. 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.

Since the beginning of the COVID-19 pandemic, the major credit rating agencies have published several analyses commenting on the pandemic's potential impact on overall state finances and state credit ratings. Beyond this broad commentary, no specific ratings action has been taken for Arizona.

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 2022, the outstanding balance of lease-purchase agreements is expected to be \$798.7 million.

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 2022 budget includes an appropriation to retire the bonds, which will eliminate debt service payments beginning in FY 2022. *(Please see the 2019 Lottery Revenue Bonds Refinance Payoff section).*

At the end of FY 2022, the outstanding balance of bond financing is expected to be \$4.59 billion.

Table 1 provides information related to current outstanding bond financing.

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 (ADOA) 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, 2021 debt report provides debt information on FY 2020, *Table 1* includes the overall and General Fund debt payments and year-end balances for FY 2022.

The FY 2022 Budget Procedures Budget Reconciliation Bill (BRB), as permanent law, changes the January 31 reporting requirement to include information for the upcoming fiscal year instead of the prior fiscal year, and eliminates the requirement that the JLBC Debt Report be based on the ADOA Report of Bonded Indebtedness (as the ADOA report uses prior year information). This will allow the JLBC Debt Report to include information for the upcoming budget year, as that budget year is being considered during the legislative session when the report is released.

Table 1

Lease-Purchase and Bonding Summary

	Overall Balance	^{1/} GF Balance	Overall FY 22 Payment	^{2/} FY 22 GF Payment	Retirement FY
Lease-Purchase Summary					
<u>ADOA Building System</u>					
2008 A Issuance					
ADC 4000 Prison Beds, Wastewater and DHS Forensic Lab	\$ 4,050,000	\$ 4,050,000	\$ 182,300	\$ 182,300	FY 28
2013 A Issuance					
PLTO Refinance - DHS Building	\$ 13,900,000	\$ 8,340,000	\$ 3,806,000	\$ 2,283,600	FY 29
2013 B Issuance					
Refinance - 2002A Health Lab	\$ 1,995,000	\$ -	\$ 2,057,400	\$ -	FY 23
2015 Issuance					
Refinance - 2008A ADC and DHS	\$ 82,025,000	\$ 82,025,000	\$ 18,756,700	\$ 18,756,700	FY 28
2015 A Issuance					
PLTO Refinance - Capitol Mall	\$ 24,755,000	\$ 6,665,100	\$ 10,099,100	\$ 2,719,100	FY 28
2016 Issuance					
ADC Kingman Refinance ^{3/}	\$ -	\$ -	\$ -	\$ -	FY 22
2019 A Issuance					
Refinance - Sale/Leaseback ^{3/}	\$ -	\$ -	\$ -	\$ -	FY 22
Subtotal - ADOA	\$ 126,725,000	\$ 101,080,100	\$ 34,901,500	\$ 23,941,700	
<u>School Facilities Board</u>					
Federal Bonds	\$ 30,173,300	\$ 30,173,300	\$ 9,938,100 ^{4/}	\$ 9,938,100 ^{4/}	FY 28
2015 Refinance ^{3/}	-	-	-	-	FY 22
Subtotal - SFB	\$ 30,173,300	\$ 30,173,300	\$ 9,938,100	\$ 9,938,100	
<u>ABOR Building System</u>					
Arizona State University	\$ 206,478,700	\$ 103,885,000	\$ 26,258,500	\$ 13,451,900	FY 39
Northern Arizona University	36,220,000	36,220,000	5,039,800	5,039,800	FY 31
University of Arizona	151,001,700	99,580,000	38,849,200	14,248,900	FY 72
Subtotal - ABOR	\$ 393,700,400	\$ 239,685,000	\$ 70,147,500	\$ 32,740,600	
Phoenix Convention Center ^{5/}	\$ 248,145,500	\$ 248,145,500	\$ 24,498,500	\$ 24,498,500	FY 44
TOTAL - Lease-Purchase	\$ 798,744,200	\$ 619,083,900	\$ 139,485,600	\$ 91,118,900	
Bonding Summary					
Department of Transportation ^{6/}	\$ 1,327,789,000	\$ -	\$ 178,878,000	\$ -	FY 14 - 38
<u>ABOR Building System</u>					
Arizona State University	\$ 1,349,675,000	\$ -	\$ 115,976,000	\$ -	FY 51
Northern Arizona University	279,760,000	-	21,063,700	-	FY 44
University of Arizona	751,035,000	-	64,216,800	-	FY 48
University Lottery Bond (SPEED)	516,275,000 ^{7/}	-	47,977,600	-	FY 48
University Infrastructure (2017) ^{8/}	362,130,000	-	17,321,200	8,660,600	FY 44
Subtotal - ABOR	\$ 3,258,875,000	\$ -	\$ 266,555,300	\$ 8,660,600	
Lottery Revenue Bond Refinance (2019) ^{3/}	\$ -	\$ -	\$ - ^{8/}	\$ -	FY 22
TOTAL - Bonding	\$ 4,586,664,000	\$ -	\$ 445,433,300	\$ 8,660,600	
TOTAL - Lease-Purchase & Bonding	\$ 5,385,408,200	\$ 619,083,900	\$ 584,918,900	\$ 99,779,500	

^{1/} Represents principal balances as of June 30, 2022. 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/} The FY 2022 budget appropriated General Fund monies to pay off the remaining debt for the ADOA 2016 and 2019 A Issuances, SFB 2016 Refinance, and Lottery Revenue Bonds.

^{4/} 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 2022 this subsidy is expected to be \$3,729,900 of the \$9,938,100 payment.

^{5/} 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.

^{6/} Includes \$1,164,084,000 for Highway User Revenue Fund bonds and \$163,705,000 for Grant Anticipation Notes.

^{7/} Represents outstanding balance as of the end of FY 2022 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.)

^{8/} The universities will receive \$28,372,000 from the General Fund in FY 2022 for the 2017 Capital Infrastructure Funding program. As of December 2020, JCCR has reviewed a total of 13 projects for the program, of which 9 are funded by system revenue bonds and 4 are cash-funded. The General Fund is expected to pay \$8,660,600 in FY 2022 for debt service.

LEASE-PURCHASE APPROPRIATIONS ^{1/} Department of Administration Building System

	Fiscal Year 2021 - Appropriations Report				Fiscal Year 2022 - Appropriations Report				Difference FY 2022 - FY 2021			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS												
Administration, AZ Department of Sale/Lease-Back ^{2/}	\$53,701,800			\$53,701,800	\$0			\$0	(\$53,701,800)	-	-	(\$53,701,800)
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$120,600		\$120,600		\$121,800		\$121,800	-	\$1,200	-	\$1,200
Administration, Arizona Department of	\$621,600	1,601,800	\$167,400	2,390,800	\$628,600	1,619,800	\$169,200	2,417,600	\$7,000	18,000	1,800	26,800
Deaf and the Hard of Hearing, Commission for the		231,400		231,400		233,700		233,700	-	2,300	-	2,300
Equalization, State Board of	94,300			94,300	95,300			95,300	1,000	-	-	1,000
Insurance & Financial Institutions, Department of	242,600	46,200		288,800	588,200	112,000		700,200	345,600	65,800	-	411,400
Insurance, Department of	304,700		101,600	406,300	-	-		-	(304,700)	-	(101,600)	(406,300)
Real Estate Department, State	187,600			187,600	189,300			189,300	1,700	-	-	1,700
Tax Appeals, State Board of	36,300			36,300	36,700			36,700	400	-	-	400
Subtotal - ADOA Building	\$1,487,100	\$2,000,000	\$269,000	\$3,756,100	\$1,538,100	\$2,087,300	\$169,200	\$3,794,600	\$51,000	\$87,300	(\$99,800)	\$38,500
Corrections, Arizona Department of												
4,000 Public Prison Beds	\$15,344,500			\$15,344,500	\$15,339,900			\$15,339,900	(\$4,600)	-	-	(\$4,600)
Water and Wastewater Projects	628,000			628,000	\$628,100			628,100	100	-	-	100
Kingman - Refinance ^{3/}	17,468,300			17,468,300	\$0			-	(17,468,300)	-	-	(17,468,300)
Subtotal - AZ Department of Corrections	\$33,440,800	\$0	\$0	\$33,440,800	\$15,968,000	\$0	\$0	\$15,968,000	(\$17,472,800)	\$0	\$0	(\$17,472,800)
Department of Environmental Quality Building												
Automobile Theft Authority		\$45,000		\$45,000		\$48,900		\$48,900	-	\$3,900	-	\$3,900
Criminal Justice Commission, Arizona		11,300	\$176,900	188,200		11,400	\$178,800	190,200	-	100	\$1,900	2,000
Environmental Quality, Department of		3,370,500		3,370,500		3,405,100		3,405,100	-	34,600	-	34,600
Forestry and Fire Management, AZ Department of	\$235,800		35,200	271,000	\$235,200		35,100	270,300	(\$600)	-	(100)	(700)
Gaming, Department of		585,100		585,100		591,200		591,200	-	6,100	-	6,100
Housing, AZ Department of	69,200	23,100	369,100	461,400	69,900	23,300	372,900	466,100	700	200	3,800	4,700
Residential Utility Consumer Office		112,800		112,800		113,900		113,900	-	1,100	-	1,100
Technical Registration, State Board of		184,100		184,100		186,000		186,000	-	1,900	-	1,900
Water Resources, Department of	1,022,300			1,022,300	1,032,800			1,032,800	\$10,500	-	-	10,500
Subtotal - ADEQ Building	\$1,327,300	\$4,331,900	\$581,200	\$6,240,400	\$1,337,900	\$4,379,800	\$586,800	\$6,304,500	\$10,600	\$47,900	\$5,600	\$64,100
Health Services, Department of												
Health Services Building - Refinance	\$2,206,900	\$1,471,200		\$3,678,100	\$2,283,600	\$1,522,400		\$3,806,000	\$76,700	\$51,200	-	\$127,900
Health Lab - Refinance		2,034,800		2,034,800		2,057,400		2,057,400	-	22,600	-	22,600
Arizona State Hospital Forensic Unit	2,972,300			2,972,300	2,971,000			2,971,000	(1,300)	-	-	(1,300)
Subtotal - Department of Health Services	\$5,179,200	\$3,506,000	\$0	\$8,685,200	\$5,254,600	\$3,579,800	\$0	\$8,834,400	\$75,400	\$73,800	\$0	\$149,200
GRAND TOTAL	\$95,136,200	\$9,837,900	\$850,200	\$105,824,300	\$24,098,600	\$10,046,900	\$756,000	\$34,901,500	(\$71,037,600)	\$209,000	(\$94,200)	(\$70,922,800)

^{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 and the FY 2022 budget appropriated \$470,000,000 to retire the remaining 2019A sale/leaseback debt.

^{3/} The FY 2022 budget appropriated \$65,850,000 to retire the 2016 Refinance agreement for the Kingman Private Prison.

Capital Outlay
Local Assistance

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
DISTRIBUTIONS			
Phoenix Convention Center	23,500,000	23,997,900	24,498,500 ^{1/}
Rio Nuevo District	14,478,800	16,000,000	16,000,000 ^{2/}
TOTAL - ALL DISTRIBUTIONS	37,978,800	39,997,900	40,498,500 ^{3/}
FUND SOURCES			
General Fund	37,978,800	39,997,900	40,498,500
TOTAL - ALL SOURCES	37,978,800	39,997,900	40,498,500

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 section 9-602, Arizona Revised Statutes, \$24,498,500 of state general fund revenue is allocated in fiscal year 2021-2022 to the Arizona convention center development fund established by section 9-601, Arizona Revised Statutes. (General Appropriation Act footnote)
- 2/ Pursuant to section 42-5031, Arizona Revised Statutes, 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 fiscal year 2021-2022. The actual amount of the distribution will be made pursuant to section 42-5031, Arizona Revised Statutes. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

Phoenix Convention Center

The budget includes \$24,498,450 from the General Fund in FY 2022 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. FY 2022 adjustments are as follows:

Distribution Increase

The budget includes an increase of \$500,550 from the General Fund in FY 2022 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 \$29,998,925 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 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
FY 2033	29,999,150		

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 \$47,528,800 through CY 2019 (see Table 2). As a result, the state has not reduced payments to the City of Phoenix during this time.

Table 2
Project Revenue and Debt Service Payments
(\$ in Millions)

Calendar Year ^{1/}	Project Revenue	Debt Service	Annual Net Revenues ^{2/}	Cumulative Net Revenues
2019	\$23.6	\$23.5	\$0.1	\$47.5
2018	23.5	23.0	0.5	47.4
2017	19.0	22.5	(3.5)	46.9
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 (2020)*

The study compares current convention center revenues to a "base scenario" (had the facility not been upgraded) in order to determine the project's net revenues. This "base scenario" assumed the facility would become functionally obsolete and generate minimal revenues by 2021. Comparing the current convention activity to this "base scenario" is not expected to generate a reduction in payments to the City of Phoenix over the next several fiscal years.

Rio Nuevo District

The budget includes \$16,000,000 from the General Fund in FY 2022 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 2021.

The FY 2021 General Appropriation Act displays a \$16,000,000 estimated distribution in FY 2021. This amount was effectively based on the FY 2019 actual distribution, which was the most recent information available at the time the budget was enacted. 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 2021 General Appropriation Act, actual FY 2020 information became available, and the FY 2020 actual distribution was \$14,478,796. Given the recent trends of overall Sales Tax growth, the FY 2021 estimate of \$16,000,000 has been retained for both FY 2021 and FY 2022 in the budget.

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 3 for the history of TPT payments).

Table 3
State TPT Payments to the Rio Nuevo District

Fiscal Year	Distributions
FY 2020	\$ 14,478,796
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	\$196,412,198

A.R.S. § 48-4203 requires that any construction project (or other improvement to real property) with a cost of 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 \$12,400,000 on these projects. Since the April 2019 meeting, there have been no additional projects submitted for JCCR review.

ECONOMIC AND REVENUE FORECAST

GENERAL FUND REVENUE

Summary of General Fund Forecast

The enacted FY 2022 budget assumes total net General Fund revenues of \$13.03 billion. This amount is a decrease of (7.3)% compared to enacted FY 2021 General Fund revenues.

Excluding the beginning balance, one-time revenues, and Urban Revenue Sharing, and after adjusting for the deferral of the income tax filing due date from April 15, 2020 to July 15, 2020 as well as the impact of newly-enacted tax legislation, the underlying FY 2022 growth rate is 2.1%.

The detailed enacted budget revenue forecasts appear at the end of this section. *Table 6* compares the enacted FY 2022 forecast to the enacted FY 2021 forecast while *Table 7* compares the FY 2024 revenue planning estimates to the FY 2023 estimates.

General Fund Revenue Forecast

FY 2021

The original FY 2021 budget enacted in March 2020 was based on total General Fund revenues of \$12.49 billion. However, at the time when the budget was adopted, the revenue outlook was rapidly deteriorating due to the start of the pandemic in March 2020. As a result, the General Fund revenue forecast was revised in June 2020. The forecast under the June 2020 Budget Update assumed total General Fund revenues of \$11.05 billion, or \$(1.44) billion less than in the March 2020 enacted budget.

The January 2021 Baseline forecast developed by the JLBC Staff increased the FY 2021 General Fund revenue forecast to \$12.58 billion, or \$1.53 billion above the June 2020 Budget Update. The large forecast revision was due to a significant improvement in the revenue outlook during the first and second quarter of FY 2021.

In its 2021 Regular Session revisions to the FY 2021 budget, the Legislature adopted a projected ongoing growth rate of 24.5%. (Adjusted for the impact of the income tax deferral from April to July 2020, the growth rate is an estimated 14.3%.) In terms of total revenue, the revised FY 2021 budgeted amount is \$14.05 billion, or 17.8% above FY 2020.

FY 2022

The enacted FY 2022 budget forecasts total General Fund revenues of \$13.03 billion. Excluding one-time revenues

and Urban Revenue Sharing, ongoing revenues are projected to be \$14.16 billion. In developing their FY 2021-FY 2024 budget plan, the Legislative members designate revenues as either ongoing or one-time.

Table 1 below summarizes the changing revenue picture in FY 2021 to FY 2024 through the phases of budget development. The growth rates in the table reflect ongoing revenues. The table includes the impact of the calendar year 2020 income tax deferral as well as tax legislation enacted during the 2021 Regular Session.

Table 1	
Ongoing Revenue Change Over Prior Year ^{1/}	
	% Change
<u>FY 2021</u>	
January Baseline ^{2/,3/}	14.7%
April Update ^{2/,3/}	20.7%
June Enacted Budget ^{2/}	24.5%
<u>FY 2022</u>	
January Baseline ^{2/,3/}	(0.4)%
April Update ^{2/,3/}	0.6%
June Enacted Budget ^{2/,4/,5/,6/}	(2.1)%
<u>FY 2023</u>	
January Baseline ^{3/}	4.4%
April Update ^{3/}	4.3%
June Enacted Budget ^{4/,5/,6/,7/}	(1.5)%
<u>FY 2024</u>	
January Baseline ^{3/}	4.3%
April Update ^{3/}	4.3%
June Enacted Budget ^{4/,5/,6/,7/}	5.3%
^{1/} Legislative members designate revenues as either ongoing or one-time. Each scenario incorporates all tax law changes prior to 2021 Legislative Session. ^{2/} Includes the impact of deferring the income tax filing due date from April 15 to July 15 of calendar year 2020. ^{3/} Forecast provided by the JLBC Staff. ^{4/} Includes impact of newly enacted legislation. For more details, see <i>Table 5</i> ^{5/} Includes projected Prop. 207 marijuana sales tax collections of \$32 million in FY 22 and \$46 million in FY 23 and FY 24. ^{6/} Includes \$34.5 million in Lottery Revenue Bond payoff savings. ^{7/} Includes projected gaming revenues of \$200 million in FY 23 and \$300 million in FY 24, as provided by the Executive/Legislature.	

As shown in *Table 2*, the June enacted budget assumes that ongoing revenues will decline by (2.1)% in FY 2022. After adjusting for the revenue impact of the calendar year 2020 income tax deferral as well as recently enacted legislation, the FY 2022 growth rate is 2.1%.

Long-Term Projections

The enacted budget also incorporates revenue planning estimates for FY 2023 and FY 2024, which are shown in *Table 7*. The ongoing revenue growth rates included in

the FY 2023 and FY 2024 revenue planning estimates under the June adopted budget are (1.5)% in FY 2023 and 5.3% in FY 2024. Without tax law changes enacted in the 2021 Regular Session, the growth rate would be an estimated 5.6% in FY 2023 and 5.0% in FY 2024.

4-Sector Forecast

The projected 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. Consisting of 12 public and private sector economists, this independent panel normally 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 estimates for the remaining revenue categories, which constitute about 5% of the total, were based on JLBC Staff projections.

Table 3 shows the result of the 4-sector forecast updates in January and April of 2021. The January Baseline as well as the April update are typically based on the 4-sector forecast. However, due to rapidly changing economic conditions earlier this year, the 4-sector forecast notably underestimated the economic recovery. As a result, the January and April forecasts are solely based on the JLBC Staff sector.

Revenue Adjustments

Table 2 provides an overview of ongoing and total revenue growth for FY 2021 and FY 2022. Total revenue, which represents all General Fund revenue sources, including the beginning balance, is estimated to increase by 17.8% in FY 2021, followed by a decline of (7.3)% in FY 2022.

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,

	<u>FY 2021</u>	<u>%</u>	<u>FY 2022</u>	<u>%</u>
Ongoing Revenue ^{1/2/}	\$14,467.4	24.5%	\$14,159.7	(2.1)%
Urban Revenue Sharing	(828.5)		(756.4)	
One-Time Financing Sources:				
Balance Forward	372.5		441.7	
Prescription Drug Rebate Fund Transfer	16.7		0.0	
DPS Highway Patrol Fund Transfer	24.2		0.0	
Water Infrastructure Repayment	0.0		20.0	
Maximum Marginal Tax Rate of 4.5%	<u>0.0</u>		<u>(836.0)</u>	
Subtotal	413.4		(374.3)	
Total Revenue	<u>\$14,052.3</u>	17.8%	<u>\$13,029.0</u>	(7.3)%

^{1/} Ongoing revenue represents net General Fund revenue, including the impact of previously and newly enacted tax law changes. It excludes Urban Revenue Sharing and one-time financing sources.
^{2/} Includes the impact of deferring the income tax filing due date from April 15 to July 15 of 2020.

conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

The next section provides a detailed description of newly-enacted legislation with a revenue impact in FY 2021 through FY 2024. (See Table 5 for a complete list of all statutory changes affecting revenue collections in FY 2021 through FY 2024.) A description of previously enacted tax legislation can be found on pages 500 through 503 of the FY 2022 Baseline Book.

1) Internal Revenue Code Conformity – Laws 2021, Chapter 232 amends state statutes to fully conform to the federal Internal Revenue Code (IRC) in effect as of March 11, 2021. Chapter 232 is estimated to result in a total state revenue loss of \$(624.8) million spread over several years. The cost of conformity, however, will not be borne by the General Fund. Instead, Chapter 232 will be financed with monies received from the federal government since the start of the pandemic.

2) 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 2022 General Appropriation Act (Laws 2021, Chapter 408) increased the State Treasurer’s Operating

Table 3

**4-Sector Estimates
Forecast Percentages (FY 2021 - FY 2024)
Ongoing Revenue**

	FY 2021					FY 2022				
	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>
<u>Sales Tax</u>										
January	8.1%	4.8%	8.2%	6.6%	6.9%	4.0%	2.6%	5.0%	5.8%	4.4%
April	10.7%	10.5%	11.3%	9.2%	10.4%	6.0%	3.1%	5.0%	5.8%	5.0%
<u>Individual Income Tax ^{1/}</u>										
January	27.5%	21.1%	23.4%	19.0%	22.7%	(4.5)%	(4.6)%	(2.0)%	1.3%	(2.5)%
April	36.5%	26.3%	29.5%	20.6%	28.2%	(4.1)%	(2.9)%	(1.3)%	2.8%	(1.5)%
<u>Corporate Income Tax</u>										
January	6.9%	(2.1)%	2.2%	7.0%	3.5%	(2.5)%	(2.1)%	(0.8)%	1.6%	(0.9)%
April	16.1%	8.4%	10.0%	18.2%	13.2%	5.2%	4.5%	6.7%	2.5%	4.7%
<u>Insurance Premium Tax</u>										
January	2.0%	2.7%	1.0%	1.5%	1.3%	2.8%	1.8%	4.6%	2.2%	3.5%
April	7.0%	4.9%	5.2%	6.0%	5.8%	3.5%	4.8%	5.0%	3.2%	4.1%
<u>Overall ^{2/}</u>										
January	14.7%	10.2%	12.9%	10.6%	12.1%	(0.4)%	(1.0)%	1.3%	3.1%	0.7%
April	20.7%	16.2%	17.9%	13.8%	17.1%	0.6%	0.0%	1.6%	3.4%	1.4%
	FY 2023					FY 2024				
	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>
<u>Sales Tax</u>										
January	4.4%	4.4%	5.5%	4.5%	4.7%	4.2%	4.2%	5.5%	5.1%	4.8%
April	4.5%	4.1%	5.8%	5.5%	5.0%	4.3%	4.8%	5.2%	5.1%	4.8%
<u>Individual Income Tax ^{1/}</u>										
January	5.9%	4.0%	5.3%	5.9%	5.0%	4.9%	3.3%	4.6%	5.5%	4.6%
April	4.9%	3.7%	4.7%	5.9%	4.8%	4.9%	4.1%	4.7%	5.6%	4.8%
<u>Corporate Income Tax</u>										
January	5.0%	3.6%	5.7%	6.5%	5.2%	4.7%	5.6%	7.4%	5.2%	5.7%
April	4.0%	4.0%	5.8%	6.2%	5.0%	4.0%	5.6%	7.0%	3.7%	5.1%
<u>Insurance Premium Tax</u>										
January	3.5%	0.8%	5.0%	2.6%	3.8%	3.2%	0.7%	3.2%	3.0%	2.9%
April	3.0%	3.2%	3.4%	3.5%	3.3%	2.8%	1.9%	2.6%	3.9%	2.8%
<u>Overall ^{2/}</u>										
January	4.4%	4.0%	5.2%	4.9%	4.6%	4.3%	3.7%	4.9%	5.0%	4.5%
April	4.3%	3.6%	4.9%	5.2%	4.5%	4.3%	4.3%	4.8%	5.0%	4.6%

^{1/} The individual income tax growth rates reflect the impact of income tax deferral from April 15 to July 15 of 2020.

^{2/} The growth rates for each sector represent the weighted average of Big-4 revenue estimates plus JLBC Staff estimates of other revenue.

Fund appropriation by \$224,200. Since the increased appropriation reduces the excess fund balance by the same amount, General Fund revenue is reduced by \$(224,200) annually, beginning in FY 2022.

3) Reduction of DHS Transfer – Laws 2021, Chapter 409 eliminates the requirement that the first \$300,000 in radiation regulatory fees collected be deposited in the General Fund, beginning in FY 2022.

4) State Charge Levied on City of Flagstaff – The FY 2022 Revenue Budget Reconciliation Bill (BRB) (Laws 2021, Chapter 411) requires the Arizona Department of Administration, in accordance with the provisions in A.R.S. § 35-121.01, to bill the City of Flagstaff for the costs of their minimum wage since it exceeds the statewide minimum wage. The state charge is expected to be \$1.1 million in FY 2022.

5) Tax Omnibus – Laws 2021, Chapter 412 (Tax Omnibus) reduces the individual income tax rates to 2.55% for taxable income up to \$27,272/\$54,544 and 2.98% for taxable income above \$27,272/\$54,544 in TY 2022. Further rate reductions are contingent upon the state receiving more than forecast as determined in September of each year. Excluding the beginning balance, the "trigger" target is set at \$12.8 billion in FY 2022 and \$13.0 billion in FY 2023 and each year thereafter. If the state receives more than the FY 2022 trigger level, the rates will be reduced to 2.53%/2.75% starting in TY 2023. If the state receives more than \$13.0 billion in FY 2023 or any subsequent year, the rate will be reduced to a single rate of 2.5% in the following Tax Year. The reduction of the current rates to the TY 2022 rates of 2.55%/2.98% is estimated to reduce General Fund revenues by \$(1,016.6) million in FY 2023. (For the description and revenue impact of other provisions in the Tax Omnibus, see *Item 8* below.)

6) 4.5% Max. Tax Rate – Pursuant to Laws 2021, Chapter 411 (Revenue BRB), beginning in TY 2021, the total individual income tax rate for taxable income above \$250,000/\$500,000, including the Proposition 208 surcharge, cannot exceed 4.5%. Proposition 208 will receive the proceeds from the 3.5% surcharge. The remaining 1% will be deposited in the General Fund. This provision is estimated to result in a General Fund revenue loss of \$(836.0) million in FY 2022 and \$(487.8) million in FY 2023 and FY 2024.

7) SB 1783 Impact – Laws 2021, Chapter 436 (SB 1783) provides an option for individuals with certain types of income, such as interest and dividends, business profits, and capital gains from the sale of certain capital assets, to be taxed under either the regular individual income tax or an alternative income tax established by SB 1783. An

individual who elects to be taxed under SB 1783's alternative income tax is not subject to the 3.5% surcharge under Proposition 208. Instead, all taxes collected under SB 1783's alternative income tax will be deposited into the General Fund.

Under Laws 2021, Chapter 436, the tax rate under the SB 1783 alternative income tax is 3.5% in TY 2021, 3.0% in TY 2022, 2.8% in TY 2023 and TY 2024, and 2.5%, beginning in TY 2025. Unlike the regular individual income tax rate reductions, there is no "trigger" target for the SB 1783 tax.

The shift of taxable income from the regular income tax to SB 1783's alternative income tax results in a General Fund savings relative to the 4.5% rate cap policy under Laws 2021, Chapter 411. This savings is estimated to be \$173.4 million in FY 2023.

Table 4 below displays the estimated impact of the 3 key individual income tax provisions included in the June 2021 enacted budget. The estimates reflect a scenario under which the revenue "trigger" targets discussed above are exceeded in FY 2022 and FY 2023 and therefore the tax rates reduced to 2.53%/2.75% in TY 2023 and 2.5% in TY 2024. Under this scenario, the net revenue impact would be \$(1.3) billion in FY 2023, \$(1.5) billion in FY 2024, and \$(1.8) billion in FY 2025.

Provision	FY 2023	FY 2024	FY 2025
Rate Reduction ^{1/}	\$(1,016.6)	\$(1,251.0)	\$(1,533.4)
4.5% Max Rate	(487.8)	(418.0)	(369.1)
SB 1783 Impact	<u>173.4</u>	<u>150.2</u>	<u>125.0</u>
Net Impact	\$(1,331.0)	\$(1,518.8)	\$(1,777.5)

^{1/} Estimates assume that revenue triggers are met in FY 2022 and FY 2023 and therefore the tax rates reduced to 2.53%/2.75% in TY 2023 and 2.5% in TY 2024.

8) Other Tax Omnibus Provisions – Besides the rate reduction described under *item 5*, Laws 2021, Chapter 412 makes several other changes related to income tax, premium insurance tax, property tax, and unemployment insurance. These other provisions in the Tax Omnibus are described below.

- Phases down the Class 1 (commercial) property assessment ratio from 18% to 16% over 4 years, beginning in TY 2022. This provision is estimated to increase K-12 school funding formula costs by \$4.4 million in FY 2023 and \$9.0 million in FY 2024. Since the state does not levy a property tax, there is no General Fund revenue impact.
- Increases the Homeowner's Rebate on primary school district property taxes levied on Class 3 (residential)

property from 47.19% to 50.0%, beginning in TY 2022. This provision is estimated to increase K-12 school funding formula costs by \$30.0 million in FY 2023 and \$30.8 million in FY 2024. Since the state does not levy a property tax, there is no General Fund revenue impact.

- Provides a full individual income tax exemption for benefits, annuities, and pensions received by military retirees, beginning in TY 2021. The current exemption is \$3,500. This provision is currently estimated to reduce General Fund revenues by \$(48.3) million in FY 2022 and \$(37.9) million in FY 2023 and FY 2024.
- Adjusts for inflation the percentage of charitable contributions that standard deduction filers can claim over and above the regular standard deduction, beginning in TY 2022. This provision is estimated to reduce General Fund revenues by \$(2.0) million in FY 2023 and \$(3.9) million in FY 2024.
- Increases the credit cap for contributions by corporations and insurers to School Tuition Organizations (STO) for displaced/disabled students from \$5 million to \$6 million, beginning in FY 2022. This provision is expected to have an annual revenue impact of \$(1.0) million, starting in FY 2022.
- Creates a new nonrefundable income tax credit for the processing of qualified forest products, beginning in TY 2021. The credit, which has an annual cap of \$0.5 million per taxpayer and \$2 million in the aggregate, is estimated to reduce General Fund revenues by \$(395,800) annually, beginning in FY 2022.
- Expands the eligibility for students receiving "switcher" individual or low-income corporate STO scholarships to include those who were homeschooled, moved from out of state, or held an Empowerment Scholarship Account (ESA), beginning in TY 2021. The provision is expected to result in an annual revenue reduction of \$(0.4) million, beginning in FY 2022.
- Allows public service corporations to deduct for income tax purposes any amount of monies or other property contributed to them to expand, improve or replace their water system or sewage disposal facilities, beginning in TY 2021. This provision is estimated to reduce General Fund revenues by \$(0.4) million annually, beginning in FY 2022.

9) Affordable Housing Tax Credit – Laws 2021, Chapter 430 creates a new nonrefundable affordable housing tax credit that is equal to at least 50% of the amount of the federal low-income housing credit for qualified projects placed in service after June 30, 2022. The Arizona Department of Housing is authorized to allocate a total of \$4 million in tax credits per year from TY 2022 to TY 2025.

Each of these 4 award cycles is available for 10 years. The credit is estimated to have a revenue impact of \$(4.0) million in FY 2024.

10) DPS Highway Patrol Fund Transfer – The FY 2022 General Appropriation Act (Laws 2021, Chapter 408) authorizes the transfer of \$24.2 million from the Department of Public Safety's (DPS) Highway Patrol Fund to the General Fund in FY 2021.

The enacted budget also incorporates other revenue adjustments to the FY 2022 forecast and the revenue planning estimates for FY 2023 and FY 2024. For FY 2022, those adjustments total \$67.1 million as follows:

- Score Additional Proposition 207 Sales Tax Revenue – \$32.0 million
- DHS Radiation Regulatory Fee Reduction - \$(0.3) million (*see Item 3 above*)
- Lottery Bond Payoff Savings - \$34.5 million
- Flagstaff Minimum Wage Charge – \$1.1 million (*see Item 4 above*)
- Treasurer Accountant Reclassification – \$(0.1) million (*see Item 2 above*)
- Treasurer Payment Card Industry Compliance Officer – \$(0.1) million (*see Item 2 above*)

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 income tax collections from 2 years prior. Laws 2021, Chapter 412 increases the URS distribution from 15% to 18%, beginning in FY 2024.

As indicated in *Table 6*, total URS distributions will decrease from \$828.5 million in FY 2021 to \$756.4 million in FY 2022. This URS reduction results in a FY 2022 General Fund revenue gain of \$72.1 million relative to FY 2021. As shown in *Table 7*, under the enacted budget, URS distributions would increase to \$948.6 million in FY 2023, which would result in a net General Fund loss of \$(192.2) million in FY 2023 relative to FY 2022. Under the enacted budget, URS distributions would be \$907.5 million in FY 2024, which would generate a revenue gain of \$41.0 million in FY 2024 relative to FY 2023. This estimate does not reflect the impact of the enacted tax reductions or the URS distribution increase under Chapter 412.

Table 5

Budget Legislation with Revenue Impact in FY 2021 through FY 2024
(\$ in Millions) ^{1/}

<u>Pre-2021 Legislation / Description of Provision</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<u>Laws 2019, Ch. 281</u>				
1) Limits the annual increase of the corporate tuition credit cap to 15% in FY 2021, 10% in FY 2022, and 5% in FY 2023	\$(16.0)	\$(12.3)	\$(6.8)	\$(2.9)
<u>Laws 2015, Ch. 220 & Laws 2016, Ch. 358</u>				
2) Phases down insurance premium tax rate from 2.0% to 1.7% over 6 years, beginning in FY 2017	(5.0)	(5.4)	0.0	0.0
<u>Laws 2017, Ch. 340</u>				
3) Modifies eligibility requirements for job tax credit and extends credit through FY 2025	(0.8)	0.0	0.0	0.0
<u>Laws 2019, Ch. 268</u>				
4) Reduces Public Safety Transfers to General Fund	0.0	(23.3)	0.0	0.0
<u>Laws 2019, Ch. 288</u>				
5) Expands TPT exemption on propagative materials (including fertilizers), beginning December 1, 2019.	(7.4)	0.0	0.0	0.0
<u>Laws 2019, Ch. 263</u>				
6) Prescription Drug Rebate Fund Transfer to General Fund	16.7	(16.7)	0.0	0.0
<u>Laws 2019, Ch. 263</u>				
7) DWR Infrastructure Repayment to General Fund	<u>0.0</u>	<u>20.0</u>	<u>(20.0)</u>	<u>0.0</u>
Total – Pre-2021 Enacted Legislation	(12.5)	\$(37.7)	\$(26.8)	\$(2.9)
<u>2021 Legislation / Description of Provision</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<u>Laws 2021, Ch. 232</u>				
1) IRC Conformity ^{2/}	--	--	--	--
<u>Laws 2021, Ch. 408</u>				
2) Reduces State Treasurer transfer to General Fund	\$0.0	\$(0.2)	\$0.0	\$0.0
<u>Laws 2021, Ch. 409</u>				
3) Reduces DHS Transfer to General Fund	0.0	(0.3)	0.0	0.0
<u>Laws 2021, Ch. 411</u>				
4) City of Flagstaff Minimum Wage Charge	0.0	1.1	0.0	0.0
<u>Laws 2021, Ch. 411/Ch. 412/Ch. 436 (SB 1783) ^{3/}</u>				
5) Tax Omnibus - Reduces income tax rates to 2.55%/2.98%	0.0	0.0	(1,016.6)	0.0
6) Revenue BRB - Imposes Max. Income Tax Rate of 4.5%	0.0	(836.0)	348.2	0.0
7) SB 1783 - Impact of Alternative Income Tax	0.0	0.0	173.4	0.0
<u>Laws 2021, Ch. 412</u>				
8) Other Tax Omnibus Provisions:				
Phases down Class 1 Assessment Ratio from 18% to 16%	0.0	0.0	^{4/}	^{4/}
Increases the Homeowner's Rebate from 47.2% to 50%	0.0	0.0	^{5/}	^{5/}
Provides full military pension income tax exemption	0.0	(48.3)	10.4	0.0
Increases std. deduction for charitable contributions	0.0	0.0	(2.0)	(1.9)
Increases corporate displaced/disabled STO credit cap	0.0	(1.0)	0.0	0.0
Creates new healthy forest production tax credit	0.0	(0.4)	0.0	0.0
Expands eligibility for students receiving STO scholarships	0.0	(0.4)	0.0	0.0
Allows deduction for "Contribution in Aid of Construction"	<u>0.0</u>	<u>(0.4)</u>	<u>0.0</u>	<u>0.0</u>
Subtotal – Other Tax Omnibus Provisions	0.0	(50.5)	8.4	(1.9)
<u>Laws 2021, Ch. 430</u>				
9) Creates a new affordable housing tax credit	0.0	0.0	0.0	(4.0)
<u>Laws 2021, Ch. 408</u>				
10) DPS Highway Patrol Fund Transfer to General Fund	<u>24.2</u>	<u>(24.2)</u>	<u>0.0</u>	<u>0.0</u>
Total – 2021 Enacted Legislation	\$24.2	\$(910.1)	\$(486.6)	\$(5.9)
Total Revenue Impact over Prior Year	\$11.7	\$(947.8)	\$(513.4)	\$(8.8)

^{1/} Represents marginal pricing: All revenue impacts are stated relative to the prior year.

^{2/} Arizona conformed to the federal Internal Revenue Code in effect as of March 11, 2021. Conformity, which is estimated to have a total state cost of \$(624.8) million spread over the next several years, will be financed with federal funds.

^{3/} Reflects impact prior to the revenue target triggers under A.R.S. § 43-243.

^{4/} Increases the General Fund formula cost for K-12 school funding by \$4.4 million in FY 2023 and \$9.0 million in FY 2024.

^{5/} Increases the General Fund formula cost for K-12 school funding by \$30.0 million in FY 2023 and \$30.8 million in FY 2024.

