

FY 2023
Baseline Book

January 2022



FY 2023 BASELINE BOOK

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FY 2023 BASELINE SUMMARY

Summary of the General Fund Budget Outlook

- General Fund revenues are currently growing rapidly – up 18.7% for the first half of FY 2022.
- The outcome of a pending referendum, litigation and federal policy decisions will affect the level of available resources.
- As a result, numerous scenarios are possible for the level of available resources. For planning purposes, we project an available ongoing balance of \$1 billion and a one-time balance of \$2.1 billion under a "maximum commitment" scenario.

Components of Maximum Commitment Scenario

The "maximum commitment" scenario is based on outcomes that use up the most resources – so that we do not overstate how much will be available in the FY 2023 budget. This scenario is a means of budgeting prudently, not a prediction of the results of the referendum or the litigation. The January Baseline assumes:

- Proposition 208 is upheld in litigation. The Arizona Supreme Court has ruled that the Proposition 208 would be invalidated if it causes the K-12 Aggregate Expenditure Limit to be exceeded. The Supreme Court has directed the trial court to make that determination.
- We put \$939 million in reserve pending the outcome of the Proposition 208 litigation. The General Fund could be currently holding \$939 million of income tax collections from the Proposition 208 surcharge. If the proposition is upheld, these monies will be transferred to the Proposition 208 fund. If the proposition is not upheld, the state will issue refunds.
- The enacted Individual Income Tax reductions, including the triggers, will go into effect. These tax reductions have been referred to the 2022 general election ballot as Proposition 307.
- The federal government does not extend the enhanced Medicaid match rate past March 2022. The federal government recently extended the higher rate from December 2021 to March 2022.

General Fund and Budget Stabilization Fund Balances

- The projected FY 2023 budget balance is \$3.2 billion in FY 2023. Of that amount, \$1 billion is available for ongoing initiatives and \$2.1 billion could be allocated for one-time initiatives with the remainder for the cash reserve.
- In addition, the Budget Stabilization Fund will have an estimated balance of \$984.8 million in FY 2023. These monies are separate from any General Fund balance.

General Fund Baseline Revenues

- In FY 2021, General Fund revenues grew by 17.9% after adjusting for the July 2020 income tax deferral. Through December 2021, FY 2022 revenues have grown by a comparable 18.7%.
- This strong 18-month performance of General Fund revenues is likely due to:
 - ⇒ \$78 billion in federal pandemic aid, which helped fuel an 8.6% increase in Arizona personal income last year.
 - ⇒ A shift in consumer spending from services (mostly non-taxable) to taxable durable goods during the pandemic, boosting Sales Tax collections
 - ⇒ A 27% gain in the stock market and a 30% increase in Phoenix-area home prices, which has generated capital gains subject to Income Tax.
 - ⇒ 36% nationwide corporate profit growth in calendar year 2021.
- As a result of these factors, FY 2022 Baseline General Fund revenues are projected to be \$15.6 billion, an increase of \$2.54 billion over the enacted budget estimate. The deferral-adjusted base revenue growth rate would be 12.6%. To meet this forecast, base revenues would have to grow by 7.5% over the remaining 6 months of FY 2022.
- FY 2023 General Fund revenues are projected to be \$15.9 billion. This estimate is based on the following assumptions:
 - ⇒ Base revenues would increase by 3.1% prior to enacted tax law changes.
 - ⇒ These tax law changes would decrease General Fund revenues by an estimated \$(1.8) billion in FY 2023. The primary change is the reduction in Individual Income Tax rates to 2.55% and 2.98%.
 - ⇒ The enacted FY 2022 budget also included provisions to further reduce these rates to 2.5% by FY 2025, contingent upon meeting certain General Fund revenue triggers. Under the January baseline forecast, these triggers would be met and the Baseline incorporates the 2.5% rate in FY 2025 as part of the maximum commitment scenario. Once fully enacted in FY 2025, the total dollar value of the enacted budget reductions is \$(2.5) billion.
- The General Fund Baseline revenue estimates are a product of the JLBC Staff's 4-sector forecast process. The forecast equally weights the projections for major revenue categories of 2 University of Arizona econometric models, the consensus of the private and public sector economists on the Finance Advisory Committee and the JLBC Staff.

General Fund Baseline Spending

- The January Baseline spending estimates essentially reflect changes in the cost of statutory funding formulas as well as the removal of any spending designated as one-time in FY 2022's 3-year budget plan.
- FY 2023 General Fund spending is projected to be \$12.7 billion, an increase of 1.6%, based on the following assumptions:
 - ⇒ A \$410.6 million increase in ongoing spending.
 - ⇒ A \$(207.8) million decrease in one-time spending.
- The entire FY 2023 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$55.8 billion.
- The main drivers of FY 2023 Baseline spending are delineated below by function of government.

Education

Department of Education (ADE)

- ADE General Fund spending increases by \$11.1 million, or 0.2%, including:
 - ⇒ \$(135.0) million for a base adjustment in FY 2022 for lower-than-budgeted enrollment. This estimate assumes that combined public school Average Daily Membership (ADM) and ESA enrollment will not exceed 1.12 million in FY 2022. With additional months of data, this enrollment projection may be adjusted downward significantly.
 - ⇒ \$103.4 million for FY 2023 K-12 enrollment growth of 6,848, or 0.6%.
 - ⇒ \$137.1 million for a 2.0% inflation adjustment of funding levels for the per pupil base level, transportation and charter additional assistance. The 2.0% estimate is based on estimated calendar year 2021 inflation of 4.07%. Statute requires a minimum adjustment equal to 2.0% or the change in the GDP price deflator, whichever is less.
 - ⇒ \$(53.2) million for growth in property taxes from new construction.
 - ⇒ \$49.4 million for growth in Homeowner's Rebate Expenses. This amount includes \$30.0 million for an increase in the Homeowner's Rebate percentage from 47.19% to 50.0% in FY 2023 and \$4.4 million for a 0.5% decrease in the assessment ratio for commercial property pursuant to Laws 2021, Chapter 412.
 - ⇒ \$(9.4) million for an increase in land trust endowment earnings, which offset General Fund costs.
 - ⇒ \$(65.0) million to remove one-time funding that was used to eliminate the K-12 rollover for school districts with more than 600 but less than 2,000 pupils. The remaining rollover is \$866 million.
 - ⇒ \$(16.2) million to remove other one-time funding from the FY 2022 budget.
- The Baseline assumes ADE will revert \$(285.0) million in FY 2022 for Basic State Aid savings. This amount includes \$(150.0) million for prior year (FY 2021) transportation route miles and student enrollment declines and \$(135.0) million for lower-than-anticipated FY 2022 enrollment growth.
- ADE reported in November 2021 that adopted school district budgets for FY 2022 are \$1.15 billion above the Arizona Constitution's aggregate expenditure limit (AEL) for school districts.
 - ⇒ The Legislature may choose to override the limit by March 1, 2022 with a two-thirds vote.
 - ⇒ With no override, districts would need to reduce their FY 2022 budgets by April 1, 2022 to comply with the AEL.
 - ⇒ AEL district budget reductions would not directly affect state expenditures, as ADE would still be required to pay each district its full Basic State Aid formula entitlement. Districts, however, could not spend any funding above the AEL.
 - ⇒ The FY 2022 AEL calculation excludes Proposition 208 expenditures as those monies would not be expended by districts until FY 2023.

Arizona Department of Administration/School Facilities Division (SFD)

- SFD General Fund spending decreases by \$(149.7) million, or (51.4)%, including:
 - ⇒ \$(58.9) million for a decrease in new school construction costs. The Baseline funds a total of \$112.7 million for new construction, including the completion of 5 FY 2022 schools and the initial funding for 3 FY 2023 schools in the Marana, Nadaburg and Pima School Districts.
 - ⇒ \$(90.8) million for a decrease in one-time building renewal grant monies.
- The School Facilities Board was consolidated into the Arizona Department of Administration on January 1, 2022.

Universities

- University General Fund spending decreases by \$(45.1) million, or (5.1)%, including:
 - ⇒ \$(37.4) million to remove one-time operating funding.
 - ⇒ \$(4.3) million to remove one-time "freedom school" funding.
 - ⇒ \$(3.5) million to remove one-time funding for a UA wind tunnel.
 - ⇒ \$1.7 million to transfer the Commission for Postsecondary Education to the Arizona Board of Regents.

- ⇒ \$(750,000) to remove other various one-time funding for university programs.
- ⇒ \$843,000 for adjustments to capital appropriations.
- Fall 2021 enrollment increased by 5,041 full-time equivalent students, or 2.6% above Fall 2020, for total enrollment of 197,120.

Community Colleges

- Community College General Fund spending decreases by \$(30.2) million, or (27.8)%, including:
 - ⇒ \$(901,900) for formula adjustments.
 - ⇒ \$(2.0) million to remove one-time STEM and Workforce Program funding to Maricopa and Pima.
 - ⇒ \$(14.0) million to remove one-time rural aid.
 - ⇒ \$(13.0) million to remove one-time urban aid.
 - ⇒ \$(500,000) to remove a one-time increase in the out-of-county reimbursement subsidy.
 - ⇒ \$158,700 increase in tribal community college funding.
- The Community College funding formula is based on student counts from 2 years prior. FY 2021 rural district enrollment decreased by (3,996) full-time equivalent students, or (14.9)%, for a total enrollment of 22,830. Including the Maricopa and Pima districts, total enrollment decreased by (17,437), or (16.1)%, for total enrollment of 90,735.

Health and Welfare

AHCCCS

- AHCCCS General Fund spending increases by \$257.1 million, or 13.4%, including:
 - ⇒ a caseload decline of (6.7)%. Under the existing federal health emergency, AHCCCS cannot currently disenroll individuals due to income changes. The January Baseline assumes that AHCCCS will begin to disenroll some of these individuals over a 9-month period starting at the end of the health emergency in March 2022 (unless it is extended again).
 - ⇒ a 3.1% capitation rate increase.
 - ⇒ a General Fund backfill for the expiration of the enhanced federal match rate of 6.2% in March 2022.
- AHCCCS enrollment is projected to decline to 1.8 million recipients by June 2023. This level represents a caseload decrease of (128,800), or (6.7)%, from June 2022.
- The enacted budget assumed the end of the enhanced match in December 2021. Since the federal government extended the higher rate for an additional quarter, the state will generate an additional \$(133) million in FY 2022 General Fund savings across all 3 Medicaid agencies (AHCCCS, DES and DCS). In addition, we estimate that the state will incur an extra \$(20) million in reversion savings for other Medicaid formula costs.

Department of Child Safety (DCS)

- DCS General Fund spending increases by \$10 million, or 2.5%, for expiration of the enhanced federal match rate.
- DCS' benchmark is to have fewer than 13,964 children in out-of-home care. As of October 2021, there were 14,752 children in out-of-home care.

Department of Economic Security (DES)

- DES General Fund spending increases by \$104.8 million, or 12.3%, including:
 - ⇒ \$114.3 million for Developmental Disabilities (DD) formula adjustments, including 5.0% enrollment growth, a 3.0% capitation rate increase and expiration of the enhanced federal match rate.
 - ⇒ \$(9.5) million to remove one-time funding.
- Medicaid Developmental Disability caseloads are projected to grow to 39,399 by June 2023. This level represents a caseload increase of 1,876, or 5.0%, above June 2022.

Department of Health Services (DHS)

- DHS General Fund spending decreases by \$(3.7) million, or (3.5)%, to remove one-time funding.

Criminal Justice/Public Safety

Department of Corrections (ADC)

- ADC General Fund spending decreases by \$(39.4) million, or (3.1)%, including:
 - ⇒ \$2.4 million for net increased costs associated with year 2 of the phased closure of the Florence prison.
 - ⇒ \$(600,000) for rent savings.
 - ⇒ \$(41.2) million for the elimination of one-time funding.

- In addition, ADC's budget will be further reduced by \$(52.0) million for lower retirement costs associated with the FY 2022 budget's partial payoff of unfunded pension liabilities. *(See Pension/Debt issues below.)*
- The systemwide prison population at the end of FY 2021 was 35,954, a decrease of (4,197) or (10.5)% below the population at the end of FY 2020.

Judiciary

- Judiciary General Fund spending increases by \$461,600, or 0.3%, including a series of technical changes.

Department of Juvenile Corrections (DJC)

- DJC General Fund spending remains unchanged in the FY 2023 Baseline.

Department of Public Safety (DPS)

- DPS General Fund spending decreases by \$(4.4) million, or (1.5)%, to remove one-time funding.
- In addition, DPS' budget will be further reduced by \$(46.1) million due to lower retirement costs associated with the FY 2022 budget's partial payoff of unfunded pension liabilities. *(See Pension/Debt issues below.)*

Natural Resources

Department of Forestry and Fire Management (DFFM)

- Forestry General Fund spending increases by \$35.6 million, or 212.8%, including:
 - ⇒ \$38.2 million for continuation of the 3-year funding plan for wildfire mitigation.
 - ⇒ \$(2.6) million to remove one-time funding.

Department of Water Resources (DWR)

- DWR General Fund spending decreases by \$(1.4) million, or (6.7)%, to remove one-time funding.

Water Infrastructure Finance Authority (WIFA)

- WIFA spending decreases by \$(12.0) million, or 100%, including:
 - ⇒ \$(6.0) million for a one-time appropriation to the Water Supply Development Revolving Fund.
 - ⇒ \$(5.0) million for one-time 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.
 - ⇒ \$(1.0) million for a one-time deposit to the Small Drinking Water Systems Fund.

General Government

Arizona Commerce Authority (ACA)

- ACA spending decreases by \$(55.3) million to remove one-time funding.

State Employees

- The Baseline decreases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by (9) FTE Positions in FY 2023. These adjustments would bring the total FTE Position ceiling to 54,453.3 in FY 2023.

Capital

- The Baseline includes \$41.2 million from Other Funds for building renewal at ADC, Arizona Department of Transportation (ADOT), Arizona Department of Administration (ADOA), Game and Fish, and the State Lottery.
- The Baseline eliminates \$(92.6) million in one-time General Fund monies for capital and building renewal projects at ADOA, ADC, State Fair, DEMA, the Legislature, DPS, and Department of Veteran Services.

Pension/Debt

- The Baseline includes \$(98.1) million of ADC and DPS General Fund savings in FY 2023 for lower employer retirement costs due to additional pension contributions made in the FY 2022 enacted budget. The FY 2022 budget included a total of \$1 billion to reduce unfunded pension liabilities, with \$500 million allocated to the ADC Corrections Officer Retirement Plan and \$500 million allocated to the DPS Public Safety Personnel Retirement System.
- At the end of FY 2023, the state's projected level of lease-purchase and bonding capital obligations will be \$5.5 billion. The associated annual debt service payment is \$587 million.
- Of the \$5.5 billion in total lease-purchase and bonding obligations, the General Fund share is \$680 million. The General Fund annual debt service is projected to be \$104 million in FY 2023.

- Of the \$680 million, \$350 million is related to the state's share of Phoenix Convention Costs and \$220 million is for University capital projects.

Local Issues

- The Baseline includes \$7.0 million for counties to establish a coordinated reentry planning services program. This amount represents a decrease of \$(3.0) million from FY 2022. The FY 2022 3-year budget plan included \$10.0 million in FY 2022 and \$7.0 million in both FY 2023 and FY 2024 for this purpose.
- The Baseline continues to include \$7.7 million to be allocated equally among counties with a population of less than 900,000 according to the 2020 Decennial Census. With one exception, each county receives \$550,050. Graham County receives \$1.05 million.
- The Baseline continues to include \$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.

**STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES
WITH ONE-TIME FINANCING SOURCES 1/**

	FY 2022 Baseline	FY 2023 Baseline	FY 2024 Baseline	FY 2025 Baseline
REVENUES				
Ongoing Revenues	\$16,162,949,700	\$16,660,894,900	\$17,427,457,900	\$18,239,954,600
Enacted Tax Reductions	(51,020,000)	(1,316,346,000)	(1,692,252,900)	(2,467,493,600)
Urban Revenue Sharing	(756,388,300)	(1,106,958,600)	(1,249,800,300)	(1,124,161,200)
Net Ongoing Revenues	\$15,355,541,400	\$14,237,590,300	\$14,485,404,700	\$14,648,299,800
One-Time Revenues				
Balance Forward	\$894,636,000	\$2,103,233,600		
Enacted Tax Reductions	(704,978,100)	(443,200,500)	(\$406,778,100)	
Water Infrastructure Repayment	20,000,000			
Subtotal One-Time Revenues	\$209,657,900	\$1,660,033,100	(\$406,778,100)	\$0
Total Revenues	\$15,565,199,300	\$15,897,623,400	\$14,078,626,600	\$14,648,299,800
EXPENDITURES				
Ongoing Operating Appropriations	\$12,053,812,800	\$12,539,381,800	\$13,083,448,200	\$13,560,679,900
Administrative Adjustments	225,000,000	200,000,000	170,000,000	178,500,000
Revertments	(150,000,000)	(200,000,000)	(210,000,000)	(220,000,000)
Subtotal Ongoing Expenditures	\$12,128,812,800	\$12,539,381,800	\$13,043,448,200	\$13,519,179,900
One-Time Expenditures				
Capital Outlay	\$92,632,900			
Reduce K-12 Rollover	65,000,000			
Operating One-Time Spending	654,235,900	186,227,300	48,677,100	76,726,900
New Medicaid Federal Match Reversion <u>2/</u>	(152,844,400)			
New ADE Formula Funding Reversion <u>2/</u>	(285,000,000)			
University 27th Pay Period	20,052,100			
Subtotal One-Time Expenditures	\$394,076,500	\$186,227,300	\$48,677,100	\$76,726,900
Total Expenditures	\$12,522,889,300	\$12,725,609,100	\$13,092,125,300	\$13,595,906,800
Proposition 208 Reserve <u>3/</u>	\$939,076,400			
Ending Balance <u>4/</u>	\$2,103,233,600	\$3,172,014,300 <u>5/</u>	\$986,501,300	\$1,052,393,000

1/ Baseline estimates reflect a "Maximum Commitment" scenario, which is based on the outcomes of pending litigation and referendum that use the most resources.

2/ Reflects revertments of savings for a higher federal Medicaid match rate and lower K12 formula costs.

3/ Reflects Proposition 208 uncertainty. If surcharge upheld, revenue would be transferred to Proposition 208 fund. If surcharge not upheld, state would refund revenue

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

5/ The FY 2023 cash balance is presumed to be allocated as part of the FY 2023 budget process. Of the FY 2023 cash balance, \$1.0 billion is available for ongoing uses, \$2.1 billion is available for one-time uses, with the remaining amount allocated for a cash balance reserve.

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

	<u>FY 2022</u> <u>Baseline</u>	<u>FY 2023</u> <u>\$ Above FY 2022</u>	<u>FY 2023</u> <u>Baseline</u>	<u>FY 2024</u> <u>\$ Above FY 2023</u>	<u>FY 2024</u> <u>Baseline</u>	<u>FY 2025</u> <u>\$ Above FY 2024</u>	<u>FY 2025</u> <u>Baseline</u>
EXPENDITURES							
Operating Budget							
-- Department of Administration	\$8,155,000		\$8,155,000		\$8,155,000		\$8,155,000
-- ADOA - School Facilities Division	28,323,400		28,323,400		28,323,400		28,323,400
-- Office of Administrative Hearings	891,800		891,800		891,800		891,800
-- African-American Affairs Commission	128,800		128,800		128,800		128,800
-- Arizona Department of Agriculture	12,415,700		12,415,700		12,415,700		12,415,700
-- AHCCCS	1,915,630,200	257,091,100	2,172,721,300	204,611,800	2,377,333,100	161,935,100	2,539,268,200
-- Attorney General	24,739,800		24,739,800		24,739,800		24,739,800
-- State Board for Charter Schools	2,103,000		2,103,000		2,103,000		2,103,000
-- Department of Child Safety	380,590,600	10,000,000	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	79,404,700	(743,200)	78,661,500	4,161,100	82,822,600	2,740,400	85,563,000
-- Corporation Commission	623,100		623,100		623,100		623,100
-- Department of Corrections	1,243,120,300	1,794,700	1,244,915,000	7,226,800	1,252,141,800		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	23,255,700		23,255,700		23,255,700		23,255,700
-- Office of Economic Opportunity	470,300		470,300		470,300		470,300
-- Department of Economic Security	840,578,500	114,279,800	954,858,300	103,696,100	1,058,554,400	87,175,900	1,145,730,300
-- State Board of Education	2,340,000		2,340,000		2,340,000		2,340,000
-- Department of Education	5,761,522,700	160,123,300	5,921,646,000	226,203,700	6,147,849,700	224,724,100	6,372,573,800
-- Dept. of Emergency & Military Affairs	12,846,600		12,846,600		12,846,600		12,846,600
-- Department of Environmental Quality	15,000,000		15,000,000		15,000,000		15,000,000
-- State Board of Equalization	663,900		663,900		663,900		663,900
-- Board of Executive Clemency	1,153,300		1,153,300		1,153,300		1,153,300
-- Dept. of Forestry and Fire Management	14,227,600	34,904,500	49,132,100	(2,991,400)	46,140,700		46,140,700
-- Department of Gaming	13,029,500	1,000,000	14,029,500		14,029,500		14,029,500
-- Office of the Governor	8,813,600		8,813,600		8,813,600		8,813,600
-- Gov's Ofc of Strategic Planning and Budgeting	2,688,700		2,688,700		2,688,700		2,688,700
-- Department of Health Services	98,259,200		98,259,200		98,259,200		98,259,200
-- Arizona Historical Society	2,906,000		2,906,000		2,906,000		2,906,000
-- Prescott Historical Society	900,600		900,600		900,600		900,600
-- Industrial Commission	95,000	(15,000)	80,000		80,000		80,000
-- Dept. of Insurance and Financial Institutions	7,663,400		7,663,400		7,663,400		7,663,400
-- Judiciary	145,093,000	59,100	145,152,100		145,152,100		145,152,100
-- Department of Juvenile Corrections	30,696,600		30,696,600		30,696,600		30,696,600
-- State Land Department	11,815,100	(96,200)	11,718,900		11,718,900		11,718,900
-- Legislature							
Auditor General	20,308,500		20,308,500		20,308,500		20,308,500
House of Representatives	16,429,300		16,429,300		16,429,300		16,429,300
Joint Legislative Budget Committee	2,841,900		2,841,900		2,841,900		2,841,900
Legislative Council	9,090,400		9,090,400		9,090,400		9,090,400
Senate	12,969,100		12,969,100		12,969,100		12,969,100
SUBTOTAL - Legislature	\$61,639,200	\$0	\$61,639,200	\$0	\$61,639,200	\$0	\$61,639,200
-- State Mine Inspector	1,558,200		1,558,200		1,558,200		1,558,200
-- Navigable Stream Adjudication Commission	129,300		129,300		129,300		129,300

GENERAL FUND SPENDING BY BUDGET UNITS 1/
ONGOING FUNDING

	<u>FY 2022</u> <u>Baseline</u>	<u>FY 2023</u> <u>\$ Above FY 2022</u>	<u>FY 2023</u> <u>Baseline</u>	<u>FY 2024</u> <u>\$ Above FY 2023</u>	<u>FY 2024</u> <u>Baseline</u>	<u>FY 2025</u> <u>\$ Above FY 2024</u>	<u>FY 2025</u> <u>Baseline</u>
-- Commission for Postsecondary Education	1,680,900	(1,680,900)					
-- Department of Public Safety	287,300,400		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	2,922,100		2,922,100		2,922,100		2,922,100
-- Department of Revenue	53,076,100		53,076,100		53,076,100		53,076,100
-- Secretary of State	12,907,700	4,000,000	16,907,700	70,000	16,977,700		16,977,700
-- Tax Appeals, State Board of	283,300		283,300		283,300		283,300
-- Office of Tourism	8,231,500		8,231,500		8,231,500		8,231,500
-- State Treasurer	3,010,200		3,010,200		3,010,200		3,010,200
-- Governor's Office on Tribal Relations	63,500		63,500		63,500		63,500
-- Universities	831,829,500	2,523,900	834,353,400	589,100	834,942,500	156,100	835,098,600
-- Department of Veterans' Services	8,625,500	(42,000)	8,583,500		8,583,500		8,583,500
-- Department of Water Resources	17,074,400		17,074,400		17,074,400		17,074,400
-- Phoenix Convention Center Payment	24,498,500	500,900	24,999,400	499,200	25,498,600	500,100	25,998,700
-- Rio Nuevo District	16,000,000		16,000,000		16,000,000		16,000,000
-- Pension Payoff Savings (Payoff Funded in FY 21)		(98,119,900)	(98,119,900)		(98,119,900)		(98,119,900)
-- Unallocated Risk Management Adjustments	6,400	(6,400)					
-- Unallocated AFIS Transaction Fee Adjustments	4,700	(4,700)					
Total - Operating Budget	<u>\$12,053,812,800</u>	<u>\$485,569,000</u>	<u>\$12,539,381,800</u>	<u>\$544,066,400</u>	<u>\$13,083,448,200</u>	<u>\$477,231,700</u>	<u>\$13,560,679,900</u>
-- New Medicaid Federal Match Reversion	(152,844,400)	152,844,400					
-- New ADE Formula Funding Reversion	(285,000,000)	285,000,000					
-- Capital Outlay	92,632,900	(92,632,900)					
-- Reduce K-12 Rollover	65,000,000	(65,000,000)					
-- Operating One-Time Spending	654,235,900	(468,008,600)	186,227,300	(137,550,200)	48,677,100	28,049,800	76,726,900
-- Additional (27th) University Pay Period	20,052,100	(20,052,100)					
-- Administrative Adjustments	225,000,000	(25,000,000)	200,000,000	(30,000,000)	170,000,000	8,500,000	178,500,000
-- Revertments	(150,000,000)	(50,000,000)	(200,000,000)	(10,000,000)	(210,000,000)	(10,000,000)	(220,000,000)
Total Spending	<u>\$12,522,889,300</u>	<u>\$202,719,800</u>	<u>\$12,725,609,100</u>	<u>\$366,516,200</u>	<u>\$13,092,125,300</u>	<u>\$503,781,500</u>	<u>\$13,595,906,800</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 General Fund Adjustments" table (see page S-9).

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1

	FY 2022 Baseline	FY 2023 Baseline	FY 2024 Baseline	FY 2025 Baseline
Operating				
ADOA - Permitting Dashboard	\$ 100,000			
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	
ADOA/SFD - Building Renewal Grants	90,832,100			
ADOA/SFD - New School Construction (FY 21 Authorization)	11,730,900			
ADOA/SFD - New School Construction (FY 22 Authorization)	76,881,700	47,950,000		
ADOA/SFD - New School Construction (FY 22 Budget - Retroactive Increase)	63,526,200			
ADOA/SFD - New School Construction (FY 22 Budget - Yuma HS Project)	16,515,200	16,515,200		
ADOA/SFD - New School Construction (FY 22 Budget - Kirkland Elementary)	3,000,000			
ADOA/SFD - New School Construction (FY 23 Authorization)		48,253,900	31,753,900	
ADOA/SFD - New School Construction (FY 24 Authorization)			363,200	
ADOA/SFD - New School Construction (FY 25 Authorization)				\$ 69,226,900
Agriculture - Cloud Migration	2,000,000			
Agriculture - State Agriculture Lab Equipment	2,500,000			
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 Thru FY 25)	7,500,000	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			
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 - High Quality Teacher Scholarships	400,000			
ADE - CTED Incentive Program	5,000,000			
ADE - Fully Restore Additional Assistance Funding	67,774,600			
ADE - Extraordinary Special Needs Fund Deposit	5,000,000			
ADE - Statewide Assessment Funding	5,000,000			

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	<u>FY 2022 Baseline</u>	<u>FY 2023 Baseline</u>	<u>FY 2024 Baseline</u>	<u>FY 2025 Baseline</u>
ADE - Procure Statewide Gifted Assessment	850,000			
DEMA - Aircraft Communication Equipment	220,500			
DEMA - National Guard Cyber Response Funding	300,000			
Forestry - Rural Fire District Reimbursement	2,500,000			
Forestry - One-Time Vehicle Purchases		3,190,000		
Gaming - County Fair Promotion	730,000			
Gaming - County Fair Racing Promotion	2,000,000			
Governor - Arizona Civics Corp	1,000,000			
DHS - Rural Hospital Prenatal Equipment	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			
Judiciary - Supreme Court - Digital Evidence Storage	400,000	490,000		
Judiciary - Supreme Court - Records Sealing		500,000		
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			
Tourism - Southern Arizona Study Committee	250,000			
Transportation - Rental Vehicle Surcharge/VLT Hold Harmless	3,300,000			
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			

SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2022 Baseline	FY 2023 Baseline	FY 2024 Baseline	FY 2025 Baseline
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 - Accounting System Upgrade (Statewide AFIS Charge)		490,000	560,000	
Subtotal - Operating Funding	\$ 654,235,900	\$ 186,227,300	\$ 48,677,100	\$ 76,726,900
University 27th Pay Period	\$ 20,052,100			
New Medicaid Federal Match Reversion	\$ (152,844,400)			
New ADE Formula Funding Reversion	\$ (285,000,000)			
Reduce K-12 Rollover	\$ 65,000,000			
Capital Outlay				
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	\$ 92,632,900	\$ -	\$ -	\$ -
Total - One-time Spending	\$ 394,076,500	\$ 186,227,300	\$ 48,677,100	\$ 76,726,900

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 S-7 and S-8.

FY 2023 GENERAL FUND SUMMARY BY AGENCY

	GF FY 2022 Estimate	GF FY 2023 Baseline	GF FY 2023 Baseline - FY 2022
<u>BUDGET UNITS</u>			
Administration, Arizona Department of	\$18,255,000	\$28,155,000	\$9,900,000
Administration, Arizona Department of Automation Projects Fund	3,614,100	1,500,000	(2,114,100)
Administration, Arizona Department of - School Facilities Division	290,809,500	141,042,500	(149,767,000)
Administrative Hearings, Office of	891,800	891,800	0
African-American Affairs, Arizona Commission of	128,800	128,800	0
Agriculture, Arizona Department of	16,915,700	12,415,700	(4,500,000)
AHCCCS	1,915,630,200	2,172,721,300	257,091,100
Attorney General - Department of Law	24,739,800	24,739,800	0
Charter Schools, State Board for	2,103,000	2,103,000	0
Child Safety, Department of	405,728,800	415,728,800	10,000,000
Commerce Authority, Arizona	78,925,000	23,675,000	(55,250,000)
Community Colleges, Arizona	108,904,700 ^{1/}	78,661,500	(30,243,200)
Corporation Commission	623,100	623,100	0
Corrections, State Department of	1,284,302,300	1,244,915,000	(39,387,300)
County Funding	20,650,700	17,650,700	(3,000,000)
Criminal Justice Commission, Arizona	1,000,000	0	(1,000,000)
Deaf and the Blind, Schools for the	23,255,700	23,255,700	0
Economic Opportunity, Office of	470,300	470,300	0
Economic Security, Department of	850,052,500	954,858,300	104,805,800
Education, State Board of	2,340,000	2,340,000	0
Education, Department of	5,910,547,300	5,921,646,000	11,098,700
Emergency and Military Affairs, Department of	13,367,100	12,846,600	(520,500)
Environmental Quality, Department of	15,000,000	15,000,000	0
Equalization, State Board of	663,900	663,900	0
Executive Clemency, Board of	1,153,300	1,153,300	0
Forestry and Fire Management, Arizona Department of	16,727,600	52,322,100	35,594,500
Gaming, Department of	15,759,500	14,029,500	(1,730,000)
Governor, Office of the	9,813,600	8,813,600	(1,000,000)
Governor's Office of Strategic Planning and Budgeting	2,688,700	2,688,700	0
Health Services, Department of	103,419,200	99,759,200	(3,660,000)
Historical Society, Arizona	2,906,000	2,906,000	0
Historical Society, Prescott	900,600	900,600	0
Independent Redistricting Commission	7,900,000	0	(7,900,000)
Industrial Commission of AZ	95,000	80,000	(15,000)
Insurance and Financial Institutions, Department of	7,663,400	7,663,400	0
Judiciary			
Supreme Court	22,234,700	22,883,800	649,100
Court of Appeals	16,790,800	16,790,800	0
Superior Court	106,655,000	106,467,500	(187,500)
SUBTOTAL - Judiciary	145,680,500	146,142,100	461,600
Juvenile Corrections, Department of	30,696,600	30,696,600	0
Land Department, State	13,315,100	13,218,900	(96,200)
Legislature			
Auditor General	20,723,500	20,508,500	(215,000)
House of Representatives	21,429,300	16,429,300	(5,000,000)
Joint Legislative Budget Committee	2,841,900	2,841,900	0
Legislative Council	10,090,400	9,090,400	(1,000,000)
Senate	17,969,100	12,969,100	(5,000,000)
SUBTOTAL - Legislature	73,054,200	61,839,200	(11,215,000)
Mine Inspector, State	1,558,200	1,558,200	0
Navigable Stream Adjudication Commission	129,300	129,300	0
Parks Board, Arizona State	9,000,000	4,000,000	(5,000,000)
Postsecondary Education, Commission for	1,680,900	0	(1,680,900)
Public Safety, Department of	291,650,400	287,300,400	(4,350,000)
Public Safety Personnel Retirement System	6,000,000	6,000,000	0
Real Estate Department, State	2,922,100	2,922,100	0
Revenue, Department of	53,542,400	53,076,100	(466,300)
Secretary of State	12,907,700	16,907,700	4,000,000