Table 6

GENERAL FUND REVENUE - FY 2020 - FY 2022

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2020	% CHANGE PRIOR YR	FORECAST FY 2021	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2022	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	5,392,289.3	5.8%	6,146,523.7	14.0%	754,234.5	6,380,430.7	3.8%	233,907.0
Income - Individual	4,530,725.5	-9.5%	6,292,219.3	38.9%	1,761,493.9	5,890,226.2	-6.4%	(401,993.1)
- Corporate	511,881.9	-0.5%	753,606.9	47.2%	241,725.0	644,464.7	-14.5%	(109,142.2)
Property	24,142.9	-18.7%	22,474.0	-6.9%	(1,668.9)	21,500.0	-4.3%	(974.0)
Luxury - Tobacco	20,872.5	-0.8%	21,586.1	3.4%	713.6	20,880.9	-3.3%	(705.2)
- Liquor	36,265.2	-2.7%	42,987.4	18.5%	6,722.2	44,148.0	2.7%	1,160.7
Insurance Premium	535,163.4	-2.7%	601,171.1	12.3%	66,007.7	601,992.1	0.1%	821.0
Other Taxes	14,408.1	6.4%	16,093.1	11.7%	1,685.0	16,334.5	1.5%	241.4
Subtotal - Taxes	11,065,748.7	-1.8%	13,896,661.6	25.6%	2,830,912.9	13,619,977.1	-2.0%	(276,684.5)
Other Non-Tax Revenues:								
Lottery	103,594.7	25.0%	104,740.4	1.1%	1,145.7	163,664.9	56.3%	58,924.5
Gaming Revenue	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
Licenses, Fees and Permits	34,787.2	8.6%	39,027.4	12.2%	4,240.2	40,680.4	4.2%	1,653.0
Interest	39,398.1	-25.8%	22,172.5	-43.7%	(17,225.6)	22,500.0	1.5%	327.5
Sales and Services	22,425.1	-6.8%	23,484.6	4.7%	1,059.5	23,954.1	2.0%	469.5
Other Miscellaneous	126,013.5	13.2%	147,534.9	17.1%	21,521.4	151,851.9	2.9%	4,317.0
Transfers and Reimbursements	116,512.3	83.9%	127,682.2	9.6%	11,169.9	54,320.6	-57.5%	(73,361.6)
Public Safety Transfers	23,343.2	-67.7%	23,357.7	0.1%	14.5	0.0	-100.0%	(23,357.7)
Disproportionate Share Revenue	84,949.1	-11.1%	82,729.0	-2.6%	(2,220.1)	82,729.0	0.0%	0.0
Subtotal - Other Non-Tax	551,023.3	3.1%	570,728.8	3.6%	19,705.5	539,700.9	-5.4%	(31,027.9)
Net Ongoing Revenue	11,616,772.0	-1.6%	14,467,390.4	24.5%	2,850,618.4	14,159,678.0	-2.1%	(307,712.4)
Urban Revenue Sharing (URS)	(737,561.2)	N/A	(828,492.9)	N/A	(90,931.7)	(756,391.1)	N/A	72,101.8
Net Ongoing Revenue w/ URS	10,879,210.8	-2.3%	13,638,897.5	25.4%	2,759,686.7	13,403,286.9	-1.7%	(235,610.6)
One-Time Financing Sources:								
Pre-2019 Enacted Fund Transfers	1,840.7	-98.2%	0.0	-100.0%	(1,840.7)	0.0	N/A	0.0
Prescription Drug Rebate Fund Transfer	69,000.0	N/A	16,700.0	-75.8%	(52,300.0)	0.0	-100.0%	(16,700.0)
Wells Fargo Settlement Fund Transfer	20,000.0	N/A	0.0	-100.0%	(20,000.0)	0.0	N/A	0.0
DPS Highway Patrol Fund Transfer	0.0	N/A	24,205.7	N/A	24,205.7	0.0	-100.0%	(24,205.7)
Water Infrastructure Repayment	0.0	N/A	0.0	N/A	0.0	20,000.0	N/A	20,000.0
Max Marginal Tax Rate of 4.5%	0.0	N/A	0.0	N/A	0.0	(836,000.0)	N/A	(836,000.0)
SB 1783 Impact	0.0	N/A	0.0	N/A	0.0	-	N/A	0.0
Subtotal - One-Time Financing Sources	90,840.7	-9.5%	40,905.7	-55.0%	(49,935.0)	(816,000.0)	N/A	(856,905.7)
Subtotal - Revenues	10,970,051.5	-2.3%	13,679,803.2	24.7%	2,709,751.7	12,587,286.9	-8.0%	(1,092,516.3)
Balance Forward	957,241.0	112.9%	372,457.0	-61.1%	(584,784.0)	441,739.7	18.6%	69,282.7
Total - Resources	11,927,292.5	2.1%	14,052,260.2	17.8%	2,124,967.7	13,029,026.6	-7.3%	(1,023,233.6)

Table 7

GENERAL FUND REVENUE - FY 2023 - FY 2024

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2023	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2024	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	6,670,649.5	4.5%	290,218.8	6,971,448.3	4.5%	300,798.8
Income - Individual	5,149,188.5	-12.6%	(741,037.7)	5,428,289.7	5.4%	279,101.2
- Corporate	674,010.3	4.6%	29,545.6	701,010.3	4.0%	27,000.0
Property	21,000.0	-2.3%	(500.0)	20,500.0	-2.4%	(500.0)
Luxury - Tobacco	20,150.2	-3.5%	(730.7)	20,050.1	-0.5%	(100.1)
- Liquor	45,195.6	2.4%	1,047.6	46,258.6	2.4%	1,063.0
Insurance Premium	615,946.7	2.3%	13,954.6	634,390.5	3.0%	18,443.8
Other Taxes	16,825.3	3.0%	490.8	17,400.9	3.4%	575.6
Subtotal - Taxes	13,212,966.1	-3.0%	(407,011.0)	13,839,348.4	4.7%	626,382.3
Other Non-Tax Revenues:						
Lottery	144,407.1	-11.8%	(19,257.8)	146,243.4	1.3%	1,836.3
Gaming Revenue	200,000.0	N/A	200,000.0	300,000.0	50.0%	100,000.0
Licenses, Fees and Permits	41,789.2	2.7%	1,108.8	43,355.5	3.7%	1,566.3
Interest	20,425.4	-9.2%	(2,074.6)	23,125.0	13.2%	2,699.6
Sales and Services	24,448.5	2.1%	494.4	25,167.1	2.9%	718.6
Other Miscellaneous	151,851.9	0.0%	0.0	159,851.9	5.3%	8,000.0
Transfers and Reimbursements	54,643.6	0.6%	323.0	54,981.9	0.6%	338.3
Public Safety Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Disproportionate Share Revenue	95,474.3	15.4%	12,745.3	95,644.9	0.2%	170.6
Subtotal - Other Non-Tax	733,040.0	35.8%	193,339.1	848,369.7	15.7%	115,329.7
Net Ongoing Revenue	13,946,006.1	-1.5%	(213,671.9)	14,687,718.1	5.3%	741,712.0
Urban Revenue Sharing (URS)	(948,581.5)	N/A	(192,190.4)	(907,536.9)	N/A	41,044.6
Net Ongoing Revenue w/ URS	12,997,424.6	-3.0%	(405,862.3)	13,780,181.2	6.0%	782,756.6
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	0.0	N/A	0.0	0.0	N/A	0.0
Wells Fargo Settlement Fund Transfer	0.0	N/A	0.0	0.0	N/A	0.0
DPS Highway Patrol Fund Transfer	0.0	N/A	0.0	0.0	N/A	0.0
Water Infrastructure Repayment	0.0	-100.0%	(20,000.0)	0.0	N/A	0.0
Max Marginal Tax Rate of 4.5%	(487,800.0)	N/A	348,200.0	(487,800.0)	N/A	0.0
SB 1783 Impact	173,400.0	N/A	173,400.0	173,400.0	0.0%	0.0
Subtotal - One-Time Financing Sources	(314,400.0)	N/A	501,600.0	(314,400.0)	N/A	0.0
Subtotal - Revenues	12,683,024.6	0.8%	95,737.7	13,465,781.2	6.2%	782,756.6
Balance Forward	202,292.9	-54.2%	(239,446.8)	40,400.7	-80.0%	(161,892.2)
Total - Resources	12,885,317.5	-1.1%	(143,709.1)	13,506,181.9	4.8%	620,864.4

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.
 - Beginning in FY 2020, 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 2020

In CY 2019, Arizona adjusted personal income increased by 3.50%, with a trend growth rate of 3.38%. Since the CY 2019 "excess" growth rate was 0.12%, the formula recommended a deposit of \$13.4 million in FY 2020. 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 2020.

Laws 2019, Chapter 269 increased the maximum outstanding unreimbursed claims balance for the State Forester from \$10.0 million to \$20.0 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. In FY 2020, the State Forester repaid \$2.3 million to the BSF for wildfire suppression purposes.

Chapter 263 also 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 2020. Chapter 263 required the BSF to be fully reimbursed by September 1, 2020. DES withdrew these monies and reimbursed them prior to September 1, 2020.

Laws 2020, Chapter 6 appropriated \$55.0 million from the BSF to the Public Health Emergencies Fund in FY 2020 to address the public health emergency related to COVID-19. Any unspent monies as of June 30, 2021, up to \$50.0 million, revert to the BSF.

FY 2021

In CY 2020, Arizona adjusted personal income increased by 1.19%, with a trend growth rate of 3.54%. Since this is (2.35)% below the trend growth rate of 3.54% and below 2.0%, the formula recommended a withdrawal from the BSF in FY 2021 in the amount of \$(255.7) million. However, the Legislature did not authorize the withdrawal.

In FY 2021, the State Forester borrowed \$11.3 million from the BSF for wildfire suppression claims.

Laws 2020, Chapter 58 also authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2021. Chapter 58 requires the BSF to be fully reimbursed by September 1, 2021.

FY 2022

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real adjusted income will increase by 3.28% in CY 2021. Since this is below the estimated trend growth rate of 3.45%, but above 2.0%, the formula is projected to recommend no deposits or withdrawals in FY 2022. (*For more details, see Table 1.*)

Laws 2021, Chapter 408 authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2022. Chapter 408 requires the BSF to be fully reimbursed by September 1, 2022.

STATUTORY CHANGES

The Budget Procedures BRB, as session law, continues to notwithstanding the requirements for any deposit to or withdrawals from the Budget Stabilization Fund through FY 2024.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2020	Estimate FY 2021	Estimate FY 2022
General Fund Revenues			
Adjusted Revenues	\$10,879,587.1 ^{2/}	\$13,638,897.5	\$13,403,286.9
Statutory Limit of Revenues	10.0%	10.0%	10.0%
Maximum Balance	1,087,958.7	1,363,889.8	1,340,328.7
Arizona Personal Income in Prior CY			
Real Adjusted Annual Income Growth	3.50%	1.19%	3.28%
7-Year Average Income Growth	<u>3.38%</u>	<u>3.54%</u>	<u>3.45%</u>
Annual Difference	0.12%	(2.35)%	(0.17)%
BSF Transactions			
Beginning BSF Balance	742,968.2	978,531.3	974,797.8
BSF Formula Recommendation	13,357.6	(255,670.3)	0.0
Actual Transfer In			
General Fund Appropriation	271,107.0 ^{3/}	0.0	0.0
Actual Transfer Out			
State Forester Claims ^{4/5/}	2,281.0	(11,269.1)	0.0
DHS Public Health Emergencies Fund ^{6/}	(55,000.0)	0.0	0.0
DES Reimbursement Grants ^{7/8/9/}	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	(52,719.0)	(11,269.1)	0.0
Balance	961,356.2	967,262.2	974,797.8
Interest Earnings & Equity Gains/Losses ^{10/}	17,175.1	7,535.6	7,500.0
Ending BSF Balance	\$978,531.3	\$974,797.8	\$982,297.8
Percent of Revenues	9.0%	7.1%	7.3%

^{1/} BSF history prior to FY 2020 can be found on the JLBC website.

^{2/} Actual General Fund revenue for FY 2020, as determined by the Economic Estimates Commission.

^{3/} Laws 2019, Chapter 263 appropriated \$271.1 million from the General Fund in each of FY 2019 and FY 2020 for deposit into the BSF.

^{4/} 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.

^{5/} Laws 2019, Chapter 269 increases the maximum outstanding balance to \$20.0 million beginning in FY 2020.

^{6/} Laws 2020, Chapter 6 appropriated \$55.0 million in FY 2020 from the BSF to DHS Public Health Emergencies Fund for costs to address the COVID-19 public health emergency. Any unspent monies as of June 30, 2021 up to \$50.0 million of the total revert to the BSF.

^{7/} Laws 2019, Chapter 263 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 2020. Chapter 263 required the BSF to be fully reimbursed by September 1, 2020. These monies were spent and repaid by September 1, 2020.

^{8/} Laws 2020, Chapter 58 authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2021. Chapter 58 requires the BSF to be fully reimbursed by September 1, 2021.

^{9/} Laws 2021, Chapter 408 authorizes DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2022. Chapter 408 requires the BSF to be fully reimbursed by September 1, 2022.

^{10/} Interest earnings for FY 2022 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 2022 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 2022 is estimated to be \$259.8 million and the Total State Funds cost is \$710.9 million. *(Please see Table 1 for the total costs.)*

Employer contribution rate for the retirement systems change each year depending on the latest actuarial valuation. Some of the retirement costs may be covered by agencies' non-appropriated funding sources.

The enacted FY 2022 budget appropriated \$7.1 million to state agencies for additional costs related to FY 2022 rate increases. This consists of \$3.6 million from the General Fund and \$4.0 million from Other Appropriated Funds.

In addition, the budget also provided \$4.3 million from the General Fund to the Superior Court to fund prior salary and Employee Related Expenditure (ERE) changes for probation officers, some of which may be allocated to prior CORP rate increases.

Arizona Public Retirement FY 2022 System Employer Cost			
	FY 2022 Total Cost 1/		
	General Fund	All Other Funds 2/	Total
Arizona State Retirement System	\$ 74,225,200	\$ 307,767,300	\$381,992,500
Public Safety Personnel Retirement System	27,567,300	102,066,500	129,633,800
Corrections Officer Retirement Plan	123,181,700	4,526,900	127,708,600
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	15,507,300	287,200	15,794,500
University Optional Retirement Plan	19,291,400	36,475,100	55,766,500
Grand Total	\$ 259,772,900	\$ 451,123,000	\$710,895,900

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2021 enacted budget changes 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).

ASRS

The General Fund cost associated with ASRS in FY 2022 is estimated to be \$74.2 million and the Total State Funds cost is \$382.0 million.

At its November 2020 meeting, the ASRS Board of Trustees increased the pension contribution rate to 12.22% of Personal Services in FY 2022. (See Table 2). The FY 2021 rate was 12.04%. The employer contribution rate for disability insurance increased from 0.18% to 0.19%, for a total overall employer contribution rate of 12.41% (compared to 12.22% last year).

PSPRS

The PSPRS system consists of numerous state and local employer groups, each with its own contribution rate. (See Table 3 for state employer group contribution rates).

The General Fund cost associated with PSPRS in FY 2022 is estimated to be \$27.6 million and the Total State Funds cost is \$129.6 million.

In aggregate, the Tier 1 and Tier 2 PSPRS employer contribution rate is 1.78% higher (see Table 4 below).

CORP

The CORP system consists of numerous state and local employer groups, each with its own contribution rate. (See Table 3 for state employer group contribution rates).

The General Fund cost associated with CORP is \$123.2 million in FY 2022 and the Total State Funds cost is \$127.7 million.

In aggregate, the Tier 1 and Tier 2 CORP employer contribution rate is 0.49% higher (see Table 4).

EORP and EODCRS System

The General Fund cost associated with EORP and the EODCRS in FY 2022 is estimated to be \$15.5 million and the Total State Funds cost is \$15.8 million. These amounts exclude court fees used to offset the cost of the system, as those fees are deposited directly into the EORP Fund.

For EODCRS members, the total employer contribution rate is the same as EORP, 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.

Table 2

**ASRS Contribution Rates
(Excludes Disability)**

<u>Fiscal Year</u>	<u>Rate ^{1/}</u>	<u>Fiscal Year</u>	<u>Rate ^{1/}</u>
FY 1983	7.00	FY 2003	2.00
FY 1984	7.00	FY 2004	5.20
FY 1985	6.27	FY 2005	5.20
FY 1986	5.67	FY 2006	6.90
FY 1987	5.53	FY 2007	8.60
FY 1988	4.00	FY 2008	9.10
FY 1989	^{2/} 4.78	FY 2009	8.95
FY 1990	^{2/} 1.29	FY 2010	9.00
FY 1991	^{2/} 3.37	FY 2011	9.60
FY 1992	^{2/} 3.17	FY 2012	10.50
FY 1993	^{2/} 3.10	FY 2013	10.90
FY 1994	^{2/} 2.65	FY 2014	11.30
FY 1995	^{2/} 3.26	FY 2015	11.48
FY 1996	3.36	FY 2016	11.35
FY 1997	3.20	FY 2017	11.34
FY 1998	3.05	FY 2018	11.34
FY 1999	2.85	FY 2019	11.64
FY 2000	2.17	FY 2020	11.94
FY 2001	2.17	FY 2021	12.04
FY 2002	2.00	FY 2022	12.22

^{1/} As a percent of salary, employee and employer each pay this rate except for FY 2012, when employers paid 9.87% and employees 11.13%. This non-50/50 split was repealed by Laws 2012, Chapter 304, which refunded excess contributions to employees.

^{2/} Long Term Disability not broken out of the contribution rate from FY 1989 - FY 1995. Rates for these years reflect amounts estimated to be attributable solely to retirement component.

UORP

The General Fund cost associated with UORP in FY 2022 is estimated to be \$19.3 million and the Total State Funds cost is \$55.8 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 2022.

Table 3

**PSPRS/CORP State Employer Group Retirement Rates
(Excludes Health and Disability Program)**

Retirement System	Employer				Employee		
	FY 2021		FY 2022		FY 2022		
	Tier 1 and 2	Tier 3 ^{1/}	Tier 1 and 2	Tier 3 ^{1/}	Tier 1	Tier 2	Tier 3 ^{1/}
<u>Public Safety Personnel Ret. System</u>							
Liquor License Investigators	112.83	107.21	108.44	103.00	7.65	11.65	9.94
Department of Public Safety ^{2/}	107.87	104.04	106.95	104.22	2.65	6.65	5.55
Northern Arizona University Police	53.60	52.87	48.68	48.57	7.65	11.65	9.94
University of Arizona Police	50.12	45.26	49.16	45.87	7.65	11.65	9.94
Arizona State University Police	45.48	40.66	46.67	42.74	7.65	11.65	9.94
Game and Fish Department	130.29	125.22	131.05	127.47	7.65	11.65	9.94
Attorney General Investigators	63.91	53.42	52.29	51.87	7.65	11.65	9.94
DEMA Firefighters	41.77	37.01	46.90	42.36	7.65	11.65	9.94
Parks Police	114.87	110.44	118.02	111.62	7.65	11.65	9.94
<u>Corrections Officer Ret. Plan</u>							
Corrections Officer - ADC	30.72	29.25	30.88	31.22	8.41	8.41	7.49
Corrections Officer - DJC	48.94	48.11	46.55	47.42	8.41	8.41	7.49
DPS Dispatchers ^{3/}	49.78	51.06	71.44	73.13	7.96	7.96	7.49
Probation Officers	34.11	33.14	35.97	36.66	8.41	8.41	7.49

^{1/} Rates for Tier 3 for PSPRS are based on Defined Benefit Plan and based on Defined Contribution for CORP.
^{2/} The displayed rates reflect that 5% of the DPS member contribution is paid by the state.
^{3/} Dispatchers hired after November 24, 2009 are ASRS members.

Table 4

Reasons for Change in the Employer Contribution Rate ^{1/}

	ASRS	PSPRS	CORP
FY 2021 Contribution Rate	12.22%	54.68%	31.04%
Asset (Gain)/Loss	0.21%	0.87%	0.45%
Payroll ^{2/}	0.00%	-1.20%	-1.76%
Liability Experience	N/A	0.26%	-0.44%
Disability Rate Change	0.01%	0.00%	0.00%
Tier 2 Employee Benefits	0.00%	0.00%	0.00%
COLA Adjustment	0.00%	0.00%	0.00%
Benefit Changes	N/A	0.00%	0.00%
Assumption Changes	N/A	0.44%	1.52%
Amortization Change	N/A	0.00%	0.00%
Other	<u>0.00%</u>	<u>1.41%</u>	<u>0.72%</u>
FY 2022 Contribution Rate	12.44%	56.46%	31.53%
Net Change	0.22%	1.78%	0.49%

^{1/} Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the contribution rates may vary for each employer group. Actuaries did not calculate EORP.
^{2/} Actual payroll growth for PSPRS/CORP was higher than the assumed rate (3.5% for PSPRS and 3.0% for CORP), requiring a lower employer contribution rate on the greater than projected salary base.

2021 Session Legislation

The retirement systems were affected by legislation relating to the following issues in the 2021 Regular Session:

PSPRS Deposit

The FY 2022 budget includes FY 2021 supplemental funding of \$1,000,000,000 from the General Fund to PSPRS to reduce unfunded pension liability in retirement plans managed by the PSPRS Board of Trustees. Of the \$1,000,000,000 funding amount, \$500,000,000 was allocated to the Department of Public Safety PSPRS Employer Group and \$500,000,000 was allocated to the Department of Corrections CORP Employer Group.

The enacted budget's 3-year spending plan assumes that ongoing General Fund spending will be reduced by \$110,000,000 in total beginning in FY 2023 due to lower employer contributions. Of the \$110,000,000 savings amount, \$55,000,000 is assumed to occur in the Department of Public Safety PSPRS Employer Group and \$55,000,000 is assumed to occur in the Department of Corrections CORP Employer Group. (Please see the Public Safety Personnel Retirement System Agency page for more information.)

Budget Procedures Budget Reconciliation Bill

The Budget Procedures BRB requires PSPRS to submit a final report on contribution rates for the ensuing fiscal year on December 1 of each year.

PSPRS Investment Reporting

Laws 2021, Chapter 251 modifies statute relating to the investment reporting requirement of the PSPRS Board of Trustees, by requiring the Board to: 1) Report on fees paid for other "alternative investments" beyond private equity investments; and 2) Include carried interest costs as part of the management and performance fees that are reported for private equity and alternative investments.

Chapter 251 also makes other changes to PSPRS policy, including:

- Prohibits a local board's independent legal counsel from also representing PSPRS/CORP members.
- Require the Board to issue a request for proposals for an external auditor every 5 years.
- Requires the Board to implement routine stress testing of the plans, which includes developing various scenarios to simulate changes in future investment performance and economic conditions.
- Requires the Board to adopt a "pension funding policy" which analyzes plan methods and assumptions to ensure funding of all benefit payments.
- Add 2 new members to the statutory PSPRS Advisory Committee, one appointed by the President of the Senate and one appointed by the Speaker of the House of Representatives. The appointees must each be either a legislator or legislative staff member.

CORP Survivor Benefits

Under current law, if a CORP member dies before retirement (not in the line of duty), the spouse receives a survivor benefit as a monthly pension equal to 40% of the member's average monthly salary.

Laws 2021, Chapter 249 modifies the survivor benefit for a non-retired CORP member, with the plan calculating which of the following amounts is greater: 1) The current calculation of 40% of the member's average monthly salary; or 2) An alternative calculation that derives the survivor benefit amount as if the CORP member had been retired at the time of death (which would be 80% of the standard pension benefit).

Based on data received from PSPRS, the fiscal impact of Chapter 249 is expected to be minimal. PSPRS actuaries estimate that based on current data, 26 members could experience a survivor benefit increase from the law.

Defined Contribution Health Subsidy

Laws 2021, Chapter 330 allows participants of PSPRS and CORP who are enrolled in the Defined Contribution Plan to opt-in and join the PSPRS retiree health benefits plan, which provides a monthly health insurance premium subsidy during retirement. The bill also makes minor changes to accidental and ordinary disability benefits. Chapter 330 is estimated to increase state government costs for PSPRS and CORP retirement contributions by approximately \$100,000 annually. This impact relates to creating a new contribution rate to fund retiree health insurance stipends for Tier 3 DC members of PSPRS and CORP that opt-in to the program.

PSPRS/CORP Local Board Changes

Laws 2021, Chapter 34 makes various changes to statutes relating to PSPRS and CORP local boards. Among other changes, the legislation:

- Removes the power of a local board to decide on questions of service credits and benefit calculations, leaving the PSPRS Board of Trustees to make those determinations.
- Requires local boards to submit all disability applications to the PSPRS Administrator. After a local board takes action on a disability claim, the PSPRS Administrator is required to review the disability claim, and may contract with medical professionals to perform the review. The PSPRS Board of Trustees may initiate follow up action, including requiring a local board rehearing or ultimately rejecting the disability claim.
- Allows a local board to enter into an intergovernmental agreement with other local boards to consolidate administrative functions such as deciding benefit eligibility.

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.

Table 5								
Arizona Public Retirement System Valuation Data as of June 30, 2020								
Membership	ASRS		PSPRS		CORP		EORP	
	<u>FY 2021</u>				<u>FY 2021</u>			
Active (working and contributing)	208,244	210,135	18,146	18,667	12,113	10,936	485	457
State Active Members	25,586	27,400	1,248	1,404	7,116	5,063	N/A	N/A
Other Active Members <u>1</u>	182,658	182,735	16,898	17,263	4,997	4,997	N/A	N/A
Inactive	239,073	244,592	2,223	2,366	3,639	3,604	166	175
Retired Members, Disabled and Survivor Beneficiaries	155,067	155,924	13,270	15,869	5,721	6,049	1,240	1,254
Deferred Retirement Option Plan	N/A				N/A			
Total	602,384	610,651	35,471	36,902	21,473	20,589	1,891	1,886
Funding Status (dollar values in millions) <u>2</u>	<u>June 30, 2019</u>				<u>June 30, 2019</u>			
Market Value of Assets	\$41,557	\$40,872	\$7,811	\$8,058	\$1,996	\$2,071	\$286	\$287
Total Actuarial Liability	\$56,126	\$58,266	\$17,394	\$18,512	\$3,884	\$4,225	\$949	\$961
Unfunded Actuarial Liability <u>3</u>				\$10,454	\$1,888	\$2,154	\$663	\$674
Funded Status <u>3</u>					51.4%	49.0%	30.1%	29.9%
N/A=Not Available								
<u>1</u> Includes city, county, political subdivision, higher education and other education active members.								
<u>2</u> Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the funded status may vary for each employer group.								
<u>3</u> Calculated on market, not actuarial, value of assets. Excludes the funded status of the retiree health portion of the plan.								

	PSPRS			CORP			EORP			ASRS
	Tier 1	Tier 2	Tier 3/DC	Tier 1	Tier 2	Tier 3/DC 1				
Hire Date	Before 1/1/12	1/1/12 thru 7/1/17	After 7/1/17	Before 1/1/12	1/1/12 thru 7/1/18	After 7/1/18	Before 1/1/12	1/1/12 thru 1/1/14	After 1/1/14	Present
Normal Retirement Age	None	52.5	55; 52.5 with reduced pension	25 years of Service with no age or; years of Service and Age must equal 80	52.5	Not Applicable	None	62	Not Applicable	Years of Service and Age must equal 80
Minimum Years of Service	20 years; 15 years if aged 62 or older	15 years	15 years		25 years		20 years	10 years		
Multiplier	50%+ <20 years: -4.00% 20 to <25 years: 2.00% 25+ years: 2.50%	62.5%+ <25 years: -4.00% 25+ years: 2.50% May use Tier 3 multiplier if better	15 to <17 years: 1.50% 17 to <19 years: 1.75% 19 to <22 years: 2.00% 22 to <25 years: 2.25% 25+ years: 2.50%	50%+ 20+ years: 2.50% If 80 point rule is used for hires prior to 8/9/2001: Average Salary X years of service X 2.5%	62.5%+ 25+ years: 2.50% (Max 7 years) If less than 25 years: Avg. Salary X Yrs of srvc X 2.5%	4% of average salary x years of service	3% of average salary x years of service	<20 years: 2.10% 20 to <25 years: 2.15% 25 to <30 years: 2.20% 30+ years: 2.30%		
PBI or COLA	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	COLA eligible after 7 years or age 60; COLA dependent on plan funded status	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	PBI if fund exceeds growth estimate for 10 years, only for members hired before 9/13/13.	
Benefit Cap	Adjusted by IRS	Adjusted by IRS	\$110,000	Adjusted by IRS	Adjusted by IRS	Adjusted by IRS	Adjusted by IRS	Adjusted by IRS	Adjusted by IRS	
Normal Cost Split	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	50/50; Employer Pays Legacy Cost Balance	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	50/50	
Assumed Rate of Return	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.50%	
Employee Rate	7.65%	11.65%	9.85% DC: 9.00%	8.41%	8.41%	7.00%	7.00%	13.00%	8.00%	12.11%
Aggregate Employer Rate	52.47%	52.47%	DB 47.75% (Normal+Legacy Costs) DC: 9.00%+Legacy Costs	27.59%	27.59%	5%+Legacy Cost	61.43%	61.43%	61.43% (6.00% to employer account)	12.11%

1/ CORP includes a Tier 3 Defined Benefit plan, however essentially all state workers in CORP would only be eligible for the Defined Contribution Plan.

**GENERAL PROVISIONS OF THE
GENERAL APPROPRIATION ACT
AND OTHER OVERALL ISSUES**

GENERAL APPROPRIATION ACT BUDGET GENERAL PROVISIONS

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GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments and institutions, the FY 2022 General Appropriation Act provides direction regarding several general provisions.

General Provisions

Statewide Adjustments — Each individual agency narrative refers to the allocation of statewide adjustments. The *Agency Detail and Allocations* section includes the specific adjustments for each agency.

Section 131 of the General Appropriation Act makes statewide adjustment decreases totaling \$(46,946,900) from the General Fund and \$(27,159,300) from Other Appropriated Funds in FY 2022 for changes in 8 areas:

- **Employer Health Insurance Contribution Reduction:** \$(20,281,100) General Fund and \$(18,284,300) Other Appropriated Funds for a reduction in the employer contribution rates for employee health insurance. This amount backs out the FY 2021 one-time premium adjustment. *(Please see Health Insurance discussion below for more details.)*
- **Employer Health Insurance Contribution Increase:** \$11,213,700 General Fund and \$14,000,000 Other Appropriated Funds for an ongoing increase in the employer contribution rates for employee health insurance. *(Please see Health Insurance discussion below for more details.)*
- **27th Pay Period Reduction:** \$(43,078,600) General Fund and \$(30,400,000) Other Appropriated Funds for the 27th pay period for non-university employees. The FY 2021 budget had previously appropriated funding to state agencies for a one-time increase or a 27th pay period. Owing to timing differences in university pay schedules, the 27th pay period increase for university employees was advance-appropriated for FY 2022 in the FY 2021 General Appropriation Act.
- **Agency Risk Management Adjustments:** \$(1,132,200) General Fund and \$425,000 Other Appropriated Funds for adjustments to agency Risk Management premiums. *(Please see Risk Management below for more details.)*
- **Retirement Adjustments:** \$3,600,000 General Fund and \$4,000,000 Other Appropriated Funds for retirement contribution rate adjustments. *(Please see State Retirement Systems below for more details.)*
- **Arizona Financial Information System Adjustment:** \$447,800 General Fund and \$1,000,000 Other Appropriated Funds for adjustments in agency Arizona Financial Information System (AFIS) charges.

(Please see the Arizona Department of Administration (ADOA) narrative for more details on AFIS charges.)

- **Agency Rent Adjustments:** \$(241,700) General Fund and \$100,000 Other Appropriated Funds for adjustments associated with relocation to and within state-owned and lease-purchase buildings. *(Please see Building Payments below for more details.)*
- **State Fleet Rate Adjustments:** \$2,525,200 General Fund and \$2,000,000 Other Appropriated Funds for adjustments associated with transferring ADOA state motor pool fleet operations to ADOT.

Expenditure Reporting — Section 137 continues to state that 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. The purpose of this section is to ensure stability and consistency in the expenditure reporting regardless of yearly changes in appropriation formats. A different format may be used if agreed to by the Director of the JLBC and incorporated into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting.

FTE Position Reporting — Section 138 continues to state that the Full-Time Equivalent (FTE) Positions contained in the General Appropriation Act sections are subject to appropriation. The section directs the Director of the Arizona Department of Administration (ADOA) to account for the utilization of all appropriated and non-appropriated FTE Positions, excluding FTE Positions in the Universities. The Director shall submit the FY 2022 report by October 1, 2022 to the Director of the JLBC.

The reports shall compare the level of FTE Position usage in each fiscal year to the appropriated level. This section defines FTE Positions as total number of hours worked, including both regular and overtime hours as well as hours taken as leave, divided by the number of hours in a work year. The ADOA Director shall notify the director of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. The Universities shall report to the JLBC Director in a manner comparable to the ADOA report.

Filled FTE Position Reporting — Section 139 continues to state that by October 1, 2021 each agency, including the Judiciary and the Universities, shall submit a report to the JLBC Director on the number of filled, appropriated and non-appropriated FTE Positions by fund source. The

report shall reflect the number of filled, appropriated FTE Positions as of September 1, 2021.

Transfer Authority — Section 140 continues to require ADOA to provide a monthly report to the JLBC Staff on any agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements — Section 141 continues to require the Executive Branch to provide to the JLBC a preliminary estimate of the FY 2021 General Fund ending balance by September 15, 2021. Based on this information, JLBC Staff shall report to JLBC by October 15, 2021 as to whether FY 2022’s revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections. Section 141 states the revenues are forecasted to be \$14,052,300,000 for FY 2021 and \$12,996,100,000 for FY 2022 (these figures are now estimated at \$14,052,260,200 and \$13,029,026,600 to reflect technical adjustments).

Section 141 also provides revenue and expenditure estimates for FY 2023 and FY 2024 pursuant to A.R.S. § 35-125, which requires the General Appropriation Act to delineate the revenue and expenditure estimates for the budget year and the following 2 years based on existing statutory funding requirements. *(Please see the Budget Highlights section for more details on FY 2023 and FY 2024 estimates.)*

Expenditure Authority — Section 143 continues to state that for 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 — Section 144 continues to state that for 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.

Statewide Standard Changes

In addition to the adjustments to agency budgets and general provisions outlined previously, the FY 2022 budget reflects the adoption of technical assumptions. These technical assumptions are incorporated into each agency’s individual appropriation in the FY 2022 General Appropriation Act. Statewide adjustment amounts are mentioned in any relevant agency narrative, but do not have additional discussion.

Employee Related Expenditures

Health Insurance — The state continues to self-insure state employee health benefits. Under self-insurance, the state assumes the risk of providing health coverage to state employees and pays the health claims directly. Therefore, if the costs of employee health coverage exceed estimates, the state will be responsible for those losses. Similarly, if the costs are less than estimated, the state will retain the savings.

Employees have a choice between a Triple Choice Plan (TCP) which has one premium incorporating 3 tiers of providers with different coverage, deductible, and out-of-pocket maximum levels, or a Health Savings Account (HSA). An HSA allows for pre-tax contributions and healthcare-related withdrawals, combined with a high-deductible coinsurance plan.

Table 1		
Health Insurance		
State Employee and Employer Monthly Contributions ^{1/}		
PY 2022		
	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>Triple Option Plan</u>		
Employee	\$ 56.70	\$ 586.15
Employee Plus One Adult	154.90	1,207.10
Employee Plus One Child	124.15	785.06
Family	263.49	1,366.79
<u>Health Spending Account (HSA) Option</u>		
Employee	22.00	455.80 ^{2/}
Employee Plus One Adult	66.00	940.35 ^{2/}
Employee Plus One Child	56.10	656.24 ^{2/}
Family	122.10	1,033.97 ^{2/}

^{1/} PY 2022 employer rates are effective July 2021 to June 2022. PY employee rates are effective January 2022 to December 2022.

^{2/} Includes deposit of \$60 into Single Employee account and \$120 into all other Employee accounts.

Employee and employer premiums for PY 2022 reflect the FY 2022 health insurance contribution increase discussed above and are shown in *Table 1*.

Dental Insurance — Employees have a choice between one Dental PPO plan and one Dental HMO plan. Plans and contributions are unchanged from Plan Year 2021. Employee and employer premiums for PY 2022 are shown in *Table 2*.

(Please see the Health Insurance Trust Fund section in the ADOA narrative for more details on overall HITF balances.)

	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>DHMO</u>		
Employee	\$3.56	\$4.96
Employee + 1 Adult	7.12	9.92
Employee + 1 Child	6.67	9.92
Family	11.84	13.70
<u>PPO</u>		
Employee	30.98	4.96
Employee + 1 Adult	65.71	9.92
Employee + 1 Child	50.56	9.92
Family	104.56	13.70

In addition to health and dental insurance, the following items are components of an agency's Employee Related Expenditures.

Employer Contribution Rates — *Table 3* provides a list of budgeted state employer contribution rates for state employee benefits during FY 2022. These rates may be different from actual funded charges (e.g., the Social Security FICA maximum may increase.) Except for life insurance, these rates are calculated as a percent of Personal Services. Except as noted, the budget does not include funding for the changes in rates.

Life Insurance - \$7.28 per employee per year, unchanged from the FY 2021 rate set by ADOA.

Unemployment Insurance - 0.10% of Personal Services for each agency, unchanged from the FY 2021 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 2021 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)

Disability Insurance - For Arizona State Retirement System (ASRS) employees, the employer pays 0.19% of Personal Services for disability insurance, a 0.01% increase over the FY 2021 rate. The employee rate will also increase to 0.19%.

Employer rates in the Public Safety Personnel Retirement System (PSPRS) and the Corrections Officer Retirement Plan (CORP) vary depending on whether the employee is participating in the defined benefit plan or defined contribution plans. For PSPRS defined-benefit employees, the employer-only disability insurance rate will be 2.41% in FY 2022, unchanged from FY 2021; the rate for defined-contribution employees will be 0.88% (a decrease from 1.41%). For CORP defined-benefit employees, the employer-only rate is 0.32%; the rate for defined-contribution employees will be 0.49% (a decrease from 0.65%). The rate for participants in the Elected Officials' Defined Contribution Retirement System is 0.125%.

Information Technology Planning - 0.43% of Personal Services for each agency, unchanged from the FY 2021 rate established in statute. Statewide cyber security controls and the government information technology review function in ADOA's budget is funded from an assessment on the payroll of all state agencies except the Universities. *(Please refer to Statewide Adjustments above and the Arizona Department of Administration narrative for more details.)*

Retiree Accumulated Sick Leave - 0.40% of Personal Services for each agency, unchanged from the FY 2021 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.

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2021 workers' compensation rates. ADOA estimates the average statewide rate is 0.96% in FY 2022. Monies are deposited into the Risk Management Fund for payment of costs associated with Workers' Compensation losses. *(Please see the ADOA narrative for more details.)*

Federal Insurance Contributions Act (FICA) – Effective Social Security taxes are paid at a rate of 6.20% up to \$142,800 of an employee's salary, an increase from the previous maximum of \$137,700. The rate is unchanged from FY 2021. The FY 2022 budget 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 2021. An additional 0.9% is withheld 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.

State Retirement Systems - There are 5 state employee retirement systems -- ASRS, PSPRS, CORP, the Elected Officials' Retirement Plan (EORP), and the Elected Officials' Defined Contribution (EODC) System. In addition, the Universities operate their own defined contribution plan. FY 2022 rates as determined by the state's retirement systems have changed from the FY 2021 rates.

(Please see the Consolidated Retirement Report for more details on retirement contribution rates, enrollment and funded status, and litigation impacts.)

Other Operating Expenditures

The following items are included in agencies' Other Operating Expenditures.

Risk Management — Individual agency budgets' Other Operating Expenditures include funding to pay the Risk Management charges billed to agencies by the ADOA Risk Management Program. The billings vary by individual agency and are unchanged from and have changed from the budgeted FY 2021 rates. FY 2022 rates are set based on ADOA's actuarial assessment of each agency's risk. *(Please see the Risk Management Charges table following this section for more details on overall charges.)*

Monies are deposited into an ADOA fund for payment of costs associated with Risk Management losses. The state self-insures for Risk Management services by assessing agencies charges based on actuarial projections and paying claims against the state.

Attorney General — Section 132 outlines \$1,798,500 in charges to selected state agencies for Attorney General services, unchanged from the FY 2021 amount. *(Please see the Attorney General narrative for details.)*

Building Payments — The Other Operating Expenditures line of individual agency budgets includes rental charges for both state-owned and privately-owned space, lease-purchase payments, and privatized lease-to-own (PLTO) payments for certain buildings.

Rent charges in state-owned office space will remain at \$17.87/square foot, with the charge for state-owned storage space remaining at \$6.43/square foot. These rates are set in statute and are based upon usable square feet. *(Please see the ADOA Capital Outlay section for more details.)*

Funding is also included in budgets for all agencies housed in buildings acquired by lease-purchase or PLTO, including changes to those payments. *(Please refer PLTO schedules in the Capital Outlay section for more details.)*

Other Budget Issues

Administrative Adjustments — The budget assumes that state agencies will expend \$120,000,000 in FY 2022 for FY 2021 obligations. Agencies are permitted to make "administrative adjustments" for expenditures obligated in FY 2021 but for which the state was unbilled until FY 2022. An agency's administrative adjustments cannot

<u>Category</u>	<u>Rate</u>
Life Insurance (per FTE Position)	\$7.28
Unemployment Insurance	0.10%
Personnel Division Pro Rata	0.86%
Disability (ASRS)	0.19%
Disability (PSPRS Defined Benefit)	2.41%
Disability (PSPRS Defined Contribution)	0.88%
Disability (CORP Defined Benefit)	0.32%
Disability (CORP Defined Contribution)	0.49%
Disability (Elected Officials' Defined Contribution)	0.125%
Information Technology Planning and Security	0.43%
Retiree Accumulated Sick Leave	0.40%
Workers' Compensation	Varies
<u>Federal Insurance Contributions Act (FICA)</u>	
Social Security (salary max \$142,800)	6.20%
Medicare (no salary cap)	1.45%
<u>Retirement System</u>	
1/	1/
1/ See Consolidated Retirement Report section for contribution rates.	

exceed its prior year reversionment, or unused appropriation authority.

The enacted FY 2022 budget assumed FY 2021 administrative adjustments of \$55,000,000, which was an increase from the original estimate in the FY 2021 June budget update of \$146,000,000.

Reversionments — The budget assumes that state agencies will revert \$(192,000,000) of FY 2022 appropriations back to the General Fund because the agencies will not spend their entire appropriation. In comparison, the enacted FY 2022 budget assumed FY 2021 reversionments of \$(150,000,000).

Budget Format — The format governs how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum - The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items - The appropriation for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include FTE Positions. Agencies are typically permitted to transfer funding between line items with Executive Branch approval but without further Legislative Branch review. Footnotes may require JLBC review, however, prior to transfers between certain line items.

90/10 Agencies — The following 28 regulatory agencies are called "90/10" agencies for the fact that these agencies retain 90% of their revenues and deposit the other 10% into the General Fund:

Arizona State Board of Accountancy
Acupuncture Board of Examiners
Board of Athletic Training
Board of Barbers (combined with Board of Cosmetology pursuant to Laws 2021, Chapter 334)
Board of Behavioral Health Examiners
State Board of Chiropractic Examiners
Registrar of Contractors
Board of Cosmetology (combined with Board of Barbers pursuant to Laws 2021, Chapter 334)
State Board of Dental Examiners

State Board of Funeral Directors and Embalmers
Board of Homeopathic and Integrated Medicine Examiners
Board of Massage Therapy
Arizona Medical Board
Naturopathic Physicians Medical Board
State Board of Nursing
Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers
Board of Occupational Therapy Examiners
State Board of Dispensing Opticians
State Board of Optometry
Arizona Board of Osteopathic Examiners in Medicine and Surgery
Arizona State Board of Pharmacy
Board of Physical Therapy
State Board of Podiatry Examiners
State Board for Private Postsecondary Education
State Board of Psychologist Examiners
Board of Respiratory Care Examiners
State Board of Technical Registration
Arizona State Veterinary Medical Examining Board

**GENERAL FUND SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 2012
(Shown in Nominal Dollars)**

Fiscal Year	General Salary Adjustments					Additional Increases for Selected Classes		
	Dollars Appropriated	Effective Date	Annual Cost	% Salary Adjustment	% Performance Adjustment	Dollars Appropriated	Effective Date	Annual Cost
FY 2012	\$(3,390,700) ^{1/}	July 1	\$(3,390,700)	-0-	^{2/}	\$0	NA	\$0
FY 2013	\$16,633,400 ^{2/}	Sept 29	\$23,500,000	5.00%	^{2/}	\$0	NA	\$0
FY 2014	\$0	NA	\$0	0.00%	-0-	\$0	NA	\$0
FY 2015	\$0	NA	\$0	0.00%	-0-	\$3,300,000	July 1	\$3,300,000 ^{3/}
FY 2016	\$0	NA	\$0	0.00%	-0-	\$0	NA	\$0
FY 2017	\$0	NA	\$0	0.00%	-0-	\$4,696,400	Varies	\$4,791,700 ^{4/5/}
FY 2018	\$0	NA	\$0	0.00%	-0-	\$97,700	January 1	\$195,300 ^{6/}
FY 2019	\$0	NA	\$0	0.00%	-0-	\$97,600	January 1	\$0 ^{7/}
FY 2020	\$0	NA	\$0	0.00%	-0-	\$69,735,100	July 1	\$69,735,100 ^{8/}
FY 2021	\$0	NA	\$0	0.00%	-0-	\$0	NA	\$0
FY 2022	\$0	NA	\$0	0.00%	-0-	\$64,698,000	July 1	\$64,698,000 ^{9/}

- ^{1/} Represents General Fund savings from the prior enacted mandatory 6 day furlough, less additional funding to restore the furlough for several smaller agencies. The FY 2011 General Appropriation Act assumed a fixed level of General Fund savings associated with the furlough - savings were actually \$3.5 million greater and were reflected in the FY 2012 budget. Laws 2011, Chapter 26 eliminated one of the 6 mandatory furlough days in FY 2011 and all furlough days in FY 2012, but the budget did not restore any of the associated funding except for \$158,800 from the General Fund to several smaller agencies in FY 2012.
- ^{2/} Originally represented a one-time critical retention payment to state employees in FY 2013. The payments were made to non-university state employees who were uncovered on the effective date of September 29, 2012, and were equal to 5% of an employee's annual salary level prorated for the remainder of the fiscal year, increasing an employee's annual salary by an effective rate of 3.75%. This adjustment included payments to employees who converted from covered to uncovered status as a result of the 2012 omnibus personnel bill (Laws 2012, Chapter 321). The FY 2014 budget subsequently made the 5% adjustment permanent.
- ^{3/} Funds a 2.0% pay increase for all employees at the Arizona Department of Public Safety (DPS).
- ^{4/} Funds a 3.0% pay increase for all sworn officers and civilian staff within the Highway Patrol division at DPS, effective July 1, 2016.
- ^{5/} Funds the first half-year of a 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The pay raise became effective on January 1, 2017 and will be followed by another 1.5% increase effective on January 1, 2018.
- ^{6/} Funds the first half-year of a second 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The second year pay raise becomes effective January 1, 2018.
- ^{7/} Funds the annualization of the second-year 1.5% pay increase for all Supreme Court, Court of Appeals, and Superior Court Justices. The second year pay raise became effective January 1, 2018. Annual cost of \$195,300 reflected in FY 2018.
- ^{8/} Funds salary increases for select state employees in the Department of Agriculture, Attorney General, Department of Child Safety, Corporation Commission, Department of Corrections, Game and Fish Department, Department of Health Services, Department of Insurance, Judiciary, Department of Juvenile Corrections, Department of Liquor Licenses and Control, Arizona State Parks Board, Department of Public Safety, and Department of Transportation. See General Provisions section in *FY 2020 Appropriations Report* for more information.
- ^{9/} Funds salary increase for select state employees in the Department of Agriculture, Department of Child Services, Department of Corrections, Department of Economic Security, Department of Juvenile Corrections, Department of Public Safety and Department of Water Resources.

SALARY ADJUSTMENTS FOR ELECTED OFFICIALS

	Jan. 1, 2002	* Jan. 1, 2007	* Jan. 1, 2009	Jan. 1, 2018
Governor	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000
Secretary of State	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Treasurer	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Attorney General	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000
Superintendent of Public Instruction	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Corporation Commissioners	\$ 79,500	\$ 79,500	\$ 79,500	\$ 79,500
Mine Inspector	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Supreme Court Chief Justice	\$ 129,150	\$ 145,294	\$ 160,000	\$ 164,800
Other Supreme Court Justices	\$ 126,525	\$ 142,341	\$ 155,000	\$ 159,650
Appellate Judges	\$ 123,900	\$ 139,388	\$ 150,000	\$ 154,500
Superior Court Judges	\$ 120,750	\$ 135,844	\$ 145,000	\$ 149,400
Legislators	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000

* There were no changes in elected officials' salaries between January 1, 2002 and January 1, 2007 and January 1, 2007 and January 1, 2009.

AGENCY DETAIL AND ALLOCATIONS

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2021 GF ILBC Baseline	FY 2021 Changes	FY 2021 GF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 GF Enacted Budget
OPERATING SPENDING CHANGES						
	DOA - Arizona Department of Administration	8,209,900	25,253,200			18,255,000
1	DOA - Statewide Adjustments				(354,900)	
2	DOA - Permitting Dashboard (Ongoing)				300,000	
3	DOA - Permitting Dashboard (One-Time)				100,000	
4	DOA - K-12 Transportation Grants				10,000,000	
5	DOA - Transwestern Settlement		17,043,300	(17,043,300)		
6	APF - Automation Projects Fund/ADOA	0	0			3,614,100
7	APF - Charter Schools - IT Platform Modernization				614,100	
8	APF - ADOA - K12 Financial Transparency				3,000,000	
9	OAH - Office of Administrative Hearings	921,500	921,500			891,800
10	OAH - Statewide Adjustments				(29,700)	
11	AAM - Commission of African-American Affairs	133,200	133,200			128,800
12	AAM - Statewide Adjustments				(4,400)	
13	AGR - Department of Agriculture	10,492,200	10,492,200			16,915,700
14	AGR - Statewide Adjustments				189,300	
15	AGR - State Agriculture Laboratory Scientist				85,000	
16	AGR - Cloud Migration (Ongoing)				1,000,000	
17	AGR - Cloud Migration (One-Time)				2,000,000	
18	AGR - State Agriculture Laboratory Equipment				2,500,000	
19	AGR - Salary Increases				259,200	
20	AGR - Meat Inspectors (2 FTEs)				220,000	
21	AGR - Plant Services Division				170,000	
22	AXS - AHCCCS	1,951,981,100	1,951,981,100			1,915,630,200
23	AXS - Statewide Adjustments				(657,100)	
24	AXS - Formula Changes			228,292,300	(76,100,000)	
25	AXS - Rural Graduate Medical Education				1,666,700	
26	AXS - Urban Graduate Medical Education				1,333,300	
27	AXS - Remove One-Time Children's Beh. Health Services Fund Deposit				(8,000,000)	
28	AXS - Ongoing IT Projects				3,005,700	
29	AXS - Elderly and Physically Disabled (EPD) Provider Rate Increase				13,300,000	
30	AXS - Newborn Screening Costs				508,200	
31	AXS - Prescription Drug Rebate Fund Shift				(16,700,000)	
32	AXS - Higher Federal Match Rate Savings				(180,000,000)	
33	AXS - Enacted GME Increase				(3,000,000)	
34	ATT - Attorney General	25,411,000	25,411,000			25,239,800
35	ATT - Statewide Adjustments				(671,200)	
36	ATT - Unreported In-Kind Contributions Task Force				500,000	
37	CHA - State Board for Charter Schools	2,152,100	2,152,100			2,103,000
38	CHA - Statewide Adjustments				(49,100)	
39	DCS - Department of Child Safety	387,893,000	387,893,000			405,728,800
40	DCS - Statewide Adjustments				(2,703,400)	
41	DCS - Higher Congregate Care Provider Rates/New Settings				19,238,200	
42	DCS - Backfill Potential Loss of Fed Funds/14 Day Reimbursement Rule				5,900,000	
43	DCS - Caseworker Salary Increase				5,401,000	
44	DCS - Higher Federal Match Rate Savings				(10,000,000)	
45	ACA - Arizona Commerce Authority	16,175,000	16,175,000			78,925,000
46	ACA - Special Event Promotion (4-Year Pilot Program)				7,500,000	
47	ACA - Competes Fund Deposit				50,000,000	
48	ACA - Blockchain/Wearables (\$2.5 M Each)				5,000,000	
49	ACA - Frankfurt Germany Trade Office				250,000	
50	CCO - Arizona Community Colleges	64,895,400	66,645,400			108,904,700
51	CCO - Formula Changes			1,830,200		
52	CCO - Rural Community College Aid (By Student Count) (Ongoing)				14,000,000	
53	CCO - Rural Community College Aid (By Student Count) (One-time)				14,000,000	
54	CCO - Urban Community College Aid (One-Time)				13,000,000	
55	CCO - Out of County Reimbursement Aid				500,000	
56	CCO - Rural County Allocation Adjustment				679,100	
57	CCO - Diné College One-Time FY 20 Payment		1,750,000	(1,750,000)		
58	COR - Corporation Commission	647,100	647,100			623,100
59	COR - Statewide Adjustments				(24,000)	
60	ADC - Department of Corrections	1,205,396,200	1,205,398,500			1,284,302,300
61	ADC - Statewide Adjustments				(25,393,400)	
62	ADC - Florence Bed Closure/Shift				18,650,200	
63	ADC - Braille Transcription Program Expansion				250,000	
64	ADC - Substance Abuse Treatment Expansion (One-Time)				5,000,600	
65	ADC - Correctional Officer Salary Increase				30,747,700	
66	ADC - New Corporal Classification				1,632,900	
67	ADC - One-Time Radio Replacement				17,329,500	

	FY 2021 GF JLBC Baseline	FY 2021 Changes	FY 2021 GF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 GF Enacted Budget
68	ADC - One-Time Ballistic & Stab Vest Replacement				3,851,900	
69	ADC - Debt Payoff Savings (ADC Kingman 2016 Payoff)				(17,463,300)	
70	ADC - Transition Program				1,300,000	
71	ADC - Contracted Increases				28,000,000	
72	ADC - Medical Staffing Augmentation Funding				15,000,000	
73	ADC - Named Claimants (Ch. 82)	2,300		(2,300)		
74	CF - County Funding	10,650,700	10,650,700			20,650,700
75	CF - Re-Entry Planning Services				10,000,000	
76	JUS - Arizona Criminal Justice Commission	0	0			1,000,000
77	JUS - Reentry Planning Services				1,000,000	
78	SDB - Arizona State Schools for the Deaf and the Blind	23,865,500	23,865,500			23,255,700
79	SDB - Statewide Adjustments				(609,800)	
80	DMB - Drought Mitigation Board	0	160,000,000			0
81	DMB - Drought Mitigation Revolving Fund	160,000,000		(160,000,000)		
82	OEC - Office of Economic Opportunity	485,500	485,500			470,300
83	OEC - Statewide Adjustments				(15,200)	
84	DES - Department of Economic Security	812,054,300	874,054,300			850,052,500
85	DES - Statewide Adjustments				(3,271,700)	
86	DES - Formula Adjustments			89,088,200		
87	DES - Provider Rate Increases for Adult and Aging Services				1,000,000	
88	DES - Adult and Aging Services Funding (Draw Add'l Federal Match)				1,474,000	
89	DES - DD Provider Rate Increase				15,400,000	
90	DES - Salary Increases				2,307,700	
91	DES - Higher Federal Match Rate Savings				(77,000,000)	
92	DES - After School/Summer Youth Program Funding (One-Time)				500,000	
93	DES - Return to Work Program				7,500,000	
94	DES - State Long-Term Care Ombudsman				1,000,000	
95	DES - Unemployment Compensation Fund Deposit	62,000,000		(62,000,000)		
96	BOE - State Board of Education	1,334,300	1,334,300			2,340,000
97	BOE - Statewide Adjustments				(22,800)	
98	BOE - Investigations Unit Expansion/Move Unit from ADE to SBE				1,028,500	
99	ADE - Arizona Department of Education	5,599,591,900	5,599,591,900			5,910,547,300
100	ADE - Statewide Adjustments				(327,100)	
101	ADE - Formula Adjustments (Incl. Teacher Salary/Add'l Assistance)			208,578,400	(32,691,900)	
102	ADE - Reduce K-12 Rollover (Enacted) - Districts Up To 1,350 ADM			30,000,000		
103	ADE - Reduce K-12 Rollover - Eliminate Districts Up To 2,000 ADM				35,000,000	
104	ADE - One-Time Statewide Assessments				5,000,000	
105	ADE - Procure Statewide Gifted Assessment (One-Time)				850,000	
106	ADE - College Placement Exam Fee Waiver				1,265,800	
107	ADE - College Credit by Examination Incentive Program				2,472,100	
108	ADE - Investigations Unit Expansion (6 FTEs)/Move Unit to SBE				(556,000)	
109	ADE - Adult Education State Match				364,100	
110	ADE - Special Education Funding				50,000,000	
111	ADE - Gifted Funding				1,000,000	
112	ADE - Extraordinary Special Needs Fund Deposit (One-Time)				5,000,000	
113	ADE - 4th Year CTED Funding				5,000,000	
114	EMA - Department of Emergency & Military Affairs	12,373,000	67,373,000			13,367,100
115	EMA - Statewide Adjustments				(21,600)	
116	EMA - One-Time Aircraft Communication Equipment				220,500	
117	EMA - Cyber Task Force				495,200	
118	EMA - National Guard Cyber Response Revolving Fund Deposit				300,000	
119	EMA - Border Security Fund		55,000,000	(55,000,000)		
120	DEQ - Department of Environmental Quality	15,000,000	15,000,000			15,000,000
121	DEQ - Remove One-Time WQARF Funding			(5,000,000)		
122	DEQ - Continue \$5 M WQARF Funding As Ongoing				5,000,000	
123	EQU - State Board of Equalization	673,200	673,200			663,900
124	EQU - Statewide Adjustments				(9,300)	
125	EXE - Board of Executive Clemency	1,184,500	1,184,500			1,153,300
126	EXE - Statewide Adjustments				(31,200)	
127	FOR - Department of Forestry and Fire Management	13,399,600	115,111,500			16,727,600
128	FOR - Statewide Adjustments				385,000	
129	FOR - Fire Marshal Personnel (4 FTEs)				343,000	
130	FOR - Additional Fire School Funding				100,000	
131	FOR - Rural Fire District Reimbursement (One-Time)				2,500,000	
132	FOR - Fire Suppression Supplemental		2,170,100	(2,170,100)		
133	FOR - Fire Mitigation Personnel - 122 FTE Supplemental		16,999,300	(16,999,300)		
134	FOR - Fire Mitigation Personnel Vehicle Operating Costs		1,382,500	(1,382,500)		
135	FOR - Contracted Hazardous Vegetation Removal		2,250,000	(2,250,000)		
136	FOR - One-Time Vehicle Purchases Supplemental		3,910,000	(3,910,000)		
137	FOR - Wildfire Emergency Response Funding		75,000,000	(75,000,000)		
138	GAM - Department of Gaming	2,509,500	2,509,500			15,759,500

	FY 2021 GF JLBC Baseline	FY 2021 Changes	FY 2021 GF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 GF Enacted Budget
139	GAM - County Fair Promotion (One-time)				2,000,000	
140	GAM - Racing Purse Enhancement				5,000,000	
141	GAM - Racetrack Purse/Maintenance/Operations Funding				5,000,000	
142	GAM - County Fair Promotion (Ongoing)				1,250,000	
143	GOV - Office of the Governor	8,924,800	8,924,800			9,813,600
144	GOV - Statewide Adjustments				(111,200)	
145	GOV - One-Time AZ Civics Corps				1,000,000	
146	OSP - Gov's Office of Strategic Planning & Budgeting	2,765,100	2,765,100			2,688,700
147	OSP - Statewide Adjustments				(76,400)	
148	DHS - Department of Health Services	95,897,900	95,897,900			103,419,200
149	DHS - Statewide Adjustments				(2,063,400)	
150	DHS - Expand Long Term Surveyor Team				1,634,700	
151	DHS - High Risk Perinatal - Additional Visits				250,000	
152	DHS - Alzheimer's Research				1,000,000	
153	DHS - Move Biomedical Research Support to General Fund				2,000,000	
154	DHS - Guilty Except Insane Monitoring				40,000	
155	DHS - Board of Medical Student Loans				2,000,000	
156	DHS - BRFSS Cognitive Decline/Caregiver Modules				160,000	
157	DHS - Adoption/Birth Certificate Records Release - IT Upgrades				1,000,000	
158	DHS - Family Health Pilot Program				1,500,000	
159	AZH - Arizona Historical Society	3,195,600	3,195,600			2,906,000
160	AZH - Statewide Adjustments				(289,600)	
161	PAZ - Prescott Historical Society	867,700	867,700			900,600
162	PAZ - Statewide Adjustments				(17,100)	
163	PAZ - Sharlot Hall Funding				50,000	
164	IND - Independent Redistricting Commission	500,000	500,000			7,900,000
165	IND - 2020 Redistricting Cycle Funding (Remove Ongoing)			2,500,000	(3,000,000)	
166	IND - One-Time Commission Funding				7,900,000	
167	ICA - Industrial Commission	0	0			95,000
168	ICA - Municipal Firefighter Reimbursement Administration				95,000	
169	DIF - Department of Insurance and Financial Institutions	8,090,700	8,090,700			7,663,400
170	DIF - Statewide Adjustments				(177,300)	
171	DIF - Remove One-Time Mental Health Parity Implementation Costs				(250,000)	
172	SPA - Judiciary - Supreme Court	21,399,300	21,399,300			22,234,700
173	SPA - Statewide Adjustments				(417,700)	
174	SPA - Appellate CMS Operating Costs				239,400	
175	SPA - Order of Protection IT Staff (2 FTEs)				258,800	
176	SPA - Dependency Alternative Program				221,000	
177	SPA - Water Adjudication Personnel and Support				133,900	
178	SPA - Digital Evidence Storage				400,000	
179	COA - Judiciary - Court of Appeals	17,179,600	17,179,600			16,790,800
180	COA - Statewide Adjustments				(388,800)	
181	SUP - Judiciary - Superior Court	98,194,300	98,194,300			106,655,000
182	SUP - Statewide Adjustments				449,900	
183	SUP - Adult Intensive Probation Growth				243,800	
184	SUP - State Fleet Initiative - Ongoing Costs				70,700	
185	SUP - Probation Salary/ERE Increases (All Deficits)				4,251,500	
186	SUP - Water Adjudication Personnel and Support				2,257,300	
187	SUP - Probation Incentive Payments				1,000,000	
188	SUP - One-Time Vehicle Purchase				187,500	
189	DJC - Department of Juvenile Corrections	30,616,200	30,616,200			30,696,600
190	DJC - Statewide Adjustments				(1,593,400)	
191	DJC - State Trust Land Lease				91,200	
192	DJC - Youth Correctional Officer Salary Increase				1,582,600	
193	LAN - State Land Department	12,563,800	12,563,800			13,315,100
194	LAN - Statewide Adjustments				(652,400)	
195	LAN - CAP Rate Adjustment				(96,300)	
196	LAN - Appraisal Development				1,500,000	
197	Legislature					
198	AUD - Auditor General	20,991,500	20,991,500			21,223,500
199	AUD - Statewide Adjustments				(683,000)	
200	AUD - K-12 Fed Funds Oversight				250,000	
201	AUD - Voter Registration Database Auditing				500,000	
202	AUD - Financial Audit (Non-Gov't Election Funding)				165,000	
203	HOU - House of Representatives	16,830,000	16,830,000			21,429,300
204	HOU - Statewide Adjustments				(400,700)	
205	HOU - Additional One-Time Funding				5,000,000	
206	JLBC - Joint Legislative Budget Committee	2,934,700	2,934,700			2,841,900

	FY 2021 GF JLBC Baseline	FY 2021 Changes	FY 2021 GF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 GF Enacted Budget
207	JLBC - Statewide Adjustments				(92,800)	
208	LEG - Legislative Council	9,026,600	9,026,600			10,090,400
209	LEG - Statewide Adjustments				(172,700)	
210	LEG - Ombudsman - Additional FTE and Operating Costs				236,500	
211	LEG - IT Improvements				1,000,000	
212	SEN - Senate	13,253,900	13,253,900			17,969,100
213	SEN - Statewide Adjustments				(284,800)	
214	SEN - Additional One-Time Funding				5,000,000	
215	MIN - State Mine Inspector	1,301,900	1,301,900			1,558,200
216	MIN - Statewide Adjustments				7,100	
217	MIN - Inspection and Reclamation Mine Land Programs				249,200	
218	NAV - Arizona Navigable Steam Adjudication Comm.	133,000	133,000			129,300
219	NAV - Statewide Adjustments				(3,700)	
220	SPB - Arizona State Parks Board	0	0			9,000,000
221	SPB - Heritage Fund Deposit				5,000,000	
222	SPB - State Lake Improvement Fund Deposit				4,000,000	
223	POS - Commission for Postsecondary Education	1,680,900	1,680,900			1,680,900
224	DPS - Department of Public Safety	91,138,000	91,138,000			291,650,400
225	DPS - Statewide Adjustments				(1,987,300)	
226	DPS - Highway Safety Fee Repeal Budget Shift			160,709,300		
227	DPS - Body Cameras (Ongoing Costs) (29 FTEs)				6,869,700	
228	DPS - Overtime Funding				6,613,600	
229	DPS - Recruitment Funding				426,600	
230	DPS - Salary Increase (Troopers & Civillans)				23,530,500	
231	DPS - New K-9 Dog Training				250,000	
232	DPS - Civil Asset Forfeiture Offest				3,500,000	
233	DPS - Rapid DNA Testing Equipment				600,000	
234	PSP - Public Safety Personnel Retirement System	6,000,000	1,006,000,000			6,000,000
235	PSP - State Pension Payoff (\$500 M DPS PSPRS/\$500 M ADC CORP)		1,000,000,000	(1,000,000,000)		
236	REA - State Real Estate Department	2,997,600	2,997,600			2,922,100
237	REA - Statewide Adjustments				(75,500)	
238	REV - Department of Revenue	31,799,500	31,799,500			53,542,400
239	REV - Statewide Adjustments				(334,100)	
240	REV - E-Commerce Compliance and Outreach				854,900	
241	REV - Pass Through Business Tax Changes - IT Upgrades				466,300	
242	REV - Backfill DOR Local Cost Sharing				20,755,800	
243	SFB - School Facilities Board	235,235,700	273,994,700			290,809,500
244	SFB - Statewide Adjustments				(53,700)	
245	SFB - Remove New School Funding Completion (FY 20 Starts)			(45,805,900)		
246	SFB - Continue New School Construction Projects (FY 21 Starts)			(1,250,000)		
247	SFB - Begin New School Construction Projects (FY 22 Starts)			63,879,800		
248	SFB - Land Differences				(6,679,500)	
249	SFB - Lease-Purchase Adjustment			(1,000)		
250	SFB - Remove One-Time Building Renewal Funding			(90,832,100)		
251	SFB - One-Time Building Renewal Grant				90,832,100	
252	SFB - Debt Payoff Savings (SFB 2015 Payoff)				(57,238,700)	
253	SFB - Increase Formula Cost Per Square Foot to Market Rate				89,400,800	
254	SFB - New Construction - Klrkland				3,000,000	
255	SFB - New Construction - Accelerate Yuma Union HS Project				10,322,000	
256	SFB - FY 2021 Building Renewal Grants		38,759,000	(38,759,000)		
257	SOS - Secretary of State	17,263,600	17,263,600			12,907,700
258	SOS - Statewide Adjustments				(355,900)	
259	SOS - Remove Election Funding (No Primary/General Election In FY 22)			(4,000,000)		
260	TAX - State Board of Tax Appeals	292,200	292,200			283,300
261	TAX - Statewide Adjustments				(8,900)	
262	TOU - Office of Tourism	8,335,100	8,335,100			8,481,500
263	TOU - Statewide Adjustments				(103,600)	
264	TOU - Southern AZ Study Committee				250,000	
265	DOT - Department of Transportation	0	0			3,300,000
266	DOT - Rental Vehicle Surcharge - HURF Hold Harmless				3,300,000	
267	TRE - State Treasurer	1,548,800	1,548,800			15,010,200
268	TRE - Statewide Adjustments				(38,600)	
269	TRE - Special Sporting Event Promotion (Enacted Thru FY 51)			1,500,000		
270	TRE - Election Integrity Fund Deposit				12,000,000	
271	OTR - Governor's Office on Tribal Relations	64,700	64,700			63,500
272	OTR - Statewide Adjustments				(1,200)	

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273	UNI - Universities					29,916,000
274	UNI - Arizona Board of Regents	22,480,000	22,480,000			
275	UNI - Statewide Adjustments				(64,000)	
276	UNI - Promise Scholarships				7,500,000	
277	UNI - ASU	324,717,400	324,717,400			385,261,900
278	UNI - Statewide Adjustments				(750,600)	
279	UNI - Lease Purchase Adjustment			(6,800)		
280	UNI - Inflation Adjustment (2017 Capital Infrastructure)			152,300		
281	UNI - Eastern Europe Cultural Collaborative (One-Time)				250,000	
282	UNI - School of Civic and Economic Thought and Leadership				2,750,000	
283	UNI - Political History and Leadership School				250,000	
284	UNI - Ongoing Operating Funding				33,350,000	
285	UNI - One-Time Operating Funding				18,831,300	
286	UNI - Health Insurance Tuition Backfill				5,718,300	
287	UNI - Northern Arizona University	109,804,600	109,804,600			135,452,400
288	UNI - Statewide Adjustments				(21,400)	
289	UNI - Lease Purchase Adjustment			160,300		
290	UNI - Inflation Adjustment (2017 Capital Infrastructure)			57,700		
291	UNI - Economic Policy Institute				250,000	
292	UNI - Ongoing Operating Funding				15,950,000	
293	UNI - One-Time Operating Funding				9,006,300	
294	UNI - Health Insurance Tuition Backfill				244,900	
295	UNI - UA - Main Campus	207,722,200	207,722,200			250,739,100
296	UNI - Statewide Adjustments				(2,001,700)	
297	UNI - Lease Purchase Adjustment			(2,600)		
298	UNI - Inflation Adjustment (2017 Capital Infrastructure)			134,700		
299	UNI - AZ Geological Survey Funding (2 FTE)				200,000	
300	UNI - Wind Tunnel				3,500,000	
301	UNI - Agriculture Workforce Program				500,000	
302	UNI - Center for the Philosophy of Freedom				1,250,000	
303	UNI - Natural Resource Users Law and Policy Center				500,000	
304	UNI - Ongoing Operating Funding				19,200,000	
305	UNI - One-Time Operating Funding				9,600,000	
306	UNI - Kazakhstan Exchange Program				250,000	
307	UNI - Health Insurance Tuition Backfill				5,886,500	
308	UNI - School of Mining				4,000,000	
309	UNI - UA - Health Sciences Center	76,897,700	76,897,700			76,897,700
310	VSC - Department of Veterans' Services	7,983,500	7,983,500			8,625,500
311	VSC - Statewide Adjustments				(132,000)	
312	VSC - Additional Veterans' Benefits Counselors				774,000	
313	WIFA - Water Infrastructure Finance Authority	0	40,000,000			12,000,000
314	WIFA - Water Supply Fund/Interstate Water Supply				6,000,000	
315	WIFA - Water Project Assistance Grants				5,000,000	
316	WIFA - Small Water Systems Fund Deposit				1,000,000	
317	WIFA - Water Supply Development Revolving Fund		40,000,000	(40,000,000)		
318	WAT - Department of Water Resources	14,731,600	14,731,600			18,424,400
319	WAT - Statewide Adjustments				(439,900)	
320	WAT - One-Time Water Protection Fund Deposit				1,000,000	
321	WAT - Salary Increases				2,782,700	
322	WAT - Agua Fria Insurance Study				350,000	
323	OTH - Other					
324	OTH - Medical Federal Match Rate Reversion	(297,940,800)	(134,000,000)	(431,940,800)	431,940,800	0
325	OTH - ADE Enrollment Reversion	(300,714,800)	(135,400,000)	(436,114,800)	436,114,800	0
326	OTH - Universities 27th Pay Period (Enacted)	0	0	0	20,052,100	20,052,100
327	OTH - Sale/Leaseback Debt Service Payments	53,701,800		53,701,800	2,100	(53,703,900)
328	OTH - Phoenix Convention Center Debt Service	23,997,900		23,997,900	500,600	24,498,500
329	OTH - Rio Nuevo District	16,000,000		16,000,000		16,000,000
330	OTH - Unallocated One-Time '21 Agency Health Insurance Adjustments	1,718,900		1,718,900	(1,718,900)	0
331	OTH - Unallocated '21 Retirement Rate Adjustment	100		100	(100)	0
332	OTH - Unallocated AFIS Transaction Fee Increase	0		0	4,700	4,700
333	OTH - Unallocated Risk Management Funding Adjustment	0		0	6,400	6,400
334	OTH - One-Time Debt Payoff (SFB 2015 Payoff)	0	171,700,000	171,700,000	(171,700,000)	0
335	OTH - One-Time Debt Payoff (ADC Kingman 2016 Payoff)	0	65,850,000	65,850,000	(65,850,000)	0
336	OTH - One-Time Debt Payoff (Lottery Bonds Payoff)	0	269,550,000	269,550,000	(269,550,000)	0
337	OTH - One-Time Debt Payoff (2019A Sale/Leaseback Payoff)	0	470,000,000	470,000,000	(470,000,000)	0
338	OTH - Administrative Adjustments	55,000,000		55,000,000	65,000,000	120,000,000
339	OTH - Reversions	(150,000,000)		(150,000,000)	(42,000,000)	(192,000,000)
340	TOTAL - OPERATING SPENDING CHANGES	11,094,552,500	2,183,966,500	13,278,519,000	(908,836,600)	364,418,400
341	CAPITAL SPENDING					
342	ADOA - Building Renewal	0	0	0	6,200,000	6,200,000
343	ADC - Building Renewal	0	0	0	22,205,800	22,205,800
344	COL - Building Renewal	0	0	0	1,000,000	1,000,000
345	ADOA - Historic State Capitol Building Restoration	0	0	0	11,500,000	11,500,000
346	ADOA - Building Demolition and Physical Plant Conversion	0	0	0	2,800,000	2,800,000

	FY 2021 GF JLBC Baseline	FY 2021 Changes	FY 2021 GF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 GF Enacted Budget
347	ADQA Replacement of Air Handler Units Phase 2	0	0		3,500,000	3,500,000
348	ADQA - Taylor Rodeo Arena	0	0		1,000,000	1,000,000
349	ADQA - Fountain Hills Discovery Center/Observatory	0	0		2,500,000	2,500,000
350	ADC - Eyman Fire & Life Safety Projects	0	0		10,000,000	10,000,000
351	EMA - Fire Suppression	0	0		927,100	927,100
352	COL - Coliseum Fire Alarm	0	0		1,000,000	1,000,000
353	DOT - Interstate 17 Expansion (Enacted)	Other Fund	Other Fund			Other Fund
354	ADC - Lewis/Yuma Locks, Fire A/C	11,000,000	11,000,000	(11,000,000)		0
355	Veterans' Services - Northwest Veterans' Home	0	0		25,000,000	25,000,000
356	Transportation Infrastructure	0	231,001,500	(231,001,500)		0
357	Transportation Statewide Pavement Preservation	0	90,000,000	(90,000,000)		0
358	Yuma Fairgrounds Relocation	0	0		5,000,000	5,000,000
359	TOTAL - CAPITAL SPENDING	11,000,000	321,001,500	(332,001,500)	92,632,900	92,632,900
360	TOTAL - ALL SPENDING	11,105,552,500	2,504,968,000	13,610,520,500	(1,240,838,100)	457,051,300
361	REVENUE CHANGES					
362	Ongoing Revenue					
363	REV - Ongoing Revenue	12,492,897,500	1,146,000,000	13,638,897,500	(1,130,514,100)	878,300,000
364	REV - Score Additional Prop 207 GF Sales Tax Revenue	0	0	0	32,000,000	32,000,000
365	REV - Veterans Pension Exemption (Full Exemption)	0	0	0	(48,300,000)	(48,300,000)
366	REV - DHS Radiation Regulatory - Eliminate GF Deposit	0	0	0	(300,000)	(300,000)
367	REV - STO - Switcher/Low-Income/Out-of-State	0	0	0	(400,000)	(400,000)
368	REV - STO - Increased Displaced/Disabled Cap From \$5 M to \$6 M	0	0	0	(1,000,000)	(1,000,000)
369	REV - Contributions in Aid of Construction	0	0	0	(400,000)	(400,000)
370	REV - Forest Product Processing Tax Credit	0	0	0	(395,800)	(395,800)
371	REV - Flagstaff Minimum Wage Charge	0	0	0	1,111,000	1,111,000
372	REV - Treasurer Accountant Reclassification	0	0	0	(100,600)	(100,600)
373	REV - Treasurer Payment Card Industry Compliance Officer	0	0	0	(123,600)	(123,600)
374	REV - Lottery Bonds Debt Payoff Savings	0	0	0	34,512,500	34,512,500
375	One-Time Revenue					
376	REV - Beginning Balance	372,457,000		372,457,000	1,404,045,000	(1,334,762,300)
377	REV - Water Infrastructure Repayment	0	0	0	20,000,000	20,000,000
378	REV - Maximum Marginal Tax Rate of 4.5%	0	0	0	(836,000,000)	(836,000,000)
379	Fund Transfers					
380	REV - Prescription Drug Rebate Transfer	16,700,000		16,700,000	(16,700,000)	0
381	REV - DPS Highway Patrol Fund Transfer	0	24,205,700	24,205,700	(24,205,700)	0
382	TOTAL - REVENUE CHANGES	12,882,054,500	1,170,205,700	14,052,260,200	269,325,200	(1,292,558,800)
383	ENDING BALANCE	1,776,502,000	(1,334,762,300)	441,739,700	1,510,163,300	(1,749,610,100)

1/ This column does not represent original FY 2022 Baseline changes. This column displays an agency's FY 2022 Baseline funding compared to the final enacted FY 2021 General Fund spending amount displayed in "FY 2021 GF Revised".

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2021 OF 1/ JLBC Baseline	FY 2021 Changes	FY 2021 OF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 OF Enacted Budget
OPERATING SPENDING CHANGES						
1	SBA - State Board of Accountancy	2,098,500		2,098,500		2,051,800
2	SBA - Statewide Adjustments				(46,700)	
3	ACU - Acupuncture Board of Examiners	180,700		180,700		176,800
4	ACU - Statewide Adjustments				(3,900)	
5	DOA - Arizona Department of Administration	206,181,600		209,032,900		199,005,900
6	DOA - Statewide Adjustments				(1,479,500)	
7	DOA - Enterprise-Wide Hoteling Pilot (One-Time)				375,900	
8	DOA - State Fleet Transfer				(10,199,700)	
9	DOA - AFIS Upgrade				2,000,000	
10	DOA - Risk Management Claims Adjustments				2,106,100	
11	DOA - Enduring Freedom Renovations				21,500	
12	DOA - Federal Financial Participation Repayment		2,801,500		(2,801,500)	
13	DOA - Named Claimants (Ch. 82)		49,800		(49,800)	
14	APF - Automation Projects Fund/ADDOA	4,992,800		4,992,800		32,060,700
15	APF - DOA Business One-Stop				7,758,900	
16	APF - DOA Relocate Tucson Data Center				2,000,000	
17	APF - Charter Board - IT Platform Upgrade				614,100	
18	APF - DES - Child Care Management Software (CCDF CAA)				9,000,000	
19	APF - ADE - School Finance Payment System Replacement				7,200,000	
20	APF - Gaming eLicensing				850,000	
21	APF - Industrial Commission - IT Systems				1,067,700	
22	APF - Psychologist Exam eLicensing System Modifications				20,000	
23	APF - DPS Concealed Weapon Phase II				550,000	
24	APF - Complete DCS - CHILDS Replacement				(4,992,800)	
25	APF - ADE - School Financial Transparency Reporting				3,000,000	
26	AGR - Department of Agriculture	1,779,600		1,779,600		1,734,600
27	AGR - Statewide Adjustments				(45,000)	
28	AGR - Realign NEMF Assessment (\$ in HB 2026)				(79,000)	79,000
29	AXS - AHCCCS	317,938,900		345,116,300		386,347,600
30	AXS - Statewide Adjustments				(95,000)	
31	AXS - Formula Changes				36,077,200	
32	AXS - Opioid Treatment (PDRF)				6,000,000	
33	AXS - Move \$1.0M TF from Trad Medicaid to Operating Budget (CRS)				Yes	
34	AXS - Higher Enrollment				5,448,500	
35	AXS - Prescription Drug Rebate Fund Shift				16,700,000	
36	AXS - PMMS Roadmap (PDRF)				78,000	
37	AXS - SMI Housing Administration				200,000	
38	AXS - Health Care Investment Fund Supplement				4,000,000	
39	AXS - Supplemental		27,177,400		(27,177,400)	
40	BAT - Board of Athletic Training	130,500		130,500		127,000
41	BAT - Statewide Adjustments				(3,500)	
42	ATT - Attorney General	51,932,200		51,932,200		60,389,300
43	ATT - Statewide Adjustments				(1,228,000)	
44	ATT - Realign Criminal Division CPRF				1,400,000	
45	ATT - Attorney Stipend/Retention Bonuses (CPCF Rev Fund)				2,000,000	
46	ATT - Additional Federalism Unit (CPCF Rev Fund)				200,000	
47	ATT - 1-Time Witness/Outside Counsel Funding (CPCF Rev Fund)				1,200,000	
48	ATT - Criminal Division Major Fraud Unit & 7 FTEs (CPCF Rev Fund)				1,139,000	
49	ATT - 5 New Vehicles - Ongoing Costs (CPCF Rev Fund)				49,800	
50	ATT - 5 New Vehicles - Purchase Cost (CPCF Rev Fund)				156,300	
51	ATT - Missing/Murdered Indigenous Peoples Study Comm. (CPCF Rev Fund)				40,000	
52	ATT - Organized Retail Theft Task Force (CPCF Rev Fund)				1,500,000	
53	ATT - One-Time Election Litigation Funding (Risk Mgmt Fund)				500,000	
54	ATT - Child and Family Advocacy Centers				500,000	
55	ATT - Antitrust Enforcement				1,000,000	
56	BAR - Board of Barbers	419,200		419,200		408,900
57	BAR - Statewide Adjustments				(10,300)	
58	BHE - Board of Behavioral Health Examiners	1,818,200		1,818,200		1,776,100
59	BHE - Statewide Adjustments				(42,100)	
60	DCS - Department of Child Safety	198,769,400		198,859,400		290,993,200
61	DCS - Statewide Adjustments				(1,632,100)	
62	DCS - Remove One-time Litigation				(2,602,000)	
63	DCS - Child Care Development Fund Block Grant				5,116,000	
64	DCS - Additional Child Care Development Fund Proposal				90,400,000	
65	DCS - Delete Overtime/\$2.5M to Op Budget & \$5.9M to Caseworkers				Yes	
66	DCS - Non-contracting Licensees		90,000		(90,000)	941,900
67	BCE - State Board of Chiropractic Examiners	450,600		450,600		437,000
68	BCE - Statewide Adjustments				(13,600)	
69	ROC - Registrar of Contractors	12,690,000		12,690,000		12,590,300