FY 2023 GENERAL FUND SUMMARY BY AGENCY

	GF FY 2022 Estimate	GF FY 2023 Baseline	GF FY 2023 Baseline - FY 2022
Tax Appeals, State Board of	283,300	283,300	0
Tourism, Office of	8,481,500	8,231,500	(250,000)
Transportation, Department of	3,300,000	0	(3,300,000)
Treasurer, State	3,010,200	3,010,200	0
Tribal Relations, Governor's Office on	63,500	63,500	0
Universities			
Board of Regents	29,916,000	31,596,900	1,680,900
Arizona State University	385,261,900	363,441,500	(21,820,400)
Northern Arizona University	135,452,400	126,552,800	(8,899,600)
University of Arizona - Main Campus	250,739,100	236,364,500	(14,374,600)
University of Arizona - Health Sciences Center	76,897,700	76,897,700	0
SUBTOTAL - Universities	<u>878,267,100</u>	<u>834,853,400</u>	<u>(43,413,700)</u>
Veterans' Services, Department of	8,625,500	8,583,500	(42,000)
Water Infrastructure Finance Authority	12,000,000	0	(12,000,000)
Water Resources, Department of	18,424,400	17,074,400	(1,350,000)
OPERATING BUDGET TOTAL	<u>\$12,732,539,100</u>	<u>\$12,782,239,600</u>	<u>\$49,700,500</u>
New ADE Enrollment Reversion	(285,000,000)	0	285,000,000
New Medicaid Federal Match Reversion	(152,844,400)	0	152,844,400
Accounting System Update (Statewide AFIS Charge)	0	490,000	490,000
Pension Payoff Savings	0	(98,119,900)	(98,119,900)
University (27th) Pay Period	20,052,100	0	(20,052,100)
Unallocated '22 Risk Management Adjustments	6,400	0	(6,400)
Unallocated '22 AFIS Transaction Fee	4,700	0	(4,700)
Capital Outlay - Phoenix Convention Center Debt Service	24,498,500	24,999,400	500,900
Capital Outlay - Rio Nuevo District <u>2</u>	16,000,000	16,000,000	0
Capital Outlay	92,632,900	0	(92,632,900)
Administrative Adjustments	225,000,000	200,000,000	(25,000,000)
Reversions	(150,000,000)	(200,000,000)	(50,000,000)
GRAND TOTAL	<u><u>\$12,522,889,300</u></u>	<u><u>\$12,725,609,100</u></u>	<u><u>\$202,719,800</u></u>

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

2/ Represents an estimated cost.

FY 2023 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2022 Estimate	OF FY 2023 Baseline	OF FY 2023 Baseline - FY 2022
<u>BUDGET UNITS</u>			
Accountancy, State Board of			
Board of Accountancy Fund	\$2,051,800	\$2,051,800	\$0
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	176,800	176,800	0
Administration, Arizona Department of			
Air Quality Fund	928,200	928,200	0
Arizona Financial Information System Collections Fund	11,423,800	12,923,800	1,500,000
Automation Operations Fund	31,127,700	31,127,700	0
Capitol Mall Consolidation Fund	375,900	0	(375,900)
Capital Outlay Stabilization Fund	18,395,100	18,395,100	0
Corrections Fund	575,000	575,000	0
Federal Surplus Materials Revolving Fund	466,900	466,900	0
Information Technology Fund	8,467,900	8,467,900	0
Personnel Division Fund	12,764,900	12,764,900	0
Risk Management Revolving Fund	96,714,500	96,714,500	0
Special Employee Health Insurance Trust Fund	5,330,100	5,330,100	0
Special Services Revolving Fund	1,170,700	1,170,700	0
State Monument and Memorial Repair Fund	21,500	0	(21,500)
State Surplus Materials Revolving Fund	2,979,800	2,979,800	0
State Web Portal Fund	6,612,200	6,612,200	0
Telecommunications Fund	1,651,700	1,651,700	0
Total - Arizona Department of Administration	199,005,900	200,108,500	1,102,600
Administration, Arizona Department of - Automation Projects Fund			
Automation Projects Fund	32,060,700	1,500,000	(30,560,700)
Agriculture, Arizona Department of			
Air Quality Fund	1,454,100	1,454,100	0
Nuclear Emergency Management Fund	280,500	280,500	0
Total - Arizona Department of Agriculture	1,734,600	1,734,600	0
AHCCCS			
Budget Neutrality Compliance Fund	4,076,200	4,303,100	226,900
Children's Health Insurance Program Fund	117,660,900	98,396,100	(19,264,800)
Prescription Drug Rebate Fund - State	175,236,600	165,158,600	(10,078,000)
Seriously Mentally Ill Housing Trust Fund	200,000	200,000	0
Substance Abuse Services Fund	2,250,200	2,250,200	0
Tobacco Products Tax Fund			
Emergency Health Services Account	17,921,600	17,448,300	(473,300)
Tobacco Tax and Health Care Fund			
Medically Needy Account	69,002,100	67,179,700	(1,822,400)
Total - AHCCCS	386,347,600	354,936,000	(31,411,600)
Athletic Training, Board of			
Athletic Training Fund	127,000	127,000	0
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	1,148,700	148,700	(1,000,000)
Attorney General Legal Services Cost Allocation Fund	2,110,300	2,110,300	0
Collection Enforcement Revolving Fund	6,925,700	6,925,700	0
Consumer Protection-Consumer Fraud Rev. Fund	18,943,600	15,047,300	(3,896,300)
Interagency Service Agreements Fund	16,474,900	16,474,900	0
Internet Crimes Against Children Enforcement Fund	900,000	900,000	0
Risk Management Revolving Fund	10,117,300	9,617,300	(500,000)
Victims' Rights Fund	3,768,800	3,768,800	0
Total - Attorney General - Department of Law	60,389,300	54,993,000	(5,396,300)
Barbers, Board of			
Board of Barbers Fund	408,900	0	(408,900)
Barbering and Cosmetology Board			
Barbering and Cosmetology Fund	0	2,258,800	2,258,800
Behavioral Health Examiners, Board of			
Board of Behavioral Health Examiners Fund	1,776,100	1,776,100	0
Child Safety, Department of			
Child Abuse Prevention Fund	1,459,300	1,459,300	0

FY 2023 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2022 Estimate	OF FY 2023 Baseline	OF FY 2023 Baseline - FY 2022
Child Welfare Licensing Fee Fund	941,900	941,900	0
Children and Family Services Training Program Fund	207,900	207,900	0
Federal Child Care and Development Fund Block Grant	130,916,000	40,516,000	(90,400,000)
Federal Temporary Assistance for Needy Families Block Grant	157,468,100	157,468,100	0
Total - Department of Child Safety	<u>290,993,200</u>	<u>200,593,200</u>	(90,400,000)
Chiropractic Examiners, State Board of Board of Chiropractic Examiners Fund	437,000	437,000	0
Contractors, Registrar of Registrar of Contractors Fund	12,590,300	12,590,300	0
Corporation Commission Arizona Arts Trust Fund	51,200	51,200	0
Investment Management Regulatory and Enforcement Fund	721,600	721,600	0
Public Access Fund	6,799,400	6,799,400	0
Securities Regulatory and Enforcement Fund	5,135,300	5,135,300	0
Utility Regulation Revolving Fund	14,619,100	14,619,100	0
Total - Corporation Commission	<u>27,326,600</u>	<u>27,326,600</u>	0
Corrections, State Department of Alcohol Abuse Treatment Fund	555,700	555,700	0
Corrections Fund	30,312,400	30,312,400	0
Inmate Store Proceeds Fund	1,373,000	1,373,000	0
Penitentiary Land Fund	2,790,700	2,790,700	0
Prison Construction and Operations Fund	12,500,000	12,500,000	0
State Charitable, Penal and Reformatory Institutions Land Fund	2,663,700	2,663,700	0
State Education Fund for Correctional Education	743,300	743,300	0
Transition Program Fund	2,400,200	2,400,200	0
Total - State Department of Corrections	<u>53,339,000</u>	<u>53,339,000</u>	0
Cosmetology, Board of Board of Cosmetology Fund	1,856,700	0	(1,856,700)
Criminal Justice Commission, Arizona Criminal Justice Enhancement Fund	658,800	658,800	0
Drug and Gang Prevention Resource Center Fund	617,500	617,500	0
Fingerprint Clearance Card Fund	0	0	0
State Aid to County Attorneys Fund	973,700	973,700	0
State Aid to Indigent Defense Fund	700,000	700,000	0
Victim Compensation and Assistance Fund	4,224,600	4,224,600	0
Total - Arizona Criminal Justice Commission	<u>7,174,600</u>	<u>7,174,600</u>	0
Deaf and the Blind, Arizona Schools for the Schools for the Deaf and the Blind Fund	13,955,200	13,955,200	0
Cooperative Services Fund	18,108,600	18,108,600	0
Total - Arizona State Schools for the Deaf and the Blind	<u>32,063,800</u>	<u>32,063,800</u>	0
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	4,631,900	4,631,900	0
Dental Examiners, State Board of Dental Board Fund	1,815,800	1,755,100	(60,700)
Economic Security, Department of Child Support Enforcement Administration Fund	17,204,700	17,204,700	0
Domestic Violence Services Fund	4,000,200	4,000,200	0
Federal Child Care and Development Fund Block Grant	1,285,880,000	199,267,200	(1,086,612,800)
Federal Pandemic Emergency Assistance Fund	14,546,500	0	(14,546,500)
Federal Temporary Assistance for Needy Families Block Grant	65,405,800	65,405,800	0
Long Term Care System Fund	32,459,600	33,280,500	820,900
Public Assistance Collections Fund	423,700	423,700	0

FY 2023 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2022 Estimate	OF FY 2023 Baseline	OF FY 2023 Baseline - FY 2022
Sexual Violence Service Fund	8,000,000	0	(8,000,000)
Special Administration Fund	4,512,600	4,512,600	0
Spinal and Head Injuries Trust Fund	2,336,000	2,336,000	0
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
Workforce Investment Act Grant	56,069,100	56,069,100	0
Total - Department of Economic Security	1,491,838,200	383,499,800	(1,108,338,400)
Education, Department of			
Department of Education Empowerment			
Scholarship Account Fund	350,000	350,000	0
Department of Education Professional			
Development Revolving Fund	2,701,100	0	(2,701,100)
Permanent State School Fund	309,832,400	319,216,500	9,384,100
Education Sales Tax Fund	7,000,000	7,000,000	0
Teacher Certification Fund	2,359,100	2,359,100	0
Tribal College Dual Enrollment Program Fund	325,000	325,000	0
Total - Department of Education	322,567,600	329,250,600	6,683,000
Emergency and Military Affairs, Department of			
Nuclear Emergency Management Fund	1,930,400	1,987,400	57,000
Environmental Quality, Department of			
Air Quality Fund	5,382,800	5,382,800	0
Emergency Response Fund	132,800	132,800	0
Emissions Inspection Fund	30,293,600	30,293,600	0
Hazardous Waste Management Fund	1,748,300	1,748,300	0
Indirect Cost Recovery Fund	13,962,600	13,962,600	0
Permit Administration Fund	7,166,500	7,166,500	0
Recycling Fund	1,565,100	1,365,100	(200,000)
Safe Drinking Water Program Fund	2,214,300	1,814,300	(400,000)
Solid Waste Fee Fund	1,853,900	1,249,900	(604,000)
Underground Storage Tank Fund Revolving Fund	148,800	148,800	0
Voluntary Vehicle Repair and Retrofit Program Fund	560,000	0	(560,000)
Water Quality Fee Fund	10,590,700	10,590,700	0
Total - Department of Environmental Quality	75,619,400	73,855,400	(1,764,000)
Equal Opportunity, Governor's Office of			
Personnel Division Fund	191,300	191,300	0
Exposition and State Fair Board, Arizona			
Arizona Exposition and State Fair Fund	13,297,500	13,297,500	0
Funeral Directors and Embalmers, Board of			
Board of Funeral Directors' and Embalmers' Fund	402,800	393,200	(9,600)
Game and Fish Department, Arizona			
Capital Improvement Fund	1,001,200	1,001,200	0
Game and Fish Fund	40,461,500	40,461,500	0
Game, Nongame, Fish and Endangered			
Species Fund	357,600	357,600	0
Watercraft Licensing Fund	4,955,200	4,955,200	0
Wildlife Endowment Fund	16,200	16,200	0
Total - Arizona Game and Fish Department	46,791,700	46,791,700	0
Gaming, Department of			
Fantasy Sports Contest Fund	145,000	145,000	0
Tribal-State Compact Fund	2,104,900	2,104,900	0
Racing Regulation Fund	2,411,500	2,411,500	0
Racing Regulation Fund - Uarmed Combat			
Subaccount	99,600	99,600	0
State Lottery Fund	300,000	300,000	0
Arizona Benefits Fund	12,012,100	16,610,000	4,597,900
Total - Department of Gaming	17,073,100	21,671,000	4,597,900
Health Services, Department of			
Arizona State Hospital Fund	2,883,600	2,883,600	0
ASH Land Earnings Fund	650,000	650,000	0
Child Fatality Review Fund	196,500	196,500	0
Disease Control Research Fund	1,000,000	1,000,000	0
Emergency Medical Services Operating Fund	3,831,300	3,831,300	0

FY 2023 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2022 Estimate	OF FY 2023 Baseline	OF FY 2023 Baseline - FY 2022
Environmental Laboratory Licensure Revolving Fund	933,300	933,300	0
Federal Child Care and Development Fund Block Grant	1,884,100	884,100	(1,000,000)
Health Services Licensing Fund	15,570,600	15,570,600	0
Health Services Lottery Monies Fund	200,000	200,000	0
Indirect Cost Fund	11,302,100	11,302,100	0
Newborn Screening Program Fund	13,507,700	12,565,100	(942,600)
Nursing Care Institution Resident Protection Revolving Fund	138,200	138,200	0
Prescription Drug Rebate Fund - State	2,500,000	2,500,000	0
Tobacco Tax and Health Care Fund Medically Needy Account	700,000	700,000	0
Vital Records Electronic Systems Fund	3,641,600	3,641,600	0
Total - Department of Health Services	58,939,000	56,996,400	(1,942,600)
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	46,000	46,000	0
Housing, Department of Housing Trust Fund	322,700	322,700	0
Industrial Commission of Arizona Administrative Fund	20,122,000	20,122,000	0
Insurance and Financial Institutions, Department of Automobile Theft Authority Fund	6,010,500	6,010,500	0
Financial Services Fund	4,006,700	4,006,700	0
Department Revolving Fund	50,300	50,300	0
Total - Department of Insurance and Financial Institutions	10,067,500	10,067,500	0
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	494,300	494,300	0
Court Appointed Special Advocate Fund	4,068,000	4,068,000	0
Criminal Justice Enhancement Fund	4,407,800	4,407,800	0
Defensive Driving School Fund	4,233,500	4,233,500	0
Judicial Collection Enhancement Fund	14,895,800	14,895,800	0
State Aid to the Courts Fund	2,945,400	2,945,400	0
Total - Judiciary - Supreme Court	31,044,800	31,044,800	0
Judiciary - Superior Court Criminal Justice Enhancement Fund	5,456,200	5,456,200	0
Judicial Collection Enhancement Fund	6,015,200	6,015,200	0
Drug Treatment and Education Fund	504,200	504,200	0
Total - Judiciary - Superior Court	11,975,600	11,975,600	0
SUBTOTAL - Judiciary	43,020,400	43,020,400	0
Juvenile Corrections, Department of Criminal Justice Enhancement Fund	533,200	533,200	0
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900	8,450,900	0
State Charitable, Penal and Reformatory Institutions Land Fund	4,044,100	4,044,100	0
State Education Fund for Committed Youth	1,893,700	1,893,700	0
Total - Department of Juvenile Corrections	14,921,900	14,921,900	0
Land Department, State Due Diligence Fund	5,000,000	5,000,000	0
Environmental Special Plate Fund	260,600	260,600	0
Trust Land Management Fund	7,328,100	7,328,100	0
Total - State Land Department	12,588,700	12,588,700	0
Liquor Licenses and Control, Department of Liquor Licenses Fund	4,456,300	4,256,300	(200,000)
Lottery Commission, Arizona State State Lottery Fund	164,067,900	169,651,600	5,583,700
Massage Therapy, Board of			

FY 2023 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2022 Estimate	OF FY 2023 Baseline	OF FY 2023 Baseline - FY 2022
Board of Massage Therapy Fund	473,700	473,700	0
Medical Board, Arizona			
Arizona Medical Board Fund	7,507,100	7,507,100	0
Mine Inspector, State			
Aggregate Mining Reclamation Fund	112,900	112,900	0
Naturopathic Physicians Medical Board			
Naturopathic Physicians Medical Board Fund	193,200	193,200	0
Navigable Stream Adjudication Commission			
Arizona Water Banking Fund	200,000	200,000	0
Nursing, State Board of			
Board of Nursing Fund	5,275,100	5,260,800	(14,300)
Nursing Care Institution Administrators Board			
Nursing Care Institution Administrators'			
Licensing and Assisted Living Facility			
Managers' Certification Fund	526,100	526,100	0
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	199,900	199,900	0
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	162,600	162,600	0
Optometry, State Board of			
Board of Optometry Fund	241,900	241,900	0
Osteopathic Examiner in Medicine and Surgery, Arizona Board of			
Board of Osteopathic Examiners in Medicine			
and Surgery Fund	1,067,600	1,067,600	0
Parks Board, Arizona State			
Off-Highway Vehicle Recreation Fund	16,700	16,700	0
State Parks Store Fund	1,000,000	1,000,000	0
State Parks Revenue Fund	19,822,800	16,928,400	(2,894,400)
Total - Arizona State Parks Board	<u>20,839,500</u>	<u>17,945,100</u>	<u>(2,894,400)</u>
Personnel Board, State			
Personnel Board Subaccount of the			
Personnel Division Fund	326,400	326,400	0
Pharmacy, Arizona State Board of			
Arizona State Board of Pharmacy Fund	3,083,900	3,083,900	0
Physical Therapy, Board of			
Board of Physical Therapy Fund	504,100	504,100	0
Pioneers' Home, Arizona			
Miners' Hospital for Miners with Disabilities Land Fund	2,074,100	2,074,100	0
State Charitable Fund	4,969,100	4,969,100	0
Total - Arizona Pioneers' Home	<u>7,043,200</u>	<u>7,043,200</u>	<u>0</u>
Podiatry Examiners, State Board of			
Podiatry Fund	168,200	168,200	0
Postsecondary Education, Commission for			
Postsecondary Education Fund	1,537,100	0	(1,537,100)
Private Postsecondary Education, Board for			
Board for Private Postsecondary Education			
Fund	413,500	413,500	0
Psychologist Examiners, State Board of			
Board of Psychologist Examiners Fund	550,800	550,800	0
Public Safety, Department of			
Arizona Highway Patrol Fund	86,217,900	27,004,300	(59,213,600)
Concealed Weapons Permit Fund	2,807,300	2,807,300	0
Criminal Justice Enhancement Fund	2,931,500	2,931,500	0
DPS Forensics Fund	22,528,600	22,528,600	0
Fingerprint Clearance Card Fund	1,581,100	1,581,100	0
GIITEM Border Security and Law			
Enforcement Subaccount	2,396,400	2,396,400	0
Motor Vehicle Liability Insurance			
Enforcement Fund	1,254,100	1,254,100	0
Motorcycle Safety Fund	198,900	198,900	0
Parity Compensation Fund	4,000,300	4,000,300	0

FY 2023 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2022 Estimate	OF FY 2023 Baseline	OF FY 2023 Baseline - FY 2022
Public Safety Equipment Fund	2,894,000	2,894,000	0
Risk Management Revolving Fund	1,351,000	1,351,000	0
State Highway Fund	8,167,000	8,167,000	0
Total - Department of Public Safety	136,328,100	77,114,500	(59,213,600)
Residential Utility Consumer Office			
Residential Utility Consumer Office			
Revolving Fund	1,352,200	1,352,200	0
Respiratory Care Examiners, Board of			
Board of Respiratory Care Examiners Fund	324,100	324,100	0
Retirement System, Arizona State			
Long-Term Disability Trust Fund Administration			
Account	1,800,000	1,800,000	0
Arizona State Retirement System Administration			
Account	23,248,400	23,248,400	0
Total - Arizona State Retirement System	25,048,400	25,048,400	0
Revenue, Department of			
Department of Revenue Administrative Fund	25,669,800	25,669,800	0
Liability Setoff Program Revolving Fund	806,900	806,900	0
Tobacco Tax and Health Care Fund	684,500	684,500	0
Total - Department of Revenue	27,161,200	27,161,200	0
Secretary of State			
Election Systems Improvement Fund	192,500	192,500	0
Records Services Fund	1,286,800	1,286,800	0
Total - Secretary of State	1,479,300	1,479,300	0
Technical Registration, State Board of			
Technical Registration Fund	2,352,900	2,207,700	(145,200)
Transportation, Department of			
Air Quality Fund	324,500	324,500	0
Highway User Revenue Fund	701,600	701,600	0
Highway Damage Recovery Account	8,000,000	8,000,000	0
Ignition Interlock Device Fund	351,100	351,100	0
Motor Vehicle Liability Insurance			
Enforcement Fund	1,772,200	1,772,200	0
State Aviation Fund	2,014,200	2,014,200	0
State Highway Fund	414,704,100	414,704,100	0
State Fleet Operations Fund	13,767,700	13,767,700	0
State Vehicle Replacement Fund	4,500,000	4,500,000	0
Transportation Department Equipment Fund	19,285,200	19,285,200	0
Vehicle Inspection and Certificate of Title			
Enforcement Fund	2,094,600	2,094,600	0
Total - Department of Transportation	467,515,200	467,515,200	0
Treasurer, State			
Arizona Highway Patrol Fund	2,500,000	0	(2,500,000)
School Safety Interoperability Fund	1,500,000	0	(1,500,000)
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	0
State Treasurer's Operating Fund	3,583,700	3,583,700	0
Total - State Treasurer	9,767,500	5,767,500	(4,000,000)
<i>Universities</i>			
Arizona Board of Regents			
Postsecondary Education Fund	0	1,537,100	1,537,100
Arizona State University			
University Collections Fund	597,718,800	597,718,800	0
Total - Arizona State University	597,718,800	597,718,800	0
Northern Arizona University			
University Collections Fund	134,983,300	134,983,300	0
University of Arizona - Main Campus			
University Collections Fund	304,589,000	304,589,000	0
University of Arizona - Health Sciences Center			
University Collections Fund	56,363,300	56,363,300	0
SUBTOTAL - Universities	1,093,654,400	1,095,191,500	1,537,100
Veterans' Services, Department of			
Hyperbaric Oxygen Therapy for Military Veterans Fund	0	25,000	25,000

FY 2023 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2022 Estimate	OF FY 2023 Baseline	OF FY 2023 Baseline - FY 2022
State Homes for Veterans' Trust Fund	50,519,000	50,519,000	0
Total - Department of Veterans' Services	<u>50,519,000</u>	<u>50,544,000</u>	25,000
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	601,800	601,800	0
Water Resources, Department of			
Assured and Adequate Water Supply Admin Fund	268,100	268,100	0
Water Resources Fund	1,019,400	1,019,400	0
Water Banking Fund	1,219,100	1,219,100	0
Total - Department of Water Resources	<u>2,506,600</u>	<u>2,506,600</u>	0
OPERATING BUDGET TOTAL	<u>\$5,283,609,500</u>	<u>\$3,965,300,500</u>	(\$1,318,309,000)
FY 2021 Supplemental/Ex-Appropriation <u>3</u> /	1,110,600	0	(1,110,600)
University (27th) Pay Period	36,887,300	0	(36,887,300)
Accounting System Update (Statewide AFIS Charge)	0	1,000,000	1,000,000
Unallocated '22 One-Time HITF Employer Premium	7,986,500	0	(7,986,500)
Unallocated '22 Risk Management Adjustments	(70,900)	0	70,900
Unallocated '22 Retirement Adjustments	1,987,400	0	(1,987,400)
Unallocated '22 AFIS Transaction Fee	472,900	0	(472,900)
Unallocated '22 Rent Adjustments	100,700	0	(100,700)
Unallocated '22 Fleet Adjustments	704,700	0	(704,700)
Capital Outlay - Building Renewal/Projects	<u>515,869,700</u>	<u>538,683,700</u>	22,814,000
GRAND TOTAL	<u><u>\$5,848,658,400</u></u>	<u><u>\$4,504,984,200</u></u>	<u><u>(\$1,343,674,200)</u></u>

1/ Revised Lottery forecast.

2/ Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2022. A footnote in the FY 2022 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.

3/ Please see page S-34 for individual agency detail.

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2022 GF Adj. Appropriation	FY 23 Baseline 1/ Above FY 22	FY 2023 GF JLBC Baseline
OPERATING SPENDING CHANGES			
	18,255,000		28,155,000
1 DOA - Arizona Department of Administration			
DOA - Remove One-Time Permitting Dashboard Funding		(100,000)	
2 DOA - Increase K-12 Transportation Grants (\$10 M to \$20 M)		10,000,000	
3 APF - Automation Projects Fund/ADOA	3,614,100		1,500,000
APF - Charter Schools - IT Platform Modernization (\$3 M to \$1.5 M)		(1,500,000)	
APF - ADOA - K12 Financial Transparency (Remove One-Time Funding)		(614,100)	
6 SFD - School Facilities Division/ADOA	290,809,500		141,042,500
SFD - Remove New School Funding Completion (FY 21 Starts)		(11,730,900)	
SFD - Continue New School Construction Projects (FY 22 Starts)		(28,931,700)	
SFD - Begin New School Construction Projects (FY 23 Starts)		48,253,900	
SFD - Remove One-Time Building Renewal Funding		(90,832,100)	
SFD - Remove One-Time Funding for Retroactive Formula Increase		(63,526,200)	
SFD - New Construction - Kirkland (Remove One-Time Funding)		(3,000,000)	
13 OAH - Office of Administrative Hearings	891,800		891,800
14 AAM - Commission of African-American Affairs	128,800		128,800
15 AGR - Department of Agriculture	16,915,700		12,415,700
AGR - Remove One-Time Cloud Migration Funding		(2,000,000)	
AGR - Remove One-Time State Agriculture Lab Equipment Funding		(2,500,000)	
18 AXS - AHCCCS	1,915,630,200		2,172,721,300
AXS - Formula Changes		253,951,000	
AXS - Graduate Medical Education		3,000,000	
AXS - Newborn Screening Fee Increase		140,100	
22 ATT - Attorney General	24,739,800		24,739,800
23 CHA - State Board for Charter Schools	2,103,000		2,103,000
24 DCS - Department of Child Safety	405,728,800		415,728,800
DCS - Backfill FY 2022 Higher Federal Match Rate Savings		10,000,000	
26 ACA - Arizona Commerce Authority	78,925,000		23,675,000
ACA - Remove One-Time Competes Fund Deposit		(50,000,000)	
ACA - Remove One-Time Blockchain/Wearables Funding		(5,000,000)	
ACA - Remove One-Time Frankfurt Germany Trade Office Funding		(250,000)	
30 CCO - Arizona Community Colleges	108,904,700		78,661,500
CCO - Formula Changes		(743,200)	
CCO - Remove One-Time Rural Community College Aid		(14,000,000)	
CCO - Remove One-Time Urban Community College Aid		(13,000,000)	
CCO - Remove One-Time Urban STEM Funding (Maricopa/Pima)		(2,000,000)	
CCO - Remove One-Time Out of County Reimbursement Aid		(500,000)	
36 COR - Corporation Commission	623,100		623,100
37 ADC - Department of Corrections	1,284,302,300		1,244,915,000
ADC - Remove One-Time Braille Transcription Costs		(50,000)	
ADC - Florence Bed Closure/Shift		2,444,700	
ADC - Rent Savings		(600,000)	
ADC - Remove One-Time Substance Abuse Treatment Funding		(5,000,600)	
ADC - Remove One-Time Radio Replacement Funding		(17,329,500)	
ADC - Remove One-Time Ballistic & Stab Vest Replacement Funding		(3,851,900)	

	FY 2022 GF Adj. Appropriation	FY 23 Baseline 1/ Above FY 22	FY 2023 GF JLBC Baseline
44	ADC - Remove One-Time Medical Staffing Augmentation Funding		(15,000,000)
45	CF - County Funding	20,650,700	17,650,700
46	CF - Reduce Re-Entry Planning Services Funding From \$10 M to \$7 M		(3,000,000)
47	JUS - Arizona Criminal Justice Commission	1,000,000	0
48	JUS - Remove One-Time Reentry Planning Services Funding		(1,000,000)
49	SDB - Arizona State Schools for the Deaf and the Blind	23,255,700	23,255,700
50	OEC - Office of Economic Opportunity	470,300	470,300
51	DES - Department of Economic Security	850,052,500	954,858,300
52	DES - Formula Adjustments		114,279,800
53	DES - Remove One-Time Adult and Aging Services Funding		(1,474,000)
54	DES - Remove One-Time After School/Summer Youth Funding		(500,000)
55	DES - Remove One-Time Return to Work Program Funding		(7,500,000)
56	BOE - State Board of Education	2,340,000	2,340,000
57	ADE - Arizona Department of Education	5,910,547,300	5,921,646,000
58	ADE - Formula Adjustments		92,348,700
59	ADE - Remove One-Time Funding to Reduce K-12 Rollover		(65,000,000)
60	ADE - Remove One-Time Statewide Assessments Funding		(5,000,000)
61	ADE - Remove One-Time Statewide Gifted Assessment Procurement		(850,000)
62	ADE - Remove One-Time High Quality Teacher Scholarship Funding		(400,000)
63	ADE - Remove One-Time CTED Incentive Program Funding		(5,000,000)
64	ADE - Remove One-Time Extraordinary Special Needs Fund Deposit		(5,000,000)
65	EMA - Department of Emergency & Military Affairs	13,367,100	12,846,600
66	EMA - Remove One-Time Aircraft Communication Equipment		(220,500)
67	EMA - Remove One-Time National Guard Cyber Response Funding		(300,000)
68	DEQ - Department of Environmental Quality	15,000,000	15,000,000
69	EQU - State Board of Equalization	663,900	663,900
70	EXE - Board of Executive Clemency	1,153,300	1,153,300
71	FOR - Department of Forestry and Fire Management	16,727,600	52,322,100
72	FOR - Remove One-Time Fire Marshal Personnel Equipment		(116,700)
73	FOR - Wildfire Mitigation Funding (Based on 3-Year Funding Plan)		38,211,200
74	FOR - Remove One-Time Rural Fire District Reimbursement		(2,500,000)
75	GAM - Department of Gaming	15,759,500	14,029,500
76	GAM - Increase Ongoing County Fair Racing Funding		1,000,000
77	GAM - Remove One-Time County Fair Racing Funding		(2,000,000)
78	GAM - Remove One-Time County Fair Promotion Funding		(730,000)
79	GOV - Office of the Governor	9,813,600	8,813,600
80	GOV - Remove One-Time AZ Civics Corps Funding		(1,000,000)
81	OSP - Gov's Office of Strategic Planning & Budgeting	2,688,700	2,688,700
82	DHS - Department of Health Services	103,419,200	99,759,200
83	DHS - Remove Rural Hospital Prenatal Equipment Funding		(500,000)
84	DHS - Remove One-Time Board of Medical Student Loans Funding		(2,000,000)
85	DHS - Remove One-Time Cognitive Decline/Caregiver Modules		(160,000)
86	DHS - Remove One-Time IT Funding for Adoption Records Release		(1,000,000)
87	AZH - Arizona Historical Society	2,906,000	2,906,000