	FY 2021 OF 1/ JLBC Baseline	FY 2021 Changes	FY 2021 OF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 OF Enacted Budget
70	ROC - Statewide Adjustments				(99,700)	
71	COR - Corporation Commission	27,993,000	27,993,000			27,326,600
72	COR - Statewide Adjustments				(666,400)	
73	ADC - Department of Corrections	53,344,600	53,344,600			53,339,000
74	ADC - Statewide Adjustments				(5,600)	
75	COS - Board of Cosmetology	1,897,400	1,897,400			1,856,700
76	COS - Statewide Adjustments				(47,500)	
77	COS - Inspector/ Investigator Equipment Purchase				6,800	
78	CF - County Funding	500,000	500,000			0
79	CF - Remove County Sheriff Reentry Planning Services			(500,000)		
80	JUS - Arizona Criminal Justice Commission	7,096,300	7,096,300			7,174,600
81	JUS - Statewide Adjustments				(21,700)	
82	JUS - Remove Criminal History Repository Funding			(600,000)		
83	JUS - Shift State Aid to Indigent Defense Funding From DPS				700,000	
84	SDB - AZ State Schools for the Deaf and the Blind	13,388,300	13,388,300			32,063,800
85	SDB - Statewide Adjustments				(167,400)	
86	SDB - Base Level Increase - Formula			928,400		
87	SDB - Establish Cooperative Services Fund				17,914,500	
88	HEA - Comm for the Deaf & the Hard of Hearing	4,685,900	4,685,900			4,631,900
89	HEA - Statewide Adjustments				(54,000)	
90	DEN - Board of Dental Examiners	1,261,200	1,261,200			1,815,800
91	DEN - Statewide Adjustments				(26,400)	
92	DEN - Board Compensation				42,400	
93	DEN - Fill 3 Vacant FTE Positions				193,300	
94	DEN - Contract Investigators				271,400	
95	DEN - Compliance Files Digitization Project				65,700	
96	DEN - IT Services				8,200	
97	DES - Department of Economic Security	359,892,000	486,804,300			1,491,838,200
98	DES - Statewide Adjustments				(1,098,300)	
99	DES - DDD State Funded Long Term Care Costs			796,900	5,103,100	
100	DES - Child Care Development Fund Block Grant			16,319,000	1,666,200	
101	DES - Additional Child Care Development Fund Proposal (CAA/ARP)		30,200,000	(30,200,000)	1,086,612,800	
102	DES - Sexual Violence Services Fund				8,000,000	
103	DES - Pandemic Assistance (TANF)				14,546,500	
104	DES - Child Care Subsidy Rate		92,712,300	(92,712,300)		
105	DES - State Fund Long-Term Care		4,000,000	(4,000,000)		
106	ADE - Arizona Department of Education	312,983,300	312,983,300			322,567,600
107	ADE - Statewide Adjustments				(60,500)	
108	ADE - Land Trust Distribution			9,219,800		
109	ADE - One-Time Tribal College Dual Enrollment Program Expansion				75,000	
110	ADE - School Personally Identifiable Information Policies/Security Plans				350,000	
111	EMA - Department of Emergency & Military Affairs	1,506,100	1,506,100			1,930,400
112	EMA - NEMF Assessment (\$ in HB 2026)			424,300		
113	DEQ - Department of Environmental Quality	70,907,900	70,907,900			75,619,400
114	DEQ - Statewide Adjustments				(752,500)	
115	DEQ - One-Time Hazardous Waste Program/Solid Waste Fee Fund				604,000	
116	DEQ - One-Time Surface Water Protection				1,160,000	
117	DEQ - Net Vehicle Emission Inspection Cost Increase				3,700,000	
118	OEO - Governor's Office of Equal Opportunity	197,700	197,700			191,300
119	OEO - Statewide Adjustments				(6,400)	
120	COL - Arizona Exposition and State Fair Board	13,523,700	13,523,700			13,297,500
121	COL - Statewide Adjustments				(226,200)	
122	EMB - Board of Funeral Directors and Embalmers	401,100	401,100			402,800
123	EMB - Statewide Adjustments				(7,900)	
124	EMB - Technology Update				9,600	
125	FIS - Arizona Game and Fish Department	46,070,400	46,070,400			46,791,700
126	FIS - Statewide Adjustments				(865,000)	
127	FIS - 10% Salary Adjustments (405 Wildlife Series)				1,586,300	
128	GAM - Department of Gaming	16,288,300	16,288,300			17,073,100
129	GAM - Statewide Adjustments				(128,800)	
130	GAM - Align Gaming Division Funding w/ Increased Revenues			768,600		
131	GAM - Fantasy Sports Betting				145,000	
132	DHS - Department of Health Services	55,118,700	55,118,700			58,939,000
133	DHS - Statewide Adjustments				(670,900)	
134	DHS - Nuclear Emergency Management Fund Assessment			(789,700)		

	FY 2021 OF 1/ JLBC Baseline	FY 2021 Changes	FY 2021 OF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 OF Enacted Budget
135	DHS - One-Time Alzheimer's Research Funding (PDRF) +\$2.5m in '23				2,500,000	
136	DHS - Move Alzheimer's Research Funding from Health Research Fund				(1,000,000)	
137	DHS - Move \$310K of ASH Operating from Licensing to ASH Fund				Yes	
138	DHS - Reduce EMS Fund and Replace with Prop 207 Funds				(1,929,300)	
139	DHS - Add 2 Newborn Screening Tests (Ongoing)				4,893,100	
140	DHS - Newborn Screening Equipment (One-Time)				942,600	
141	DHS - Expand Child Fatality Review Team (2 FTEs) (CFRTF)				100,000	
142	DHS - Cyber Insurance Premium Increase-2 FTEs (Indirect Cost Fund)				674,500	
143	DHS - Move Biomedical Research Support to General Fund				(2,000,000)	
144	DHS - Child Care Development Fund - Licensing System				1,000,000	
145	DHS - Homeless Pregnant Women Services				100,000	
146	HOM - Board of Homeopathic & Integrated Medicine Examiners	46,600		46,600		46,000
147	HOM - Statewide Adjustments				(600)	
148	DOH - Department of Housing	332,500		332,500		322,700
149	DOH - Statewide Adjustments				(9,800)	
150	IND - Industrial Commission	20,593,100		20,608,400		20,122,000
151	IND - Statewide Adjustments				(471,100)	
152	IND - Named Claimants (Ch. 82)		15,300		(15,300)	
153	DIF - Department of Insurance and Financial Institutions	9,537,700		9,537,700		10,067,500
154	DIF - Statewide Adjustments				(163,700)	
155	DIF - Move \$1.8M from Op Budget to Fraud Unit				Yes	Yes
156	DIF - Vehicle Theft Taskforce Funding (ATA Fund)				693,500	
157	SPA - Judiciary - Supreme Court	31,095,900		31,095,900		31,044,800
158	SPA - Statewide Adjustments				(516,000)	
159	SPA - CASA Growth				464,900	
160	SUP - Judiciary - Superior Court	11,994,400		11,994,400		11,975,600
161	SUP - Statewide Adjustments				(18,800)	
162	DJC - Department of Juvenile Corrections	15,000,100		15,000,400		14,921,900
163	DJC - Statewide Adjustments				(78,200)	
164	DJC - Named Claimants (Ch. 82)		300		(300)	
165	LAN - State Land Department	8,080,700		8,080,700		12,588,700
166	LAN - Statewide Adjustments				8,000	
167	LAN - Due Diligence Program				4,500,000	
168	LIQ - Department of Liquor Licenses & Control	3,498,200		3,498,200		4,456,300
169	LIQ - Statewide Adjustments				(66,900)	
170	LIQ - Cocktails-To-Go Staffing/Automation				1,025,000	
171	LOT - Arizona State Lottery Commission	160,117,200		160,117,200		152,075,100
172	LOT - Statewide Adjustments				(120,800)	
173	LOT - Tab Tickets				14,200	
174	LOT - Instant Ticket Sales				(2,987,700)	
175	LOT - On-Line Vendor Fees				239,800	
176	LOT - Retailer Commissions				(5,187,600)	
177	BMT - Board of Massage Therapy	486,100		486,100		473,700
178	BMT - Statewide Adjustments				(12,400)	
179	MED - Arizona Medical Board	7,227,700		7,227,700		7,507,100
180	MED - Statewide Adjustments				(170,600)	
181	MED - Cloud Enterprise and Managed Services				450,000	
182	MIN - State Mine Inspector	112,900		112,900		112,900
183	NAT - Naturopathic Physicians Medical Board	197,600		197,600		193,200
184	NAT - Statewide Adjustments				(4,400)	
185	NAV - Navigable Stream Adjudication Commission	200,000		200,000		200,000
186	NUR - State Board of Nursing	4,927,500		4,927,500		5,275,100
187	NUR - Statewide Adjustments				(132,800)	
188	NUR - Expand Investigations Team (3.5 FTEs) (\$14,300 One-Time)				356,400	
189	NUR - Preceptorship Awareness Campaign				124,000	
190	NCI - Nursing Care Inst. Administrators Board	470,400		470,400		526,100
191	NCI - Statewide Adjustments				(12,600)	
192	NCI - Investigations Team Expansion (1 FTE)				68,300	
193	OCC - Board of Occupational Therapy Examiners	204,700		204,700		199,900
194	OCC - Statewide Adjustments				(4,800)	
195	DIS - State Board of Dispensing Opticians	159,700		159,700		162,600
196	DIS - Statewide Adjustments				(3,600)	
197	DIS - Executive Director Salary Increase				6,500	

	FY 2021 OF 1/ JLBC Baseline	FY 2021 Changes	FY 2021 OF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 OF Enacted Budget
198	OPT - State Board of Optometry	248,200		248,200		241,900
199	OPT - Statewide Adjustments				(6,300)	
200	OST - AZ Board of Osteopathic Examiners in Medicine/Surgery	1,038,000		1,038,000		1,067,600
201	OST - Statewide Adjustments				(23,800)	
202	OST - Licensing Staff Increase (1 FTE)				53,400	
203	SPB - Arizona State Parks Board	16,472,800		16,619,900		20,839,500
204	SPB - Statewide Adjustments				(501,300)	
205	SPB - One-Time Waste Water System Mitigation/Assessments (SPRF)				1,116,000	
206	SPB - Create Park Store Fund with Spending Authority				1,000,000	
207	SPB - Appropriate SPRF to New Park Store Fund				1,000,000	
208	SPB - One-Time Cabin Debt Payoff (SPRF)				528,400	
209	SPB - Riordan Mansion State Historic Park (SPRF)				350,200	
210	SPB - Fool Hollow Revenue Share Agreement (SPRF)				(26,000)	
211	SPB - Arizona Trail				250,000	
212	SPB - Salary Adjustments				649,400	
213	SPB - Shift Riordan Mansion From AHS		147,100		(147,100)	
214	PER - Personnel Board	332,500		332,500		326,400
215	PER - Statewide Adjustments				(6,100)	
216	PHA - Arizona State Board of Pharmacy	2,689,600		2,689,600		3,083,900
217	PHA - Statewide Adjustments				(51,100)	
218	PHA - Compliance Officers (3 FTEs)				445,400	
219	PHY - Board of Physical Therapy Examiners	513,900		513,900		504,100
220	PHY - Statewide Adjustments				(9,800)	
221	PIO - Arizona Pioneers' Home	6,796,000		6,796,000		7,043,200
222	PIO - Statewide Adjustments				(183,800)	
223	PIO - Min Wage Increase-18 FTE/Certified Caregivers \$0.46-32 FTE				431,000	
224	POD - State Board of Podiatry Examiners	171,600		174,400		168,200
225	POD - Statewide Adjustments				(3,400)	
226	POD - Named Claimants (Ch. 82)		2,800		(2,800)	
227	POS - Commission for Postsecondary Education	1,543,700		1,543,700		1,537,100
228	POS - Statewide Adjustments				(6,600)	
229	PRI - Board for Private Postsecondary Education	436,300		436,300		413,500
230	PRI - Statewide Adjustments				(22,800)	
231	PSY - State Board of Psychologist Examiners	529,900		529,900		550,800
232	PSY - Statewide Adjustments				(12,200)	
233	PSY - Licensing Staff Increase (0.5 FTE)				33,100	
234	DPS - Department of Public Safety	246,615,700		246,615,700		136,328,100
235	DPS - Statewide Adjustments				(8,136,000)	
236	DPS - Highway Safety Fee Repeal Budget Shift				0	
237	DPS - Active Shooter/Civil Unrest Response Equipment (HPF)				2,912,900	
238	DPS - AZPOST Law Enforcement Training Support (HPF)				1,196,300	
239	DPS - Move \$1,715,000 from SETIF to Highway Patrol Fund				Concur	
240	DPS - Microwave Backbone Replacement (HPF)				48,200,000	
241	DPS - Concealed Weapon IT - Phase II (\$550K One-Time)				44,100	
242	DPS - One-Time Body Camera Equipment Funding				6,904,400	
243	DPS - Shift State Aid to Indigent Defense Funding to ACJC				(700,000)	
244	RUC - Residential Utility Consumer Office	1,388,900		1,388,900		1,352,200
245	RUC - Statewide Adjustments				(36,700)	
246	RES - Board of Respiratory Care Examiners	333,300		333,300		324,100
247	RES - Statewide Adjustments				(9,200)	
248	RET - Arizona State Retirement System	24,920,800		24,920,800		25,048,400
249	RET - Statewide Adjustments				(647,400)	
250	RET - Cloud Migration and Operating Funding Costs				775,000	
251	REV - Department of Revenue	48,983,200		48,983,200		27,161,200
252	REV - Statewide Adjustments				(1,165,200)	
253	REV - Align Unclaimed Property Audit Funding With Revenue				99,000	
254	REV - Remove DOR Local Cost Sharing				(20,755,800)	
255	SOS - Secretary of State	744,800		1,239,300		1,479,300
256	SOS - Record Management (Record Svcs Fund)		494,500		(494,500)	542,000
257	SOS - AZ Voter Info Database (HAVA)				192,500	
258	TEC - State Board of Technical Registration	2,263,100		2,263,100		2,352,900
259	TEC - Statewide Adjustments				(55,400)	
260	TEC - Digitization of Agency Records				145,200	
261	DOT - Department of Transportation	442,186,200		442,307,300		467,515,200
262	DOT - Statewide Adjustments				(8,638,200)	

	FY 2021 OF 1/ JLBC Baseline	FY 2021 Changes	FY 2021 OF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 OF Enacted Budget
263	DOT - Move Base ADOA Motor Pool Operating Costs to ADOT (SFF)			6,041,000	7,726,700	
264	DOT - State Vehicle Purchase Line Item - Base (VPF)			1,000,000	(1,000,000)	
265	DOT - State Vehicle Replacement - Newly Authorized (VRF)				4,500,000	
266	DOT - Cloud Initiative Ongoing Costs (SHF)				863,000	
267	DOT - Continuation of a Secondary Prison Call Center (SHF)				253,800	
268	DOT - License Plate Production (SHF)				495,400	
269	DOT - Move \$896,000 from SETIF to State Highway Fund				Concur	
270	DOT - South Mountain Freeway Maintenance (SHF)				669,700	
271	DOT - Highway Maintenance Workload (SHF)				3,284,500	
272	DOT - 9%/10% Salary Adjustments (2,182 Employees)				10,133,100	
273	DOT - Named Claimants (Ch. 82)		121,100	(121,100)		
274	TRE - State Treasurer	5,640,800		5,640,800		9,767,500
275	TRE - Statewide Adjustments				(97,500)	
276	TRE - 10% Statewide Accountant Parity Increase				100,600	
277	TRE - Payment Card Industry Compliance Officer (1 FTE)				123,600	
278	TRE - Allocate Interop Fund to Graham/Greenlee/Gila/Pinal Sheriffs				1,500,000	
279	TRE - School Safety Interoperability Program				2,500,000	
280	UNI - Universities					
281	UNI - ASU	607,175,900		607,175,900		599,978,900
282	UNI - Statewide Adjustments				(3,597,000)	
283	UNI - Remove Lease Purchase Payment			(3,600,000)		
284	UNI - Northern Arizona University	138,921,300		138,921,300		139,466,800
285	UNI - Statewide Adjustments				545,500	
286	UNI - UA - Main Campus	240,586,500		240,586,500		317,757,200
287	UNI - Statewide Adjustments				(4,506,400)	
288	UNI - UA Main - Enrollment/Tuition Estimates				81,677,100	
289	UNI - UA - Health Sciences Center	56,863,400		56,863,400		56,863,400
290	VSC - Department of Veterans' Services	39,887,100		39,987,100		50,519,000
291	VSC - Statewide Adjustments				(759,200)	
292	VSC - Operating Costs for New Veterans' Homes (Flagstaff/Yuma)			6,215,800	3,651,100	
293	VCS - Increase Tucson Operating Capacity (Vets' Trust Fund)				1,028,900	
294	VCS - Rehabilitation Services for Veterans (Vets' Trust Fund)				495,300	
295	VCS - Suicide Prevention		100,000	(100,000)		
296	VME - Veterinary Medical Examining Board	618,300		618,300		601,800
297	VME - Statewide Adjustments				(16,500)	
298	WAT - Department of Water Resources	2,466,800		2,466,800		2,506,600
299	WAT - Statewide Adjustments				39,800	
300	OTH - Other					
301	OTH - ADOA Federal Financial Participation Repayment Supplemental	2,801,500	(2,801,500)	0	0	0
302	OTH - AHCCCS Supplemental	6,111,600	(6,111,600)	0	0	0
303	OTH - DES Child Care Subsidy Rate Supplemental	93,170,900	(93,170,900)	0	0	0
304	OTH - Unallocated '21 Removal of '20 HITF One-Time Employer Premium	(75,900)		(75,900)	75,900	0
305	OTH - Unallocated HITF Employer Premium Increase	3,215,700		3,215,700	(3,215,700)	7,986,500
306	OTH - Unallocated Retirement Adjustments	986,200		986,200	(986,200)	1,987,400
307	OTH - Unallocated Risk Management Adjustments				(70,900)	(70,900)
308	OTH - Unallocated AFIS Transaction Fee				472,900	472,900
309	OTH - Unallocated Rent Adjustments				100,700	100,700
310	OTH - Unallocated Fleet Adjustments				704,700	704,700
311	OTH - Unallocated '21 State Agency 27th Pay Period	1,136,600		1,136,600	(1,136,600)	0
312	OTH - Universities 27th Pay Period (Enacted)	0		0	36,887,300	36,887,300
313	TOTAL - OPERATING SPENDING CHANGES	\$4,058,436,300	\$55,828,100	\$4,114,264,400	(\$228,791,500)	\$1,454,624,300
314	CAPITAL SPENDING CHANGES					
315	Building Renewal					
316	Arizona Department of Administration	16,000,000		16,000,000	2,000,000	18,000,000
317	ADC	5,464,300		5,464,300	400,000	5,864,300
318	Game & Fish Department	1,157,900		1,157,900	55,500	1,215,800
319	Arizona Lottery Commission	146,700		146,700	6,100	152,800
320	State Parks Board	0		0	2,396,700	2,396,700
321	Pioneers' Home	0		0	353,100	353,100
322	Arizona Department of Transportation	13,281,700		13,281,700	2,428,700	15,710,400
323	New Projects					
324	AG - Deferred Maintenance at 15 S. 15th Ave	0		0	4,000,000	4,000,000
325	ADC - Lewis and Yuma Locks, Fire, and HVAC	19,000,000		19,000,000	(19,000,000)	0
326	ADC - Eyman Fire/Life Safety	0		0	15,564,400	15,564,400
327	ASDB - Classroom Notification System Replacement	0		0	150,000	150,000
328	DEMA - Fire Suppression	0		0	191,000	191,000
329	G&F - Dam Maintenance	0		0	150,000	150,000
330	G&F - Hatchery Capital Projects	0		0	2,600,000	2,600,000
331	G&F - Hatchery Maintenance Projects	0		0	400,000	400,000
332	G&F - Property Maintenance	0		0	300,000	300,000
333	DHS - Building Demolition	0		0	2,000,000	2,000,000

	FY 2021 OF 1/ JLBC Baseline	FY 2021 Changes	FY 2021 OF Revised	FY 22 Baseline 1/ Above FY 21	FY 2022 Changes	FY 2022 OF Enacted Budget
334	DJC - Door Replacement	0	0	0	2,500,000	2,500,000
335	Leg Council - Historic Capitol Building Restoration	0	0	0	400,000	400,000
336	Parks - Dead Horse Amphitheater	0	0	0	150,000	150,000
337	Parks - Kartchner Caverns Roof Replacement	0	0	0	450,000	450,000
338	Parks - Red Rock Fire Suppression	0	0	0	126,000	126,000
339	Parks - Red Rock Maintenance Building	0	0	0	435,200	435,200
340	Parks - Rockin River Ranch	0	0	0	750,000	750,000
341	DPS - Training Academy	0	0	0	3,000,000	3,000,000
342	ADOT - Statewide Highway Construction	106,553,000		106,553,000	(11,511,000)	95,042,000
343	ADOT - Controlled Access	120,983,000		120,983,000	(3,815,000)	117,168,000
344	ADOT - Debt Service	151,197,000		151,197,000	(2,297,000)	148,900,000
345	ADOT - Airport Planning	30,900,000		30,900,000	(4,900,000)	26,000,000
346	ADOT - Liquid Brine Tanks Statewide	0		0	1,950,000	1,950,000
347	ADOT - Replace Vehicle Fueling Facilities	0		0	1,800,000	1,800,000
348	ADOT - Interstate 17 Expansion (Enacted)	45,000,000		45,000,000		45,000,000
349	ADOT - Higher Wickenburg Maintenance Office Construction Cost	0		0	3,150,000	3,150,000
350	TOTAL - CAPITAL SPENDING CHANGES	\$509,683,600	0	\$509,683,600	(41,461,400)	\$515,869,700
351	TOTAL - OPERATING & CAPITAL SPENDING	\$4,568,119,900	55,828,100	\$4,623,948,000	(270,252,900)	\$5,855,966,900
352	FUND TRANSFERS					
353	APF/DOA - Automation Projects Fund - All For IT Projects					
354	APF/DCS CHILDS Replacement	4,992,800		4,992,800	(4,992,800)	0
355	APF/DOA - ADOA Automation Operations				4,758,900	4,758,900
356	APF/DOA - ADOA State Web Portal				3,000,000	3,000,000
357	APF/DOA - DES CCDF Transfer - Child Care Management System				9,000,000	9,000,000
358	APF/DOA - ADE ESA Account Fund				4,448,900	4,448,900
359	APF/DOA - Treasurer ESA Program				2,751,100	2,751,100
360	APF/DOA - Gaming Arizona Benefits Fund				850,000	850,000
361	APF/DOA - Industrial Commission Admin Fund				1,067,700	1,067,700
362	APF/DOA - DPS Concealed Weapons Permit Fund				550,000	550,000
363	APF/DOA - Board of Psychologist Examiners Fund				20,000	20,000
364	Other Transfers					
365	DPS - Highway Patrol Fund to Highway Fund (Highway Safety Fee)	15,492,300		15,492,300	(15,492,300)	0
366	DEQ - Transfer Recycling Fund to Water Quality Fee Fund	0	1,500,000	1,500,000	(1,500,000)	0
367	DPS - Transfer Unobligated SETIF Subaccount Balance to HPF	0		0		Yes 0
368	ADOT - Transfer Unobligated SETIF Subaccount Balance to SHF	0		0		Yes 0
369	ADOT - Transfer Highway Extension Fund to ADOT Federal Funds	0		0	1,220,800	1,220,800
370	DOR - Transfer DOR Admin. Fund to Municipal Firefighter Cancer Fund	0		0	2,860,800	2,860,800
	DES - Transfer DHS Licensing Fund to Sexual Violence Services Fund	0		0	2,370,900	2,370,900
371						
372	DES - Transfer DHS Health Services Lottery Fund to SVSF	0		0	93,700	93,700
373	DES - Transfer DHS Indirect Cost Fund to SVSF	0		0	1,339,000	1,339,000
374	DES - Transfer DPS Criminal Justice Enhancement Fund to SVSF	0		0	343,700	343,700
375	DES - Transfer DPS Licensing Fund to SVSF	0		0	251,900	251,900
376	DES - Transfer DPS Fingerprint Clearance Fund to SVSF	0		0	1,356,400	1,356,400
377	DES - Transfer DPS Motor Vehicle Liability Insurance Fund to SVSF	0		0	306,800	306,800
378	DES - Transfer DPS Parity Compensation Fund to SVSF	0		0	921,900	921,900
379	DES - Transfer DPS Enforcement and Infrastructure Fund to SVSF	0		0	202,500	202,500
380	DES - Transfer ADOT Motor Vehicle Liability Insurance Fund to SVSF	0		0	247,800	247,800
381	DES - Transfer ADOT Vehicle Inspections and Title Fund to SVSF	0		0	565,400	565,400
382	TOTAL - FUND TRANSFERS	\$20,485,100	1,500,000	\$21,985,100	(21,985,100)	\$38,528,200

1/ Represents original FY 2021 appropriations adjusted for revisions in Lottery Commission and the Universities.

2/ This column does not represent original FY 2022 Baseline changes. This column displays an agency's FY 2022 Baseline funding compared to the final enacted FY 2021 Other Fund spending amount displayed in "FY 2021 OF Revised".

**CROSSWALK OF FY 2022 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
GENERAL FUND 1/**

GF General Appropriation Act - Individual Agency	GF HITF Premium Reduction	GF HITF Premium Increase	GF 27th Pay Period Adjustment	GF Risk Management	GF AFIS Transaction Fee	GF Retirement	GF Rent COP	GF Fleet	GF FY 2022 Additional Appropriations	GF Prior Year/ Statutory Appropriations	GF FY 2022 Approp Rpt Total
2/	3/	3/	3/	3/	3/	3/	3/	3/	4/	5/	
BUDGET UNITS											
Administration, Arizona Department of	\$18,609,900	(\$103,600)	\$58,700	(\$277,400)	\$4,200	\$600	\$11,200	(\$59,800)	\$11,200		\$18,255,000
Administration, Arizona Department of Automation Projects Fund	3,614,100	0	0	0	0	0	0	0	0		3,614,100
Administrative Hearings, Office of	921,500	(10,000)	5,700	(26,500)	0	0	1,100	0	0		891,800
African-American Affairs, Arizona Commission of	133,200	(1,600)	900	(3,900)	0	0	200	0	0		128,800
Agriculture, Arizona Department of	16,726,400	(117,900)	66,800	(249,800)	6,600	2,400	10,300	0	470,900		16,915,700
AHCCCS	1,916,287,300	(429,000)	243,000	(754,300)	37,100	65,500	33,000	0	147,600		1,915,630,200
Attorney General - Department of Law	25,326,000	(221,000)	125,200	(718,000)	119,900	3,100	19,600	0	500,000	85,000	25,239,800
Charter Schools, State Board for	2,152,100	(11,200)	6,300	(38,900)	3,300	100	1,700	(10,400)	0		2,103,000
Child Safety, Department of	408,432,200	(210,600)	119,300	(3,086,100)	0	120,600	186,500	0	166,900		405,728,800
Commerce Authority, Arizona	78,925,000	0	0	0	0	0	0	0	0		78,925,000
Community Colleges, Arizona	99,711,300	0	0	0	0	0	0	0		9,193,400	108,904,700
Corporation Commission	647,100	(11,200)	6,300	(20,400)	0	500	800	0	0		623,100
Corrections, State Department of	1,309,695,700	(9,469,000)	5,363,800	(22,679,600)	(1,267,400)	88,000	2,575,400	(4,600)	0		1,284,302,300
County Funding	20,650,700	0	0	0	0	0	0	0	0		20,650,700
Criminal Justice Commission, Arizona	1,000,000	0	0	0	0	0	0	0	0		1,000,000
Deaf and the Blind, Schools for the	23,865,500	(268,300)	158,300	(527,500)	0	5,000	22,700	0	0		23,255,700
Economic Opportunity, Office of	485,500	(4,100)	2,300	(14,700)	0	200	1,100	0	0		470,300
Economic Security, Department of	853,324,200	(875,400)	495,900	(3,211,400)	(1,500)	95,800	179,600	(49,100)	94,400		850,052,500
Education, State Board of	2,362,800	(4,500)	2,600	(22,200)	200	100	2,100	(1,100)	0		2,340,000
Education, Department of	4,869,746,700	(104,600)	59,300	(388,000)	9,100	2,800	20,800	31,600		1,041,127,700	5,910,547,300
Emergency and Military Affairs, Department of	9,298,700	(43,000)	22,300	(147,200)	33,500	3,100	5,700	0	104,000	4,090,000	13,367,100
Environmental Quality, Department of	0	0	0	0	0	0	0	0		15,000,000	15,000,000
Equalization, State Board of	673,200	(3,000)	1,700	(12,900)	1,800	100	500	2,500	0		663,900
Executive Clemency, Board of	1,184,500	(6,900)	3,900	(30,300)	700	100	1,300	0	0		1,153,300
Forestry and Fire Management, Arizona Department of	12,342,600	(79,700)	45,100	(176,900)	0	1,600	7,200	0	587,700	0	16,727,600
Gaming, Department of	15,759,500	0	0	0	0	0	0	0	0	4,000,000	15,759,500
Governor, Office of the	9,924,800	(55,300)	31,400	(195,400)	97,000	600	9,500	0	1,000		9,813,600
Governor's Office of Strategic Planning and Budgeting	2,765,100	(12,100)	6,800	(74,600)	1,200	200	2,100	0	0		2,688,700
Health Services, Department of	104,982,600	(783,400)	443,800	(2,110,700)	70,400	13,300	87,200	51,200	164,800	500,000	103,419,200
Historical Society, Arizona	3,195,600	(28,700)	16,200	(75,400)	(211,000)	500	3,200	0	5,600		2,906,000
Historical Society, Prescott	917,700	(11,700)	6,600	(25,300)	3,200	100	10,000	0	0		900,600
Independent Redistricting Commission	7,900,000	0	0	0	0	0	0	0	0		7,900,000
Industrial Commission of AZ	95,000	0	0	0	0	0	0	0	0		95,000
Insurance and Financial Institutions, Department of	7,840,700	(59,000)	33,400	(177,000)	4,900	2,700	7,700	5,600	4,400		7,663,400
Judiciary											
Supreme Court	22,652,400	(289,800)	164,100	(378,600)	20,900	2,500	17,600	0	45,600		22,234,700
Court of Appeals	17,179,600	(134,800)	76,400	(350,600)	8,400	400	11,400	0	0		16,790,800
Superior Court	106,205,100	0	0	(248,200)	195,100	0	15,500	0	487,500		106,655,000
SUBTOTAL - Judiciary	146,037,100	(424,600)	240,500	(977,400)	224,400	2,900	44,500	0	533,100	0	145,680,500
Juvenile Corrections, Department of	32,290,000	(366,100)	207,400	(1,253,600)	10,000	4,300	(93,800)	(211,900)	110,300		30,696,600
Land Department, State	13,967,500	(112,500)	63,700	(366,900)	(250,600)	1,100	12,800	0	0		13,315,100
Legislature											
Auditor General	21,406,500	(199,400)	112,900	(647,600)	17,400	500	28,400	0	4,800	500,000	21,223,500
House of Representatives	21,830,000	(178,900)	101,300	(331,500)	(10,400)	700	18,100	0	0		21,429,300
Joint Legislative Budget Committee	2,934,700	(20,300)	11,500	(89,000)	1,200	100	3,700	0	0		2,841,900
Legislative Council	10,263,100	(55,400)	31,400	(179,600)	23,100	300	7,500	0	0		10,090,400
Senate	18,253,900	(125,800)	71,300	(238,200)	(5,200)	700	12,400	0	0		17,969,100
SUBTOTAL - Legislature	74,688,200	(579,800)	328,400	(1,485,900)	26,100	2,300	70,100	0	4,800	500,000	73,554,200
Mine Inspector, State	1,551,100	(11,200)	6,300	(27,200)	(2,900)	200	1,100	0	40,800		1,558,200
Navigable Stream Adjudication Commission	133,000	(1,500)	900	(3,300)	100	0	100	0	0		129,300
Parks Board, Arizona State	9,000,000	0	0	0	0	0	0	0	0		9,000,000
Postsecondary Education, Commission for	1,680,900	0	0	0	0	0	0	0	0		1,680,900
Public Safety, Department of	293,637,700	(561,700)	320,300	(2,271,600)	496,300	15,700	13,700	0	0		291,650,400
Public Safety Personnel Retirement System	0	0	0	0	0	0	0	0	0	6,000,000	6,000,000
Real Estate Department, State	2,997,600	(24,500)	13,900	(75,600)	3,900	600	3,200	400	2,600		2,922,100
Revenue, Department of	53,876,500	(178,200)	100,900	(502,900)	222,400	3,200	20,500	0	0		53,542,400
School Facilities Board	279,132,300	(11,900)	6,800	(45,300)	(3,400)	100	0	0	0	11,730,900	290,809,500
Secretary of State	13,263,600	(100,500)	56,900	(253,900)	(70,700)	1,600	10,700	0	0		12,907,700

	GF General Appropriation Act - Individual Agency	GF HITF Premium Reduction	GF HITF Premium Increase	GF 27th Pay Period Adjustment	GF Risk Management	GF AFIS Transaction Fee	GF Retirement	GF Rent COP	GF Fleet	GF FY 2022 Additional Appropriations	GF Prior Year/ Statutory Appropriations	GF FY 2022 Approp Rpt Total
Tax Appeals, State Board of	292,200	(3,000)	1,700	(8,400)	400	0	300	100	0			283,300
Tourism, Office of	8,585,100	(27,100)	15,400	(91,900)	0	0	0	0	0			8,481,500
Transportation, Department of Treasurer, State	3,300,000 1,548,800	0 (25,000)	0	(14,300)	0	0	0	0	0	12,000,000	1,500,000	3,300,000 15,010,200
Tribal Relations, Governor's Office on Universities	64,700	(600)	300	(1,500)	400	100	100	0	0			63,500
Board of Regents	29,980,000	(13,700)	7,800	(75,400)	14,700	100	2,500	0	0			29,916,000
Arizona State University	360,027,100	(2,495,200)	1,278,100	0	383,100	0	83,400	0	0		25,985,400	385,261,900
Northern Arizona University	125,683,400	(140,100)	75,600	0	0	100	43,000	0	0		9,790,400	135,452,400
University of Arizona - Main Campus	227,404,000	(2,091,800)	1,057,100	0	(1,130,000)	100	162,900	0	0		25,336,800	250,739,100
University of Arizona - Health Sciences Center	76,897,700	0	0	0	0	0	0	0	0		0	76,897,700
SUBTOTAL - Universities	819,992,200	(4,740,800)	2,418,600	(75,400)	(732,200)	300	291,800	0	0	0	61,112,600	878,267,100
Veterans' Services, Department of	8,757,500	(48,000)	27,200	(165,400)	12,700	1,700	6,600	0	33,200			8,625,500
Water Infrastructure Finance Authority	12,000,000	0	0	0	0	0	0	0	0			12,000,000
Water Resources, Department of	18,864,300	(139,300)	78,900	(413,700)	11,300	2,000	17,100	3,800	0			18,424,400
OPERATING BUDGET TOTAL	\$11,625,157,500	(\$20,281,100)	\$11,213,700	(\$43,078,600)	(\$1,138,600)	\$443,100	\$3,600,000	(\$241,700)	\$2,525,200	\$13,000,000	\$1,174,391,700	\$12,745,539,100
Remove One-Time '21 Agency Health Insurance Adjustments	(20,281,100)	20,281,100	0	0	0	0	0	0	0	0	0	0
Remove One-Time '21 Agency 27th Pay Period Funding	(43,078,600)	0	0	43,078,600	0	0	0	0	0	0	0	0
University (27th) Pay Period	0	0	0	0	0	0	0	0	0	20,052,100	0	20,052,100
'22 One-Time HITF Employer Premium	11,213,700	0	(11,213,700)	0	0	0	0	0	0	0	0	0
'22 Risk Management Adjustments	(1,132,200)	0	0	0	1,138,600	0	0	0	0	0	0	6,400
'22 Retirement Adjustments	3,600,000	0	0	0	0	0	(3,600,000)	0	0	0	0	0
'22 AFIS Transaction Fee	447,800	0	0	0	0	(443,100)	0	0	0	0	0	4,700
'22 Rent Adjustments	(241,700)	0	0	0	0	0	0	241,700	0	0	0	0
'22 Fleet Adjustments	2,525,200	0	0	0	0	0	0	0	(2,525,200)	0	0	0
Capital Outlay - Phoenix Convention Center Debt Service	24,498,500	0	0	0	0	0	0	0	0	0	0	24,498,500
Capital Outlay - Rio Nuevo District	16,000,000	0	0	0	0	0	0	0	0	0	0	16,000,000
Capital Outlay	92,632,900	0	0	0	0	0	0	0	0	0	0	92,632,900
Administrative Adjustments	120,000,000	0	0	0	0	0	0	0	0	0	0	120,000,000
Revertments	(192,000,000)	0	0	0	0	0	0	0	0	0	0	(192,000,000)
GRAND TOTAL	\$11,639,342,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	13,000,000	\$1,174,391,700	\$12,826,733,700

1/ This chart provides a crosswalk between an agency's appropriation in the FY 2022 General Appropriation Act (Laws 2021, Chapter 408) and the individual agency amount as it appears in the FY 2022 Appropriations Report.
2/ Represents individual agency section of the FY 2022 General Appropriation Act and other direct appropriations in the General Appropriation Act.
3/ Section 131 of the FY 2022 General Appropriation Act appropriates statewide adjustments from the General Fund for Employer Health Insurance Contribution Reduction, Employer Health Insurance Contribution Increase, Non-University State Employee 27th Pay Period Reduction, Agency Risk Management Adjustments, Agency Retirement Adjustments, Arizona Financial Information System Adjustments, Agency Rent Adjustments and State Fleet Rate Adjustments. Section 131 requires JLBC Staff to determine the agency-by-agency distribution of these funds, which are reflected below.
4/ Appropriations separate from the FY 2022 General Appropriation Act enacted in the 55th Legislature, 1st Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.
5/ Represents ongoing statutory appropriations or appropriations enacted prior to the 55th Legislature, 1st Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

**CROSSWALK OF FY 2022 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
OTHER FUNDS 1/**

	OF General Appropriation Act - Individual Agency <u>2/</u>	OF HITF Premium Reduction <u>3/</u>	OF HITF Premium Increase <u>3/</u>	OF 27th Pay Period Adjustment <u>3/</u>	OF Risk Management <u>3/</u>	OF AFIS Transaction Fee <u>3/</u>	OF Retirement <u>3/</u>	OF Rent COP <u>3/</u>	OF Fleet <u>3/</u>	OF FY 2022 Additional Appropriations <u>4/</u>	OF Prior Year/ Statutory Appropriations <u>5/</u>	OF FY 2022 Approp Rpt Total
BUDGET UNITS												
Accountancy, State Board of												
Board of Accountancy Fund	\$2,098,500	(\$17,100)	\$9,700	(\$42,900)	\$1,100	\$400	\$1,700	\$400	\$0			\$2,051,800
Acupuncture Board of Examiners												
Acupuncture Board of Examiners Fund	180,700	(200)	100	(4,500)	400	100	200	0	0			176,800
Administration, Arizona Department of												
Air Quality Fund	927,300	0	0	0	0	200	0	0	700			928,200
Arizona Financial Information System Collections Fund	11,549,100	(34,300)	19,400	(117,000)	1,300	100	5,200	0				11,423,800
Automation Operations Fund	31,275,400	(64,500)	36,600	(203,800)	7,100	29,100	8,200	0	39,600			31,127,700
Capitol Mall Consolidation Fund	375,900	0	0	0	0	0	0	0	0			375,900
Capital Outlay Stabilization Fund	18,749,800	(73,200)	41,500	(168,700)	2,900	10,000	7,100	(191,300)	17,000			18,395,100
Corrections Fund	593,000	(2,400)	1,300	(17,900)	200	100	700	0	0			575,000
Federal Surplus Materials Revolving Fund	467,400	(800)	400	(1,800)	0	0	100	0	1,600			466,900
Information Technology Fund	8,566,400	(16,400)	9,300	(122,800)	5,500	1,900	5,600	16,000	2,400			8,467,900
Personnel Division Fund	13,056,800	(70,800)	40,200	(294,300)	2,800	600	12,100	0	17,500			12,764,900
Risk Management Revolving Fund	96,879,000	(45,600)	25,800	(174,800)	1,700	10,600	6,500	0	11,300			96,714,500
Special Employee Health Insurance												
Trust Fund	5,449,100	(32,100)	18,200	(140,500)	1,300	20,200	6,100	0	7,800			5,330,100
Special Services Revolving Fund	1,172,800	(8,900)	5,200	0	300	700	600	0	0			1,170,700
State Monument and Memorial Repair Fund	21,500	0	0	0	0	0	0	0	0			21,500
State Surplus Materials Revolving Fund	3,003,200	(8,100)	4,600	(21,400)	400	400	700	0				2,979,800
State Web Portal Fund	6,705,100	(14,500)	8,200	(98,400)	900	500	2,800	0	7,600			6,612,200
Telecommunications Fund	1,693,600	(12,100)	6,800	(40,700)	300	200	1,400	0	2,200			1,651,700
Total - Arizona Department of Administration	200,485,400	(383,700)	217,500	(1,402,100)	24,700	74,600	57,100	(175,300)	107,700	0	0	199,005,900
Administration, Arizona Department of - Automation Projects Fund												
Automation Projects Fund	\$32,060,700	0	0	0	0	0	0	0	0			32,060,700
Agriculture, Arizona Department of												
Air Quality Fund	1,499,100	(19,000)	10,800	(38,900)	600	200	1,300	0	0			1,454,100
Nuclear Emergency Management Fund	0	0	0	0	0	0	0	0	0	280,500		280,500
Total - Arizona Department of Agriculture	1,499,100	(19,000)	10,800	(38,900)	600	200	1,300	0	0	280,500	0	1,734,600
AHCCCS												
Budget Neutrality Compliance Fund	4,076,200	0	0	0	0	0	0	0	0			4,076,200
Children's Health Insurance Program Fund	117,754,900	0	7,100	(102,500)	1,400	0	0	0	0			117,660,900
Prescription Drug Rebate Fund - State	175,237,600	(200)	0	(800)	0	0	0	0	0			175,236,600
Seriously Mentally Ill Housing Trust Fund	200,000	0	0	0	0	0	0	0	0			200,000
Substance Abuse Services Fund	2,250,200	0	0	0	0	0	0	0	0			2,250,200
Tobacco Products Tax Fund												
Emergency Health Services Account	17,921,600	0	0	0	0	0	0	0	0			17,921,600
Tobacco Tax and Health Care Fund												
Medically Needy Account	69,002,100	0	0	0	0	0	0	0	0			69,002,100
Total - AHCCCS	386,442,600	(200)	7,100	(103,300)	1,400	0	0	0	0	0	0	386,347,600
Athletic Training, Board of												
Athletic Training Fund	130,500	(1,600)	900	(3,000)	0	100	100	0	0			127,000
Attorney General - Department of Law												
Antitrust Enforcement Revolving Fund	1,152,500	(1,000)	600	(3,400)	0	0	0	0	0			1,148,700
Attorney General Legal Services Cost Allocation Fund	2,166,600	(19,100)	10,800	(50,500)	0	200	2,300	0	0			2,110,300
Collection Enforcement Revolving Fund	7,132,700	(73,800)	41,800	(171,900)	0	2,400	(5,500)	0	0			6,925,700
Consumer Protection-Consumer Fraud Rev. Fund	16,724,400	(40,500)	22,900	(259,600)	0	1,000	4,600	0	140,800	2,350,000		18,943,600
Interagency Service Agreements Fund	16,980,500	(134,900)	76,400	(466,200)	0	3,000	16,100	0	0			16,474,900
Internet Crimes Against Children Enforcement Fund	900,000	0	0	0	0	0	0	0	0			900,000
Risk Management Revolving Fund	10,427,300	(90,300)	51,200	(282,800)	0	400	11,500	0	0			10,117,300
Victims' Rights Fund	3,783,300	(1,900)	1,100	(14,600)	0	300	600	0	0			3,768,800
Total - Attorney General - Department of Law	59,267,300	(361,500)	204,800	(1,249,000)	0	7,300	29,600	0	140,800	0	2,350,000	60,389,300
Barbers, Board of												
Board of Barbers Fund	419,200	(5,400)	3,100	(9,200)	400	400	400	0	0			408,900
Behavioral Health Examiners, Board of												
Board of Behavioral Health Examiners Fund	1,818,200	(13,800)	7,800	(42,200)	3,500	700	1,900	0	0			1,776,100
Child Safety, Department of												
Child Abuse Prevention Fund	1,459,300	0	0	0	0	0	0	0	0			1,459,300
Child Welfare Licensing Fee Fund	941,900	0	0	0	0	0	0	0	0			941,900
Children and Family Services Training Program Fund	217,000	0	0	(9,700)	0	100	500	0	0			207,900
Federal Child Care and Development Fund Block Grant	130,916,000	0	0	0	0	0	0	0	0			130,916,000
Federal Temporary Assistance for Needy												