	FY 2022 GF Adj. Appropriation	FY 23 Baseline 1/ Above FY 22	FY 2023 GF JLBC Baseline
88	PAZ - Prescott Historical Society	900,600	900,600
89	IND - Independent Redistricting Commission	7,900,000	0
90	IND - Remove One-Time Commission Funding (Non-Lapsing)		(7,900,000)
91	ICA - Industrial Commission	95,000	80,000
92	ICA - Remove One-Time Municipal Firefighter Reimbursement Costs		(15,000)
93	DIF - Department of Insurance and Financial Institutions	7,663,400	7,663,400
94	SPA - Judiciary - Supreme Court	22,234,700	22,883,800
95	SPA - Appellate CMS Operating Costs		59,100
96	SPA - One-Time Records Sealing Funding		500,000
97	SPA - Digital Evidence Storage (Increase From \$400k to \$490k)		90,000
98	COA - Judiciary - Court of Appeals	16,790,800	16,790,800
99	SUP - Judiciary - Superior Court	106,655,000	106,467,500
100	SUP - Remove One-Time Vehicle Purchase Funding		(187,500)
101	DJC - Department of Juvenile Corrections	30,696,600	30,696,600
102	LAN - State Land Department	13,315,100	13,218,900
103	LAN - CAP Rate Adjustment		(96,200)
104	Legislature		
105	AUD - Auditor General	20,723,500	20,508,500
106	AUD - K-12 Fed Funds Oversight (Reduce From \$250k to \$200k)		(50,000)
107	AUD - Remove One-Time Audit Expenses (Non-Gov't Election Funding)		(165,000)
108	HOU - House of Representatives	21,429,300	16,429,300
109	HOU - Remove One-Time Funding		(5,000,000)
110	JLBC - Joint Legislative Budget Committee	2,841,900	2,841,900
111	LEG - Legislative Council	10,090,400	9,090,400
112	LEG - Remove One-Time IT Improvement Funding		(1,000,000)
113	SEN - Senate	17,969,100	12,969,100
114	SEN - Remove One-Time Funding		(5,000,000)
115	MIN - State Mine Inspector	1,558,200	1,558,200
116	NAV - Arizona Navigable Steam Adjudication Comm.	129,300	129,300
117	SPB - Arizona State Parks Board	9,000,000	4,000,000
118	SPB - Remove One-Time Heritage Fund Deposit		(5,000,000)
119	POS - Commission for Postsecondary Education	1,680,900	0
120	POS - ABOR Consolidation		(1,680,900)
121	DPS - Department of Public Safety	291,650,400	287,300,400
122	DPS - Remove One-Time New K-9 Dog Training		(250,000)
123	DPS - Remove One-Time Civil Asset Forfeiture Offset		(3,500,000)
124	DPS - Remove One-Time Rapid DNA Testing Equipment Funding		(600,000)
125	PSP - Public Safety Personnel Retirement System	6,000,000	6,000,000
126	REA - State Real Estate Department	2,922,100	2,922,100

	FY 2022 GF Adj. Appropriation	FY 23 Baseline 1/ Above FY 22	FY 2023 GF JLBC Baseline
127	REV - Department of Revenue	53,542,400	53,076,100
128	REV - Remove One-Time IT Funding (Business Tax Changes)		(466,300)
129	SOS - Secretary of State	12,907,700	16,907,700
130	SOS - Election Funding (2022 Primary/General Elections)		4,000,000
131	TAX - State Board of Tax Appeals	283,300	283,300
132	TOU - Office of Tourism	8,481,500	8,231,500
133	TOU - Remove One-Time Southern AZ Study Committee Funding		(250,000)
134	DOT - Department of Transportation	3,300,000	0
135	DOT - Remove Hold Harmless Funding (Rental Vehicle Surcharge)		(3,300,000)
136	TRE - State Treasurer	3,010,200	3,010,200
137	OTR - Governor's Office on Tribal Relations	63,500	63,500
138	UNI - Universities		
139	UNI - Arizona Board of Regents	29,916,000	31,596,900
140	UNI - Commission for Postsecondary Education Consolidation		1,680,900
141	UNI - ASU	385,261,900	363,441,500
142	UNI - Lease-Purchase Adjustment		10,200
143	UNI - Inflation Adjustment (2017 Capital Infrastructure)		250,700
144	UNI - Remove One-Time Eastern Europe Cultural Collaborative		(250,000)
145	UNI - Remove One-Time School of Civic/Economic Thought/Leadership		(2,750,000)
146	UNI - Remove One-Time Political History/Leadership School Funding		(250,000)
147	UNI - Remove One-Time Operating Funding		(18,831,300)
148	UNI - Northern Arizona University	135,452,400	126,552,800
149	UNI - Lease-Purchase Adjustment		261,700
150	UNI - Inflation Adjustment (2017 Capital Infrastructure)		95,000
151	UNI - Remove One-Time Economic Policy Institute Funding		(250,000)
152	UNI - Remove One-Time Operating Funding		(9,006,300)
153	UNI - UA - Main Campus	250,739,100	236,364,500
154	UNI - Lease-Purchase Adjustment		3,600
155	UNI - Inflation Adjustment (2017 Capital Infrastructure)		221,800
156	UNI - Remove One-Time Wind Tunnel Funding		(3,500,000)
157	UNI - Remove One-Time Center for the Philosophy of Freedom		(1,250,000)
158	UNI - Remove One-Time Operating Funding		(9,600,000)
159	UNI - Remove One-Time Kazakhstan Exchange Program Funding		(250,000)
160	UNI - UA - Health Sciences Center	76,897,700	76,897,700
161	VSC - Department of Veterans' Services	8,625,500	8,583,500
162	VSC - Remove One-Time Veterans' Benefits Counselors Equipment		(42,000)
163	WIFA - Water Infrastructure Finance Authority	12,000,000	0
164	WIFA - Remove One-Time Water Project Assistance Grants		(5,000,000)
165	WIFA - Remove One-Time Small Water Systems Fund Deposit		(1,000,000)
166	WIFA - Remove One-Time Water Supply Development Fund Deposit		(6,000,000)
167	WAT - Department of Water Resources	18,424,400	17,074,400
168	WAT - Remove One-Time Water Protection Fund Deposit		(1,000,000)
169	WAT - Remove One-Time Agua Fria Insurance Study		(350,000)
170	OTH - Other		
171	OTH - Medicaid Federal Match Rate Reversion	(152,844,400)	152,844,400
172	OTH - ADE Enrollment Reversion	(285,000,000)	285,000,000

	FY 2022 GF Adj. Appropriation	FY 23 Baseline <u>1</u> / Above FY 22	FY 2023 GF JLBC Baseline	
173	OTH - Universities 27th Pay Period	20,052,100	(20,052,100)	0
174	OTH - Phoenix Convention Center Debt Service	24,498,500	500,900	24,999,400
175	OTH - Rio Nuevo District	16,000,000		16,000,000
176	OTH - Accounting System Upgrade (Statewide AFIS Charge)	0	490,000	490,000
177	OTH - Pension Payoff Savings (Payoff Funding in FY 21)	0	(98,119,900)	(98,119,900)
178	OTH - Unallocated FY 2022 AFIS Transaction Fee Increase	4,700	(4,700)	0
179	OTH - Unallocated FY 2022 Risk Management Funding Adjustment	6,400	(6,400)	0
180	OTH - Administrative Adjustments	225,000,000	(25,000,000)	200,000,000
181	OTH - Revertments	(150,000,000)	(50,000,000)	(200,000,000)
182	TOTAL - OPERATING SPENDING CHANGES	12,430,256,400	295,352,700	12,725,609,100
183	CAPITAL SPENDING			
184	ADOA - Building Renewal	6,200,000	(6,200,000)	0
185	ADC - Building Renewal	22,205,800	(22,205,800)	0
186	COL - Building Renewal	1,000,000	(1,000,000)	0
187	ADOA - Historic State Capitol Building Restoration	11,500,000	(11,500,000)	0
188	ADOA - Building Demolition and Physical Plant Conversion	2,800,000	(2,800,000)	0
189	ADOA Replacement of Air Handler Units Phase 2	3,500,000	(3,500,000)	0
190	ADOA - Taylor Rodeo Arena	1,000,000	(1,000,000)	0
191	ADOA - Fountain Hills Discovery Center/Observatory	2,500,000	(2,500,000)	0
192	ADC - Eyman Fire & Life Safety Projects	10,000,000	(10,000,000)	0
193	EMA - Fire Suppression	927,100	(927,100)	0
194	COL - Coliseum Fire Alarm	1,000,000	(1,000,000)	0
195	Veterans' Services - Northwest Veterans' Home	25,000,000	(25,000,000)	0
196	Yuma Fairgrounds Relocation	5,000,000	(5,000,000)	0
197	TOTAL - CAPITAL SPENDING	92,632,900	(92,632,900)	0
198	TOTAL - ALL SPENDING	12,522,889,300	202,719,800	12,725,609,100
199	REVENUE CHANGES			
200	Ongoing Revenue			
201	REV - Ongoing Revenue (Including Urban Revenue Sharing)	15,406,561,400	147,374,900	15,553,936,300
202	REV - Enacted Tax Reductions (Ongoing)	(51,020,000)	(1,265,326,000)	(1,316,346,000)
203	One-Time Revenue			
204	REV - Beginning Balance	894,636,000	1,208,597,600	2,103,233,600
205	REV - Water Infrastructure Repayment	20,000,000	(20,000,000)	0
206	REV - Enacted Tax Reductions (One-Time)	(704,978,100)	261,777,600	(443,200,500)
207	TOTAL - REVENUE CHANGES	15,565,199,300	332,424,100	15,897,623,400
208	PROPOSITION 208 RESERVE	939,076,400	(939,076,400)	0
209	ENDING BALANCE (INCLUDING PROPOSITION 208 RESERVE)	2,103,233,600	1,068,780,700	3,172,014,300

1/ Represents FY 2023 Baseline cost above FY 2022 Adjusted Appropriation.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2022 OF 1/ Adj. Appropriation	FY 23 Baseline 2/ Above FY 22	FY 2023 OF JLBC Baseline
OPERATING SPENDING CHANGES			
1	SBA - State Board of Accountancy	2,051,800	2,051,800
2	ACU - Acupuncture Board of Examiners	176,800	176,800
3	DOA - Arizona Department of Administration	199,005,900	200,108,500
4	DOA - Remove One-Time Monument/Memorial Repair Funding		(21,500)
5	DOA - Remove One-Time Hoteling Project Funding		(375,900)
6	DOA - AFIS Upgrade Expenditure Alignment		1,500,000
7	APF - Automation Projects Fund/ADOA	32,060,700	1,500,000
8	APF - Reduce K-12 Financial Project from \$3 M in '22 to \$1.5 M in '23		(1,500,000)
9	APF - Remove State Data Center		(2,000,000)
10	APF - Remove Charter School Board Online Platform		(614,100)
11	APF - Remove Child Care Management System		(9,000,000)
12	APF - Remove ADE ELAS		(7,200,000)
13	APF - Remove Tribal Gaming Certification e-Licensing		(850,000)
14	APF - Remove IT Upgrades		(1,067,700)
15	APF - Remove Psychologist Examiners e-Licensing		(20,000)
16	APF - Remove DPS Concealed Weapons Tracking		(550,000)
17	APF - Remove Business One-Stop		(7,758,900)
18	AGR - Department of Agriculture	1,734,600	1,734,600
19	AXS - AHCCCS	386,347,600	354,936,000
20	AXS - Formula Changes		(21,333,600)
21	AXS - Remove One-Time PMMIS Roadmap Funding		(78,000)
22	AXS - Remove One-Time HCIF Increase		(4,000,000)
23	AXS - Remove One-Time SUDS Deposit		(6,000,000)
24	BAT - Board of Athletic Training	127,000	127,000
25	ATT - Attorney General	60,389,300	54,993,000
26	ATT - Remove One-Time Antitrust Enforcement		(1,000,000)
27	ATT - Remove One-Time Fleet Initiative		(156,300)
28	ATT - Remove One-Time Election Litigation Funding		(500,000)
29	ATT - Remove One-Time Attorney Stipends and Retention Bonuses		(2,000,000)
30	ATT - Remove One-Time Child and Family Advocacy Centers (CPCF)		(500,000)
31	ATT - Remove One-Time Expert Witnesses and Outside Counsel Funding		(1,200,000)
32	ATT - Remove One-Time Missing and Murdered Indigenous People Cmte		(40,000)
33	BAR - Board of Barbers	408,900	0
34	BAR - Agency Consolidation		(408,900)
35	BCB - Barbering and Cosmetology Board	0	2,258,800
36	BCB - Agency Consolidation		2,258,800
37	BHE - Board of Behavioral Health Examiners	1,776,100	1,776,100
38	DCS - Department of Child Safety	290,993,200	200,593,200
39	DCS - Remove One-Time Child Care Development Funding		(90,400,000)
40	BCE - State Board of Chiropractic Examiners	437,000	437,000
41	ROC - Registrar of Contractors	12,590,300	12,590,300
42	COR - Corporation Commission	27,326,600	27,326,600
43	ADC - Department of Corrections	53,339,000	53,339,000

	FY 2022 OF 1/ Adj. Appropriation	FY 23 Baseline 2/ Above FY 22	FY 2023 OF JLBC Baseline
44	COS - Board of Cosmetology	1,856,700	0
45	COS - Agency Consolidation		(1,856,700)
46	CF - County Funding	0	0
47	JUS - Arizona Criminal Justice Commission	7,174,600	7,174,600
48	SDB - AZ State Schools for the Deaf and the Blind	32,063,800	32,063,800
49	HEA - Comm for the Deaf & the Hard of Hearing	4,631,900	4,631,900
50	DEN - Board of Dental Examiners	1,815,800	1,755,100
51	DEN - Remove One-Time File Imaging Costs		(60,700)
52	DES - Department of Economic Security	1,491,838,200	383,499,800
53	DES - DDD State Funded Long Term Care Costs		820,900
54	DES - Remove One-Time Federal Child Care Funding		(1,086,612,800)
55	DES - Remove One-Time Sexual Violence Service Fund Deposit		(8,000,000)
56	DES - Remove One-Time Emergency Grants		(14,546,500)
57	ADE - Arizona Department of Education	322,567,600	329,250,600
58	ADE - Endowment Earnings Growth		9,384,100
59	ADE - Remove Unused Fund Source		(2,701,100)
60	EMA - Department of Emergency & Military Affairs	1,930,400	1,987,400
61	EMA - NEMF Assessment Alignment		57,000
62	DEQ - Department of Environmental Quality	75,619,400	73,855,400
63	DEQ - Remove One-Time Waste Program Funding		(604,000)
64	DEQ - Remove One-Time Surface Water Program Funding		(1,160,000)
65	OEO - Governor's Office of Equal Opportunity	191,300	191,300
66	COL - Arizona Exposition and State Fair Board	13,297,500	13,297,500
67	EMB - Board of Funeral Directors and Embalmers	402,800	393,200
68	EMB - Remove One-Time Technology Update		(9,600)
69	FIS - Arizona Game and Fish Department	46,791,700	46,791,700
70	GAM - Department of Gaming	17,073,100	21,671,000
71	GAM - Align Gaming Division Funding w/ Increased Revenues		4,597,900
72	DHS - Department of Health Services	58,939,000	56,996,400
73	DHS - Remove One-Time Newborn Screening Equipment		(942,600)
74	DHS - Remove One-Time Child Care Licensing System Costs		(1,000,000)
75	HOM - Board of Homeopathic & Integrated Medicine Examiners	46,000	46,000
76	DOH - Department of Housing	322,700	322,700
77	IND - Industrial Commission	20,122,000	20,122,000
78	DIF - Department of Insurance and Financial Institutions	10,067,500	10,067,500
79	SPA - Judiciary - Supreme Court	31,044,800	31,044,800
80	SUP - Judiciary - Superior Court	11,975,600	11,975,600
81	DJC - Department of Juvenile Corrections	14,921,900	14,921,900