	OF General Appropriation Act - Individual Agency 2/	OF HITF Premium Reduction 3/	OF HITF Premium Increase 3/	OF 27th Pay Period Adjustment 3/	OF Risk Management 3/	OF AFIS Transaction Fee 3/	OF Retirement 3/	OF Rent COP 3/	OF Fleet 3/	OF FY 2022 Additional Appropriations 4/	OF Prior Year/ Statutory Appropriations 5/	OF FY 2022 Approp Rpt Total
Families Block Grant	159,091,100	0	0	(1,623,000)	0	0	0	0	0			157,468,100
Total - Department of Child Safety	292,625,300	0	0	(1,632,700)	0	100	500	0	0	0	0	290,993,200
Chiropractic Examiners, State Board of												
Board of Chiropractic Examiners Fund	450,600	(3,700)	2,100	(10,400)	(2,100)	100	400	0	0			437,000
Contractors, Registrar of												
Registrar of Contractors Fund	12,690,000	(99,300)	56,200	(266,000)	10,000	2,600	113,000	0	83,800			12,590,300
Corporation Commission												
Arizona Arts Trust Fund	52,600	(1,300)	700	(1,400)	400	100	100	0	0			51,200
Investment Management Regulatory and Enforcement Fund	745,500	(8,700)	4,900	(23,000)	1,800	100	1,000	0	0			721,600
Public Access Fund	6,976,200	(61,300)	34,700	(171,000)	13,100	700	7,000	0	0			6,799,400
Securities Regulatory and Enforcement Fund	5,286,100	(50,700)	28,700	(143,700)	8,100	700	6,100	0	0			5,135,300
Utility Regulation Revolving Fund	14,932,600	(119,500)	67,700	(388,100)	25,500	1,600	15,600	0	83,700			14,619,100
Total - Corporation Commission	27,993,000	(241,500)	136,700	(727,200)	48,900	3,200	29,800	0	83,700	0	0	27,326,600
Corrections, State Department of												
Alcohol Abuse Treatment Fund	555,500	0	0	0	0	200	0	0	0			555,700
Corrections Fund	30,312,300	0	0	0	0	100	0	0	0			30,312,400
Inmate Store Proceeds Fund	1,341,300	0	1,000	0	0	13,200	5,700	0	11,800			1,373,000
Penitentiary Land Fund	2,804,000	(3,100)	1,700	(12,500)	0	200	400	0	0			2,790,700
Prison Construction and Operations Fund	12,500,000	0	0	0	0	0	0	0	0			12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,800	0	0	0	0	1,900	0	0	0			2,663,700
State Education Fund for Correctional Education	769,600	(7,500)	4,200	(25,000)	0	200	1,800	0	0			743,300
Transition Program Fund	2,400,100	0	0	0	0	100	0	0	0			2,400,200
Total - State Department of Corrections	53,344,600	(10,600)	6,900	(37,500)	0	15,900	7,900	0	11,800	0	0	53,339,000
Cosmetology, Board of												
Board of Cosmetology Fund	1,904,200	(22,800)	12,900	(41,800)	1,800	800	1,600	0	0			1,856,700
Criminal Justice Commission, Arizona												
Criminal Justice Enhancement Fund	668,500	(4,600)	2,600	(10,700)	300	100	600	2,000	0			658,800
Drug and Gang Prevention Resource Center Fund	624,200	(2,300)	3,700	(10,200)	700	200	700	0	500			617,500
State Aid to County Attorneys Fund	973,700	0	0	0	0	0	0	0	0			973,700
State Aid to Indigent Defense Fund	700,000	0	0	0	0	0	0	0	0			700,000
Victim Compensation and Assistance Fund	4,229,900	(3,700)	2,100	(4,500)	200	400	200	0	0			4,224,600
Total - Arizona Criminal Justice Commission	7,196,300	(10,600)	8,400	(25,400)	1,200	700	1,500	2,000	500	0	0	7,174,600
Deaf and the Blind, Arizona Schools for the												
Schools for the Deaf and the Blind Fund	14,316,700	(145,400)	82,300	(368,100)	53,400	600	15,700	0	0			13,955,200
Cooperative Services Fund	17,914,500	0	129,100	0	45,300	1,200	18,500	0	0			18,108,600
Total - Arizona State Schools for the Deaf and the Blind	32,231,200	(145,400)	211,400	(368,100)	98,700	1,800	34,200	0	0	0	0	32,063,800
Deaf and the Hard of Hearing, Comm. for the												
Telecommunication Fund for the Deaf	4,685,900	(15,800)	8,900	(52,300)	1,300	800	2,200	900	0			4,631,900
Dental Examiners, State Board of												
Dental Board Fund	1,842,200	(11,800)	6,700	(25,700)	2,700	600	1,100	0	0			1,815,800
Economic Security, Department of												
Child Support Enforcement Administration Fund	17,531,300	(464,600)	263,200	(215,400)	0	11,300	47,500	0	31,400			17,204,700
Domestic Violence Services Fund	4,000,000	0	0	0	0	200	0	0	0			4,000,200
Federal Child Care and Development Fund												
Block Grant	1,286,155,800	0	0	(299,500)	0	0	12,200	0	11,500			1,285,880,000
Federal Pandemic Emergency Assistance Fund	14,546,500	0	0	0	0	0	0	0	0			14,546,500
Federal Temporary Assistance for Needy												
Families Block Grant	65,839,800	0	0	(434,000)	0	0	0	0	0			65,405,800
Long Term Care System Fund	32,463,800	0	0	(4,200)	0	0	0	0	0			32,459,600
Public Assistance Collections Fund	423,600	0	0	0	0	0	100	0	0			423,700
Sexual Violence Service Fund	8,000,000	0	0	0	0	0	0	0	0			8,000,000
Special Administration Fund	4,550,000	(8,900)	5,100	(39,400)	0	2,000	1,700	0	2,100			4,512,600
Spinal and Head Injuries Trust Fund	2,340,200	(5,300)	3,000	(8,600)	0	5,800	500	0	400			2,336,000
Statewide Cost Allocation Plan Fund	1,000,000	0	0	0	0	0	0	0	0			1,000,000
Workforce Investment Act Grant	56,085,500	0	0	(40,100)	0	0	12,200	0	11,500			56,069,100
Total - Department of Economic Security	1,492,936,500	(478,800)	271,300	(1,041,200)	0	19,300	74,200	0	56,900	0	0	1,491,838,200
Education, Department of												
Department of Education Empowerment												
Scholarship Account Fund	350,000	0	0	0	0	0	0	0	0			350,000
Department of Education Professional												
Development Revolving Fund	2,700,000	0	0	0	300	800	0	0	0			2,701,100
Permanent State School Fund	309,832,400	0	0	0	0	0	0	0	0			309,832,400
Proposition 301 Fund	7,000,000	0	0	0	0	0	0	0	0			7,000,000
Teacher Certification Fund	2,420,700	(20,200)	11,400	(56,500)	1,200	400	2,100	0	0			2,359,100
Tribal College Dual Enrollment Program Fund	325,000	0	0	0	0	0	0	0	0			325,000
Total - Department of Education	322,628,100	(20,200)	11,400	(56,500)	1,500	1,200	2,100	0	0	0	0	322,567,600

	OF General Appropriation Act - Individual Agency	2/ OF HITF Premium Reduction	3/ OF HITF Premium Increase	3/ OF 27th Pay Period Adjustment	3/ OF Risk Management	3/ OF AFIS Transaction Fee	3/ OF Retirement	3/ OF Rent COP	3/ OF Fleet	3/ OF FY 2022 Additional Appropriations	4/ OF Prior Year/ Statutory Appropriations	5/ OF FY 2022 Approp Rpt Total
Emergency and Military Affairs, Department of												
Nuclear Emergency Management Fund	0	0	0	0	0	0	0	0	0	1,930,400	0	1,930,400
Environmental Quality, Department of												
Air Quality Fund	5,472,400	0	0	(94,000)	0	0	4,400	0	0	0	0	5,382,800
Emergency Response Fund	132,800	0	0	0	0	0	0	0	0	0	0	132,800
Emissions Inspection Fund	30,365,800	(19,300)	11,000	(65,500)	0	0	1,600	0	0	0	0	30,293,600
Hazardous Waste Management Fund	1,785,000	(10,100)	5,700	(33,700)	0	0	1,400	0	0	0	0	1,748,300
Indirect Cost Recovery Fund	14,025,500	(99,600)	56,400	(350,700)	55,700	1,700	13,600	68,600	191,400	0	0	13,962,600
Permit Administration Fund	7,327,100	(37,500)	21,300	(148,700)	0	0	4,300	0	0	0	0	7,166,500
Recycling Fund	1,596,800	(8,900)	5,100	(29,400)	0	0	1,500	0	0	0	0	1,565,100
Safe Drinking Water Program Fund	2,254,700	(9,900)	5,600	(38,200)	0	600	1,500	0	0	0	0	2,214,300
Solid Waste Fee Fund	1,884,700	(7,500)	4,200	(29,100)	0	500	1,100	0	0	0	0	1,853,900
Underground Storage Tank Fund Revolving Fund	160,800	(49,600)	28,100	0	100	0	9,400	0	0	0	0	148,800
Voluntary Vehicle Repair and Retrofit Program Fund	560,000	0	0	0	0	0	0	0	0	0	0	560,000
Water Quality Fee Fund	10,806,300	(72,300)	41,000	(184,900)	0	0	600	0	0	0	0	10,590,700
Total - Department of Environmental Quality	76,371,900	(314,700)	178,400	(974,200)	55,800	2,800	39,400	68,600	191,400	0	0	75,619,400
Equal Opportunity, Governor's Office of												
Personnel Fund	197,700	(1,100)	600	(6,300)	100	0	300	0	0	0	0	191,300
Exposition and State Fair Board, Arizona												
Arizona Exposition and State Fair Fund	13,523,700	(35,300)	20,000	(216,700)	(1,200)	1,000	6,000	0	0	0	0	13,297,500
Funeral Directors and Embalmers, Board of												
Board of Funeral Directors' and Embalmers' Fund	410,700	(4,900)	2800	(9,500)	3,000	300	400	0	0	0	0	402,800
Game and Fish Department, Arizona												
Capital Improvement Fund	1,001,200	0	0	0	0	0	0	0	0	0	0	1,001,200
Game and Fish Fund	41,241,500	(253,700)	143,700	(954,700)	0	10,100	81,300	0	193,300	0	0	40,461,500
Game, Nongame, Fish and Endangered Species Fund	367,400	(1,500)	800	(9,400)	0	100	200	0	0	0	0	357,600
Watercraft Licensing Fund	5,030,400	(27,900)	15,800	(73,000)	0	2,300	7,600	0	0	0	0	4,955,200
Wildlife Endowment Fund	16,200	0	0	0	0	0	0	0	0	0	0	16,200
Total - Arizona Game and Fish Department	47,656,700	(283,100)	160,300	(1,037,100)	0	12,500	89,100	0	193,300	0	0	46,791,700
Gaming, Department of												
Fantasy Sports Contest Fund	145,000	0	0	0	0	0	0	0	0	0	0	145,000
Tribal-State Compact Fund	2,176,500	(20,300)	11,500	(66,400)	0	500	2,600	500	0	0	0	2,104,900
Racing Regulation Fund	2,466,000	(12,900)	7,300	(53,900)	100	700	2,200	200	1,800	0	0	2,411,500
Racing Regulation Fund - Uarmed Combat Subaccount	102,300	0	0	(2,800)	0	0	100	0	0	0	0	99,600
State Lottery Fund	300,000	0	0	0	0	0	0	0	0	0	0	300,000
Arizona Benefits Fund	12,012,100	0	0	0	0	0	0	0	0	0	0	12,012,100
Total - Department of Gaming	17,201,900	(33,200)	18,800	(123,100)	100	1,200	4,900	700	1,800	0	0	17,073,100
Health Services, Department of												
Arizona State Hospital Fund	2,883,400	0	0	0	0	200	0	0	0	0	0	2,883,600
ASH Land Earnings Fund	650,000	0	0	0	0	0	0	0	0	0	0	650,000
Child Fatality Review Fund	199,200	(1,800)	1,000	(2,100)	0	100	100	0	0	0	0	196,500
Disease Control Research Fund	1,000,000	0	0	0	0	0	0	0	0	0	0	1,000,000
Emergency Medical Services Operating Fund	3,912,600	(34,600)	19,600	(82,400)	11,300	1,200	3,600	0	0	0	0	3,831,300
Environmental Laboratory Licensure Revolving Fund	952,000	(8,000)	4,500	(16,300)	0	200	900	0	0	0	0	933,300
Federal Child Care and Development Fund Block Grant	1,911,500	(11,800)	6,700	(23,300)	0	100	900	0	0	0	0	1,884,100
Health Services Licensing Fund	15,931,300	(138,200)	78,300	(331,500)	12,200	4,500	14,000	0	0	0	0	15,570,600
Health Services Lottery Monies Fund	200,000	0	0	0	0	0	0	0	0	0	0	200,000
Indirect Cost Fund	11,353,100	(82,800)	42,800	(213,500)	90,000	3,500	9,600	99,400	0	0	0	11,302,100
Newborn Screening Program Fund	13,576,900	(24,200)	13,700	(62,600)	0	1,300	2,600	0	0	0	0	13,507,700
Nursing Care Institution Resident Protection Revolving Fund	138,200	0	0	0	0	0	0	0	0	0	0	138,200
Prescription Drug Rebate Fund - State	2,500,000	0	0	0	0	0	0	0	0	0	0	2,500,000
Tobacco Tax and Health Care Fund Medically Needy Account	700,000	0	0	0	0	0	0	0	0	0	0	700,000
Vital Records Electronic Systems Fund	3,701,700	(15,800)	9,000	(57,400)	1,000	500	2,600	0	0	0	0	3,641,600
Total - Department of Health Services	59,609,900	(317,200)	175,600	(789,100)	114,500	11,600	34,300	99,400	0	0	0	58,939,000
Homeopathic and Integrated Medicine												
Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	46,600	(200)	100	(1,000)	300	100	100	0	0	0	0	46,000
Housing, Department of												
Housing Trust Fund	332,500	(3,600)	2,000	(8,600)	100	300	0	0	0	0	0	322,700
Industrial Commission of Arizona												
Administrative Fund	20,593,100	(167,200)	94,700	(454,600)	600	5,400	18,400	0	31,600	0	0	20,122,000
Insurance and Financial Institutions, Department of												
Automobile Theft Authority Fund	6,023,500	(5,000)	2,900	(15,700)	300	100	500	3,900	0	0	0	6,010,500

	OF General Appropriation Act - Individual Agency	OF HITF Premium Reduction	OF HITF Premium Increase	OF 27th Pay Period Adjustment	OF Risk Management	OF AFIS Transaction Fee	OF Retirement	OF RCP COP	OF Fleet	OF FY 2022 Additional Appropriations	OF Prior Year/ Statutory Appropriations	OF FY 2022 Approp Rpt Total
	2/	3/	3/	3/	3/	3/	3/	3/	3/	4/	5/	
Financial Services Fund	4,157,400	(46,800)	26,500	(136,500)	0	400	5,700	0	0			4,006,700
Department Revolving Fund	50,300	0	0	0	0	0	0	0	0			50,300
Total - Department of Insurance and Financial Institutions	10,231,200	(51,800)	29,400	(152,200)	300	500	6,200	3,900	0	0	0	10,067,500
Judiciary - Supreme Court												
Confidential Intermediary and Fiduciary Fund	509,400	(3,800)	2,200	(14,300)	0	200	600	0	0			494,300
Court Appointed Special Advocate Fund	4,092,400	(8,600)	4,900	(21,700)	0	200	800	0	0			4,068,000
Criminal Justice Enhancement Fund	4,497,100	(35,800)	20,300	(79,900)	1,000	500	4,600	0	0			4,407,800
Defensive Driving School Fund	4,316,900	(27,800)	15,800	(75,100)	0	600	3,100	0	0			4,233,500
Judicial Collection Enhancement Fund	15,198,700	(92,300)	52,300	(276,600)	1,500	1,100	11,100	0	0			14,895,800
State Aid to the Courts Fund	2,946,300	(300)	200	(800)	0	0	0	0	0			2,945,400
Total - Judiciary - Supreme Court	31,560,800	(168,600)	95,700	(468,400)	2,500	2,600	20,200	0	0	0	0	31,044,800
Judiciary - Superior Court												
Criminal Justice Enhancement Fund	5,475,800	0	0	(20,200)	0	0	600	0	0			5,456,200
Judicial Collection Enhancement Fund	6,015,200	0	0	0	0	0	0	0	0			6,015,200
Drug Treatment and Education Fund	503,400	0	0	0	0	0	800	0	0			504,200
Total - Judiciary - Superior Court	11,994,400	0	0	(20,200)	0	0	1,400	0	0	0	0	11,975,600
SUBTOTAL - Judiciary	43,555,200	(168,600)	95,700	(488,600)	2,500	2,600	21,600	0	0	0	0	43,020,400
Juvenile Corrections, Department of												
Criminal Justice Enhancement Fund	546,200	0	0	(10,800)	0	0	(2,200)	0	0			533,200
Department of Juvenile Corrections												
Local Cost Sharing Fund	8,450,900	0	0	0	0	0	0	0	0			8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	4,017,000	(4,600)	2,600	0	28,800	300	0	0	0			4,044,100
State Education Fund for Committed Youth	1,986,000	(14,500)	200	(60,400)	1,800	0	(19,400)	0	0			1,893,700
Total - Department of Juvenile Corrections	15,000,100	(19,100)	2,800	(71,200)	30,600	300	(21,600)	0	0	0	0	14,921,900
Land Department, State												
Due Diligence Fund	5,000,000	0	0	0	0	0	0	0	0			5,000,000
Environmental Special Plate Fund	260,600	0	0	0	0	0	0	0	0			260,600
Trust Land Management Fund	7,320,100	0	0	(38,400)	0	1,200	100	0	45,100			7,328,100
Total - State Land Department	12,580,700	0	0	(38,400)	0	1,200	100	0	45,100	0	0	12,588,700
Liquor Licenses and Control, Department of												
Liquor Licenses Fund	4,523,200	(28,100)	15,900	(82,500)	1,200	400	(12,800)	0	39,000			4,456,300
Lottery Commission, Arizona State												
State Lottery Fund	152,195,900	(88,900)	50,300	(225,700)	8,400	1,800	9,100	0	124,200			152,075,100
Massage Therapy, Board of												
Board of Massage Therapy Fund	486,100	(5,700)	3,200	(11,000)	500	100	500	0	0			473,700
Medical Board, Arizona												
Arizona Medical Board Fund	7,677,700	(49,100)	27,800	(162,200)	2,700	3,900	6,300	0	0			7,507,100
Mine Inspector, State												
Aggregate Mining Reclamation Fund	112,900	0	0	0	0	0	0	0	0			112,900
Naturopathic Physicians Medical Board												
Naturopathic Physicians Medical Board Fund	197,600	(1,500)	900	(4,200)	200	100	100	0	0			193,200
Navigable Stream Adjudication Commission												
Arizona Water Banking Fund	200,000	0	0	0	0	0	0	0	0			200,000
Nursing, State Board of												
Board of Nursing Fund	5,407,900	(48,900)	27,700	(129,100)	10,200	1,400	5,900	0	0			5,275,100
Nursing Care Institution Administrators Board												
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	538,700	(5,500)	3,100	(12,000)	500	300	1,000	0	0			526,100
Occupational Therapy Examiners, Board of												
Occupational Therapy Fund	204,700	(2,400)	1,400	(4,500)	200	300	200	0	0			199,900
Opticians, State Board of Dispensing												
Board of Dispensing Opticians Fund	166,200	(800)	400	(3,700)	300	100	100	0	0			162,600
Optometry, State Board of												
Board of Optometry Fund	248,200	(2,100)	1,200	(6,200)	400	200	200	0	0			241,900
Osteopathic Examiner in Medicine and Surgery, Arizona Board of												
Board of Osteopathic Examiners in Medicine and Surgery Fund	1,091,400	(6,700)	3,800	(22,800)	700	300	900	0	0			1,067,600
Parks Board, Arizona State												
Off-Highway Vehicle Recreation Fund	10,200	0	5,900	0	0	200	400	0	0			16,700
State Parks Store Fund	1,000,000	0	0	0	0	0	0	0	0			1,000,000
State Parks Revenue Fund	20,330,600	(131,700)	68,700	(499,900)	31,100	5,300	13,000	0	5,700			19,822,800
Total - Arizona State Parks Board	21,340,800	(131,700)	74,600	(499,900)	31,100	5,500	13,400	0	5,700	0	0	20,839,500
Personnel Board, State												
Personnel Board Subaccount of the Personnel Division Fund	332,500	(1,600)	900	(6,100)	400	100	200	0	0			326,400
Pharmacy, Arizona State Board of												
Arizona State Board of Pharmacy Fund	3,135,000	(20,200)	11,400	(67,900)	2,700	1,400	2,900	0	18,600			3,083,900

	OF General Appropriation Act - Individual Agency 2/	OF HITF Premium Reduction 3/	OF HITF Premium Increase 3/	OF 27th Pay Period Adjustment 3/	OF Risk Management 3/	OF AFIS Transaction Fee 3/	OF Retirement 3/	OF Rent COP 3/	OF Fleet 3/	OF FY 2022 Additional Appropriations 4/	OF Prior Year/ Statutory Appropriations 5/	OF FY 2022 Approp Rpt Total
Physical Therapy, Board of												
Board of Physical Therapy Fund	513,900	(3,500)	2,000	(9,400)	400	300	400	0	0			504,100
Pioneers' Home, Arizona												
Miners' Hospital for Miners with Disabilities Land Fund	2,137,500	(37,000)	21,000	(57,000)	0	400	2,100	0	7,100			2,074,100
State Charitable Fund	5,089,500	(62,200)	35,200	(109,500)	10,800	400	4,900	0	0			4,969,100
Total - Arizona Pioneers' Home	7,227,000	(99,200)	56,200	(166,500)	10,800	800	7,000	0	7,100	0	0	7,043,200
Podiatry Examiners, State Board of												
Podiatry Fund	171,600	(600)	300	(3,700)	300	100	200	0	0			168,200
Postsecondary Education, Commission for												
Postsecondary Education Fund	1,543,700	(1,500)	800	(6,300)	0	100	300	0	0			1,537,100
Private Postsecondary Education, Board for												
Board for Private Postsecondary Education Fund	436,300	(3,600)	2,000	(11,000)	200	100	500	(11,000)	0			413,500
Psychologist Examiners, State Board of												
Board of Psychologist Examiners Fund	563,000	(4,700)	2,600	(11,400)	500	300	500	0	0			550,800
Public Safety, Department of												
Arizona Highway Patrol Fund	93,191,200	(1,325,700)	750,900	(6,216,500)	1,700	600	(262,800)	0	78,500			86,217,900
Concealed Weapons Permit Fund	2,875,300	(19,400)	11,000	(58,500)	2,500	200	(3,800)	0	0			2,807,300
Criminal Justice Enhancement Fund	2,999,700	(19,100)	10,800	(55,800)	0	0	(4,100)	0	0			2,931,500
DPS Forensics Fund	23,235,600	(151,500)	85,800	(602,300)	0	300	(39,300)	0	0			22,528,600
Fingerprint Clearance Card Fund	1,596,100	(61,300)	34,700	0	11,200	400	0	0	0			1,581,100
GILTEM Border Security and Law Enforcement Subaccount	2,411,600	(3,700)	2,100	(13,800)	0	200	0	0	0			2,396,400
Motor Vehicle Liability Insurance Enforcement Fund	1,302,700	(8,600)	4,900	(43,200)	0	0	(1,700)	0	0			1,254,100
Motorcycle Safety Fund	205,000	0	0	0	0	0	(6,100)	0	0			198,900
Parity Compensation Fund	4,175,500	(27,300)	15,500	(163,400)	0	0	0	0	0			4,000,300
Public Safety Equipment Fund	2,893,700	0	0	0	0	300	0	0	0			2,894,000
Risk Management Revolving Fund	1,408,600	(13,900)	7,900	(49,600)	0	0	(2,000)	0	0			1,351,000
State Highway Fund	8,169,100	0	0	0	0	0	(2,100)	0	0			8,167,000
Total - Department of Public Safety	144,464,100	(1,630,500)	923,600	(7,203,100)	15,400	2,000	(321,900)	0	78,500	0	0	136,328,100
Residential Utility Consumer Office												
Residential Utility Consumer Office Revolving Fund	1,388,900	(9,600)	5,500	(35,500)	300	100	1,400	1,100	0			1,352,200
Respiratory Care Examiners, Board of												
Board of Respiratory Care Examiners Fund	333,300	(3,800)	2,200	(8,400)	500	300	0	0	0			324,100
Retirement System, Arizona State												
Long-Term Disability Trust Fund Administration Account	1,800,000	0	0	0	0	0	0	0	0			1,800,000
Arizona State Retirement System Administration Account	23,895,800	(228,600)	129,500	(610,900)	35,000	2,800	24,800	0	0			23,248,400
Total - Arizona State Retirement System	25,695,800	(228,600)	129,500	(610,900)	35,000	2,800	24,800	0	0	0	0	25,048,400
Revenue, Department of												
Department of Revenue Administrative Fund	26,816,200	(377,200)	213,700	(1,052,300)	0	6,700	43,300	0	19,400			25,669,800
Liability Setoff Program Revolving Fund	815,500	(6,100)	3,500	(7,000)	0	300	700	0	0			806,900
Tobacco Tax and Health Care Fund	694,700	(4,100)	2,300	(9,100)	0	200	500	0	0			684,500
Total - Department of Revenue	28,326,400	(387,400)	219,500	(1,068,400)	0	7,200	44,500	0	19,400	0	0	27,161,200
Secretary of State												
Election Systems Improvement Fund	192,500	0	0	0	0	0	0	0	0			192,500
Records Services Fund	1,286,800	(800)	2,100	(2,100)	0	400	400	0	0			1,286,800
Total - Secretary of State	1,479,300	(800)	2,100	(2,100)	0	400	400	0	0	0	0	1,479,300
Technical Registration, State Board of												
Technical Registration Fund	2,408,300	(24,200)	13,700	(51,900)	2,100	800	2,200	1,900	0			2,352,900
Transportation, Department of												
Air Quality Fund	326,000	(500)	300	(1,400)	0	0	100	0	0			324,500
Highway User Revenue Fund	688,800	(9,100)	24,000	(17,800)	0	15,700	0	0	0			701,600
Highway Damage Recovery Account	8,000,000	0	0	0	0	800	0	0	0			8,000,800
Ignition Interlock Device Fund	362,200	(3,300)	1,900	(10,000)	0	0	300	0	0			351,100
Motor Vehicle Liability Insurance Enforcement Fund	1,823,500	(21,700)	12,300	(44,100)	0	500	1,700	0	0			1,772,200
State Aviation Fund	2,064,800	(16,700)	9,400	(46,200)	0	1,300	1,600	0	0			2,014,200
State Highway Fund	422,701,400	(3,676,900)	2,082,800	(6,999,000)	0	290,300	304,700	0	0			414,703,300
State Fleet Operations Fund	13,767,700	0	0	0	0	0	0	0	0			13,767,700
State Vehicle Replacement Fund	4,500,000	0	0	0	0	0	0	0	0			4,500,000
Transportation Department Equipment Fund	19,755,200	(203,500)	115,300	(407,800)	0	9,100	16,900	0	0			19,285,200
Vehicle Inspection and Certificate of Title Enforcement Fund	2,163,800	(22,400)	12,700	(62,300)	0	400	2,400	0	0			2,094,600
Total - Department of Transportation	476,153,400	(3,954,100)	2,258,700	(7,588,600)	0	318,100	327,700	0	0	0	0	467,515,200
Treasurer, State												
Arizona Highway Patrol Fund	2,500,000	0	0	0	0	0	0	0	0			2,500,000

	OF General Appropriation Act - Individual Agency 2/	OF HITF Premium Reduction 3/	OF HITF Premium Increase 3/	OF 27th Pay Period Adjustment 3/	OF Risk Management 3/	OF AFIS Transaction Fee 3/	OF Retirement 3/	OF Rent COP 3/	OF Fleet 3/	OF FY 2022 Additional Appropriations 4/	OF Prior Year/ Statutory Appropriations 5/	OF FY 2022 Approp Rpt Total
School Safety Interoperabilit Fund	1,500,000	0	0	0	0	0	0	0	0			1,500,000
Law Enforcement and Boating Safety Fund	2,183,800	0	0	0	0	0	0	0	0			2,183,800
State Treasurer's Operating Fund	3,681,200	(30,100)	17,000	(89,500)	300	1,400	3,400	0	0			3,583,700
Total - State Treasurer	9,865,000	(30,100)	17,000	(89,500)	300	1,400	3,400	0	0	0	0	9,767,500
Universities												
Arizona State University												
University Collections Fund	603,575,900	(4,777,100)	0	0	791,700	0	388,400	0	0			599,978,900
Total - Arizona State University	603,575,900	(4,777,100)	0	0	791,700	0	388,400	0	0	0	0	599,978,900
Northern Arizona University												
University Collections Fund	138,921,300	(186,500)	0	0	0	0	732,000	0	0			139,466,800
University of Arizona - Main Campus												
University Collections Fund	322,263,600	(2,965,800)	0	0	(1,718,600)	0	178,000	0	0			317,757,200
University of Arizona - Health Sciences Center												
University Collections Fund	56,863,400	0	0	0	0	0	0	0	0			56,863,400
SUBTOTAL - Universities	1,121,624,200	(7,929,400)	0	0	(926,900)	0	1,298,400	0	0	0	0	1,114,066,300
Veterans' Services, Department of												
State Homes for Veterans' Trust Fund	51,278,200	(308,900)	175,000	(707,700)	44,100	5,200	33,100	0	0			50,519,000
Total - Department of Veterans' Services	51,278,200	(308,900)	175,000	(707,700)	44,100	5,200	33,100	0	0	0	0	50,519,000
Veterinary Medical Examining Board												
Veterinary Medical Examining Board Fund	618,300	(2,600)	1,500	(17,000)	600	300	700	0	0			601,800
Water Resources, Department of												
Assured and Adequate Water Supply Admin Fund	276,700	0	0	(9,000)	0	0	400	0	0			268,100
Water Resources Fund	977,700	(5,000)	2,800	(11,300)	0	200	600	0	54,400			1,019,400
Water Banking Fund	1,212,400	0	0	0	0	0	0	6,700	0			1,219,100
Total - Department of Water Resources	2,466,800	(5,000)	2,800	(20,300)	0	200	1,000	6,700	54,400	0	0	2,506,600
OPERATING BUDGET TOTAL	\$5,326,658,300	(\$18,284,300)	\$6,013,500	(\$30,400,000)	(\$354,100)	\$527,100	\$2,012,600	(\$700)	\$1,295,300	\$2,210,900	\$2,350,000	\$5,292,028,600
University (27th) Pay Period	0										36,887,300	36,887,300
Remove One-Time '21 Agency 27th Pay Period Funding	(30,400,000)			30,400,000								0
Remove One-Time '21 Agency Health Insurance	(18,284,300)	18,284,300										0
'22 One-Time HITF Employer Premium	14,000,000		(6,013,500)									7,986,500
'22 Risk Management Adjustments	(425,000)				354,100							(70,900)
'22 Retirement Adjustments	4,000,000						(2,012,600)					1,987,400
'22 AFIS Transaction Fee	1,000,000					(527,100)						472,900
'22 Rent Adjustments	100,000							700				100,700
'22 Fleet Adjustments	2,000,000								(1,295,300)			704,700
Capital Outlay - Building Renewal/Projects	470,869,700					0	0	0		45,000,000		515,869,700
GRAND TOTAL	5,769,518,700	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,210,900	\$84,237,300	\$5,855,966,900

**CROSSWALK OF FY 2022 GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
EXPENDITURE AUTHORITY**

AHCCCS	\$15,959,279,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,959,279,000
Child Safety, Department of	630,838,800	(37,200)	0	0	0	0	0	0	0	0	0	630,801,600
Economic Security, Department of	1,943,092,900	(962,300)	233,500	(3,952,400)	0	51,700	213,800	0	61,000	0	0	1,938,738,200
Education, Department of	1,200,671,500	0	0	0	0	0	0	0	0	0	0	1,200,671,500
GRAND TOTAL	\$19,733,882,200	(\$999,500)	\$233,500	(\$3,952,400)	\$0	\$51,700	\$213,800	\$0	\$61,000	\$0	\$0	\$19,729,490,300

1/ This chart provides a crosswalk between an agency's appropriation in the FY 2022 General Appropriation Act (Laws 2021, Chapter 408) and the individual agency amount as it appears in the FY 2022 Appropriations Report.

2/ Represents individual agency section of FY 2022 General Appropriation Act and other direct appropriations in the General Appropriation Act.

3/ Section 131 of the FY 2022 General Appropriation Act appropriates statewide adjustments from Other Appropriated Funds for Employer Health Insurance Contribution Reduction, Employer Health Insurance Contribution Rate Increase, Nonuniversity State Employee 27th Pay Period Reduction, Agency Risk Management Adjustments, Agency Retirement Adjustments, Arizona Financial Information System Adjustment, Agency Rent Adjustments and State Fleet Rate Adjustments. Section 131 requires JLBC Staff to determine the agency-by-agency distribution of these funds, which are reflected below.

4/ Appropriations separate from the FY 2022 General Appropriation Act enacted in the 55th Legislature, 1st Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

5/ Represents ongoing statutory appropriations or appropriations enacted prior to the 55th Legislature, 1st Regular Session. Individual bill detail appears in the "Budget Detail" section. See individual agency narrative for detail.

SUMMARY OF RISK MANAGEMENT CHARGES 1/

<u>Agency</u>	<u>FY 2022 Charge</u>
Accountancy, Arizona State Board of	\$5,400
Acupuncture Board of Examiners	1,700
Administration, Arizona Department of	1,388,300
Administrative Hearings, Office of	4,600
Agriculture, Arizona Department of	109,000
AHCCCS	340,800
African-American Affairs, Arizona Commission of	1,000
Arts, Arizona Commission on the	7,400
Athletic Training, Board of	1,100
Attorney General - Department of Law	595,600
Barbers, Board of	1,900
Behavioral Health Examiners, Board of	12,300
Charter Schools, State Board for	107,000
Child Safety, Department of	5,567,100
Chiropractic Examiners, State Board of	1,900
Citizens Clean Election Commission	2,900
Commerce Authority, Arizona	30,400
Constable Ethics Standards and Training Board	1,700
Contractors, Registrar of	38,700
Corporation Commission	125,900
Corrections, State Department of	7,053,400
Cosmetology, Board of	8,500
Criminal Justice Commission, Arizona	11,500
Deaf and the Blind, Arizona State Schools for the	423,500
Deaf and the Hard of Hearing, Commission for the	7,100
Dental Examiners, State Board of	15,900
Early Childhood Development and Health Board, Arizona	111,200
Economic Opportunity, Office of	13,400
Economic Security, Department of	2,515,200
Education, Board of	1,300
Education, Department of	171,200
Emergency and Military Affairs, Department of	1,156,100
Environmental Quality, Department of	250,200
Equal Opportunity, Governor's Office of	1,100
Equalization, State Board of	8,400
Executive Clemency, Board of	4,300
Exposition and State Fair Board, Arizona	293,500
Forestry and Fire Management, Arizona Department of	42,700
Funeral Directors and Embalmers, State Board of	16,200
Game and Fish Department, Arizona	725,400
Gaming, Department of	58,800
Governor, Office of the	220,900
Governor's Office of Strategic Planning and Budgeting	5,700
Health Services, Department of	1,085,800
Historical Society, Arizona	237,600
Historical Society of Arizona, Prescott	20,100
Homeland Security, Arizona Department of	19,500
Homeopathic and Integrated Medical Examiners, Board of	1,400
Housing, Arizona Department of	22,900
Independent Redistricting Commission,	1,000
Industrial Commission of Arizona	110,300
Insurance and Financial Institutions, Department of	56,400
Judiciary - Court of Appeals, Division I	29,300
Judiciary - Court of Appeals, Division II	11,700
Judiciary - Superior Court	1,750,900
Judiciary - Supreme Court	221,700
Juvenile Corrections, Department of	302,500
Land Department, State	80,600
Legislature - Legislative Council	37,900
Legislature - Auditor General	70,100

<u>Agency</u>	<u>FY 2022 Charge</u>
Legislature - House of Representatives	96,500
Legislature - Joint Legislative Budget Committee	10,700
Legislature - Senate	83,500
Liquor Licenses and Control, Department of	14,900
Lottery Commission, Arizona State	47,800
Massage Therapy, Board of	2,200
Medical Board, Arizona	20,200
Mine Inspector, State	7,100
Naturopathic Physicians Medical Board	1,700
Navigable Stream Adjudication Commission, Arizona	1,100
Nursing, State Board of	28,700
Nursing Care Institution of Administrators and Assisted Living Facility Managers, Board of Examiners of	3,300
Occupational Therapy Examiners, Board of	1,100
Opticians, State Board of Dispensing	1,400
Optometry, State Board of	1,700
Osteopathic Examiners in Medicine and Surgery, Arizona Board of	3,300
Park Board, Arizona State	347,700
Personnel Board, State	1,700
Pharmacy, Arizona State Board of	11,700
Physical Therapy, Board of	2,500
Pioneers' Home, Arizona	55,300
Podiatry Examiners, State Board of	1,400
Postsecondary Education, Commission for	6,100
Power Authority, Arizona	19,500
Private Postsecondary Education, State Board for	2,800
Psychologist Examiners, State Board of	2,500
Public Safety, Department of	4,875,600
Public Safety Personnel Retirement System	22,600
Real Estate Department, State	15,100
Residential Utility Consumer Office	2,900
Respiratory Care Examiners, Board of	2,200
Retirement System, Arizona State	215,400
Revenue, Department of	475,000
School Facilities Board	6,000
Secretary of State, Department of State	92,700
Tax Appeals, State Board of	1,700
Technical Registration, State Board of	9,300
Tourism, Office of	11,800
Transportation, Department of <u>2/</u>	15,981,300
Treasurer, State	9,300
Tribal Relations, Governor's Office on	1,700
Universities - Arizona State University	11,054,200
Universities - Northern Arizona University	3,349,400
Universities - Regents, Arizona Board of	64,600
Universities - University of Arizona	8,928,200
Veterans' Services, Department of	450,200
Veterinary Medical Examining Board, Arizona State	3,000
Water Infrastructure Financing Agency	7,100
Water Resources, Department of	50,900
<i>Other Agencies</i>	
Boyce-Thompson Arboretum	13,100
Central Arizona Water Conservation District	2,500
 GRAND TOTAL	 <u>71,942,100</u>

1/ Total charges reflect Arizona Department of Administration billed amounts with the exception of the Arizona Department of Transportation (ADOT).

2/ A General Appropriation Act footnote requires ADOT to pay Risk Management charges of \$15,981,300.

**BUDGET RECONCILIATION BILLS
AND MAJOR FOOTNOTE CHANGES**

FY 2022 BUDGET RECONCILIATION BILLS (BRBs) AND MAJOR FOOTNOTE CHANGES*

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*Chapter numbers refer to Laws 2021, 1st Regular Session.

FY 2022 BUDGET RECONCILIATION BILL PROVISIONS

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

BUDGET PROCEDURES – CHAPTER 405 (SB 1819)

Statewide	<u>Section</u>
1. As session law, continues to set the FY 2022 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.	BP 36
2. As session law, adds a provision allowing ADOA to approve agency rent exemptions in FY 2022 without Joint Committee on Capital Review (JCCR) review. Requires ADOA to report to the Joint Legislative Budget Committee (JLBC) Staff on rent exemptions prior to taking action.	BP 36
3. As session law, continues to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.	BP 34
4. As session law, continues to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund through FY 2024.	BP 37
5. As session law, prior to spending more than \$10,000,000, requires the following entities to report to the Senate President, Speaker of the House of Representatives, Appropriations Committee chairmen, and the JLBC Director on the use of monies received from the American Rescue Plan Act. In addition, require each entity to report quarterly on all expenditures. <ul style="list-style-type: none"> – The Governor's Office would report on the Coronavirus State Fiscal Recovery Fund, and the Coronavirus Capital Projects Fund. – The Superintendent of Public Instruction would report on the Elementary and Secondary School Emergency Relief Fund. – The Arizona Board of Regents would report the Higher Education Emergency Relief Fund. The Legislature's intent is that the Executive branch also report on any additional federal aid distributed to Arizona through federal legislation enacted before the end of FY 2022.	BP 38
6. As permanent law, changes the JLBC's January 31 reporting requirement for state debt and obligations to include information for the upcoming fiscal year instead of the prior fiscal year and eliminate the requirement that the report be based on the ADOA Report of Bonded Indebtedness.	BP 24
7. As permanent law, limits the Governor's initial state of emergency for public health to 30 days. Allows the Governor to extend the order in 30-day increments with a report to the Joint Committee of Health Committees. Requires legislative approval to extend the state of emergency beyond 120 days.	BP 7, 8
8. As session law, states that COVID-19 is a matter of statewide concern. Prohibits a county, city, or town from issuing a rule or ordinance to mitigate COVID-19 that impacts schools or private entities. Allows a county, city, or town to enforce mitigation policies within its own buildings.	BP 39
9. As permanent law, allows a person to refuse a vaccination as mandated during certain public health emergencies based on the person's personal beliefs.	BP 11
 Arizona Department of Administration	
10. As permanent law, allows ADOA to transfer unspent Automation Project Fund (APF) subaccount funding back to the fund of origin at the completion of an information technology project. Require ADOA to annually report on transfers.	BP 22
11. As permanent law, establishes the State Permitting Director and the State Permitting Dashboard and outline the requirements of the database and its use.	BP 30, 31, 45, 46
12. As permanent law, expands the use of the Monument and Memorial Repair Fund to include alter and modify monuments and memorials.	BP 28
13. As permanent law, allows the Governor's Regulatory Review Council (GRRC) to initiate a review of an agency rule, policy or procedure in addition to the current requirement that a petition be submitted to GRRC for that purpose.	BP 23

14. As permanent law, removes prohibition that a newspaper be defined as not a publication that does not have a second class mail rate. BP 19

Attorney General

15. As session law, modifies the Missing and Murdered Indigenous Peoples Study Committee and extend the committee through September 30, 2025. BP 32
16. As permanent law, establishes the Unreported In-kind Political Contributions Task Force Fund consisting of legislative appropriations. The fund is continuously appropriated and is administered by the Attorney General. The Task Force consists of designees of the Attorney General and the Secretary of State. The Task Force is to investigate whether the practices of social media platforms and internet search engines result in unreported in-kind political contributions. Appropriates \$500,000 to the Attorney General from the General Fund for the Task Force Fund. BP 21, 49

Auditor General

17. As permanent law, requires the Auditor General to review the processes and statutory requirements for maintaining the statewide voter registration database, county early voting lists and the county voter registration databases for Maricopa and Pima Counties. Specifies the information the Secretary of State and the county recorders are to provide to the Auditor General. On June 30 of each even-numbered year, the Auditor General shall submit a report of its findings. Appropriates \$500,000 to the Auditor General from the General Fund for this purpose. BP 25, 50

Arizona Commerce Authority

18. As permanent law, establishes the Major Events Fund consisting of monies appropriated by the Legislature for a special event promotion and attraction pilot program. Monies are non-lapsing and can be used for planning and operations of competitively bid major events, grants to local organizing committees for infrastructure and operations costs of major events, and other economic development activities associated with major event operations. Requires ACA to report semi-annually on expenditures. BP 29

Department of Emergency and Military Affairs

19. As permanent law, amends A.R.S. § 35-192 to allow the Governor's Emergency Fund to reimburse expenses from the fund at Department of Forestry and Fire Management cooperator rates with approval of the Governor or the State Emergency Council. BP 9

Arizona Game and Fish Department

20. As permanent law, requires the Arizona Game and Fish Department to provide assistance with voter registration when accepting applications for a hunting, fishing, or trapping license. BP 4

Department of Gaming

21. As permanent law, converts a dog racing permit to a harness racing permit by January 1, 2023 if the permittee meets all the qualifications for a harness racing permit. BP 1
22. As permanent law, amends Laws 2021, Chapter 234 to require the Department of Gaming to transfer all monies in the Event Wagering Fund to the General Fund after up to 10% of monies are used for administrative and regulatory purposes. Previously, the department was required to transfer all monies in the fund to the General Fund on the 25th day of each month. BP 3, 52

Arizona Department of Health Services

23. As permanent law, allows the Director of the Department of Health Services to adopt rules regarding the collection of data from health care institutions. BP 10

Legislature

24. As session law, establishes a special Senate committee on the election audit to receive and review the findings of the Senate audit of the 2020 General Election in Maricopa County and to make recommendations on legislative action. BP 47

Department of Liquor Licenses and Control

25. As session law, allows the Department of Liquor Licenses and Control to adopt rules and be exempt from rulemaking for recent legislation associated with liquor delivery and off-sale permits and leases. BP 43

Arizona State Lottery Commission

26. As permanent law, prohibits the State Lottery from directly or indirectly spending or allocating lottery funds to advertise the lottery at a professional sporting event or in conjunction with any professional sports team. BP 2, 41

Department of Public Safety

27. As session law, exempts the FY 2022 appropriation for DPS body cameras from oversight from the Information Technology Authorization Committee. BP 42

Public Safety Personnel Retirement System

28. As permanent law, requires PSPRS to submit a final report on contribution rates for the ensuing fiscal year on December 1 of each year. BP 12, 13, 14, 15, 16, 17, 18

Department of Real Estate

29. As session law, through FY 2022, increases threshold for the termination of a condominium from 80% agreement of owner units to 100% of the votes in the association. This language shall not be construed to interfere with existing contracts. BP 51

Secretary of State

30. As permanent law, caps the procurement exemption for the Library, Archives and Public Records at \$150,000. BP 20
31. As permanent law, transfers oversight of the State Museum from the Secretary of State to Legislative Council. BP 26,27, 44
32. As session law, states that legislative intent that the Attorney General has the authority in all state election-related litigation through June 30, 2023. This authority excludes the Clean Elections Commission. BP 33
33. As permanent law, requires that the Secretary of State (SOS) and county recorder shall post on their website a list of each event that the SOS office or the recorder attends and provides voter registration services. BP 4
34. As permanent law, specifies the type of paper that is used for ballots. BP 5
35. As session law, requires the Secretary of State to request, on or before December 31, 2021, Arizona-specific guidance from the U.S. Election Assistance Commission on federal-only voter registration. BP 35
36. As permanent law, requires the Secretary of State to provide access to the statewide voter registration database to a person or entity that is designated by the Legislature and to the election integrity unit of the Attorney General's office for the purpose of analyzing voter registration rolls. Requires the Secretary of State to notify county recorders if the analysis determines there are persons registered to vote who are not eligible. Requires county recorders to submit annual reports with information on federal-only voters. BP 4

State Treasurer

37. As permanent law, establishes the Election Integrity Fund consisting of legislative appropriations. The Treasurer shall administer the fund. Monies may only be used to pay county recorders for voter education expenses and election security measures, including tabulation equipment, cybersecurity, and postelection hand tabulation efforts. Based upon applications from the county recorders, the Treasurer shall make payments from the fund. BP 6
38. As session law, the sum of \$12,000,000 is appropriated from the General Fund in FY 2022 to the Election Integrity Fund. BP 48

Office of Tourism

39. As session law, establishes the Advisory Committee on the Formation of a Southern Arizona Regional Sports Authority. BP 40

CRIMINAL JUSTICE – CHAPTER 403 (HB 2893)

Section

Attorney General

40. As permanent law, expands A.R.S. § 41-194.01 to require the Attorney General to investigate any written policy, rule, or regulation adopted by any county, city, or town agency, department, or other entity at the request of a legislative member. Requires that the member notify the local government in writing of the alleged violation, and allows the body 60 days to resolve the issue before the legislator can request that the AG investigate. CJ 18

State Department of Corrections

41. As session law, continues to require the department to report actual FY 2021, estimated FY 2022, and requested FY 2023 expenditures as delineated in the prior year when the department submits its FY 2023 budget request pursuant to A.R.S. § 35-113. CJ 25
42. As permanent law, amends A.R.S. § 31-227 to permit counties to send prosecution-related invoices directly to the department for payment without the approval of the Executive or ADOA. CJ 13
43. As permanent law, establishes a mental health transition pilot program in the Department of Corrections with a delayed repeal of June 30, 2026, and require ADC to place up to 500 inmates who have been diagnosed as seriously mentally ill and are eligible for AHCCCS benefits upon release in at least a 90-day program each year. Also requires ADC to study the recidivism of participants and submit an annual report by December 31. CJ 14,15
44. As permanent law, exempts correctional officers from jury duty. Current exemption expires January 1, 2022. CJ 9

Counties and Cities & Towns

45. As permanent law, amends A.R.S. § 13-1414 to allow expenses for forensic interviews to be paid by the county with federal monies, state monies appropriated by the Legislature, or by any applicable combination. CJ 8
46. As permanent law, allows counties to establish a coordinated reentry planning services program to provide screening and assessment of persons who are booked into county jail and connect them with behavioral health and substance abuse treatment. CJ 1

Department of Emergency and Military Affairs

47. As session law, extends the provision allowing the department to expend up to \$1,250,000 from the Military Installation Fund through June 30, 2026 for the construction of a new Readiness Center. This authority was previously in effect through FY 2022. CJ 23
48. As permanent law, establishes the non-appropriated Border Security Fund, which shall be used for preventing human trafficking, preventing unlawful entry into the state, commercial vehicle inspection infrastructure, clearing nonindigenous plants, and constructing and maintaining a physical border fence. CJ 11
49. As permanent law, creates a National Guard Cyber Response Revolving Fund with monies appropriated by the Legislature and monies received as reimbursement costs for the state has incurred for cyber-attack prevention, response, and support activities. Monies in the fund may be used for costs incurred for those same purposes or costs associated with assisting agencies and political subdivisions with cyber support activities. CJ 12

Judiciary

50. As session law, amends Laws 2018, Chapter 278, Section 17 to allow the Supreme Court to spend money from the funds on a new appellate case management system in FY 2022 and CJ 24

reduce the total allowed expenditure from \$3,150,000 to \$2,600,000. The new system was scheduled to be ready at the end of FY 2021, but due to the impact of the COVID-19 pandemic on staffing, the go-live date was delayed to FY 2022.

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| 51. | As permanent law, establishes the General Adjudication and Personnel Support Fund to be used by the Supreme Court and Department of Water Resources for general water adjudication staff, equipment and services. Allow the Supreme Court to appoint paralegals and law clerks for general water adjudication and require the positions to be fully funded by the state. Require the Supreme Court to submit an expenditure plan to the JLBC prior to expending any monies in FY 2022 and FY 2023. The JLBC may require a review of the plan. | CJ 4,22 |
| 52. | As permanent law, establishes 2 county probation funding programs to reward counties for reducing the number of probationers that are returned to state prison: <ul style="list-style-type: none"> – Probation success incentive payments: Payments are distributed to counties if they return fewer probationers to prison in a fiscal year compared to a baseline (the average number returned in FY 2008, FY 2015 and FY 2019). Incentive payments are equal to 50% of the marginal incarceration cost in the State Department of Corrections. – Probation success incentive grants: The total grant funding is calculated in the same way as the incentive payments, but is equal to 25% of the marginal incarceration cost. Distribution of the grant funding is determined by a board consisting of the chief probation officers of each county. <p>The permanent law change also specifies the uses of the funds and requires annual reporting. The incentive payments and grant funding are subject to appropriation.</p> | CJ 7 |
| 53. | As permanent law, changes the name of the Arizona Lengthy Trial Fund to the “Arizona Lengthy Trial and Digital Evidence Fund” and allow the Courts to use excess revenue for digital storage costs. | CJ 3,5,10 |
| 54. | As permanent law, prohibits the Supreme Court from using rules or administrative orders from a) abridging, enlarging, or modifying substantive rights of a litigant, and b) abridging, enlarging, or modifying statutory, contractual or common law real property rights questions of substantive law. | CJ 2 |
| 55. | As permanent law, repeals A.R.S. § 12-284.02, an unused statute which allows the courts to charge a fee for electronic filing and access to superior court records. | CJ 6 |

Department of Public Safety

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| 56. | As session law, continues to allow the State Aid to Indigent Defense Fund to be used for DPS operating expenses. | CJ 26 |
| 57. | As permanent law, adds requirements and restrictions for redaction and release of video footage by DPS to the public. | CJ 20 |
| 58. | As permanent law, requires the director to adopt rules for rapid DNA testing procedures. | CJ 21 |
| 59. | As session law, require the Department of Public Safety to purchase a virtual firing range for the White Mountain Apache Police Department using an existing appropriation. | CJ 27 |
| 60. | As permanent law, amends Laws 2021, Chapter 322 (HB 2567) and Laws 2021, Chapter 338 (HB 2462) to clarify that the requirements also apply to a person, agency or department; further defines a civilian review board; and makes the bills retroactive to January 1, 2021. Also exempts those who are, or who have ever been AZPOST certified and those serving on the AZPOST board from the training requirements in Chapter 338. | CJ 16,17,28 |

State Treasurer

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| 61. | As permanent law, changes the name of the Public Safety Interoperability Fund to the School Safety Interoperability Fund and shift the administrative control of the fund from the Department of Public Safety to the Treasurer. | CJ 19 |
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ENVIRONMENT – CHAPTER 407 (SB 1822)

Section

Drought Mitigation Board

62. As permanent law, establishes the Drought Mitigation Revolving Fund to provide financial assistance for drought mitigation efforts and water supply development. Fund can be used for forbearance of water deliveries that would avoid cuts to Arizona’s Colorado River Water Supplies, grants for the State Land Department, low-cost long term loans for the planning, designing, constructing or financing of water supply development projects to import water supplies from outside Arizona into this state, and administrative costs. Creates a 7-member oversight Drought Mitigation Board comprised of the Department of Water Resources (DWR) director and 6 appointed members with a background in water issues within the state for 5-year terms. The Governor, Senate President, and Speaker of the House of Representatives are each to make 2 appointments that must meet geographic residential requirements. The Senate President, Speaker of the House of Representatives, and State Land Commissioner are non-voting advisory members of the board. Sets administration and procedures for the fund. Includes a provision that a water study must be conducted prior to development of any infrastructure associated with a State Land Department grant for the Butler Valley groundwater basin. ENV 4,5,13
63. As session law, establishes fund and board statutes retroactively to allow for deposit from a FY 2021 supplemental to the new fund. ENV 14

Department of Environmental Quality

64. As session law, continues to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2022 for department administrative expenses and for sewage remediation. ENV 9
65. As session law, appropriates \$15,000,000 from the General Fund to the Water Quality Assurance Revolving Fund (WQARF) in FY 2022. ENV 11
66. As session law, allows the department to charge FY 2022 vehicle emissions inspections fees that are no greater than the fees charged in FY 2021. ENV 12

Department of Forestry and Fire Management

67. As permanent law, directs the department to process and pay claims to reimburse fire districts with a population of less than 5,000 for expenses incurred responding to emergency medical services provided on federal lands. ENV 2
68. As session law, amends Laws 2019, Chapter 263, section 141 to allow monies distributed to the Mount Lemmon fire district to be used for capital and equipment and extend the lapsing date of those monies to December 31, 2022. ENV 7

State Land Department

69. As permanent law, increases the Due Diligence Fund balance cap from \$500,000 to \$5,000,000 before transferring excess monies to the General Fund. ENV 1

Arizona Navigable Stream Adjudication Commission

70. As session law, continues to allow use of the Water Banking Fund for the commission’s legal obligations. ENV 10

Arizona State Parks

71. As permanent law, establishes the Park Store Fund consisting of monies deposited pursuant to the fee schedule set by the agency to charge customers for gift shop items. Monies in the fund would be subject to appropriation for the purpose of operating and maintaining state-owned gift shops. Monies in the fund would be exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations and a fund balance capped at \$1.25 million. Any monies above the cap at the end of each fiscal year would be transferred to the State Parks Revenue Fund. ENV 3

Water Infrastructure Finance Authority

72. As permanent law, adds water supply studies to the permissible use of monies in the Water Supply Development Revolving Fund. ENV 6

Department of Water Resources

73. As session law, continues to allow the department’s Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2022. ENV 8

HEALTH – CHAPTER 409 (SB 1824)

Section

Statewide

74. As permanent law, requires employers to provide reasonable accommodation to employees who provide notice that sincerely held religious beliefs, practices or observances prevent the employee from taking the COVID-19 vaccination, unless the accommodation poses an undue hardship and more than a de minimus cost to the operation of the employer's business. HLTH 3
75. As permanent law, prohibit state and local governments from establishing a COVID-19 passport, requiring any person to be vaccinated for COVID-19, or requiring a business to obtain proof of COVID-19 vaccination status from patrons. HLTH 13

AHCCCS

Rates and Services

76. As session law, continues the FY 2010 risk contingency rate reduction for all managed care organizations. Continues to impose a reduction on funding for all managed care organizations administrative funding levels. HLTH 29

Counties

77. As session law, sets the FY 2022 county Arizona Long Term Care System (ALTCS) contributions at \$283,194,000. HLTH 22
78. As session law, sets the County Acute Care contribution at \$45,634,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328. HLTH 25
79. As session law, continues to exclude Proposition 204 administration costs from county expenditure limitations. HLTH 27
80. As session law, continues to require AHCCCS to transfer any excess monies back to the counties by December 31, 2022 if the counties’ proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act. HLTH 24

Hospitals

81. As session law, continues to establish FY 2022 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 2022. HLTH 23
82. As session law, continues 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. HLTH 23

Available Funding

83. As session law, continues to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation. HLTH 34

Department of Child Safety

84. As permanent law, establishes the Comprehensive Health Plan Fund consisting of comprehensive health plan revenues and require the department to transfer excess capitation payments to the General Fund at the end of the following fiscal year. The comprehensive health plan includes both acute and behavioral health services for foster care children. HLTH 1

Department of Economic Security

85. As session law, continues to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable suspicion the recipient uses illegal drugs. HLTH 31
86. As permanent law, establishes the Sexual Violence Services Fund to provide financial assistance to service providers for victims of sexual violence. Requires a report from DES to the Governor, Speaker of the House of Representatives, and Senate President on or before October 1 on the population served. HLTH 17
87. As permanent law, requires the Office of the State Long-Term Care Ombudsman to visit long-term care facilities biannually, require the Ombudsman to speak with residents or their representatives, investigate and resolve complaints and refer cases to Adult Protective Services or the appropriate agency, and change complaint communication requirements for DD service providers. HLTH 8,9,10,11,16,20

Department of Education

88. As permanent law, prohibits K-12 schools from requiring vaccines issued under emergency use authorization for attendance. HLTH 12

Department of Health Services

89. As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations. HLTH 28
90. 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. HLTH 30
91. As permanent law, requires the Department of Health Services to report on July 1 of each year to the JLBC on its distribution of Proposition 207 monies in the prior fiscal year, including monies in the Justice Reinvestment Fund and monies received from a \$19,000,000 fund transfer from the Medical Marijuana Fund. HLTH 5
92. As permanent law, eliminates the requirement that the first \$300,000 in radiation regulatory fees collected be deposited to the General Fund. HLTH 4
93. As session law, requires DHS to reduce fees collected for services provided by the Bureau of Radiation Control so that revenues generated by the fees are reduced by \$300,000. HLTH 26
94. As session law, requires DHS to add Spinal Muscular Atrophy and X-Linked Adrenoleukodystrophy to the newborn screening panel by December 30, 2021. As permanent law, require all congenital disorders that are included on the U.S. Department of Health and Human Services Recommended Uniform Screening Panel to be added by December 31, 2023. HLTH 14,32
95. As permanent law, allows DHS to set fees for newborns screening and require any fee changes to be presented to the JLBC for review. The Legislature intends that any fee increase not exceed the direct costs of testing. HLTH 14,33

Department of Insurance and Financial Institutions

96. As permanent law, requires the department to use data in existing regulatory filings to calculate an annual medical loss ratio for each dental insurer in the state and post the information on the department's website. HLTH 2

Board of Examiners of Arizona Nursing Care Institution Administrators and Assisted Living Facility Managers

97. As permanent law, adds a public member who represents an organization that advocates for the elderly and one person who is a family member of a resident in a skilled nursing facility or assisted living facility as members of the board. HLTH 6
98. As permanent law, requires all new licenses and certifications issued after June 30, 2021 to be approved by both the board and DHS. HLTH 7,36
99. As permanent law, continue the board through March 31, 2022 and repeal the board on January 1, 2023. HLTH 19,35,36
100. As session law, establishes the Nursing Care Institution and Assisted Living Facility Study Committee to consider whether the board should be administered independently, or the duties HLTH 21

should be moved to DHS or another successor. Requires the committee to report of its findings by December 1, 2021.

State Treasurer

- 101. As permanent law, requires the State Treasurer to submit an annual September 1 report to the JLBC and the Governor's Office of Strategic Planning and Budgeting on monies distributed from the Smart and Safe Arizona Fund to agencies for the administrative costs of implementing the provisions of Proposition 207. The report will include actual distributions from the prior fiscal year and estimated distributions for the current fiscal year. HLTH 5

HIGHER EDUCATION – CHAPTER 410 (SB 1825)

Section

Arizona Community Colleges

- 102. As session law, continues to suspend the Operating State Aid funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2022 for only Maricopa and Pima Counties. HEd 14
- 103. As session law, continues to set the Science, Technology, Engineering and Mathematics and Workforce Programs district funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2022 for only Maricopa, Pima and Pinal Counties. The Maricopa and Pima distributions are already set by the FY 2020 General Appropriation Act through FY 2022. HEd 13

Department of Economic Security

- 104. As session law, establishes a Return to Work Program to provide last-dollar community college scholarships to part-time students who were receiving unemployment benefits or had filed for unemployment benefits as of May 15, 2021, are currently working at least 20 hours per week, are enrolled in at least 6 credit hours per semester, and demonstrate financial need as determined by the FAFSA. Allows awards to cover up to 6 credit hours per semester for up to 2 years or 4 academic semesters. Requires the Department of Economic Security (DES) to reimburse community colleges for scholarships provided under the program. HEd 15

Commission for Postsecondary Education

- 105. As permanent law, repeals the Commission for Postsecondary Education and transfer its responsibilities to the Arizona Board of Regents beginning January 1, 2022. HEd 6,7,16,17
- 106. As permanent law, repeals the Private Postsecondary Education Student Financial Assistance Program and the Private Postsecondary Education Grant Program. HEd 8,9,11
- 107. As permanent law, requires all future awards made from the Arizona Teacher Student Loan Program to be made to private school students. HEd 5,17

Universities

- 108. As session law, continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into Arizona Financial Aid Trust (AFAT). HEd 12
- 109. As permanent law, revises the current annual inflation adjustment for university capital infrastructure appropriations beginning in FY 2023. Current law requires the adjustment to be based off full calendar year growth rates. The revised calculation would be based on the growth rate from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year to avoid timing issues between the release of preceding year inflation data and enactment of the budget. Using second quarter data will provide certainty in the level of the annual appropriation. HEd 3,17
- 110. As permanent law, establishes the Agriculture Workforce Development Program in the University of Arizona Cooperative Extension Office to provide reimbursements to food-producing agricultural organizations for the costs of hiring apprentices and require the university to submit a report to the Governor, President of the Senate, and the Speaker of the HEd 1,17

House of Representatives on December 1 of each year regarding the effectiveness of the program.

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| 111. | As permanent law, allows a university under the jurisdiction of the Arizona Board or Regents to offer pro bono assistance to claimants who are small landowners in the general stream adjudication of water rights. Require the university to submit a report on the university's assistance activities to the Governor, Speaker of the House of Representatives, and Senate President on November 15 of each year. | HEd 2 |
| 112. | As permanent law, establishes the Arizona Promise Program to provide financial assistance to full-time university students who meet certain requirements. Requires the Arizona Board of Regents to guarantee awards to university students. Establish the Arizona Promise Program Fund in the Arizona Board of Regents consisting of legislative appropriations and other monies for administering the program and limit fund expenditures for marketing and administering the program to 3% of monies in fund each fiscal year. | HEd 4 |
| 113. | As permanent law, prohibits the universities from mandating that students obtain a COVID-19 vaccination, show proof of vaccination, or place any conditions on attendance or participation in classes or academic activities if a person chooses not to obtain a vaccine or disclose vaccination status. Students participating in clinical settings at a healthcare institution may be required to provide proof of COVID-19 vaccination as determined by the healthcare institution. Allows universities to require COVID-19 testing only if there is a significant outbreak in shared student housing and with approval from DHS. States that these requirements do not apply to students participating in research involving the live COVID-19 virus. | HEd 2 |
| 114. | As session law, eliminates the requirement that the universities use \$376,000,000 in SPEED bond authority for the projects on the Phoenix Biomedical Campus. | HEd 10 |

K-12 EDUCATION – CHAPTER 404 (HB 2898)

Section

Arizona Department of Administration

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| 115. | As session law, requires ADOA to select a 501(c)(3) nonprofit organization to administer the Transportation Modernization Grants Program. Requires the nonprofit organization to submit a report on the program's results by December 31, 2021 and June 30, 2022. Permits 5% of monies appropriated for the program to be spent on administrative expenses. | K12 111 |
| 116. | As permanent law, requires ADOA to develop a school financial transparency portal with school level data from districts and charter schools on revenues generated by weighted student count, allocation of federal, state, and local revenue, allocation of Classroom Site Fund monies, and expenditures on teacher pay and benefits, classroom supplies, student support, and other expenditures. | K12 22,23,118 |

Arizona State Schools for the Deaf and the Blind

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| 117. | As permanent law, establishes the Cooperative Services Fund. Authorize the fund to receive special education voucher monies paid to ASDB by the Department of Education pursuant to A.R.S. § 15-1202 on behalf of students enrolled in one of ASDB's 5 regional cooperatives, tuition payments from school districts, and district membership fees. These changes codify into law an existing administrative fund, but make monies appropriated and non-lapsing. A General Appropriation Footnote will allow ASDB to spend monies in excess of the appropriation from the fund, but requires the agency to first submit a report to JLBC on the intended use of the monies. | K12 43 |
| 118. | As permanent law, repeals the requirement in A.R.S. § 15-1304 that special education vouchers for enrollees in a regional cooperative be continuously appropriated. | K12 43 |

Department of Education

Formula Requirements

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| 119. | As permanent law, increases the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 1.21% for standard inflation. The base level also includes an increase of \$32.82 to | K12 4,27,33 |
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incorporate into Basic State Aid \$50,000,000 for teacher salary increases that was funded from the Classroom Site Fund on a one-time basis in FY 2021 pursuant to Section 137 of the FY 2019 General Appropriation Act.

- 120. As permanent law, establishes a Group B funding weight of 0.007 in the K-12 Basic State Aid formula for gifted pupils who score at or above the 97th percentile, based on national norms, on a test adopted by the State Board of Education. K12 27,32
- 121. As permanent law, increases the Group B funding weight for children with emotional disabilities, mild intellectual disabilities, a specific learning disability, a speech/language impairment, or other health impairments from 0.003 to 0.093. Increase the Group B funding weight for self-contained programs for children with multiple disabilities, autism, or severe intellectual disability from 5.833 to 5.988. K12 32
- 122. As permanent law, revises the Basic State Aid apportionment schedule to require ADE to distribute Basic State Aid payments to school districts and charter schools on the 15th day of every month beginning in FY 2023. K12 35,119

Results-Based Funding

- 123. As session law, continues 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. K12 107
- 124. As session law, continues 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. K12 107
- 125. As session law, continues 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. K12 107

Career and Technical Education Districts

- 126. As permanent law, establishes the Industry Recognized Certificate and Licensure Reimbursement Fund to be administered by the Department of Education. ADE shall use monies in the fund to reimburse CTEDs that cover the out-of-pocket exam costs for industry-recognized certificates and licensures for students eligible for free or reduced-price lunches. K12 41
- 127. As permanent law, permits CTEDs to receive ADM for 9th grade pupils enrolled in programs included on the Office of Economic Opportunity in-demand regional education list and that remain enrolled in the same CTED program through at least the 40th day of their junior year of high school. Also permits CTEDs to receive ADM for pupils enrolled in internship programs and pupils enrolled in a CTED in the year immediately following graduation. K12 14
- 128. As permanent law, requires ADE to include in its CTED annual report information on average daily membership, student counts, program enrollment, and program completion rates for CTED students in 9th grade eligible for Basic State Aid funding, students enrolled in internship programs, and students enrolled in the year immediately following graduation. The report shall include information on the number of 9th grade CTED pupils that receive BSA funding that remain in the same program through the end of junior year. K12 15
- 129. As session law, notwithstanding A.R.S. § 15-393 to permit students enrolled in a CTED to be included in ADM for FY 2022 through FY 2025 if their program is included on OEO's in-demand education list in the year immediately following graduation (ADM would otherwise only be allowed if the program was included on the list in the year the student initiated the program). K12 114

Other

- 130. As session law, continues stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General. K12 117
- 131. As permanent law, updates 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 2022. K12 55
- 132. As permanent law, amends A.R.S. § 15-911 to add OSPB as a recipient of a report on the aggregate expenditures of local revenues for all school districts. K12 30

133.	As permanent law, increases the maximum allowable annual transfer of unclaimed lottery prize monies to the Department of Education's Tribal College Dual Enrollment Program Fund pursuant to A.R.S. § 5-568 from \$250,000 currently to \$325,000.	K12 1
134.	As permanent law, transfers responsibility to direct and oversee the work of all investigators related to investigating certified and non-certified school personnel for unprofessional or immoral conduct from the Department of Education to the State Board of Education.	K12 5,8,9,13,18,19,2 0,56
135.	As permanent law, clarifies that districts and charter schools are eligible for reimbursement from the Extraordinary Special Education Needs Fund if they have a pupil receiving special education services who has incurred costs at least 3 times the statewide per pupil funding average. Stipulates that if available monies in the fund are insufficient to fund the cost of all claims that ADE shall prioritize districts and charter schools with the largest difference between the funding received for the student and the actual costs incurred for that student. Requires ADE to report by December 15th annually to the Governor, the President of the Senate, the Speaker of the House of Representatives, and JLBC and OSPB on the number of claims submitted and paid as well as use of the monies by recipient districts and charters.	K12 24
136.	As permanent law, requires ADE to develop policies to manage access to personally identifiable information, including a detailed security plan.	K12 39
137.	As session law, stipulates that ADE must receive review and approval from ITAC and ADOA prior to expending monies appropriated for the school finance system replacement project. Requires ADOA to establish development milestones for ADE's school finance system replacement project within 30 days of the last day of FY 2021. Stipulates that ADE must receive approval from the ADOA director and the Superintendent of Public Instruction prior to receiving funding for any project milestone. Requires ADE to submit a school finance system replacement project staffing plan for review by ADOA and to contract with a third-party vendor for oversight of the project.	K12 110
138.	As permanent law, prohibits counties, cities, towns, school districts, or charter schools from requiring the use of masks in schools beginning July 1, 2021.	K12 12,118
139.	As session law, requires school districts and charter schools to report to ADE by July 1, 2021 whether they offered in-person, teacher led instruction for at least 100 days of the 2020-2021 school year or a proportionate level of in-person instruction for LEAs with less than 180 instructional days. In-person instruction data delineated by school site. Stipulates that ADE shall submit a report to OSPB and JLBC by August 1, 2021 that compiles the information on in-person instruction reported by school districts and charter schools.	K12 108
140.	As session law, requires ADE to post all the federally required academic learning loss plans on its website.	K12 108
141.	As session law, requires OSPB to publicly post K12 Supplementary Payment allocations by school district and charter school.	K12 108
142.	As session law, permits Buckeye Union High School District to submit corrections to the Teacher Experience Index (TEI) component of Basic State Aid formula calculations for FY 2021.	K12 109
143.	As session law, extends the placement of the crisis management team in Peach Springs Unified School District until April 1, 2022.	K12 106,118
144.	As session law, notwithstanding any other law to permit the state to only enforce statutory or regulatory requirements that are consistent with ADE's current approved waiver of accountability, school identification, and reporting requirements authorized by the U.S. Department of Education.	K12 113
145.	As permanent law, permits schools, rather than school districts and charter schools, to provide instruction under an instructional time model authorized by A.R.S. § 15-901.08, including remote learning up to 50% in FY 2022 and 40% in FY 2023, reallocation of time between courses, and staggered learning times.	K12 28
146.	As permanent law, requires school districts to post information about open enrollment on each school's website, including the school's capacity and whether or not the school is accepting open enrollment students by grade level. SBE shall adopt a model school format school districts may use for describing open enrollment options on their websites and, subject to the availability of appropriated monies, shall design a public awareness campaign about open enrollment options. Stipulates that ADE shall annually report on open enrollment participation by school district, school, and county.	K12 10,25,26

147.	As permanent law, notwithstanding any other law to stipulate that age-appropriate and grade-appropriate classroom instruction regarding child assault awareness and abuse prevention is allowed.	K12 21,120
148.	As permanent law, stipulates that teachers, administrators, or other employees of a school district, charter school, or state agency may not allow instruction that includes certain concepts related to race, ethnicity, and sex. Teachers in violation shall be subject to discipline, including suspension or revocation of certification, as determined by the State Board of Education. Authorizes the Court to impose a maximum civil penalty of \$5,000 per district, charter, or state agency where the violation occurs and authorizes the Attorney General to bring an action seeking injunctive relief or civil remedies against teachers, administrators, or other school district or charter school employees or a state employee that provides such instruction.	K12 21,50
149.	As permanent law, authorizes the Attorney General to bring an action seeking injunctive relief or civil remedies against a public official of this state that uses public resources to plan or execute any activity that impedes or prevents a public school from operating for any period of time unless the public official is acting in good faith and in furtherance of his or her official duties.	K12 50
150.	As permanent law, allows districts and charter schools to provide in lieu of transportation grants to parents of children in that district or school. Districts may use a portion of their existing transportation funding for such grants while charters may use Charter Additional Assistance funding.	K12 31
151.	As permanent law, stipulates that children attending or residing within the attendance boundaries of a school or school district assigned a letter grade of D or F and that are FRPL-eligible do not have to attend a public school prior to enrolling in the ESA program (previously only kindergarten students in the attendance boundaries of a D or F school were not required to attend a public school prior to enrolling in an ESA).	K12 46
152.	As permanent law, stipulates that most ESA enrollees have to attend a public school for 45 days in the current year or prior year before becoming eligible for the ESA program (previously the requirement was 100 days in the prior year). Allows kindergartners in Arizona Online Instruction to meet public school attendance requirements if they logged at least 200 hours in an AOI program in the current or prior year.	K12 46
153.	As permanent law, modifies various ESA program requirements. Allows ESAs to be used for out-of-pocket expenses from educational therapies; prohibits ADE from closing ESA accounts earlier than 4 years after high school graduation for accounts in good standing; requires ADE to make decisions on ESA applications in 30 days instead of 45; and modifies procedures related to ineligible expenses, suspended accounts, and appeals of agency decisions concerning ESAs.	K12 47,48,54
154.	As permanent law, prohibits districts or charter schools from requiring a student or teacher to receive a vaccine for COVID-19 or to wear a face covering to participate in in-person instruction.	K12 12,118
School Facilities Board		
155.	As permanent law, authorizes the board to procure professional services to assess, and determine the scope of work to address, building deficiencies for the building renewal and emergency deficiency corrections programs.	K12 69
156.	As permanent law, increases the new school cost-per-square foot rates by 60%.	K12 70
157.	As session law, notwithstanding current new school construction cost-per-square foot rates for schools authorized to begin construction in FY 2022 or earlier that have not yet received final SFB approval to begin construction.	K12 112
158.	As permanent law, requires SFB to apply the rates approved by the JLBC in the same year when allocating funding to schools approved for new school facilities in that year.	K12 70
159.	As permanent law, establishes the School Facilities Division within the Arizona Department of Administration. Authorizes the Division to administer the Building Renewal Grants Fund, the Emergency Deficiency Corrections Fund, and the New School Facilities Fund; establish contracts for school inspections related to building adequacy standards; and establish policies and procedures related to preventive maintenance in school buildings. Replaces the School Facilities Board with the School Facilities Oversight Board consisting of 6 members appointed by the Governor. Requires the board to approve student population projections submitted by	K12 2,3,5,6,7,10,11, 16,17,29,34,36, 37,38,40,44,45, 49,51,52,53,57- 105, 115,116

school districts to determine eligibility for New School Facilities funding; submit reports on monies distributed by the board; and adopt minimum school facility adequacy guidelines.

State Treasurer

160. As permanent law, requires the State Treasurer to submit an annual September 1 report to the JLBC and the Governor's Office of Strategic Planning and Budgeting on monies distributed from the Student Support and Safety Fund and Career Training and Workforce Fund to agencies for the administrative costs of implementing the provisions of Proposition 208. The report will include actual distributions from the prior fiscal year and estimated distributions for the current fiscal year. K12 42

REVENUE – CHAPTER 411 (SB 1827)

Section

Arizona Department of Agriculture

161. As session law, continues fee charging authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2022. Continues an intent clause that limits additional revenues to \$357,000. REV 10

Counties and Cities & Towns

162. 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 2022, up to \$1,250,000 of county revenue for each county. The bill also requires counties using this authority to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2021. REV 11
163. As session law, adds a provision requiring ADOA to bill the city of Flagstaff for the costs of their minimum wage above the statewide minimum wage, in accordance with the provisions in A.R.S. § 35-121.01. The bill would be \$1,110,992. REV 12

Department of Gaming

164. As session law, continues to set the Racing Wagering Assessment at 0.5% in FY 2022 only. REV 9

Industrial Commission of Arizona

165. As permanent law, establishes the Municipal Firefighter Cancer Reimbursement Fund consisting of fees charged to each city and town that receives state shared revenues for the purpose of reimbursing municipalities for firefighter cancer claims. The total amount of fees may not exceed \$15,000,000 in each fiscal year. The share of fees assessed to each city shall be based on population. Monies in the fund are continuously appropriated. REV 1,13,14

Department of Revenue

166. As permanent law, repeals the fee charged to cities, towns, counties, councils of governments and regional transportation authorities used to recover a portion of administrative expenses for tax collection services. REV 2,3,15
167. As session law, delays the reversion of Native American Veteran's Income Tax Settlement Fund monies from June 30, 2021 to June 30, 2023. REV 5,6,7,8,15
168. As permanent law, beginning in TY 2021, caps the total marginal tax rate for taxable income above \$250,000/\$500,000, including the Proposition 208 surcharge, at no more than 4.5%. Proposition 208 would receive the proceeds from the 3.5% surcharge. REV 4

TRANSPORTATION – CHAPTER 405 (SB 1829)

	<u>Section</u>
Arizona Department of Administration	
169. As permanent law, repeals the Motor Pool Revolving Fund and transfers the \$1,000,000 balance to the ADOT State Vehicle Purchase Fund.	TR 20,21,28
Department of Public Safety/Department of Transportation	
170. As permanent law, repeals the DPS and ADOT Safety Enforcement and Transportation Infrastructure Funds on July 1, 2021. The remaining balances and subsequent revenue are deposited to the State Highway Fund and State Highway Patrol Fund.	TR 5,6,7,13,14,15,16,17,18,19,23
Department of Transportation	
171. As permanent law, establishes the State Vehicle Replacement Fund consisting of monies deposited pursuant to a fee schedule set by ADOT to charge agencies for replacing and purchasing vehicles and equipment. The fund would be subject to appropriation and exempt from lapsing provisions.	TR 3
172. As permanent law, requires ADOT to submit an annual report to JLBC and OSPB on October 1 on the amount of monies in each agency subaccount, the number of vehicles being replaced, the number of vehicles at each agency, the replacement lifecycle for each vehicle, and the number of vehicles identified as not requiring replacement.	TR 3
173. As permanent law, establishes the State Fleet Operations Fund consisting of monies deposited pursuant to fee schedule set by ADOT for maintenance of vehicles and equipment. The fund would be subject to appropriation for the purpose of operating and maintaining the motor fleet and exempt from lapsing provisions.	TR 3
174. As session law, allows any business engaged in renting vehicles to use monies collected from their 2021 rental vehicle surcharge to reimburse the amount of vehicle license tax imposed on rental vehicles in 2020 and 2021.	TR 29
175. As permanent law, dismisses a violation for driving without registration or license plates if the person obtains the appropriate registration after the violation but before their court date.	TR 8
176. As permanent law, increases the daily storage fee for an impounded vehicle from \$15 to \$25.	TR 10
177. As permanent law, decreases the mandatory impoundment period for a vehicle from 30 days to 20 days.	TR 9,10,11,12
178. As permanent law, allows passengers in a vehicle other than the spouse to take possession of a vehicle rather than having it towed.	TR 9
179. As permanent law, repeals statutory provisions in A.R.S. § 28-9401 and A.R.S. § 28-9402 which require railroads to submit information to ADOT on major rail projects and creates a freight advisory council within ADOT.	TR 20
180. As permanent law, prohibits the department from charging the highway safety fee to any vehicle registrations that take effect starting in July 2021 moving forward. Any issuance of the highway safety fee from July 2021 moving forward will be refunded to the customer.	TR 4,30

TAX OMNIBUS – CHAPTER 412 (SB 1828)

	<u>Section</u>
Income Tax	
181. As permanent law, reduces the individual income tax rates to 2.55% for taxable income up to \$27,272/\$54,544 and to 2.98% for taxable income above \$27,272/\$54,544 in TY 2022. Further rate reductions beyond the proposed 2.55%/2.98% rates for TY 2022 will be contingent upon the state receiving more revenue than forecast as determined by JLBC and OSPB in September of each year. Excluding the beginning balance, the "trigger" target is set at \$12.8 billion in FY 2022 and \$13.0 billion in FY 2023 and each year thereafter. If the state receives more than the FY 2022 trigger level, the rates will be reduced to 2.53%/2.75% starting in TY 2023. If the state	TO 13,15

receives more than \$13.0 billion in FY 2023 or any subsequent year, the rate will be reduced to a single 2.5% rate in the following Tax Year.