	FY 2022 OF 1/ Adj. Appropriation	FY 23 Baseline 2/ Above FY 22	FY 2023 OF JLBC Baseline
82	LAN - State Land Department	12,588,700	12,588,700
83	LIQ - Department of Liquor Licenses & Control	4,456,300	4,256,300
84	LIQ - Remove One-Time Cocktails-To-Go Automation Costs		(200,000)
85	LOT - Arizona State Lottery Commission	164,067,900	169,651,600
86	LOT - Tab Tickets		60,000
87	LOT - Instant Ticket Sales		1,491,500
88	LOT - On-Line Vendor Fees		486,800
89	LOT - Retailer Commissions		3,545,400
90	BMT - Board of Massage Therapy	473,700	473,700
91	MED - Arizona Medical Board	7,507,100	7,507,100
92	MIN - State Mine Inspector	112,900	112,900
93	NAT - Naturopathic Physicians Medical Board	193,200	193,200
94	NAV - Navigable Stream Adjudication Commission	200,000	200,000
95	NUR - State Board of Nursing	5,275,100	5,260,800
96	NUR - Remove One-Time Equipment Purchases		(14,300)
97	NCI - Nursing Care Inst. Administrators Board	526,100	526,100
98	OCC - Board of Occupational Therapy Examiners	199,900	199,900
99	DIS - State Board of Dispensing Opticians	162,600	162,600
100	OPT - State Board of Optometry	241,900	241,900
101	OST - AZ Board of Osteopathic Examiners in Medicine/Surgery	1,067,600	1,067,600
102	SPB - Arizona State Parks Board	20,839,500	17,945,100
103	SPB - Remove One-Time Wastewater Funding		(1,116,000)
104	SPB - Remove One-Time Cabin Debt Payoff		(528,400)
105	SPB - Remove One-Time State Parks Store Fund Deposit		(1,000,000)
106	SPB - Remove One-Time Maintenance Funding		(250,000)
107	PER - Personnel Board	326,400	326,400
108	PHA - Arizona State Board of Pharmacy	3,083,900	3,083,900
109	PHY - Board of Physical Therapy Examiners	504,100	504,100
110	PIO - Arizona Pioneers' Home	7,043,200	7,043,200
111	POD - State Board of Podiatry Examiners	168,200	168,200
112	POS - Commission for Postsecondary Education	1,537,100	0
113	POS - Agency Transfer to ABOR		(1,537,100)
114	PRI - Board for Private Postsecondary Education	413,500	413,500
115	PSY - State Board of Psychologist Examiners	550,800	550,800
116	DPS - Department of Public Safety	136,328,100	77,114,500
117	DPS - Remove Microwave Backbone Replacement		(48,200,000)
118	DPS - Remove One-Time Body Camera Equipment Funding		(6,904,400)

		FY 2022 OF 1/ Adj. Appropriation	FY 23 Baseline 2/ Above FY 22	FY 2023 OF JLBC Baseline
119	DPS - Remove One-Time Active Shooter Funding		(2,912,900)	
120	DPS - Remove One-Time AZPOST Funding		(1,196,300)	
121	RUC - Residential Utility Consumer Office	1,352,200		1,352,200
122	RES - Board of Respiratory Care Examiners	324,100		324,100
123	RET - Arizona State Retirement System	25,048,400		25,048,400
124	REV - Department of Revenue	27,161,200		27,161,200
125	SOS - Secretary of State	1,479,300		1,479,300
126	TEC - State Board of Technical Registration	2,352,900		2,207,700
127	TEC - Remove One-Time Record Digitization Funding		(145,200)	
128	DOT - Department of Transportation	467,515,200		467,515,200
129	TRE - State Treasurer	9,767,500		5,767,500
130	TRE - Remove One-Time Interoperability Funding		(1,500,000)	
131	TRE - Remove One-Time School Safety Program Funding		(2,500,000)	
132	UNI - Universities			
133	UNI - Arizona Board of Regents	0		1,537,100
134	UNI - ABOR - Commission for Postsecondary Ed. Agency Transfer		1,537,100	
135	UNI - ASU	597,718,800		597,718,800
136	UNI - ASU Main - Enrollment/Tuition Estimates			
137	UNI - Northern Arizona University	134,983,300		134,983,300
138	UNI - NAU - Enrollment/Tuition Estimates			
139	UNI - UA - Main Campus	304,589,000		304,589,000
140	UNI - UA Main - Enrollment/Tuition Estimates			
141	UNI - UA - Health Sciences Center	56,363,300		56,363,300
142	UNI - UA - HSC - Enrollment/Tuition Estimates			
143	VSC - Department of Veterans' Services	50,519,000		50,544,000
144	VSC - Hyperbaric Oxygen Therapy GF Reimbursement		25,000	
145	VME - Veterinary Medical Examining Board	601,800		601,800
146	WAT - Department of Water Resources	2,506,600		2,506,600
147	OTH - Other			
148	OTH - ADOA Federal Financial Participation Repayment Supplemental	1,110,600	(1,110,600)	0
149	OTH - Unallocated FY 2022 HITF Employer Premium Increase	7,986,500	(7,986,500)	0
150	OTH - Unallocated FY 2022 Retirement Adjustments	1,987,400	(1,987,400)	0
151	OTH - Unallocated FY 2022 Risk Management Adjustments	(70,900)	70,900	0
152	OTH - Unallocated FY 2022 AFIS Transaction Fee	472,900	(472,900)	0
153	OTH - Unallocated FY 2022 Rent Adjustments	100,700	(100,700)	0
154	OTH - Unallocated FY 2022 Fleet Adjustments	704,700	(704,700)	0
155	OTH - Universities 27th Pay Period (Enacted)	36,887,300	(36,887,300)	0
156	OTH - Accounting System Update (Statewide AFIS Charge)	0	1,000,000	1,000,000
157	TOTAL - OPERATING SPENDING CHANGES	\$5,332,788,700	(\$1,366,488,200)	\$3,966,300,500
158	CAPITAL SPENDING CHANGES			
159	Building Renewal			

		FY 2022 OF 1/ Adj. Appropriation	FY 23 Baseline 2/ Above FY 22	FY 2023 OF JLBC Baseline
160	Arizona Department of Administration	18,000,000		18,000,000
161	ADC	5,864,300		5,864,300
162	Game & Fish Department	1,215,800	243,800	1,459,600
163	Arizona Lottery Commission	152,800	23,600	176,400
164	State Parks Board	2,396,700	(2,396,700)	0
165	Pioneers' Home	353,100	(353,100)	0
166	Arizona Department of Transportation	15,710,400		15,710,400
167	New Projects			
168	AG - Deferred Maintenance at 15 S. 15th Ave	4,000,000	(4,000,000)	0
169	ADC - Eyman Fire/Life Safety	15,564,400	(15,564,400)	0
170	ASDB - Classroom Notification System Replacement	150,000	(150,000)	0
171	DEMA - Fire Suppression	191,000	(191,000)	0
172	G&F - Dam Maintenance	150,000	(150,000)	0
173	G&F - Hatchery Capital Projects	2,600,000	(2,600,000)	0
174	G&F - Hatchery Maintenance Projects	400,000	(400,000)	0
175	G&F - Property Maintenance	300,000	(300,000)	0
176	DHS - Building Demolition	2,000,000	(2,000,000)	0
177	DJC - Door Replacement	2,500,000	(2,500,000)	0
178	Leg Council - Historic Capitol Building Restoration	400,000	(400,000)	0
179	Parks - Dead Horse Amphitheater	150,000	(150,000)	0
180	Parks - Kartchner Caverns Roof Replacement	450,000	(450,000)	0
181	Parks - Red Rock Fire Suppression	126,000	(126,000)	0
182	Parks - Red Rock Maintenance Building	435,200	(435,200)	0
183	Parks - Rockin River Ranch	750,000	(750,000)	0
184	DPS - Training Academy	3,000,000	(3,000,000)	0
185	ADOT - Statewide Highway Construction	95,042,000	99,178,000	194,220,000
186	ADOT - Controlled Access	117,168,000	20,503,000	137,671,000
187	ADOT - Debt Service	148,900,000	(10,418,000)	138,482,000
188	ADOT - Airport Planning	26,000,000	1,100,000	27,100,000
189	ADOT - Liquid Brine Tanks Statewide	1,950,000	(1,950,000)	0
190	ADOT - Replace Vehicle Fueling Facilities	1,800,000	(1,800,000)	0
191	ADOT - Interstate 17 Expansion (Enacted)	45,000,000	(45,000,000)	0
192	ADOT - Higher Wickenburg Maintenance Office Construction Cost	3,150,000	(3,150,000)	0
193	TOTAL - CAPITAL SPENDING CHANGES	\$515,869,700	22,814,000	\$538,683,700
194	TOTAL - OPERATING & CAPITAL SPENDING	\$5,848,658,400	(1,343,674,200)	\$4,504,984,200
195	FUND TRANSFERS			
196	APF/DOA - Automation Projects Fund - All For IT Projects			
197	APF/DOA - ADOA Automation Operations	4,758,900	(4,758,900)	0
198	APF/DOA - ADOA State Web Portal	3,000,000	(3,000,000)	0
199	APF/DOA - DES CCDF Transfer - Child Care Management System	9,000,000	(9,000,000)	0
200	APF/DOA - ADE ESA Account Fund	4,448,900	(4,448,900)	0
201	APF/DOA - Treasurer ESA Program	2,751,100	(2,751,100)	0
202	APF/DOA - Gaming Arizona Benefits Fund	850,000	(850,000)	0
203	APF/DOA - Industrial Commission Admin Fund	1,067,700	(1,067,700)	0
204	APF/DOA - DPS Concealed Weapons Permit Fund	550,000	(550,000)	0
205	APF/DOA - Board of Psychologist Examiners Fund	20,000	(20,000)	0
206	TOTAL - FUND TRANSFERS	\$31,439,400	(31,439,400)	\$0

1/ Represents original FY 2022 appropriations adjusted for revisions in Lottery Commission and the Universities.

2/ Represents FY 2023 Baseline cost above FY 2022 Adjusted Appropriation.

SUMMARY OF ONE-TIME OTHER FUND SPENDING

	FY 2022 Baseline	FY 2023 Baseline	FY 2024 Baseline	FY 2025 Baseline
Operating				
ADOA - Memorial Repair	21,500			
ADOA - Hoteling Project	375,900			
ADOA - Accounting System Upgrade	2,000,000	3,500,000	4,000,000	
ADOA - Accounting System Upgrade Agency Charges	527,100	1,110,000	1,181,400	
APF - ADE K-12 Financial Transparency	3,000,000	1,500,000		
APF - ADOA State Data Center	2,000,000			
APF - Charter School Board Online Platform	614,100			
APF - DES Child Care Management System	9,000,000			
APF - ADE ELAS	7,200,000			
APF - Tribal Gaming Certification e-Licensing	850,000			
APF - Industrial Commission IT Upgrades	1,067,700			
APF - Psychologist Examiners e-Licensing	20,000			
APF - DPS Concealed Weapons Tracking	550,000			
APF - ADOA Business One-Stop	7,758,900			
AXS - PMMIS Roadmap Funding	78,000			
AXS - HCIF Increase	4,000,000			
AXS - SUDS Deposit	6,000,000			
Attorney General - Antitrust Enforcement	1,000,000			
Attorney General - Attorney Stipend/Retention Bonus	2,000,000			
Attorney General - Child and Family Advocacy Centers	500,000			
Attorney General - Election Litigation	500,000			
Attorney General - Expert Witness and Outside Counsel	1,200,000			
Attorney General - State Fleet Initiative	156,300			
Attorney General - Missing and Murdered Indigenous Peoples	40,000			
DCS - Child Care Development Funding	90,400,000			
Cosmetology - Mobile Cellular Inspection Devices	6,800			
Dental Examiners - File Imaging	60,700			
DES - Federal Child Care Funding	1,086,612,800			
DES - Sexual Violence Service Fund Deposit	8,000,000			
DES - Pandemic Emergency Assistance	14,456,500			
DEMA - Nuclear Emergency Management (Laws 2021, Ch.71)	1,930,400	1,987,400		
DEQ - Waste Program Funding	604,000			
DEQ - Surface Water Program Funding	1,160,000			
Funeral Directors - Technology Update	9,600			

SUMMARY OF ONE-TIME OTHER FUND SPENDING

	FY 2022 Baseline	FY 2023 Baseline	FY 2024 Baseline	FY 2025 Baseline
DHS - Alzheimer's Disease Research	2,500,000	2,500,000		
DHS - Child Care Licensing System	1,000,000			
DHS - Newborn Screening Equipment	942,600			
Liquor - Cocktails-To-Go Automation Costs	200,000			
Nursing - Equipment Costs	14,300			
Parks - Wastewater Funding	1,116,000			
Parks - Cabin Debt Payoff	528,400			
Parks - Parks Store Fund Deposit	1,000,000			
Parks - Maintenance Funding	250,000			
DPS - Microwave Backbone Replacement	48,200,000			
DPS - Body Camera Equipment Funding	6,904,400			
DPS - Active Shooter Funding	2,912,900			
DPS - AZPOST Funding	1,196,300			
Technical Registration - Record Digitization	145,200			
State Treasurer - Interoperability Funding	1,500,000			
State Treasurer - School Safety Program	2,500,000			
Veterans - Hyperbaric Oxygen Therapy GF Reimbursement		25,000		
Subtotal - Operating Funding	1,324,610,400	10,622,400	5,181,400	-
27th Pay Period - Universities	36,887,300			
Capital Outlay				
ADOA - Building Renewal	18,000,000	18,000,000		
ADC - Building Renewal	5,864,300	5,864,300		
Game and Fish - Building Renewal	1,215,800	1,459,600		
Lottery - Building Renewal	152,800	176,400		
Parks - Building Renewal	2,396,700			
Pioneers' Home - Building Renewal	353,100			
ADOT - Building Renewal	15,710,400			
Attorney General - Deferred Maintenance	4,000,000			
ADC - Eyman Fire and Life Safety	15,564,400			
ASDB - Classroom Notification System	150,000			
DEMA - Fire Suppression and Roof Replacement	191,000			
Game and Fish - Dam Maintenance	150,000			
Game and Fish - Property Maintenance	300,000			

SUMMARY OF ONE-TIME OTHER FUND SPENDING

	FY 2022 Baseline	FY 2023 Baseline	FY 2024 Baseline	FY 2025 Baseline
Game and Fish - Hatchery Maintenance	400,000			
Game and Fish - Hatchery Capital Renewal	2,600,000			
DHS - Building Demolition	2,000,000			
DJC - Door Replacement	2,500,000			
Leg Council - Historic Capitol Renovations	400,000			
Parks - Dead Horse Amphitheater	150,000			
Parks - Kartchner Cavern Discovery Center Roof Replacement	450,000			
Parks - Red Rock Fire Suppression	126,000			
Parks - Red Rock Maintenance Building	435,200			
Parks - Rockin' River Ranch	750,000			
DPS - Wellness Center	3,000,000			
ADOT - Statewide Highway Construction	95,042,000	194,220,000		
ADOT - Controlled Access	117,168,000	137,671,000		
ADOT - Debt Service	148,900,000	138,482,000		
ADOT - Airport Planning	26,000,000	27,100,000		
ADOT - Liquid Brine Tanks	1,950,000			
ADOT - Replace Vehicle Fueling Facilities	1,800,000			
ADOT - Interstate 17 Expansion	45,000,000			
ADOT - Higher Wickenburg Maintenance Office Construction	3,150,000			
Subtotal - Capital Outlay Funding	515,869,700	522,973,300	-	-
Total - One-Time Spending	1,877,367,400	533,595,700	5,181,400	-

FY 2022 SUPPLEMENTALS

	JLBC Baseline Change to Original '22 Budget
<u>Other Funds</u>	
Arizona Department of Administration - Federal Financial Participation	\$ 1,110,600
Other Funds - Total	\$ 1,110,600

FY 2023 FUNDING FORMULA SUSPENSIONS 1/

	FY 2023 Formula Requirement
<u>Statutory</u>	
Community Colleges - STEM and Workforce Programs State Aid Suspension	\$ 10,816,100 <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	35,274,800 <u>5/ 6/</u>
Total - FY 2023 Statutory Funding Formula Suspensions	\$ 46,090,900
<u>Non-Statutory</u>	
Department of Administration - Building Renewal	\$ 38,733,200 <u>6/</u>
Department of Corrections - Building Renewal	26,736,400 <u>6/</u>
Universities - Building Renewal	201,446,500 <u>6/</u>
Total - FY 2023 Non-Statutory Funding Formula Suspensions	\$ 266,916,100

- 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 \$454,600 (82.5%) for Pinal, \$1,776,600 (100.0%) for Pima, and \$8,584,900 (100.0%) 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 2022.
- 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 2023 Baseline includes \$15,000,000 from the General Fund in FY 2023 for WQARF and continues to 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 2023 General Fund contribution would be \$45,316,000. Of this amount, the Baseline assumes the continuation of \$10,041,200 in General Fund support.
- 6/ Based on agency estimates. Reflects amount above the FY 2023 Baseline.