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| 182. | As permanent law, adjusts for inflation the percentage of charitable contributions that taxpayers that take the standard deduction are allowed to claim over and above the regular standard deduction, beginning in TY 2022. The adjusted percentage cannot exceed 100%. | TO 17 |
| 183. | As permanent law, provides a full individual income tax exemption for benefits, annuities, and pensions received by military retirees, beginning in TY 2021. The current exemption is \$3,500. | TO 16,30 |
| 184. | As permanent law, expands the eligibility for students receiving "switcher" individual or low-income corporate school tuition organization (STO) scholarships to include those who were homeschooled, moved from out of state, or held an Empowerment Scholarship Account (ESA), beginning in TY 2021. | TO 23,24,30 |
| 185. | As permanent law, increases the credit cap for contributions by corporations and insurers to School Tuition Organizations for Displaced/Disabled students from \$5,000,000 to \$6,000,000, beginning in FY 2022. | TO 22,30 |
| 186. | As session law, for calendar year 2021, applications submitted to the Department of Revenue for the individual and corporate renewable energy production tax credit are allowed to be made prior to February 7. | TO 27 |
| 187. | As permanent law, allows public service corporations retroactively from January 1, 2021 to deduct for income tax purposes any amount of monies or other property contributed to them to expand, improve or replace their water system or sewage disposal facilities. | TO 20,30 |
| 188. | As permanent law, establishes a new nonrefundable income tax credit for the processing of qualified forest products, beginning in TY 2021. The credit has an annual cap of \$500,000 per taxpayer and \$2 million in total for all taxpayers. | TO 12,18,
21,29,30 |
| 189. | As permanent law, clarifies retroactively from January 1, 2016 that the transaction privilege tax and use tax exemption for machinery and equipment includes containment structures. | TO 7,8,9,
26,20,32 |
| 190. | As permanent law, provides that the payments of estimated tax by individual income tax filers do not apply to liability accruing from the Proposition 208 Surcharge. | TO 14 |
| 191. | As permanent law, continues to include capital items, community school meal programs, student consumable health care supplies, and playground equipment as eligible expenses for purposes of the individual income tax credit for public school fees and extracurricular activities until June 30, 2024 (eligibility for these items expires June 30, 2022). | TO 19 |
| 192. | As session law, expands the definition of Qualifying Foster Care Charitable Organizations (QFCO) for TY 2021 to allow tax credit donations to QFCOs that serve persons who have left the foster care system due to reaching 18 years of age, adoption or legal guardianship after reaching 16 years of age or reunification at 14 or 15 years of age. | TO 28 |

Urban Revenue Sharing

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| 193. | As permanent law, beginning in FY 2024, increases the distribution from the Urban Revenue Sharing Fund to incorporated cities and towns from 15% to 18% of the amount of individual and corporate income taxes collected 2 fiscal years prior. | TO 11 |
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Property Tax

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| 194. | As permanent law, reduces the assessment ratio for Class 1 (commercial) property to from 18% to 16% over 4 years. | TO 10 |
| 195. | As permanent law, changes the homeowner's rebate on Class 3 (residential) property from 47.19% to 50.0%, beginning in TY 2022. | TO 1 |
| 196. | As permanent law, increases the maximum property tax rate for Fire Assistance Districts from \$3.25 per \$100 Net Assessed Value (NAV) to \$3.375 in TY 2022 and \$3.50, beginning in TY 2023. As under current law, the fire district levy remains limited to the lesser of: (1) 8% more than the amount levied in the preceding year or (2) the maximum tax rate multiplied by the district's NAV. | TO 25 |

Unemployment Insurance

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| 197. | As permanent law, makes the following changes to unemployment insurance taxes and benefits: | TO 2,3,4,5,31 |
| | <ul style="list-style-type: none"> - Increases the maximum weekly unemployment insurance benefit from \$240 per week to \$320 per week, effective July 1, 2022. - Increases the taxable payroll base from \$7,000 to \$8,000 on January 1, 2023. | |

- Decreases the maximum number of weeks of unemployment benefits from 26 weeks to 24 weeks if the state unemployment rate is less than 5% in the prior calendar quarter, effective July 1, 2022.

198. As permanent law, requires DES to obtain current and actual employment and earned income information from third-party sources when it determines eligibility for unemployment benefits. The identity verification process may include digital and/or physical identity authentication factors. Requires DES to report by December 31 annually on unemployment insurance fraud for the previous fiscal year.

TO 6

FY 2022 GENERAL APPROPRIATION ACT PROVISIONS – CHAPTER 408 (SB 1823)/CAPITAL OUTLAY -- CHAPTER 406 (SB 1820)

The budget 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.

	<u>Section</u>
Department of Education	
1. As session law, continue deferral of Basic State Aid payments for FY 2022 until FY 2023, but reduce the deferral from \$930,727,700 to \$865,727,700. Expand exemption from deferral from districts with less than 600 students currently to districts with less than 2,000 students. Appropriate \$865,727,700 in FY 2023 for these deferred Basic State Aid payments. Allow ADE to make the rollover payment no later than July 12, 2022.	130
2. As session law, continue to require school districts to include in the FY 2022 revenue estimates that they use for computing their FY 2022 tax rates the rollover monies that they will receive for FY 2022 in July 2022.	130
Revenues	
3. As session law, continue to specify revenue and expenditure estimates for FY 2021, FY 2022, FY 2023, and FY 2024.	141
4. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2021 ending balances by September 15, 2021. Require JLBC Staff to report to JLBC by October 15, 2021 as to whether FY 2022 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.	141
Statewide	
5. 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.	137
6. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2022 in all agencies and provide it to the JLBC Director by October 1, 2022. The Universities are exempt from the report but are required to report separately.	138
7. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2021 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2021.	139
8. 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.	140
General	
9. As session law, continue to define “*” as designating an appropriation exempt from lapsing.	142
10. As session law, continue to define “expenditure authority” as continuously appropriated monies included in individual line items of appropriations.	143
11. As session law, continue to define "review by the Joint Legislative Budget Committee" (JLBC) as a review by a vote of a majority of a quorum of the members.	144

FY 2022 MAJOR FOOTNOTE CHANGES

The budget 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. Sections refer to the General Appropriation Act except for Capital Outlay Bill provisions designated with "CO."

Arizona Department of Administration		<u>Section</u>
12.	Deletes footnote requiring the department to report by August 1, 2021 on the maintenance savings associated with replacing vehicles with an average of 80,000 miles to the Arizona Department of Transportation.	
13.	Deletes footnote allowing the department to use up to \$275,000 of the building renewal appropriation for Personal Services and Employee-Related Expenditures for up to 5 FTE Positions each fiscal year. Adds a footnote allowing the ADOA to use up to five percent (5%) of all capital outlay appropriations to the department for project management-related expenses. This footnote does not apply to appropriations for distribution to non-state entities. (Capital)	CO 40
14.	Adds a footnote allowing the Department of Administration to use monies appropriated for building renewal to retrofit facilities for space consolidation initiatives. (Capital)	CO 2
15.	Adds footnote extending the lapsing date of the \$17,000,000 FY 2020 appropriation for building renewal and \$1,000,000 FY 2020 appropriation for the replacement of air handlers at 1700 W Washington to June 30, 2022. (Capital)	CO 39
16.	Adds footnote extending the lapsing date of the \$375,900 appropriation from the Capitol Mall Consolidation Fund for the Hoteling Pilot through FY 2023.	5
17.	Adds footnote extending the lapsing date of \$2,000,000 of the appropriation for the Arizona Financial Information System line item through FY 2023.	5
18.	Adds footnote requiring ADOA to report to the JLBC within 10 days after each of the School Facilities Board, Department of Corrections, and the 2010 Lottery Revenue Bonds retirement or defeasance is executed. The report shall include the date and final cost of each retirement or defeasance.	101
19.	Adds footnote indicating state legislative intent that lottery revenues are not used for debt service payments beginning in FY 2022 to allow the General Fund to receive savings from the retirement or defeasance of state lottery revenue bonds.	120
20.	Adds footnote exempting the appropriation for the HVAC system replacement at the State Capitol from JCCR review. (Capital)	CO 5
21.	Adds footnote clarifying that ADOA may take all actions necessary in connection with debt repayments and defeasance. Reverts any amounts remaining after the payments to General Fund.	101
Department of Administration Automation Projects Fund		
22.	Adds footnote requiring JLBC's statutory review of APF expenditures in FY 2022 to encompass only the Department of Administration Business One-Stop Web Portal, Department of Economic Security child care system and the Department of Education student accountability system.	116
AHCCCS		
23.	Adds a footnote requiring AHCCCS to report to the JLBC by September 30, 2022 on its progress in implementing services specified in the housing and health opportunities section 1115 waiver amendment.	9
24.	Adds a footnote stating that \$60,000,000 in Expenditure Authority reverts from the Supported Housing line item in the event AHCCCS does not receive federal approval for its housing and health opportunities section 1115 waiver amendment.	9
25.	Modifies footnote to include e-cigarette enforcement costs as an allowable use associated with AHCCCS' transfer to the Attorney General.	9
Attorney General		
26.	Adds footnote requiring \$1,000,000 appropriation for technology company antitrust to be spent on attorneys for enforcement against technology companies and makes appropriation non-lapsing.	11
27.	Adds footnote establishing an organized retail theft task force in the Attorney General to combat crimes related to retail merchandise for the purposes of reselling and to investigate and prosecute cases brought before the task force. Requires the Attorney General to enter the task force into intergovernmental agreements with state and local law enforcement agencies and other retail task forces. Requires the task force to consist of at least 1 full-time prosecutor, paralegal, and support staff person and at least 2 investigators and 4 peace officers, have	11

	regularly scheduled meetings, and submit a report to the Legislature on or before July 1 of each year on its activities and recommendations for legislative action. Establishes an end date for the task force on July 1, 2029.	
28.	Adds footnote specifying that the Attorney General may not represent or provide legal counsel to the Secretary of State through June 30, 2023.	11
Department of Child Safety		
29.	Modifies footnote to allow transfers between Comprehensive Medical and Program line items without JLBC review.	15
30.	Modifies footnote on quarterly report on DCS benchmarks by eliminating the JLBC review requirement. Requires semi-annual report to be submitted to JLBC on February 28, 2022 and August 31, 2022.	15
Arizona Commerce Authority		
31.	Adds footnote requiring ACA to submit an annual expenditure and performance report to JLBC and OSPB concerning applied research centers on blockchain technology as well as the Institute for Automated Mobility.	17
Department of Corrections		
32.	Modifies footnote requiring the Department of Corrections bed capacity report to also include any plans to vacate beds but not permanently remove them from the bed count.	21
33.	Modifies the footnote that mandates the annual bed capacity report. Change the deadline from August 1 to November 1 so that the report deadline does not coincide closely with the budget submission deadline and other report deadlines.	21
34.	Replaces existing IT oversight footnote with a requirement that the Arizona Strategic Enterprise Technology Office and ADC report on progress made in incorporating all sentence calculations into the Arizona Corrections Information System by March 31, 2022. The report shall include a description of any work needed to implement other system functions and the associated cost and staffing requirements.	21
35.	Modifies footnote on the quarterly report on ADC staffing report by eliminating the JLBC review requirement. Requires semi-annual report to be submitted to JLBC.	21
36.	Deletes the footnote specifying that the Private Prison Per Diem line item includes \$17,468,300 to be used to make a debt service payment for the Kingman refinance.	21
37.	Adds a footnote requiring the Department of Corrections to submit semi-annual reports to the JLBC on the expenditure of monies from the Medical Staffing Augmentation line item. This appropriation is non-lapsing.	21
38.	Modifies footnote to exempt from JLBC review through January 1, 2023 any expenditure of funding designated for Personal Services and Employee-Related Expenditures if the department makes a transfer to maximize the use of federal funding.	21
Arizona State Schools for the Deaf and the Blind		
39.	Adds footnote requiring the agency to report to the JLBC on any expenditure from the Cooperative Services Fund monies in excess of \$17,914,500 in FY 2022.	24
40.	Adds footnote exempting the appropriation for the ASDB classroom notification system replacement from JCCR review. (Capital)	CO 10
Department of Economic Security		
41.	Adds footnote requiring the department to submit a report to JLBC by September 15, 2021 and March 15, 2022 on child care monies provided by federal coronavirus relief legislation including actual expenditures to date, the expenditure plan for remaining monies, number of children served, average child care rates, and the number of child care settings with a quality rating. Requires department to also submit report to the President of the Senate, Speaker of the House of Representatives, and the Chairmen of the House and Senate Appropriations Committees.	28
42.	Modifies footnote on new Division of Developmental Disabilities salary adjustments by eliminating the JLBC review requirement. Requires report to be submitted to JLBC.	28
43.	Deletes footnote requiring JLBC review of child care reimbursement rates.	28

44.	Deletes obsolete footnote on the 8,500 minimum number of children served by the child care program.	28
45.	Adds footnote of legislative intent that DES reallocate \$15,000,000 of its base appropriation spent for one-time developmental disability purposes in FY 2021 to partially finance the \$30,000,000 provider rate increase in FY 2022.	28
46.	Adds footnote requiring the department to submit a report to JLBC by December 15, 2021 and July 15, 2022 on federal pandemic emergency assistance monies provided by the American Rescue Plan Act including actual expenditures to date, the expenditure plan for remaining monies, and the number of individuals served. Requires the department to also submit report to the President of the Senate, Speaker of the House of Representatives, and the Chairmen of the House and Senate Appropriations Committees.	28
47.	Adds footnote stipulating that the appropriated amount (\$7,500,000) for Return to Work Grants is non-lapsing through June 30, 2024.	28
48.	Adds footnote requiring the department to submit a report to JLBC by March 15, 2022 on the number of individuals who have received child care support through Return to Work Grants and the number of those individuals who did not return to unemployment insurance within 6 months. Requires the department to also submit the report to the President of the Senate, Speaker of the House of Representatives, and the Chairmen of the House and Senate Appropriations Committees.	28
49.	Adds footnote stipulating that \$1,086,612,800 of the \$1,272,026,800 from the Federal Child Care and Development Fund Block Grant in the Child Care Subsidy line item is non-lapsing. Also states that child care provider rate increases funded from this amount are contingent on available federal funding in future years and may not continue in the future once this funding has been expended.	28
50.	Adds footnote stipulating that the FY 2021 supplemental appropriation of \$30,200,000 from the Child Care and Development Fund Block Grant is non-lapsing.	103
51.	Adds footnote requiring that the \$500,000 appropriated to the After School and Summer Youth Program be distributed to a 501c3 organization in the City of Phoenix providing after school and summer youth programs for at-risk youth dealing with gang violence.	28
Department of Education		
52.	Adds a footnote that permits the Superintendent of Public Instruction to transfer monies from the General Fund appropriation for Basic State Aid, up to \$5,000,000 for FY 2021, to the Results-Based Funding program for FY 2021 without review by the JLBC. Any amount transferred to the Results-Based Funding program under this section that exceeds the amount needed to address a funding shortfall for the Results-Based Funding program for FY 2021 reverts to the General Fund on June 30, 2021.	105
53.	Adds footnote stipulating that ADOA distribute \$17,043,300 in FY 2021 to counties with political subdivisions owing property tax refunds as a result of the Transwestern Pipeline Co. v. Arizona Department of Revenue litigation. Requires counties to reimburse affected political subdivisions for refunds, including interest costs, except for any refunds paid by school districts that are reimbursed by ADE via the K-12 Basic State Aid formula. Stipulates that affected political subdivisions submit a claim for reimbursement to counties by July 15, 2021 and that if the appropriated amount is insufficient to cover the cost of all submitted claims, the counties shall proportionately reduce reimbursement to cover all eligible claims.	100
54.	Adds footnote stipulating that the \$850,000 appropriated to ADE for Gifted Assessments in FY 2022 be used to procure an assessment that districts and charter schools may administer to pupils in second grade to identify gifted pupils.	30
55.	Adds footnote stipulating the \$1,200,000 of the appropriation for ADE's school finance system replacement be project be allocated to ADOA to contract with consultants to provide project management services to ADE related to the project.	30
56.	Adds footnote requiring ADE to report to JLBC by December 31, 2021 on how monies appropriated for student level data access are being used to manage access and protect student level data.	30

Department of Emergency and Military Affairs

- 57. Adds footnote extending to FY 2026 the lapsing date of the FY 2019 appropriation of \$3,759,000 from the General Fund for the construction of a new Tucson Readiness Center. (Capital) CO 1
- 58. Adds footnote extending to FY 2026 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. (Capital) CO 1
- 59. Adds footnote to allow a 90-day extension of the lapsing of any appropriation to the National Guard Tuition Reimbursement Program. 31
- 60. Adds footnote requiring the department to submit a report on the status of expenditures and progress in relocating the Yuma County Fairgrounds to the JCCR on or before July 31, 2022 and July 31, 2023. Makes the appropriation non-lapsing. (Capital) CO 12
- 61. Adds footnote specifying the distribution of the \$55,000,000 DEMA Border Security Fund. Of the appropriation, \$2,700,000 shall be equally distributed (\$675,000) to DPS, and Cochise, Pinal, and Yuma Counties to operate a pilot program to reduce human trafficking. In addition, a total of \$1,100,000 is allocated to Cochise, Pima, Santa Cruz, and Yuma County Sheriffs to purchase cameras and other related equipment for Southern Arizona border enforcement. Of the appropriation, \$20,000,000 will be distributed to cities and counties for border-related crimes. Of the appropriation, \$25,000,000 is allocated for Arizona National Guard costs in the southern border region. 106
- 62. Adds footnote exempting 2022 capital appropriations from JCCR review. (Capital) CO 11

Arizona Department of Forestry and Fire Management

- 63. Adds footnote making the appropriation for the Rural Fire District Reimbursement line item non-lapsing. 37

Arizona Game and Fish Department

- 64. Adds footnote exempting certain FY 2022 capital appropriations from JCCR review. (Capital) CO 15, 16, 17, 18

Department of Gaming

- 65. Adds footnote distributing monies appropriated to the Racing Purse Enhancement line item to a nonprofit horsemen's organization to promote racing and enhance race purses. 40
- 66. Adds footnote distributing monies appropriated to Racetrack Purse and Maintenance and Operations Funding line item to be distributed to eligible racing permittees based on a 3-year average of race days. 40

Governor's Office

- 67. Adds footnote extending the lapsing date of the FY 2020 appropriation from the Crisis Contingency and Safety Net Fund through FY 2022. 1

Department of Health Services

- 68. Adds footnote exempting FY 2022 capital appropriation from JCCR review. (Capital) CO 19
- 69. Adds footnote requiring DHS to distribute monies appropriated for the Family Health Pilot Program to at least 2 nonprofit organizations to implement a statewide system to provide services and referrals to parents of children under 2 years of age, including unborn children. Requires nonprofit organizations participating in the program to submit quarterly reports to DHS on the population served. 43

Industrial Commission of Arizona

- 70. Adds footnote that stating that General Fund appropriation be used only for the administrative costs of Title 21, Chapter 11, Arizona Revised Statutes. The administration of the Municipal Firefighter Cancer Reimbursement Fund does not convey any responsibility for firefighter cancer compensation and benefits on to this state. 49

Judiciary – Superior Court

- 71. Modifies footnote to require counties to maintain FY 2020 expenditure levels for each probation program to qualify for state funding. 51

72.	Adds a footnote specifying that of the amount appropriated in the Special Water Master line item \$147,600 is for 2 paralegals and \$109,700 is for a law clerk.	51
73.	Adds OSPB to the recipients of the annual probation salary report.	51
74.	Adds a footnote stating that the amounts appropriated in the probation line items includes funding for a 2.5% increase to cover the state's share of the cost of estimated FY 2022 probation officer salary increases and states that if the counties approve salary increases in FY 2022 that increase the state's share above the amount appropriated it is the legislative intent that the counties pay for that cost in FY 2022 and subsequent years.	51
Judiciary – Supreme Court		
75.	Adds a footnote specifying that of the amount appropriated in the Automation line item, \$133,900 is to expand and maintain the court’s case management system for water adjudication.	51
Legislature - Auditor General		
76.	Adds footnote to require the Auditor General to compile a report on how Local Education Agencies (LEAs) spent or plan to spend federal COVID stimulus funds including how ADE has spent or is planning to spend its discretionary funds. Require the Auditor General to present its findings and any potential recommendations to the Joint Legislative Audit Committee by January 1, 2022 and January 1, 2023. Require school districts, charters schools, the Department of Education and other state and local agencies that pass through related stimulus monies to cooperate with and provide necessary information in a format prescribed by the Auditor General.	54
77.	Adds footnote requiring the Auditor General to conduct a special audit of financial and related information of private, non-governmental grant monies used for Arizona 2020 elections and Maricopa County’s procurement of voting systems, and report on or before March 31, 2022 to the Governor, President of the Senate, and Speaker of the House of Representatives.	54
Arizona State Parks Board		
78.	Adds footnote requiring the Arizona State Parks Board to submit a report to the JLBC Staff on the status of all capital projects and capital expenditures on or before November 30, 2021 and May 31, 2022. (Capital)	CO 21
79.	Modifies footnote to clarify Fool Hollow revenue sharing arrangement with Show Low. In addition to receiving the operating lump sum appropriation from the State Parks Revenue Fund (SPRF) for State Parks, the agency is appropriated from SPRF an amount equal to the revenue share agreement with the U.S. Forest Service for Fool Hollow Lake Recreation Area.	67
80.	Adds footnote exempting smaller FY 2022 projects from JCCR review. (Capital)	CO 22, 23, 24, 25, 26
81.	Adds footnote extending the lapsing date of the Arizona Trails line item through FY 2023.	68
Board of Pharmacy		
82.	Adds footnote requiring the board to report to the JLBC Staff and OSPB on or before September 30, 2021 on its progress in implementing the Auditor General recommendations as outlined in the September 2020 sunset audit.	70
Arizona Pioneers' Home		
83.	Adds footnote exempting the FY 2022 capital improvements from JCCR review. (Capital)	CO 27
84.	Adds footnote extending the lapsing date of the \$414,000 FY 2020 appropriation for capital improvements to June 30, 2022. (Capital)	CO 39
Department of Public Safety		
85.	Adds footnote extending the lapsing date for the FY 2020 appropriation for Peace Officer Training Equipment to June 30, 2022 and reverting any unexpended monies to the fund from which the monies were appropriated.	77
86.	Adds a footnote stating legislative intent that, after FY 2022, Proposition 207 money received by local law enforcement agencies is expected to cover reimbursements to regional peace officer training academies for training officers.	136

87.	Adds footnote requiring DPS to submit an annual progress report on the update to the microwave backbone communication system until the project is completed.	119
88.	Adds footnote specifying that the Rapid DNA Testing Equipment line item shall be used to purchase and deploy rapid DNA testing devices through the state. Requires the department to report quarterly on devices, training, and utilization.	77
Public Safety Personnel Retirement System		
89.	Adds footnote requiring PSPRS to incorporate the FY 2021 DPS and ADC pension payoff appropriation in the June 30, 2021 PSPRS and CORP valuation, and account for the appropriation in calculating FY 2023 DPS and ADC contribution rates.	110
Department of Revenue		
90.	Adds footnote making the FY 2022 appropriation in the Income Tax Information Technology line item non-lapsing through FY 2024.	82
School Facilities Board		
91.	Adds footnote requiring the board to distribute funding to the Kirkland Elementary School District to replace an existing school building including necessary demolition of existing buildings.	83
92.	Adds footnote requiring the board to distribute funding to the Yuma Union High School District to construct a new high school.	83
Secretary of State		
93.	Adds footnote allowing the Secretary of State to use the Records Services Fund appropriations for FY 2021 and FY 2022 for record storage costs incurred during fiscal years 2020, 2021, and 2022.	84
94.	Adds footnote allowing the Secretary of State to hire 1 FTE Position as a legal adviser. Prohibits the Secretary of state from making expenditures or incurring indebtedness to employ outside or private attorneys.	84
Office of Tourism		
95.	Adds footnote making the Southern Arizona Study Committee line item non-lapsing.	87
Department of Transportation		
96.	Modifies footnote requiring the Arizona Strategic Enterprise Technology to report, on behalf of ADOT, the annual progress on the motor vehicle modernization system, including updated plans for spending on stabilization, maintenance, ongoing operations, support and enhancements to the system. Annual JLBC review would be deleted.	88
97.	Adds footnote extending the lapsing date of the \$2,300,000 FY 2020 appropriation for the replacement of office buildings at Seligman and Williams and the \$4,600,000 FY 2020 appropriation for the replacement of the maintenance office building in Wickenburg to June 30, 2023. (Capital)	CO 39
98.	Adds footnote extending the fiscal year for the Preventive Surface Treatments line item from 12 months to 14 months.	88
99.	Adds footnote stipulating that the Interstate 10 widening appropriation reverts on June 30, 2022 if the department is unable to secure right of way agreements necessary for the project by that date. The appropriation reverts on June 30, 2023 if the department secures federal funding for the project. (Capital)	CO 35
100.	Adds footnote stipulating that the \$90,000,000 appropriation for pavement rehabilitation shall be used for projects that are not in Maricopa or Pima County, on roads that are graded as being in fair or poor condition and are not in the department's 5-year transportation plan. (Capital)	CO 33
State Treasurer		
101.	Adds footnote distributing the FY 2022 appropriation from the School Safety Interoperability Fund to Graham, Greenlee, Gila, and Pinal Counties for costs associated with implementing an interoperable communication sharing platform.	89

102.	Adds footnote distributing monies from the School Safety Program line item to Maricopa, Navajo, Yavapai, and Mohave Counties for costs associated with implementing a school safety pilot program.	89
103.	Adds footnote clarifying the distribution of the \$3,300,000 General Fund transfer to the normal vehicle license tax distribution for excess rental vehicle surcharges.	89
Universities		
104.	Modifies footnote to add OSPB as a recipient of the annual report from Northern Arizona University on monies distributed to a nonprofit foundation for biomedical research.	93
105.	Modifies footnote for Washington D.C. Internships to require unspent monies as of March 15, 2022 to be made available to any student enrolled at an Arizona public university and require ABOR to provide internships in partnership with a third-party organization meeting certain requirements.	91
106.	Extends the lapsing data of the FY 2021 appropriation for the Washington, DC Internships line item until June 30, 2022.	91
107.	Adds footnote stating UA may not transfer or spend monies appropriated for the Arizona Geological Survey for any other purpose.	
108.	Adds footnote requiring ASU to spend monies appropriated for the Eastern Europe Cultural Collaborative to facilitate academic and cultural exchanges between university faculty and students and academic institutions in eastern Europe.	92
109.	Adds footnote requiring UA to spend monies appropriated for the Kazakhstan Studies Program to facilitate academic exchanges between university students and academic institutions in Kazakhstan.	94
110.	Adds footnote specifying that the amount appropriated to each university from the General Fund includes funding to backfill tuition costs for each university's cost associated with the FY 2022 employer health insurance premium increase. It is the intent of the Legislature that future costs associated with health insurance continue to be allocated proportional to each university's General Fund and appropriated tuition.	92, 93, 94
111.	Modifies footnote to expand the use of \$8,000,000 appropriated to the UA operating budget for primary care physician scholarships on the College of Medicine Tucson campus.	94
112.	Adds footnote requiring monies appropriated for the UA Natural Resource Users Law and Policy Center to be used to assist claimants in the general stream adjudications of water rights pursuant to A.R.S. § 15-1647.	94
113.	Adds footnote requiring monies appropriated for the ASU Political History and Leadership Program to be used at the sole discretion and approval of the lead of the program and for direct support of the program	94
Department of Veterans' Services		
114.	Modifies footnote requiring the department to submit an expenditure report on the veteran support services expenditure plan to JLBC Staff rather than for committee review.	95
115.	Adds footnote requiring the department to receive a 65% match of the total costs to build a veteran's home from the federal government. Requires the department to consult the Veterans Advisory Commission when selecting a site for the new veterans' home. (Capital)	CO 29
116.	Adds footnote requiring that the \$100,000 appropriated for Veteran Suicide Prevention be distributed to a 501c3 organization located in southern Arizona that works with regional veteran organizations to improve services to veterans to reduce veteran suicide.	113
Water Infrastructure Finance Authority		
117.	Adds footnote designating \$3,000,000 to be distributed for water projects assistance grants to cities and towns in Navajo and Apache Counties.	97
118.	Adds footnote designating \$1,000,000 each for Cochise and Graham Counties distributed for water projects assistance grants to political irrigation districts.	97
Department of Water Resources		
119.	Adds a footnote requiring the department to use monies appropriated for the Agua Fria flood insurance study to complete a study of the hydrology and hydraulics of the Agua Fria River by	98

March 31, 2023. DWR may contract with an engineering firm that has not contracted with or otherwise associated with the Maricopa County Flood Control District.

Capital

120. Modifies ADOA, ADC, Game and Fish, and ADOT capital expenditure reporting date from January 31 and July 31 to November 30 and May 31. (Capital)

CO 2

**FY 2021
GENERAL FUND ADJUSTMENTS**

FY 2021 General Fund Adjustments

	FY 2020 Actual	FY 2021 Original 1/	Baseline Adjustments 2/	FY 2021 JLBC Baseline	Session Changes 3/	FY 2021 Enacted
REVENUES						
Ongoing Revenues	\$11,616,772,000	\$11,866,022,100	\$1,455,368,300	\$13,321,390,400	\$1,146,000,000	\$14,467,390,400
Urban Revenue Sharing	(737,561,200)	(828,492,700)	(200)	(828,492,900)		(828,492,900)
Net Ongoing Revenues	\$10,879,210,800	\$11,037,529,400	\$1,455,368,100	\$12,492,897,500	\$1,146,000,000	\$13,638,897,500
One-time Financing Sources						
Balance Forward	957,241,000		372,457,000	372,457,000		372,457,000
Wells Fargo Settlement	20,000,000					
Other Fund Transfers	70,840,700	16,700,000		16,700,000	24,205,700	40,905,700
Subtotal One-time Revenues	\$1,048,081,700	\$16,700,000	\$372,457,000	\$389,157,000	\$24,205,700	\$413,362,700
Total Revenues	\$11,927,292,500	\$11,054,229,400	\$1,827,825,100	\$12,882,054,500	\$1,170,205,700	\$14,052,260,200
EXPENDITURES						
Ongoing Operating Appropriations	\$10,411,849,300	\$11,469,755,900		\$11,469,755,900		\$11,469,755,900
Enhanced FMAP Savings 4/		(189,000,000)	189,000,000			
Administrative Adjustments		146,000,000	(91,000,000)	55,000,000		55,000,000
Reversions		(184,000,000)	34,000,000	(150,000,000)		(150,000,000)
Subtotal Ongoing Expenditures	\$10,411,849,300	\$11,242,755,900	\$132,000,000	\$11,374,755,900	\$0	\$11,374,755,900
One-time Expenditures						
Capital Outlay	4,575,000	11,000,000		11,000,000		11,000,000
Transportation Funding	95,310,000				321,001,500	321,001,500
Budget Stabilization Fund Deposit	271,107,000					
Debt Payoff	190,000,000				977,100,000	977,100,000
Pension Payoff					1,000,000,000	1,000,000,000
Operating One-Time Spending	501,275,000	275,373,600		275,373,600		275,373,600
New FY 2021 Supplementals					276,266,500	276,266,500
Drought Mitigation/Water Supply Funding					200,000,000	200,000,000
FY 2020 One-Time Supplementals	80,719,200					
New Medicaid Federal Match Reversion 5/			(297,940,800)	(297,940,800)	(134,000,000)	(431,940,800)
New ADE Enrollment Reversion 5/			(300,714,800)	(300,714,800)	(135,400,000)	(436,114,800)
27th Pay Period (Enacted)		43,078,600		43,078,600		43,078,600
Subtotal One-time Expenditures	\$1,142,986,200	\$329,452,200	(\$598,655,600)	(\$269,203,400)	\$2,504,968,000	\$2,235,764,600
Total Expenditures	\$11,554,835,500	\$11,572,208,100	(\$466,655,600)	\$11,105,552,500	\$2,504,968,000	\$13,610,520,500
Ending Balance 6/	\$372,457,000	(\$517,978,700)	\$2,294,480,700	\$1,776,502,000	(\$1,334,762,300)	\$441,739,700
Ongoing Balance 7/	\$467,361,500	(\$205,226,500)	\$1,323,368,100	\$1,118,141,600	\$1,146,000,000	\$2,264,141,600

- 1/ Reflects FY 2021 June Budget Update projections as published in the FY 2021 Appropriations Report.
- 2/ Reflects forecast adjustments to revenue and other technical adjustments in January 2021 as part of the FY 2022 JLBC Baseline. Revenue forecast reflects the JLBC Staff forecast.
- 3/ Reflects revenue forecast adjustments and spending adjustments made in the 2021 First Regular Session and 2021 First Special Session.
- 4/ Ongoing Enhanced FMAP savings were re-estimated and moved to one-time "New Medicaid Federal Match Reversion" as part of Baseline adjustments.
- 5/ Reflects reversionments of savings for a higher federal Medicaid match rate and lower K12 enrollment. FY 2021 savings were not ex-appropriated.
- 6/ Reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.
- 7/ Reflects the difference between ongoing revenues and ongoing expenditures. The 3 year spending plan makes the ongoing/one-time classifications.

FY 2021 GENERAL FUND ADJUSTMENTS

FY 2021 Budget Revision — The preceding chart illustrates the changes to the FY 2021 budget from the July 2020 publication of the *FY 2021 Appropriations Report* (including changes through the 54th Legislature, 2nd Regular Session) to the current estimate in this *FY 2022 Appropriations Report*. The chart includes the changes from the passage of bills in the 1st Regular Session and 1st Special Session of the 55th Legislature addressing the FY 2021 budget.

Original Budget Estimate — At the time of the publication of the *FY 2021 Appropriations Report* in July 2020, the FY 2021 budget was anticipated to have a \$729 million balance based on the original enacted March budget estimates. The *FY 2021 Appropriations Report* also incorporated a budget update from June 2020 that reflected expected revenue decreases as a result of the COVID-19 pandemic. That update anticipated a \$(518) million shortfall at the end of FY 2021.

Mid-Year Balance — As estimated in January 2021, higher-than-expected revenues together with other changes led to the state’s projected FY 2021 ending balance increasing to a balance of \$1.8 billion. The components of this \$2.3 billion shift compared to the June 2020 figures were as follows:

	(\$ in M)
• Increased FY 2020 Carry-Forward	372
• Increase in Net FY 2021 Revenues	1,455
• Decreased FY 2021 Expenditures	467
Total	\$2,294

Under the June 2020 budget update, the original FY 2021 budget assumed no FY 2020 carry-forward balance. Revenues subsequent to the publication of the *FY 2021 Appropriations Report*, final FY 2020 revenues were stronger than anticipated and as a result, the FY 2020 ending balance was \$372 million.

Net FY 2021 revenues were estimated to increase by nearly \$1.5 billion. The negative revenue impact of the pandemic was significantly less than expected, however, and revenues accelerated substantially. This revenue growth was related at least in part to over \$77 billion in federal COVID-19 assistance which resulted in Arizona personal income growing by over 10%.

Finally, the budget was estimated to require \$(467) million in reduced spending. This was primarily the result of \$(301) million in estimated lower K-12 enrollment expenditures and \$(109) million due to a temporary higher federal Medicaid match rate expected to be available through March 31, 2021. The remaining savings were from \$(57) million in lower net prior-year spending.

2021 Legislative Session — In June, the Governor called a special session to address wildfire issues. Laws 2021, 1st Special Session, Chapter 1 appropriated \$99.5 million in FY 2021 to the Department of Forestry and Fire Management for wildfire emergency response and wildfire mitigation.

Laws 2020, Chapter 408, the General Appropriation Act, and other budget bills were signed by the Governor on June 30, 2021. The bills made changes totaling \$2.4 billion to the FY 2021 budget as outlined in the January Baseline. These appropriations included \$1.0 billion to pay down pension debt for Department of Public Safety (DPS) and Arizona Department of Corrections (ADC) retirement systems, \$977 million to pay off debt such as the sale-leaseback of state buildings first entered into in 2010, \$321 million for transportation infrastructure and pavement preservation, and \$200 million for drought mitigation efforts, partially offset by an additional \$(135) million in additional K-12 enrollment savings and \$(134) million in additional federal Medicaid match rate savings.

In addition to the spending savings and revenue adjustments incorporated in January, the revised FY 2021 budget assumed an additional \$1.15 billion of ongoing revenue associated with strong revenue performance compared to the Baseline and \$24 million in a DPS Highway Patrol Fund transfer. Combined with the total new spending of \$2.5 billion, the FY 2021 budget as passed in June is estimated to have an ending balance of \$442 million.

Subsequent to passage of the budget, the state continued to show strong FY 2021 revenue growth, exceeding the forecast on which the FY 2021 budget is based. As a result, the JLBC Staff expects the final FY 2021 ending balance to significantly exceed \$442 million.

Other Fund Adjustments — The FY 2021 revisions included \$158 million in Other Fund supplementals. The largest supplemental was \$93 million from the federal Child Care Development Fund (CCDF) Block Grant to the Department of Economic Security (DES) for child care services in Laws 2021, Chapter 18. Chapter 408 also appropriated to DES another \$30 million from the CCDF Block Grant for additional child care services and \$4 million for developmental disabilities services from the State Long Term Care System Fund. Laws 2021, Chapter 64 appropriated \$27 million to AHCCCS for supplemental caseload needs.

FY 2021 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	GF FY 2021 Approp Rpt August 2020	GF Adjustments	GF FY 2021 Supplementals 2/	GF Enacted FY 2021
<u>BUDGET UNITS</u>				
Administration, Arizona Department of	\$8,209,900		17,043,300	\$25,253,200
Administrative Hearings, Office of	921,500			921,500
African-American Affairs, Arizona Commission of	133,200			133,200
Agriculture, Arizona Department of	10,492,200			10,492,200
AHCCCS	1,951,981,100			1,951,981,100
Attorney General - Department of Law	25,411,000			25,411,000
Charter Schools, State Board for	2,152,100			2,152,100
Child Safety, Department of	387,893,000			387,893,000
Commerce Authority, Arizona	16,175,000			16,175,000
Community Colleges, Arizona	64,895,400		1,750,000	66,645,400
Corporation Commission	647,100			647,100
Corrections, State Department of	1,205,396,200		2,300	1,205,398,500
County Funding	10,650,700			10,650,700
Deaf and the Blind, Schools for the	23,865,500			23,865,500
Drought Mitigation Board	0		160,000,000	160,000,000
Economic Opportunity, Office of	485,500			485,500
Economic Security, Department of	812,054,300		62,000,000	874,054,300
Education, State Board of	1,334,300			1,334,300
Education, Department of	5,599,591,900			5,599,591,900
Emergency and Military Affairs, Department of	12,373,000		55,000,000	67,373,000
Environmental Quality, Department of	15,000,000			15,000,000
Equalization, State Board of	673,200			673,200
Executive Clemency, Board of	1,184,500			1,184,500
Forestry and Fire Management, Arizona Department of	13,399,600		101,711,900	115,111,500
Gaming, Department of	2,509,500			2,509,500
Governor, Office of the	8,924,800			8,924,800
Governor's Office of Strategic Planning and Budgeting	2,765,100			2,765,100
Health Services, Department of	95,897,900			95,897,900
Historical Society, Arizona	3,195,600			3,195,600
Historical Society, Prescott	867,700			867,700
Independent Redistricting Commission	500,000			500,000
Insurance and Financial Institutions, Department of	8,090,700			8,090,700
Judiciary				
Supreme Court	21,399,300			21,399,300
Court of Appeals	17,179,600			17,179,600
Superior Court	98,194,300			98,194,300
SUBTOTAL - Judiciary	136,773,200	0	0	136,773,200
Juvenile Corrections, Department of	30,616,200			30,616,200
Land Department, State	12,563,800			12,563,800
Legislature				
Auditor General	20,991,500			20,991,500

	GF FY 2021 Approp Rpt August 2020	GF Adjustments	GF FY 2021 Supplementals 2/	GF Enacted FY 2021
House of Representatives	16,830,000			16,830,000
Joint Legislative Budget Committee	2,934,700			2,934,700
Legislative Council	9,026,600			9,026,600
Senate	13,253,900			13,253,900
SUBTOTAL - Legislature	63,036,700	0	0	63,036,700
Mine Inspector, State	1,301,900			1,301,900
Navigable Stream Adjudication Commission	133,000			133,000
Postsecondary Education, Commission for	1,680,900			1,680,900
Public Safety, Department of	91,138,000			91,138,000
Public Safety Personnel Retirement System	6,000,000		1,000,000,000	1,006,000,000
Real Estate Department, State	2,997,600			2,997,600
Revenue, Department of	31,799,500			31,799,500
School Facilities Board	235,235,700		38,759,000	273,994,700
Secretary of State	17,263,600			17,263,600
Tax Appeals, State Board of	292,200			292,200
Tourism, Office of	8,335,100			8,335,100
Treasurer, State	1,548,800			1,548,800
Tribal Relations, Governor's Office on	64,700			64,700
Universities				
Board of Regents	22,480,000			22,480,000
Arizona State University	324,717,400			324,717,400
Northern Arizona University	109,804,600			109,804,600
University of Arizona - Main Campus	207,722,200			207,722,200
University of Arizona - Health Sciences Center	76,897,700			76,897,700
SUBTOTAL - Universities	741,621,900	0	0	741,621,900
Veterans' Services, Department of	7,983,500			7,983,500
Water Infrastructure Finance Authority	0		40,000,000	40,000,000
Water Resources, Department of	14,731,600			14,731,600
OPERATING BUDGET TOTAL	\$11,692,789,400	\$0	\$1,476,266,500	\$13,169,055,900
Unallocated '21 One-Time Agency Health Insurance	1,718,900			1,718,900
Enhanced FMAP Savings	(189,000,000)	189,000,000		0
Medicaid Federal Match Reversion	0		(431,940,800)	(431,940,800)
ADE Enrollment Reversion	0		(436,114,800)	(436,114,800)
Unallocated '21 Retirement Rate Adjustments	100			100
Capital Outlay - 2010 Leaseback Debt Service	53,701,800			53,701,800
Capital Outlay - 2010 Leaseback Debt Payoff	0		977,100,000	977,100,000
Capital Outlay - Phoenix Convention Center Debt Service	23,997,900			23,997,900
Capital Outlay - Rio Nuevo District 3/	16,000,000			16,000,000
Capital Outlay	11,000,000			11,000,000
Transportation Projects	0		321,001,500	321,001,500
Administrative Adjustments	146,000,000	(91,000,000)		55,000,000
Revertments	(184,000,000)	34,000,000		(150,000,000)
GRAND TOTAL	\$11,572,208,100	\$132,000,000	\$1,906,312,400	\$13,610,520,500

GF FY 2021 Approp Rpt August 2020	GF Adjustments	GF FY 2021 Supplementals	GF Enacted FY 2021
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- 1/ This chart provides a crosswalk between an agency's original appropriation in the *FY 2021 Appropriations Report* and its final FY 2021 appropriation, excluding capital appropriations.
- 2/ Reflects changes enacted in the FY 2022 General Appropriation Act (Laws 2021, Chapter 408) and additional appropriations in the 1st Regular Session and 1st Special Session. Any supplementals enacted prior to the 1st Regular Session are reflected in the Adjustments column. (There were no supplementals in this category for FY 2021.)
- 3/ Represents an estimated cost.

FY 2021 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	OF FY 2021 Approp Rpt August 2020	OF Adjustments	OF FY 2021 Supplementals 2/	OF Enacted FY 2021
<u>BUDGET UNITS</u>				
Accountancy, State Board of				
Board of Accountancy Fund	\$2,098,500			\$2,098,500
Acupuncture Board of Examiners				
Acupuncture Board of Examiners Fund	180,700			180,700
Administration, Arizona Department of				
Air Quality Fund	927,300			927,300
Arizona Financial Information System Collections Fund	9,549,100			9,549,100
Automation Operations Fund	31,275,400			31,275,400
Capital Outlay Stabilization Fund	18,749,800		49,400	18,799,200
Corrections Fund	593,000			593,000
Federal Surplus Materials Revolving Fund	467,400			467,400
Information Technology Fund	8,566,400			8,566,400
Motor Vehicle Pool Revolving Fund	10,199,700			10,199,700
Personnel Division Fund	13,056,800			13,056,800
Risk Management Revolving Fund	94,772,900		2,801,900	97,574,800
Special Employee Health Insurance Trust Fund	5,449,100			5,449,100
Special Services Revolving Fund	1,172,800			1,172,800
State Surplus Materials Revolving Fund	3,003,200			3,003,200
State Web Portal Fund	6,705,100			6,705,100
Telecommunications Fund	1,693,600			1,693,600
Total - Arizona Department of Administration	206,181,600	0	2,851,300	209,032,900
Administration, Arizona Department of - Automation Projects Fund				
Automation Projects Fund	4,992,800			4,992,800
Agriculture, Arizona Department of				
Air Quality Fund	1,499,100			1,499,100
Nuclear Emergency Management Fund	280,500			280,500
Total - Arizona Department of Agriculture	1,779,600	0	0	1,779,600
AHCCCS				
Budget Neutrality Compliance Fund	4,037,400			4,037,400
Children's Health Insurance Program Fund	81,348,200		27,177,400	108,525,600
Prescription Drug Rebate Fund - State	148,459,600			148,459,600
Substance Abuse Services Fund	2,250,200			2,250,200
Tobacco Products Tax Fund				
Emergency Health Services Account	16,216,300			16,216,300
Tobacco Tax and Health Care Fund				
Medically Needy Account	65,627,200			65,627,200
Total - AHCCCS	317,938,900	0	27,177,400	345,116,300
Athletic Training, Board of				
Athletic Training Fund	130,500			130,500
Attorney General - Department of Law				
Antitrust Enforcement Revolving Fund	152,500			152,500

	OF FY 2021 Approp Rpt August 2020	OF Adjustments	OF FY 2021 Supplementals 2/	OF Enacted FY 2021
Attorney General Legal Services Cost Allocation Fund	2,166,600			2,166,600
Collection Enforcement Revolving Fund	7,132,700			7,132,700
Consumer Protection-Consumer Fraud Rev. Fund	10,889,300			10,889,300
Interagency Service Agreements Fund	16,980,500			16,980,500
Internet Crimes Against Children Enforcement Fund	900,000			900,000
Risk Management Revolving Fund	9,927,300			9,927,300
Victims' Rights Fund	3,783,300			3,783,300
Total - Attorney General - Department of Law	51,932,200	0	0	51,932,200
Barbers, Board of				
Board of Barbers Fund	419,200			419,200
Behavioral Health Examiners, Board of				
Board of Behavioral Health Examiners Fund	1,818,200			1,818,200
Child Safety, Department of				
Child Abuse Prevention Fund	1,459,300			1,459,300
Child Welfare Licensing Fee Fund	0		90,000	90,000
Children and Family Services Training Program Fund	217,000			217,000
Federal Child Care and Development Fund Block Grant	35,400,000			35,400,000
Federal Temporary Assistance for Needy Families Block Grant	159,091,100			159,091,100
Risk Management Revolving Fund	2,602,000			2,602,000
Total - Department of Child Safety	198,769,400	0	90,000	198,859,400
Chiropractic Examiners, State Board of				
Board of Chiropractic Examiners Fund	450,600			450,600
Contractors, Registrar of				
Registrar of Contractors Fund	12,690,000			12,690,000
Corporation Commission				
Arizona Arts Trust Fund	52,600			52,600
Investment Management Regulatory and Enforcement Fund	745,500			745,500
Public Access Fund	6,976,200			6,976,200
Securities Regulatory and Enforcement Fund	5,286,100			5,286,100
Utility Regulation Revolving Fund	14,932,600			14,932,600
Total - Corporation Commission	27,993,000	0	0	27,993,000
Corrections, State Department of				
Alcohol Abuse Treatment Fund	555,500			555,500
Corrections Fund	30,312,300			30,312,300
Inmate Store Proceeds Fund	1,341,300			1,341,300
Penitentiary Land Fund	2,804,000			2,804,000
Prison Construction and Operations Fund	12,500,000			12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,800			2,661,800
State Education Fund for Correctional Education	769,600			769,600

	OF FY 2021 Approp Rpt August 2020	OF Adjustments	OF FY 2021 Supplementals 2/	OF Enacted FY 2021
Transition Program Fund	2,400,100			2,400,100
Total - State Department of Corrections	<u>53,344,600</u>	<u>0</u>	<u>0</u>	<u>53,344,600</u>
Cosmetology, Board of				
Board of Cosmetology Fund	1,897,400			1,897,400
County Funding				
State Charitable, Penal and Reformatory				
Institutions Land Fund	500,000			500,000
Criminal Justice Commission, Arizona				
Criminal Justice Enhancement Fund	668,500			668,500
Drug and Gang Prevention Resource Center Fund	624,200			624,200
Fingerprint Clearance Card Fund	600,000			600,000
State Aid to County Attorneys Fund	973,700			973,700
Victim Compensation and Assistance Fund	4,229,900			4,229,900
Total - Arizona Criminal Justice Commission	<u>7,096,300</u>	<u>0</u>	<u>0</u>	<u>7,096,300</u>
Deaf and the Blind, Arizona Schools for the				
Schools for the Deaf and the Blind Fund	13,388,300			13,388,300
Total - Arizona State Schools for the Deaf and the Blind	<u>13,388,300</u>	<u>0</u>	<u>0</u>	<u>13,388,300</u>
Deaf and the Hard of Hearing, Comm. for the				
Telecommunication Fund for the Deaf	4,685,900			4,685,900
Dental Examiners, State Board of				
Dental Board Fund	1,261,200			1,261,200
Economic Security, Department of				
Child Support Enforcement Administration				
Fund	17,531,300			17,531,300
Domestic Violence Services Fund	4,000,000			4,000,000
Federal Child Care and Development Fund				
Block Grant	181,557,800		122,912,300	304,470,100
Federal Temporary Assistance for Needy				
Families Block Grant	65,839,800			65,839,800
Long Term Care System Fund	26,563,800		4,000,000	30,563,800
Public Assistance Collections Fund	423,600			423,600
Special Administration Fund	4,550,000			4,550,000
Spinal and Head Injuries Trust Fund	2,340,200			2,340,200
Statewide Cost Allocation Plan Fund	1,000,000			1,000,000
Workforce Investment Act Grant	56,085,500			56,085,500
Total - Department of Economic Security	<u>359,892,000</u>	<u>0</u>	<u>126,912,300</u>	<u>486,804,300</u>
Education, Department of				
Department of Education Professional				
Development Revolving Fund	2,700,000			2,700,000
Permanent State School Fund	300,612,600			300,612,600
Proposition 301 Fund	7,000,000			7,000,000
Teacher Certification Fund	2,420,700			2,420,700
Tribal College Dual Enrollment Program Fund	250,000			250,000
Total - Department of Education	<u>312,983,300</u>	<u>0</u>	<u>0</u>	<u>312,983,300</u>
Emergency and Military Affairs, Department of				

	OF FY 2021 Approp Rpt August 2020	OF Adjustments	OF FY 2021 Supplementals 2/	OF Enacted FY 2021
Nuclear Emergency Management Fund	1,506,100			1,506,100
Environmental Quality, Department of				
Air Quality Fund	5,472,400			5,472,400
Emergency Response Fund	132,800			132,800
Emissions Inspection Fund	26,665,800			26,665,800
Hazardous Waste Management Fund	1,785,000			1,785,000
Indirect Cost Recovery Fund	14,025,500			14,025,500
Permit Administration Fund	7,327,100			7,327,100
Recycling Fund	1,396,800			1,396,800
Safe Drinking Water Program Fund	1,854,700			1,854,700
Solid Waste Fee Fund	1,280,700			1,280,700
Underground Storage Tank Fund Revolving Fund	160,800			160,800
Water Quality Fee Fund	10,806,300			10,806,300
Total - Department of Environmental Quality	<u>70,907,900</u>	<u>0</u>	<u>0</u>	<u>70,907,900</u>
Equal Opportunity, Governor's Office of				
Personnel Fund	197,700			197,700
Exposition and State Fair Board, Arizona				
Arizona Exposition and State Fair Fund	13,523,700			13,523,700
Funeral Directors and Embalmers, Board of				
Board of Funeral Directors' and Embalmers' Fund	401,100			401,100
Game and Fish Department, Arizona				
Capital Improvement Fund	1,001,200			1,001,200
Game and Fish Fund	39,703,700			39,703,700
Game, Nongame, Fish and Endangered				
Species Fund	357,900			357,900
Watercraft Licensing Fund	4,991,400			4,991,400
Wildlife Endowment Fund	16,200			16,200
Total - Arizona Game and Fish Department	<u>46,070,400</u>	<u>0</u>	<u>0</u>	<u>46,070,400</u>
Gaming, Department of				
Tribal-State Compact Fund	2,176,500			2,176,500
Racing Regulation Fund	2,466,000			2,466,000
Racing Regulation Fund - Uarmed Combat				
Subaccount	102,300			102,300
State Lottery Fund	300,000			300,000
Arizona Benefits Fund	11,243,500			11,243,500
Total - Department of Gaming	<u>16,288,300</u>	<u>0</u>	<u>0</u>	<u>16,288,300</u>
Health Services, Department of				
Arizona State Hospital Fund	2,573,400			2,573,400
ASH Land Earnings Fund	650,000			650,000
Child Fatality Review Fund	99,200			99,200
Disease Control Research Fund	1,000,000			1,000,000
Emergency Medical Services Operating Fund	5,841,900			5,841,900
Environmental Laboratory Licensure				
Revolving Fund	952,000			952,000
Federal Child Care and Development Fund				

	OF FY 2021 Approp Rpt August 2020	OF Adjustments	OF FY 2021 Supplementals 2/	OF Enacted FY 2021
Block Grant	911,500			911,500
Health Services Licensing Fund	16,241,300			16,241,300
Health Services Lottery Monies Fund	100,000			100,000
Indirect Cost Fund	10,678,600			10,678,600
Newborn Screening Program Fund	7,741,200			7,741,200
Nuclear Emergency Management Fund	789,700			789,700
Nursing Care Institution Resident Protection Revolving Fund	138,200			138,200
Tobacco Tax and Health Care Fund Health Research Account	3,000,000			3,000,000
Tobacco Tax and Health Care Fund Medically Needy Account	700,000			700,000
Vital Records Electronic Systems Fund	3,701,700			3,701,700
Total - Department of Health Services	55,118,700	0	0	55,118,700
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	46,600			46,600
Housing, Department of Housing Trust Fund	332,500			332,500
Industrial Commission of Arizona Administrative Fund	20,593,100		15,300	20,608,400
Insurance and Financial Institutions, Department of Automobile Theft Authority Fund	5,330,000			5,330,000
Financial Services Fund	4,157,400			4,157,400
Department Revolving Fund	50,300			50,300
Total - Department of Insurance and Financial Institutions	9,537,700	0	0	9,537,700
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	509,400			509,400
Court Appointed Special Advocate Fund	3,627,500			3,627,500
Criminal Justice Enhancement Fund	4,497,100			4,497,100
Defensive Driving School Fund	4,316,900			4,316,900
Judicial Collection Enhancement Fund	15,198,700			15,198,700
State Aid to the Courts Fund	2,946,300			2,946,300
Total - Judiciary - Supreme Court	31,095,900	0	0	31,095,900
Judiciary - Superior Court Criminal Justice Enhancement Fund	5,475,800			5,475,800
Judicial Collection Enhancement Fund	6,015,200			6,015,200
Drug Treatment and Education Fund	503,400			503,400
Total - Judiciary - Superior Court	11,994,400	0	0	11,994,400
SUBTOTAL - Judiciary	43,090,300	0	0	43,090,300
Juvenile Corrections, Department of Criminal Justice Enhancement Fund	546,200			546,200
Department of Juvenile Corrections				

	OF FY 2021 Approp Rpt August 2020	OF Adjustments	OF FY 2021 Supplementals 2/	OF Enacted FY 2021
Local Cost Sharing Fund	8,450,900			8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	4,017,000		300	4,017,300
State Education Fund for Committed Youth	1,986,000			1,986,000
Total - Department of Juvenile Corrections	<u>15,000,100</u>	<u>0</u>	<u>300</u>	<u>15,000,400</u>
Land Department, State				
Due Diligence Fund	500,000			500,000
Environmental Special Plate Fund	260,600			260,600
Trust Land Management Fund	7,320,100			7,320,100
Total - State Land Department	<u>8,080,700</u>	<u>0</u>	<u>0</u>	<u>8,080,700</u>
Liquor Licenses and Control, Department of				
Liquor Licenses Fund	3,498,200			3,498,200
Lottery Commission, Arizona State				
State Lottery Fund	148,164,900	11,952,300		160,117,200
Massage Therapy, Board of				
Board of Massage Therapy Fund	486,100			486,100
Medical Board, Arizona				
Arizona Medical Board Fund	7,227,700			7,227,700
Mine Inspector, State				
Aggregate Mining Reclamation Fund	112,900			112,900
Naturopathic Physicians Medical Board				
Naturopathic Physicians Medical Board Fund	197,600			197,600
Navigable Stream Adjudication Commission				
Arizona Water Banking Fund	200,000			200,000
Nursing, State Board of				
Board of Nursing Fund	4,927,500			4,927,500
Nursing Care Institution Administrators Board				
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	470,400			470,400
Occupational Therapy Examiners, Board of				
Occupational Therapy Fund	204,700			204,700
Opticians, State Board of Dispensing				
Board of Dispensing Opticians Fund	159,700			159,700
Optometry, State Board of				
Board of Optometry Fund	248,200			248,200
Osteopathic Examiner in Medicine and Surgery, Arizona Board of				
Board of Osteopathic Examiners in Medicine and Surgery Fund	1,038,000			1,038,000
Parks Board, Arizona State				
State Parks Revenue Fund	16,472,800		147,100	16,619,900
Total - Arizona State Parks Board	<u>16,472,800</u>	<u>0</u>	<u>147,100</u>	<u>16,619,900</u>
Personnel Board, State				
Personnel Board Subaccount of the Personnel Division Fund	332,500			332,500

	OF FY 2021 Approp Rpt August 2020	OF Adjustments	OF FY 2021 Supplementals 2/	OF Enacted FY 2021
Pharmacy, Arizona State Board of Arizona State Board of Pharmacy Fund	2,689,600			2,689,600
Physical Therapy, Board of Board of Physical Therapy Fund	513,900			513,900
Pioneers' Home, Arizona Miners' Hospital for Miners with Disabilities Land Fund	2,137,500			2,137,500
State Charitable Fund	4,658,500			4,658,500
Total - Arizona Pioneers' Home	<u>6,796,000</u>	<u>0</u>	<u>0</u>	<u>6,796,000</u>
Podiatry Examiners, State Board of Podiatry Fund	171,600		2,800	174,400
Postsecondary Education, Commission for Postsecondary Education Fund	1,543,700			1,543,700
Private Postsecondary Education, Board for Board for Private Postsecondary Education Fund	436,300			436,300
Psychologist Examiners, State Board of Board of Psychologist Examiners Fund	529,900			529,900
Public Safety, Department of Arizona Highway Patrol Fund	200,822,700			200,822,700
Concealed Weapons Permit Fund	2,831,200			2,831,200
Criminal Justice Enhancement Fund	2,999,700			2,999,700
DPS Forensics Fund	23,235,600			23,235,600
Fingerprint Clearance Card Fund	1,596,100			1,596,100
GIITEM Border Security and Law Enforcement Subaccount	2,411,600			2,411,600
Motor Vehicle Liability Insurance Enforcement Fund	1,302,700			1,302,700
Motorcycle Safety Fund	205,000			205,000
Parity Compensation Fund	4,175,500			4,175,500
Public Safety Equipment Fund	2,893,700			2,893,700
Risk Management Revolving Fund	1,408,600			1,408,600
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount	1,715,100			1,715,100
State Aid to Indigent Defense Fund	700,000			700,000
State Highway Fund	318,200			318,200
Total - Department of Public Safety	<u>246,615,700</u>	<u>0</u>	<u>0</u>	<u>246,615,700</u>
Residential Utility Consumer Office Residential Utility Consumer Office Revolving Fund	1,388,900			1,388,900
Respiratory Care Examiners, Board of Board of Respiratory Care Examiners Fund	333,300			333,300
Retirement System, Arizona State Long-Term Disability Trust Fund Administration Account	1,800,000			1,800,000

	OF FY 2021 Approp Rpt August 2020	OF Adjustments	OF FY 2021 Supplementals 2/	OF Enacted FY 2021
Arizona State Retirement System Administration				
Account	23,120,800			23,120,800
Total - Arizona State Retirement System	24,920,800	0	0	24,920,800
Revenue, Department of				
Department of Revenue Administrative Fund	47,473,000			47,473,000
Liability Setoff Program Revolving Fund	815,500			815,500
Tobacco Tax and Health Care Fund	694,700			694,700
Total - Department of Revenue	48,983,200	0	0	48,983,200
Secretary of State				
Records Services Fund	744,800		494,500	1,239,300
Total - Secretary of State	744,800	0	494,500	1,239,300
Technical Registration, State Board of				
Technical Registration Fund	2,263,100			2,263,100
Transportation, Department of				
Air Quality Fund	326,000			326,000
Highway User Revenue Fund	679,900			679,900
Highway Damage Recovery Account	8,000,000			8,000,000
Ignition Interlock Device Fund	332,800			332,800
Motor Vehicle Liability Insurance				
Enforcement Fund	1,781,800			1,781,800
Safety Enforcement and Transportation				
Infrastructure Fund - Department of				
Transportation Subaccount	896,000			896,000
State Aviation Fund	2,064,800			2,064,800
State Highway Fund	406,793,900		121,100	406,915,000
Transportation Department Equipment Fund	19,167,800			19,167,800
Vehicle Inspection and Certificate of Title				
Enforcement Fund	2,143,200			2,143,200
Total - Department of Transportation	442,186,200	0	121,100	442,307,300
Treasurer, State				
Law Enforcement and Boating Safety Fund	2,183,800			2,183,800
State Treasurer's Operating Fund	3,457,000			3,457,000
Total - State Treasurer	5,640,800	0	0	5,640,800
Universities				
Arizona State University				
Technology and Research Initiative Fund	3,600,000			3,600,000
University Collections Fund	657,196,000	(53,620,100)		603,575,900
Total - Arizona State University	660,796,000	(53,620,100)	0	607,175,900
Northern Arizona University				
University Collections Fund	156,298,700	(17,377,400)		138,921,300
University of Arizona - Main Campus				
University Collections Fund	354,801,800	(114,215,300)		240,586,500
University of Arizona - Health Sciences Center				
University Collections Fund	55,697,400	1,166,000		56,863,400
SUBTOTAL - Universities	1,227,593,900	(184,046,800)	0	1,043,547,100

	OF FY 2021 Approp Rpt August 2020	OF Adjustments	OF FY 2021 Supplementals 2/	OF Enacted FY 2021
Veterans' Services, Department of				
Veterans' Income Tax Settlement Fund	0		100,000	100,000
State Homes for Veterans' Trust Fund	39,887,100			39,887,100
Total - Department of Veterans' Services	39,887,100	0	100,000	39,987,100
Veterinary Medical Examining Board				
Veterinary Medical Examining Board Fund	618,300			618,300
Water Resources, Department of				
Assured and Adequate Water Supply Admin Fund	276,700			276,700
Water Resources Fund	977,700			977,700
Water Banking Fund	1,212,400			1,212,400
Total - Department of Water Resources	2,466,800	0	0	2,466,800
OPERATING BUDGET TOTAL	\$4,123,184,200	(\$172,094,500)	\$157,912,100	\$4,109,001,800
Unallocated '21 (27th) Pay Period	1,136,600			1,136,600
Unallocated '21 Retirement Rate Adjustments	986,200			986,200
Remove One-Time '20 Agency Health Insurance Adjustments	(75,900)			(75,900)
Unallocated '21 One-Time Agency Health Insurance	3,215,700			3,215,700
Capital Outlay - Building Renewal/Projects	509,683,600			509,683,600
GRAND TOTAL	\$4,638,130,400	(\$172,094,500)	\$157,912,100	\$4,623,948,000

FY 2021 EXPENDITURE AUTHORITY CROSSWALK - ORIGINAL TO FINAL ESTIMATES

AHCCCS	\$11,753,355,700	\$18,122,500	\$3,011,164,500	\$14,782,642,700
Child Safety, Department of	438,965,300	0	71,323,100	510,288,400
Economic Security, Department of	1,592,350,500	0	135,147,300	1,727,497,800
Education, Department of	747,057,500	(5,844,300)	0	741,213,200
GRAND TOTAL	\$14,531,729,000	\$12,278,200	\$3,217,634,900	\$17,761,642,100

1/ This chart provides a crosswalk between an agency's original appropriation in the *FY 2021 Appropriations Report* and its final FY 2021 appropriation, excluding capital appropriations.

2/ Reflects changes enacted in the FY 2022 General Appropriation Act (Laws 2021, Chapter 408) and additional appropriations in the 1st Regular Session and 1st Special Session. Any supplementals enacted prior to the 1st Regular Session are reflected in the Adjustments column. (There were no supplementals in this category for FY 2021.)

**JLBC STAFF AND
AGENCY DIRECTORY**

APPROPRIATIONS COMMITTEE MEMBERS
Fifty-fifth Legislature
First Regular Session

SENATE

David Gowan, Chairman
 Vince Leach, Vice-Chairman
 Lela Alston
 Sean Bowie
 Sine Kerr
 David Livingston
 Tony Navarrete
 Lisa Otondo
 Kelly Townsend
 Michelle Ugenti-Rita

HOUSE

Regina Cobb, Chairman
 John Kavanagh, Vice-Chairman
 César Chávez
 Charlene Fernandez
 Randall Friese
 Jake Hoffman
 Steve Kaiser
 Aaron O. Lieberman
 Quang Nguyen
 Becky Nutt
 Joanne Osborne
 Judy Schwiebert
 Michelle Udall

STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE

- Director Richard Stavneak
- Office Manager Linda Monsanto
- Deputy Directors Stefan Shepherd
 Jack Brown
- Chief Economist Hans Olofsson
- Senior Consultant Micaela Larkin
- Principal Fiscal Analysts Patrick Moran
 Rebecca Perrera
- Senior Fiscal Analysts Morgan Dorcheus
 Henry Furtick (through June 2021)
 Steve Grunig
 Jeremy Gunderson (through July 2021)
 Geoff Paulsen
- Fiscal Analysts Nate Belcher
 Lydia Chew
 Ryan Fleischman
 Jordan Johnston
 Lauren Jorgensen (through May 2021)
 Nicole Lovato
 Alexis Pagel
 Maggie Rocker
- Economists David Hoffer
 Molly Murphy
 Ben Newcomb
- Senior Administrative Assistant/JLBC & JCCR Clerk Kristy Paddack

JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966 pursuant to Laws 1966, Chapter 96. The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government. The following members served on the Committee during the 55th Legislature, 1st Regular Session:

Representative Regina E. Cobb Chairman	Senator David M. Gowan Vice-Chairman
Representative Shawna Bolick	Senator Lela Alston
Representative César Chávez	Senator Sean Bowie
Representative Charlene R. Fernandez	Senator Rick Gray
Representative Randall Friese	Senator Sine Kerr
Representative John Kavanagh	Senator Vince Leach
Representative Joanne Osborne	Senator David Livingston
Representative Ben Toma	Senator Lisa Otondo

The objectives and major products of the staff of the JLBC are:

- Analysis and recommendations for the state budget, which is presented in January of each year.
- Technical, analytical, and preparatory support in the development of appropriations bills considered by the Legislature.
- Periodic economic and state revenue forecasts.
- Preparation of fiscal notes on legislation and ballot propositions that have a fiscal impact on the state or any of its political subdivisions.
- An annual *Appropriations Report*, which is published shortly after the budget is completed and provides detail on the budget along with an explanation of legislative intent.
- Support to the JLBC with respect to recommendations on business items placed on the committee's agenda such as transfers of appropriations pursuant to A.R.S. § 35-173.
- Support to the Joint Committee on Capital Review (JCCR) with respect to all capital outlay issues including land acquisition, new construction, and building renewal projects.
- Analyze the state tax structure, tax burdens on individuals and businesses and tax incentives for businesses pursuant to A.R.S. § 41-1272A4.

Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007
Phone: (602) 926-5491
Email: jlbcwebmaster@azleg.gov
Website: <http://www.azleg.gov/jlbc.htm>

JOINT COMMITTEE ON CAPITAL REVIEW

The Joint Committee on Capital Review (JCCR) was first established on April 11, 1986 pursuant to Laws 1986, Chapter 85. The primary powers and duties of the Joint Committee on Capital Review relate to ascertaining facts and making recommendations to the Legislature regarding state expenditures for land, buildings and improvements. This portion of the state budget is known as "capital outlay." The following members served on the Committee during the 55th Legislature, 1st Regular Session:

Senator David M. Gowan
Chairman

Senator Lela Alston

Senator Sean Bowie

Senator Rick Gray

Senator Sine Kerr

Senator Vince Leach

Senator Rebecca Rios

Representative Regina E. Cobb
Vice-Chairman

Representative Reginald Bolding

Representative Randall Friese

Representative John Kavanagh

Representative Aaron O. Lieberman

Representative Joanne Osborne

Representative Ben Toma

The JCCR is staffed by the JLBC Staff. The objectives and major products of the JCCR are to:

- Recommend capital appropriations to the Legislature.
- Approve capital transfers within a budget unit.
- Review the scope, purpose and cost of projects before releasing appropriations.
- Develop a "Building Renewal Formula."
- Approve the use of Renewal funds for infrastructure repair.
- Approve lease-purchase agreements and the acquisition of certain real property and buildings.
- Along with the Legislature, approve corrections and state operated juvenile facilities expenditures from the Corrections Fund.
- Review the issuance of revenue bonds by the Board of Regents.
- Approve Arizona Department of Administration land and building purchases and condemnations.
- Review "Capital Improvement Plans."
- Determine rental rates for buildings owned by the state.
- Review Community College District revenue bond projects.
- Review School Facilities Board assumptions for new school construction.
- Review School Facilities Board lease-to-own agreements.

**DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS
(As of August 6, 2021)**

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of Acupuncture Board of Examiners Administration, Arizona Department of Administrative Hearings, Office of African-American Affairs, Arizona Commission of	Molly Murphy Steve Grunig Rebecca Perrera Ben Newcomb Molly Murphy	Monica Petersen [Executive Director] David Geriminsky [Executive Director] Andy Tobin [Director] Greg Hanchett [Interim Director] Cloves Campbell [Executive Director]	602-364-0870 602-542-3095 602-542-1500 602-542-9830 602-542-5484
Agriculture, Arizona Department of Arizona Health Care Cost Containment System Arizona State University Arts, Arizona Commission on the Athletic Training, Board of	Nate Belcher Maggie Rocker Morgan Dorcheus Ryan Fleischman Steve Grunig	Mark Killian [Director] Jami Snyder [Director] Michael Crow, Ph.D. [President] Alex Nelson [Interim Executive Director] Karen Whiteford [Executive Director]	602-542-4373 602-417-4111 480-965-8972 602-771-6561 602-589-8353
Attorney General - Department of Law Auditor General Barbers, Board of Behavioral Health Examiners, Board of Charter Schools, State Board for	Ryan Fleischman Steve Grunig David Hoffer Nicole Lovato Molly Murphy	Honorable Mark Brnovich [Attorney General] Lindsey Perry [Auditor General] Bruce Bueno [Executive Director] Tobi Zavala [Executive Director] Ashley Berg [Executive Director]	602-542-5025 602-553-0333 602-542-4498 602-542-1617 602-364-3080
Child Safety, Department of Chiropractic Examiners, State Board of Citizens Clean Elections Commission Commerce Authority, Arizona Community Colleges, Arizona	Nicole Lovato Nicole Lovato Maggie Rocker Nate Belcher Lydia Chew	Mike Faust [Director] Martin Kollasch [Executive Director] Thomas M. Collins [Executive Director] Sandra Watson [President and CEO] --	602-255-2564 602-542-9101 602-364-3477 602-845-1229 --
Constable Ethics Standards and Training Board Contractors, Registrar of Corporation Commission Corrections, State Department of Cosmetology, Board of	Ryan Fleischman Nate Belcher Nate Belcher Geoffrey Paulsen David Hoffer	Scott Blake [Chairman] Jeffrey Fleetham [Director] Honorable Lea Marquez Peterson [Chairwoman] David Shinn [Director] Kim Scoplitte [Director]	602-343-6280 602-771-6700 602-542-3625 602-542-5225 480-784-4539
Court of Appeals, Division I Court of Appeals, Division II Criminal Justice Commission, Arizona Deaf and the Blind, Arizona State Schools for the Deaf and the Hard of Hearing, Commission for the	Ryan Fleischman Ryan Fleischman Ryan Fleischman Molly Murphy Molly Murphy	Honorable Peter B. Swann [Chief Judge] Honorable Garye L. Vásquez [Chief Judge] Andrew LeFevre [Executive Director] Annette Reichman [Superintendent] Sherri L. Collins [Executive Director]	602-452-6780 520-628-6949 602-364-1156 520-770-3704 602-542-3383
Dental Examiners, State Board of Drought Mitigation Board Early Childhood Development and Health Board, Arizona Economic Opportunity, Office of Economic Security, Department of	Nicole Lovato Micaela Larkin Nicole Lovato Ben Newcomb Alexis Pagel	Ryan Edmonson [Executive Director] Thomas Buschatzke [Member/Administrator] Marilee Dal Pra [Executive Director] Sandra Watson [Director] Michael Wisehart [Director]	602-542-4451 602-771-8426 602-771-5100 602-771-0484 602-542-5757
Education, State Board of Education, Department of	Lydia Chew Patrick Moran/Lydia Chew	Alicia Williams [Executive Director] Honorable Kathy Hoffman [Superintendent of Public Instruction]	602-542-5057 602-364-1972
Emergency and Military Affairs, Department of Environmental Quality, Department of Equal Opportunity, Governor's Office of	Alexis Pagel Ryan Fleischman Molly Murphy	Kerry L. Muehlenbeck [Adjutant General] Misael Cabrera [Director] Barry Wong [Executive Director]	602-267-2710 602-771-2203 602-542-5732
Equalization, State Board of Executive Clemency, Board of Exposition and State Fair Board, Arizona Forestry and Fire Management, Arizona Department of Funeral Directors and Embalmers, State Board of	Lydia Chew Nicole Lovato David Hoffer Nate Belcher Steve Grunig	George R. Shook [Interim Chairman] Kathryn Blades [Executive Director] Wanell Costello [Executive Director] David Tenney [State Forester] Judith Stapley [Executive Director]	602-364-1611 602-542-5656 602-252-6771 602-771-1400 602-542-8152
Game and Fish Department, Arizona Gaming, Department of Governor, Office of the Governor's Office of Strategic Planning and Budgeting Health Services, Department of	David Hoffer Ben Newcomb Steve Grunig Steve Grunig Morgan Dorcheus	Ty Gray [Director] Ted Vogt [Director] Honorable Doug Ducey [Governor] Matthew Gress [Director] Dr. Cara Christ [Director]	602-942-3000 602-771-4263 602-542-4331 602-542-5381 602-542-1025

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Historical Society, Arizona	Nicole Lovato	W. James Burns [Executive Director]	520-628-5774
Historical Society of Arizona, Prescott	Nicole Lovato	Fred Veil [Executive Director]	928-445-3122
Homeland Security, Arizona Department of	Alexis Pagel	Tim Roemer [Director]	602-542-7013
Homeopathic and Integrated Medicine Examiners, Board of	Steve Grunig	David Geriminsky [Executive Director]	602-542-3095
House of Representatives	Steve Grunig	Honorable Rusty Bowers [Speaker of the House]	602-926-3312
Housing, Arizona Department of	David Hoffer	Tom Simplot [Director]	602-771-1007
Independent Redistricting Commission	Molly Murphy	Brian Schmitt [Executive Director]	
Industrial Commission of Arizona	David Hoffer	James Ashley [Director]	602-542-4411
Insurance and Financial Institutions, Department of	Nate Belcher	Evan Daniels [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]	602-542-4121
Land Department, State	Micaela Larkin	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	David Hoffer	John Cocca [Director]	602-542-9020
Lottery Commission, Arizona State	Molly Murphy	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	Nate Belcher	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	Nate Belcher	George Mehnert [Executive Director]	602-542-9214
Northern Arizona University	Lydia Chew	José Luis Cruz Rivera, Ph.D. [President]	928-523-3232
Nursing, State Board of	Nicole Lovato	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	Nicole Lovato	Maria Fuentes [Director]	602-542-1773
Parks Board, Arizona State	Nate Belcher	Robert Broscheid [Executive Director]	602-542-4174
Personnel Board, State	Molly Murphy	Robin Van Staeyen [Executive Director]	602-542-3888
Pharmacy, Arizona State Board of	Nicole Lovato	Kamlesh Gandhi [Executive Director]	602-771-2740
Physical Therapy, Board of	Steve Grunig	Karen Donahue [Executive Director]	602-542-8157
Pioneers' Home, Arizona	Nicole Lovato	Jessica Sullivan [Superintendent]	928-277-2750
Podiatry Examiners, State Board of	Steve Grunig	Heather Broaddus [Executive Director]	602-542-8151
Postsecondary Education, Commission for	Alexis Pagel	Daniel Helm [Interim Executive Director]	602-542-7236
Power Authority, Arizona	Ryan Fleischman	Edward A. Gerak [Executive Director]	602-368-4265
Private Postsecondary Education, State Board for	Steve Grunig	Kevin LaMountain [Executive Director]	602-542-5716
Psychologist Examiners, State Board of	Steve Grunig	Heidi Herbst Paakkonen [Director]	602-542-8162
Public Safety, Department of	Jordan Johnston	Colonel Heston Silbert [Director]	602-223-2359
Public Safety Personnel Retirement System	Molly Murphy	Michael Townsend [Administrator]	602-255-5575
Real Estate Department, State	Ben Newcomb	Judy Lowe [Commissioner]	602-771-7799
Regents, Arizona Board of	Morgan Dorcheus	John Arnold [Executive Director]	602-229-2507
Residential Utility Consumer Office	Nate Belcher	Malcolm Hightower [Director]	602-364-4835
Respiratory Care Examiners, Board of	Steve Grunig	Jack Confer [Director]	602-542-5995
Retirement System, Arizona State	Molly Murphy	Paul Matson [Director]	602-240-2000
Revenue, Department of	Micaela Larkin	Rob Woods [Director]	602-716-6090
School Facilities Board	Rebecca Perrera	Andy Tobin [Interim 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	Ryan Fleischman	David K. Byers [Director]	602-452-3301
Supreme Court	Ryan Fleischman	Robert Brutinel [Chief Justice]	602-452-3534
Tax Appeals, State Board of	David Hoffer	Patricia Walker [Chairperson]	602-364-1102
Technical Registration, State Board of	David Hoffer	Melissa Cornelius [Executive Director]	602-364-4930
Tourism, Office of	Nate Belcher	Debbie Johnson [Director]	602-364-3717
Transportation, Department of	Jordan Johnston	John Halikowski [Director]	602-712-7227

AGENCY/DEPARTMENT/BUDGET AREA

Treasurer, State
Tribal Relations, Governor's Office on
University of Arizona
Veterans' Services, Department of
Veterinary Medical Examining Board, Arizona State

Water Infrastructure Finance Authority
Water Resources, Department of

OTHER ASSIGNMENTS

Capital Review
Economic and Revenue Forecast
Federal/Non-Appropriated Funds
Fiscal Note Manager

JLBC ANALYST

David Hoffer
Molly Murphy
Lydia Chew
Nicole Lovato
Steve Grunig

Micaela Larkin
Micaela Larkin

Jack Brown
Hans Olofsson
Stefan Shepherd
Stefan Shepherd

AGENCY/DEPARTMENT HEADS

Honorable Kimberly Yee [State Treasurer]
Kristine FireThunder [Executive Director]
Robert Robbins, M.D. [President]
Colonel Wanda Wright [Director]
Victoria Whitmore [Executive Director]

Daniel A. Dialessi [Director]
Thomas Buschatzke [Director]

TELEPHONE
NUMBER

602-542-7800
602-542-4421
520-621-5511
602-255-3373
602-542-8150

602-364-1310
602-771-8426

[] Denotes Title for Information Purposes