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
BUDGET UNITS			
Arizona Department of Administration (ADA)			
Certificate of Participation (5005)	\$105,411,700	\$106,073,600	\$106,073,600
Construction Insurance (4219)	7,538,600	12,402,500	12,402,500
Co-Op State Purchasing Agreement (4213)	4,534,200	6,405,200	6,405,200
Coronavirus Relief (2975)	4,673,700	28,000,000	0
Crisis Contingency and Safety Net (3240)	1,307,100	0	0
Emergency Telecommunication Services Revolving (2176)	21,093,600	20,453,000	20,453,000
Employee Related Expenditures/Benefits Admin (ITA3035)	34,459,200	36,755,600	36,755,600
Federal Grants (2000)	1,940,900	2,920,200	2,920,200
IGA and ISA (2500)	15,635,800	51,800,100	51,800,100
Payroll Administration (9200)	110,700	152,300	152,300
Retiree Accumulated Sick Leave (3200)	15,111,400	15,052,500	15,052,500
Special Employee Health Insurance Trust (3015)	886,878,700	818,721,600	818,721,600
Special Events (2503)	(2,800)	0	0
Special Services Revolving (4208)	810,300	700,000	700,000
State Employee Travel Reduction (2261)	250,900	535,000	535,000
Statewide Donations (2025)	3,300	0	0
Text to 911 Services (2177)	0	0	0
Traffic and Parking Control (2453)	0	0	0
Transparency Website (2955)	27,000	27,000	27,000
VW Diesel Emissions Environment Migration Trust (3917)	3,122,500	0	0
Total - Arizona Department of Administration	\$1,102,906,800	\$1,099,998,600	\$1,071,998,600
Department of Administration - School Facilities Division (SFA)			
Arizona Public School Credit Enhancement (9999)	\$0	\$0	\$0
Building Renewal Grant (2392)	0	0	0
Emergency Deficiencies Correction (2484)	662,100	0	0
Governor's Emergency Education Relief (2980)	918,700	0	0
IGA and ISA (2500)	0	0	0
Lease-to-Own Debt Service (2373)	0	0	0
New School Facilities (2460)	0	0	0
School Improvement Revenue Bond Debt Service (5020)	0	0	0
State School Trust Revenue Bond Service (5030)	0	0	0
Total - Department of Administration - School Facilities Division	\$1,580,800	\$0	\$0
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	\$772,900	\$796,100	\$796,100
Video Service Provider Complaint (2603)	0	0	0
Total - Office of Administrative Hearings	\$772,900	\$796,100	\$796,100
Arizona Commission of African-American Affairs (AMA)			
Arizona Commission of African-American Affairs (2397)	\$500	\$0	\$0
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	\$39,300	\$44,500	\$44,500
Agricultural Consulting and Training Trust (1239)	9,700	9,600	9,600
Agricultural Products Marketing (2368)	410,300	508,000	508,000
Aquaculture Trust (2297)	0	9,900	9,900
Beef Council (2083)	395,600	395,600	395,600
Citrus Trust (2299)	45,000	42,000	42,000
Citrus, Fruit and Vegetable Trust (2260)	235,400	319,800	319,800
Commercial Feed Trust (2012)	274,900	298,600	298,600
Commodity Promotion (2458)	4,100	4,000	4,000
Cotton Research and Protection Council (2013)	3,520,600	7,410,000	7,410,000
Dangerous Plants, Pests and Diseases Trust (2054)	70,000	60,000	60,000
Designated (3011)	768,100	982,300	982,300
Egg Inspection Trust (2022)	1,590,900	1,797,000	1,797,000
Equine Inspection (2489)	0	0	0
Federal-State Inspection (2113)	6,998,200	6,184,400	6,184,400
Federal (2000)	4,938,600	5,986,200	5,986,200
Fertilizer Materials Trust (2081)	332,700	368,500	368,500
Grain Trust (2201)	68,300	64,700	64,700
Iceberg Lettuce Trust (2259)	101,900	100,000	100,000
Indirect Cost Recovery (9000)	189,200	186,300	186,300
Industrial Hemp Trust (2372)	454,400	565,400	565,400
Livestock and Crop Conservation (2378)	27,000	122,000	122,000
Livestock Custody Trust (2065)	18,200	51,000	51,000

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Pest Management Trust (2050)	1,644,200	1,749,100	1,749,100
Pesticide Trust (2051)	325,800	528,300	528,300
Protected Native Plant Trust (2298)	77,700	80,100	80,100
Seed Law Trust (2064)	62,700	96,600	96,600
Total - Arizona Department of Agriculture	\$22,602,800	\$27,963,900	\$27,963,900
AHCCCS (HCA)			
Arizona Tobacco Litigation Settlement (2468)	\$105,683,600	\$102,000,000	\$102,000,000
Children's Behavioral Health Services (2735)	0	0	0
County Funds (9691)	303,982,200	328,828,000	375,233,300
Crisis Contingency and Safety Net (3240)	0	0	0
Delivery System Reform Incentive Payment (2130)	2,249,000	15,495,200	15,495,200
Employee Recognition (2025)	0	1,000	1,000
Federal - Medicaid Direct Services (2120)	59,926,800	92,254,000	92,254,000
Federal (2120)	97,466,500	171,714,200	171,714,200
Federal Medicaid Authority (2120/2223)	9,461,104,900	13,671,841,100	12,305,443,400
Health Care Investment (2588)	97,764,900	382,548,500	362,711,100
Hospital Assessment (2576)	251,024,200	608,696,900	517,750,200
IGA and ISA Fund (2500)	0	0	0
IGA for County Behavioral Health Services (4503)	78,732,500	76,651,700	76,651,700
Intergovernmental Service (2442)	11,284,700	14,284,700	14,284,700
Nursing Facility Provider Assessment (2567)	28,411,500	32,989,600	32,989,600
Political Subdivision (1111)	109,800,400	169,989,300	163,799,600
Prescription Drug Rebate (2546)	609,060,300	609,060,300	609,060,300
Proposition 202 - Trauma and Emergency Services (2494)	17,517,300	24,197,000	24,197,000
Seriously Mentally Ill Housing Trust (2555)	222,800	1,800,000	1,800,000
Substance Use Disorder Services (2325)	0	0	0
Third Party Liability and Recovery (3791/3019)	1,235,400	2,664,700	2,664,700
Tobacco Products Tax Fund - Proposition 204			
Protection Account (1303)	34,797,900	37,635,400	36,641,400
Total - AHCCCS	\$11,270,264,900	\$16,342,651,600	\$14,904,691,400
Arizona Commission on the Arts (HUA)			
Arizona Arts Trust (3043)	\$901,100	\$1,400,800	\$1,400,800
Arts Special Revenues (2116)	222,000	458,200	458,200
Coronavirus State and Local Fiscal Recovery (2985)	0	2,000,000	2,000,000
Crisis Contingency and Safety Net (3240)	0	0	0
Federal Grants (2000)	1,351,500	1,795,800	1,795,800
Total - Arizona Commission on the Arts	\$2,474,600	\$5,654,800	\$5,654,800
Attorney General - Department of Law (AGA)			
Anti-Racketeering Revolving (2131)	\$5,644,800	\$6,300,800	\$6,300,800
Attorney General Expendable Trust (3102)	367,900	6,000	6,000
Child and Family Advocacy Center (2540)	600,000	400,000	400,000
CJEF Distribution to County Attorneys (2068)	2,662,400	3,352,600	3,352,600
Consumer Remediation Subaccount of the Consumer			
Restitution and Remediation Revolving (2573)	2,160,200	816,300	816,300
Consumer Restitution Subaccount of the Consumer			
Restitution and Remediation Revolving (2573)	5,630,600	3,840,800	3,840,800
Court-Ordered Trust (3180)	175,600	0	0
Criminal Case Processing (2461)	107,700	110,500	110,500
Federal Grants (2000)	6,632,800	8,530,800	9,760,900
Indirect Cost Recovery (9000)	8,554,800	11,315,400	11,315,400
Intergovernmental Agreements (2500)	28,819,000	27,775,800	27,775,800
Motor Carrier Safety Revolving (2380)	0	0	0
Prosecuting Attorneys' Advisory Council Training (2057)	907,800	990,100	990,100
Total - Attorney General - Department of Law	\$62,263,600	\$63,439,100	\$64,669,200
State Board for Charter Schools (CHA)			
Charter Arizona Online Instruction Processing (2319)	\$51,200	\$14,000	\$14,000
New Charter Application Processing (2568)	51,000	78,000	78,000
Total - State Board for Charter Schools	\$102,200	\$92,000	\$92,000
Department of Child Safety (CHA)			
Child Restraint (2192)	\$84,000	\$84,000	\$84,000
Child Safety Expenditure Authority (2009)	379,517,800	399,478,600	389,478,600
Client Trust (3152)	448,100	4,805,300	4,805,300
Comprehensive Health Plan (2121)	103,107,100	231,323,000	236,117,100
Economic Security Donations (2025)	16,600	0	0
Total - Department of Child Safety	\$483,173,600	\$635,690,900	\$630,485,000

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Citizens Clean Elections Commission (ECA)			
Citizens Clean Elections (2425)	\$8,153,000	\$4,878,800	\$4,878,800
Arizona Commerce Authority (CAA)			
Application Fees (3005)	\$755,300	\$1,525,200	\$1,525,200
Arizona Commerce Authority Carryover (1001)	394,100	545,400	545,400
Arizona Commerce Authority (2547)	0	0	0
Arizona Competes (2548)	0	0	0
Arizona Coronavirus Relief (3002)	1,910,700	510,600	510,600
Arizona Innovation Accelerator (9507)	164,800	2,456,700	2,456,700
Arizona Job Training (1237)	8,708,800	15,438,100	15,438,100
Blockchain/Wearables (1016)	0	0	0
Coronavirus Relief (2975)	2,000,000	0	0
Donations (3189)	2,900	33,000	33,000
Economic Development (1026)	1,743,500	6,052,300	6,052,300
Federal (2000)	3,988,300	2,902,300	2,902,300
Frankfurt Germany (1023)	0	0	0
Institute for Automated Mobility (4080)	325,200	418,700	418,700
Israel Trade Office (1021)	0	0	0
Mexico Trade Office (1020)	(116,600)	0	0
Non-Federal Grant (3010)	25,000	75,000	75,000
RevAZ (9971)	439,600	1,302,900	1,302,900
Rural Broadband Grants (1006)	0	0	0
State Workforce Programs (1025)	4,675,500	894,400	894,400
Total - Arizona Commerce Authority	<u>\$25,017,100</u>	<u>\$32,154,600</u>	<u>\$32,154,600</u>
Arizona Community Colleges (CMA)			
Smart and Safe Arizona (varies by account)	\$11,433,700	\$24,860,700	\$24,860,700
Tribal Assistance (NA)	857,300	889,100	889,100
Workforce Development Accounts (varies by account)	22,169,300	25,175,300	25,175,300
Total - Arizona Community Colleges	<u>\$34,460,300</u>	<u>\$50,925,100</u>	<u>\$50,925,100</u>
Constable Ethics Standards and Training Board (CNA)			
Constable Ethics Standards and Training (2346)	\$337,500	\$503,700	\$503,700
Registrar of Contractors (RGA)			
Registrar of Contractors Cash Bond (3721)	\$0	\$0	\$0
Residential Contractors' Recovery (3155)	3,098,400	4,666,800	4,666,800
Total - Registrar of Contractors	<u>\$3,098,400</u>	<u>\$4,666,800</u>	<u>\$4,666,800</u>
Corporation Commission (CCA)			
Federal (2000)	\$1,725,100	\$2,219,500	\$2,219,500
IGA and ISA (2500)	500	0	0
Public Access - Money on Deposit Account (2334)	0	0	0
Utility Siting (2076)	19,200	0	0
Total - Corporation Commission	<u>\$1,744,800</u>	<u>\$2,219,500</u>	<u>\$2,219,500</u>
State Department of Corrections (DCA)			
Arizona Correctional Industries Revolving (4002)	\$34,947,600	\$38,893,000	\$38,893,000
Community Corrections Enhancement (2395)	427,100	405,000	405,000
Coronavirus Relief (2975)	22,562,700	0	0
Federal (2000)	4,450,600	15,265,200	15,265,200
Indirect Cost Recovery (9000)	716,800	450,900	450,900
Inmate Store Proceeds (2505)	5,187,100	4,377,000	4,377,000
Interagency Service Agreement (2500)	34,927,500	4,931,600	4,931,600
Special Services (3187)	6,797,200	8,033,100	8,033,100
State DOC Revolving (2515)	1,322,000	3,212,500	3,212,500
Statewide Employee Recognition Gifts/Donations (2449)	134,300	112,800	112,800
Total - State Department of Corrections	<u>\$111,472,900</u>	<u>\$75,681,100</u>	<u>\$75,681,100</u>
Arizona Criminal Justice Commission (JCA)			
Criminal Justice Enhancement (2134)	\$500,100	\$507,700	\$507,700
Drug and Gang Enforcement (2516)	4,171,400	4,121,200	4,121,200
Federal Grants (2000)	12,630,600	16,616,800	16,616,800
IGA and ISA (2500)	0	0	0
Total - Arizona Criminal Justice Commission	<u>\$17,302,100</u>	<u>\$21,245,700</u>	<u>\$21,245,700</u>
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	\$1,777,400	\$2,000,800	\$2,000,800
Enterprise (4222)	140,000	22,500	22,500
Federal Grants (2000)	2,556,200	2,658,100	2,658,100
Governor's Emergency Education Relief (2980)	970,600	29,400	29,400

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
IGA and ISA (2500)	0	0	0
Instructional Improvement (2492)	0	0	0
Regional Cooperatives (4221)	15,575,200	0	0
State Grants (2011)	480,300	580,600	580,600
Trust (3148)	39,900	135,000	135,000
Total - Arizona State Schools for the Deaf and the Blind	<u>\$21,539,600</u>	<u>\$5,426,400</u>	<u>\$5,426,400</u>
Commission for the Deaf and the Hard of Hearing (DFA)			
Private Grants (2025)	\$0	\$0	\$0
Commission for the Deaf & the Hard of Hearing - Subtotal	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Drought Mitigation Board (WCA)			
Drought Mitigation Revolving (3230)	\$0	\$10,000,000	\$0
Arizona Early Childhood Development and Health Board			
Early Childhood Development and Health (2542)	\$141,199,400	\$163,412,000	\$163,412,000
Federal Grants (2000)	1,592,200	17,373,000	17,373,000
Total - Arizona Early Childhood Development and Health Board	<u>\$142,791,600</u>	<u>\$180,785,000</u>	<u>\$180,785,000</u>
Office of Economic Opportunity (EOA)			
Arizona Finance Authority Operations (FAA5352)	\$1,500	\$1,500	\$1,500
Arizona Industrial Development Authority (FAA9973)	0	0	0
Economic Development (3777)	2,184,600	7,141,600	7,141,600
Federal Grants (2000)	2,589,400	2,589,400	2,589,400
IGA and ISA (2500)	48,200	48,200	48,200
Office of Economic Opportunity Operations (9903)	3,110,500	2,705,400	2,705,400
Total - Office of Economic Opportunity	<u>\$7,934,200</u>	<u>\$12,486,100</u>	<u>\$12,486,100</u>
Department of Economic Security (DEA)			
Child Support Enforcement Administration (2091)	\$35,317,500	\$42,495,100	\$42,495,100
Client Trust (3152)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	0	238,400,000	0
Coronavirus Relief (2975)	14,411,100	248,800,400	248,800,400
Crisis Contingency and Safety Net (3240)	0	0	0
Developmentally Disabled Client Investment (3146)	13,400	13,400	13,400
Developmentally Disabled Client Services Trust (2019)	10,500	10,500	10,500
Donations (3145)	0	0	0
Economic Security Capital Investment (2093)	0	0	0
Employee Recognition (2449)	0	0	0
Family Caregiver Grant Program (2347)	108,400	325,300	325,300
Federal Grants (2000)	2,770,804,000	3,213,199,700	3,213,199,700
Health Care Investment (2588)	20,147,300	26,863,200	54,363,200
IGA and ISA (2500)	0	0	0
Long Term Care System - Federal Match (2225)	1,506,526,600	1,869,379,900	1,849,504,800
Neighbors Helping Neighbors (2348)	27,700	40,000	40,000
Revenue from State or Local Agency Fund (3193)	1,838,500	1,821,300	1,821,300
Special Olympics Tax Refund (3207)	153,700	92,800	92,800
Unemployment Insurance Benefits (7510)	1,092,893,200	304,234,000	280,301,000
Total - Department of Economic Security	<u>\$5,442,251,900</u>	<u>\$5,945,675,600</u>	<u>\$5,690,967,500</u>
Department of Education (EDA)			
American Civics Education (2612)	\$0	\$0	\$0
Arizona Agricultural Youth Organization Special Plate (2651)	161,700	161,900	161,900
Arizona English Language Learner (2535)	0	0	0
Arizona Industry Credentials Incentive (2685)	0	0	0
Arizona Youth Farm Loan (2136)	0	0	0
Assistance for Education (2420)	27,800	27,700	27,700
Broadband Expansion (2145)	0	0	0
Character Education Special Plate (2522)	46,000	21,900	21,900
Classroom Site Fund - Carry-Forward (9003)	0	236,163,800	236,163,800
Classroom Site Fund - Land Trust (9002)	107,142,200	123,167,700	123,167,700
College Credit by Examination Development (2641)	0	0	0
Computer Science Professional Development Program (2635)	0	0	0
Department of Education Empowerment Scholarship Account (2570)	637,600	0	0
Department of Education Production Revolving (4211)	651,400	493,600	493,600
Early Literacy Program (2181)	0	0	0
Education Commodity (4210)	376,100	206,600	206,600
Education Donations (2025)	37,600	0	0
Education Sales Tax (9001)	573,781,600	777,574,600	777,574,600
Extraordinary Special Education Needs (2483)	0	0	0

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Federal (2000)	1,464,584,500	2,830,659,500	2,830,659,500
Golden Rule Special Plate (2366)	232,800	232,800	232,800
Governor's Emergency Education Relief (2980)	949,600	8,900,000	8,900,000
IGA and ISA (2500)	2,472,100	3,195,400	3,195,400
Indirect Cost Recovery (9000)	8,588,300	11,509,100	11,509,100
Industry-Recognized Certification and Licensure Reimbursement (2780)	0	0	0
Instructional Improvement (2492)	76,298,500	54,425,700	54,425,700
Internal Services (4902)	2,762,100	3,438,600	3,438,600
Results-Based Funding (2151)	0	0	0
Special Education (1009)	0	0	0
Total - Department of Education	<u>\$2,238,749,900</u>	<u>\$4,050,178,900</u>	<u>\$4,050,178,900</u>
Department of Emergency and Military Affairs (MAA)			
Border Security (2655)	\$0	\$0	\$0
Camp Navajo (2106)	12,351,200	12,613,100	11,284,200
Coronavirus Relief (2975)	77,850,000	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
Emergency Management Assistance Compact Revolving (2602)	0	0	0
Federal - Emergency (2000)	14,369,100	131,337,600	69,352,900
Federal - Military (2000)	45,245,000	66,676,500	53,505,700
Indirect Cost Recovery (9000)	1,186,700	1,077,600	1,077,600
Interagency Service Agreement (2500)	2,851,000	719,000	719,000
Military Installation (1010)	0	0	0
Morale, Welfare and Recreational (2124)	16,200	15,000	15,000
National Guard (2140)	174,600	300,000	150,000
National Guard Cyber Response Revolving (2619)	0	0	0
State Armory Property (2146)	0	960,200	0
Total - Department of Emergency and Military Affairs	<u>\$154,043,800</u>	<u>\$213,699,000</u>	<u>\$136,104,400</u>
Department of Environmental Quality (EVA)			
Employee Recognition (2449)	\$2,600	\$1,800	\$1,800
Federal (2000)	16,664,500	17,334,800	17,334,800
IGA and ISA (2500)	5,434,200	4,834,200	4,834,200
Institutional and Engineering Control (2563)	30,800	31,500	31,500
Monitoring Assistance (2308)	732,000	799,300	799,300
Specific Site Judgment (3006)	0	0	0
Underground Storage Tank Revolving Summary (2271)	60,961,700	50,813,500	50,813,500
Voluntary Remediation (2564)	294,800	542,700	542,700
Voluntary Vehicle Repair and Retrofit Program (2365)	884,800	1,851,200	1,851,200
Water Quality Assurance Revolving (2221)	16,993,300	18,096,700	18,096,700
Total - Department of Environmental Quality	<u>\$101,998,700</u>	<u>\$94,305,700</u>	<u>\$94,305,700</u>
Board of Executive Clemency (PPA)			
IGA and ISA (2500)	\$36,200	\$23,400	\$23,400
Arizona Department of Forestry and Fire Management (FFM)			
Arson Detection Reward (2169)	\$0	\$0	\$0
Cooperative Forestry (2232)	6,534,300	6,534,300	6,534,300
Fire Suppression Revolving (2360)	51,177,800	51,606,400	51,606,400
IGA and ISA (2500)	1,840,600	793,800	793,800
Indirect Cost Recovery (9000)	968,000	1,008,100	1,008,100
Nonnative Vegetation Species Eradication (2456)	0	0	0
Trampoline Court Safety (2578)	0	0	0
Total - Arizona Department of Forestry and Fire Management	<u>\$60,520,700</u>	<u>\$59,942,600</u>	<u>\$59,942,600</u>
Arizona Game and Fish Department (GFA)			
Big Game Permit (3712)	\$0	\$0	\$0
Conservation Development (2062)	1,009,700	1,009,700	1,009,700
Federal Revolving (2028)	37,072,400	50,954,200	50,954,200
Firearms Safety and Ranges (2442)	19,500	8,200	8,200
Game and Fish In-Lieu Fee Program Restoration Endowment Trust (3167)	388,500	195,800	195,800
Game and Fish Publications Revolving (4007)	220,600	183,300	183,300
Game and Fish Special Stamp Collection (3709)	0	0	0
Game and Fish Trust (3111)	3,425,800	2,550,800	2,550,800
Heritage - Acquisition (2294)	314,500	3,940,000	3,940,000
Heritage - Administration (2292)	129,600	186,600	186,600
Heritage - Environmental Education (2290)	506,800	564,800	564,800
Heritage - Habitat Evaluation or Habitat Protection (2291)	1,490,600	1,641,900	1,641,900

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Heritage - Identification, Inventory, Protection and Mgmt (2295)	3,713,800	4,909,500	4,909,500
Heritage - Public Access (2293)	611,300	572,800	572,800
Heritage - Urban Wildlife and Urban Life Habitat (2296)	1,479,000	2,214,900	2,214,900
IGA and ISA (2500)	0	0	0
Indirect Cost Recovery (9000)	8,930,200	9,318,000	9,318,000
Kaibab Co-op (3714)	0	0	0
Off Highway Vehicle Recreation (2253)	1,583,200	1,967,500	1,967,500
Wildlife Conservation (2497)	9,381,700	10,485,800	10,485,800
Wildlife Conservation Enterprise (2029)	92,900	0	0
Wildlife Theft Prevention (2080)	85,900	61,600	61,600
Total - Arizona Game and Fish Department	\$70,456,000	\$90,765,400	\$90,765,400
Department of Gaming (GMA)			
2021 Compact Trust (2021)	0	0	0
Ariona Breeders' Award (2206)	\$792,600	\$1,444,800	\$1,444,800
Event Wagering (8888)	0	0	0
IGA and ISA (2500)	15,100	15,100	15,100
Racing Commission Bond Deposit (3720)	0	0	0
Racing Investigation (2369)	49,600	34,900	34,900
Retired Racehorse Adoption (2015)	6,900	25,600	25,600
Rural County Fair Racing (2558)	0	0	0
Total - Department of Gaming	\$864,200	\$1,520,400	\$1,520,400
Office of the Governor (GVA)			
Coronavirus Relief (2975)	\$1,063,967,300	\$110,629,700	\$110,629,700
Coronavirus State and Local Fiscal Recovery (2985)	46,889,900	1,198,144,200	1,198,144,200
County Fairs Livestock and Agriculture Promotion (2037)	0	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
Federal Grants (2000)	29,094,200	36,375,400	36,375,400
Foster Youth Education Success (1400)	0	0	0
Governor's Emergency Education Relief (2980)	29,932,000	39,264,400	39,264,400
Governor's Endowment Partnership (3206)	4,848,800	333,700	333,700
IGA and ISA (2500)	925,900	1,731,400	1,731,400
Indirect Cost Recovery (9000)	1,060,400	1,187,500	1,187,500
Prevention of Child Abuse (2439)	265,900	399,000	399,000
Total - Office of the Governor	\$1,176,984,400	\$1,388,065,300	\$1,388,065,300
Department of Health Services (HSA)			
Alzheimer's Disease Research (2255)	\$0	\$60,000	\$60,000
Arizona State Hospital Charitable Trust (9985)	74,300	90,000	90,000
Breast and Cervical Cancer Screening and Diagnostic Special Plate (2513)	33,300	555,000	555,000
Congenital Heart Defect Special Plate (2258)	0	0	0
Coronavirus Relief (2975)	250,126,700	99,293,500	0
Crisis Contingency and Safety Net (3240)	0	0	0
Disease Control Research (2090)	2,244,400	3,644,500	3,644,500
Donations - DHS (3010/2025)	4,860,000	2,000,000	2,000,000
Donations - Statewide (2025)	2,500	0	0
Drug Disposal Education and Awareness (2230)	0	0	0
Federal (2000)	371,339,000	583,291,300	583,291,300
Health Services Lottery Monies (4250)	6,617,400	8,143,900	8,143,900
IGA and ISA (4500)	7,276,600	8,186,800	8,186,800
Internal Services (4202)	27,200	0	0
Justice Reinvestment (1121)	0	1,920,000	6,120,000
Laser Safety (2388)	64,800	52,000	52,000
Medical Marijuana (2544)	52,678,100	27,370,400	27,370,400
Medical Student Loan (3306)	79,400	2,110,000	110,000
Oral Health (3038)	139,100	454,900	454,900
Public Health Emergencies (2775)	0	0	0
Smart and Safe Arizona (1120)	1,482,100	5,000,000	5,000,000
Smoke-Free Arizona (2541)	2,194,600	2,680,000	2,680,000
Tobacco Tax and Health Care - Health Education Account (1308)	11,070,200	19,800,000	19,800,000
Tobacco Tax and Health Care - Health Research Account (2096)	5,590,000	8,328,500	8,328,500
Workforce Data Repository (9999)	0	112,800	0
Total - Department of Health Services	\$715,899,700	\$773,093,600	\$675,887,300

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Arizona Historical Society (HIA)			
Crisis Contingency and Safety Net (3240)	\$0	\$0	\$0
Federal Grants (2000)	16,800	9,600	9,600
Permanent Arizona Historical Society Revolving (2900)	69,600	576,500	576,500
Preservation and Restoration (2125)	7,400	24,200	24,200
Private (9447)	200,200	607,200	607,200
Trust (9450)	0	0	0
Total - Arizona Historical Society	<u>\$294,000</u>	<u>\$1,217,500</u>	<u>\$1,217,500</u>
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	\$601,900	\$628,900	\$628,900
Department of Homeland Security (HLA)			
Federal (2000)	\$23,574,400	\$29,280,000	\$29,280,000
Arizona Department of Housing (HDA)			
CDBG-CV CARES Act (2976)	\$33,000	\$0	\$0
Consumer Recovery (3090)	0	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
DPS-FBI Fingerprint (2159)	5,700	5,700	5,700
Federal (2000)	93,606,800	129,655,100	129,655,100
Federal Grants - American Recovery and Reinvestment Act (2999)	0	0	0
Homeowner's Assistance (2986)	0	99,210,000	99,210,000
Housing Choice Voucher Emergency Housing (3202)	0	93,000	93,000
Housing Program (2200)	10,420,700	16,275,000	16,275,000
Housing Trust (2235)	18,213,800	21,735,200	21,735,200
IGA and ISA (2500)	3,980,300	7,516,000	7,516,000
Manufactured Housing Cash Bond (3722)	0	0	0
Mobile Home Relocation (2237)	77,800	75,000	75,000
Total - Arizona Department of Housing	<u>\$126,338,100</u>	<u>\$274,565,000</u>	<u>\$274,565,000</u>
Industrial Commission of Arizona (ICA)			
Federal Grants (2000)	\$3,607,300	\$3,175,200	\$3,175,200
Municipal Firefighters Cancer Reimbursement (2182)	0	0	0
Proposition 206 Fair Wages and Healthy Families (2185)	0	25,000	25,000
Revolving (2002)	37,700	53,600	53,600
Special (2180)	16,412,700	14,754,300	14,754,300
Total - Industrial Commission of Arizona	<u>\$20,057,700</u>	<u>\$18,008,100</u>	<u>\$18,008,100</u>
Department of Insurance and Financial Institutions (DIF)			
Arizona Property and Casualty Insurance Guaranty (IDA2114)	\$10,425,000	\$10,425,000	\$10,425,000
Assessment Fund for Voluntary Plans (IDA2316)	4,900	0	0
Captive Insurance Regulatory/Supervision (IDA2377)	673,100	775,000	775,000
Federal (IDA2000)	46,700	116,300	116,300
Financial Surveillance (IDA2473)	350,000	350,000	350,000
Health Care Appeals (IDA2467)	202,400	202,400	202,400
Insurance Examiners' Revolving (IDA2034)	2,799,900	2,799,900	2,799,900
Life and Disability Insurance Guaranty (IDA2154)	7,933,000	7,933,000	7,933,000
Mortgage Recovery (BDA1997)	1,400	11,800	11,800
Receivership Liquidation (IDA3104)	127,200	127,200	127,200
Receivership Revolving (BDA3023)	9,700	0	0
Revolving (BDA2126)	162,000	133,200	133,200
Settlement (ATA1991)	0	0	0
Total - Department of Insurance and Financial Institutions	<u>\$22,735,300</u>	<u>\$22,873,800</u>	<u>\$22,873,800</u>
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	\$187,500	\$535,600	\$535,600
Arizona Lengthy Trial and Digital Evidence (2382)	654,000	813,900	813,900
Certified Reporters (2440)	136,600	146,400	146,400
Drug Treatment and Education (2277)	387,500	711,500	711,500
General Adjudication Personnel and Support (7777)	0	0	0
Grants and Special Revenue (2084)	26,377,400	26,449,600	26,449,600
Juvenile Probation Services (2193)	0	0	0
Public Defender Training (3013)	396,600	415,000	415,000
Total - Judiciary - Supreme Court	<u>\$28,139,600</u>	<u>\$29,072,000</u>	<u>\$29,072,000</u>
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	\$60,200	\$52,000	\$52,000
Criminal Justice Enhancement (2075)	0	0	0
Drug and Gang Enforcement Account (2074)	1,100,100	1,002,400	1,002,400
Drug Treatment and Education (2277)	2,803,500	3,554,900	3,554,900

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
General Adjudication Personnel and Support (7777)	0	0	0
Grants and Special Revenue (2084)	1,165,200	749,800	749,800
Juvenile Probation Services (2193)	0	0	0
Total - Judiciary - Superior Court	\$5,129,000	\$5,359,100	\$5,359,100
Department of Juvenile Corrections (DJA)			
DJC Restitution (2476)	\$3,100	\$0	\$0
Employee Recognition (2449)	1,200	0	0
Federal (2000)	1,185,300	986,500	986,500
Indirect Cost Recovery (9000)	0	0	0
Instructional Improvement (2492)	7,400	0	0
Juvenile Corrections (3024)	12,700	0	0
State Education System for Committed Youth Classroom Site (2487)	90,500	80,300	80,300
Statewide Donations (2025)	600	0	0
Total - Department of Juvenile Corrections	\$1,300,800	\$1,066,800	\$1,066,800
State Land Department (LDA)			
CAP Municipal and Industrial Repayment (2129)	\$0	\$0	\$0
Federal Reclamation Trust (2024)	0	0	0
IGA and ISA (2500)	0	0	0
Interagency Agreements (2212)	0	0	0
Off-Highway Vehicle Recreation (2253)	252,500	319,500	319,500
Resource Analysis Division Revolving (4009)	104,500	98,600	98,600
Riparian Acquisition Trust (3201)	0	0	0
State Land Department (2451)	530,000	524,800	524,800
Statewide Employee Recognition Gifts/Donations (2449)	0	0	0
Total - State Land Department	\$887,000	\$942,900	\$942,900
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,084,600	\$1,310,300	\$1,310,300
Department of Liquor Licenses and Control (LLA)			
Anti-Racketeering Revolving (2131)	\$0	\$0	\$0
Audit Surcharge (3010)	124,400	127,900	127,900
Direct Shipment License Issuance (3017)	57,200	45,300	45,300
Direct Shipment License Renewal (3018)	0	0	0
DPS - FBI Fingerprint (2159)	0	0	0
Enforcement Surcharge - Enforcement Unit (3012)	437,300	452,700	452,700
Enforcement Surcharge - Multiple Complaints (3011)	510,200	453,300	453,300
Federal Grants (2000)	233,400	112,600	112,600
Growlers (1997)	7,800	62,700	62,700
IGA and ISA (2500)	7,300	0	0
Sampling Privileges (1998)	3,900	76,500	76,500
Total - Department of Liquor Licenses and Control	\$1,381,500	\$1,331,000	\$1,331,000
Arizona State Lottery Commission (LOA)			
State Lottery (2122)	\$994,640,700	\$897,086,500	\$934,078,400
Debt Service (NA)	34,509,800	0	0
University Capital Improvement (NA)	38,203,500	37,780,000	37,798,700
Mass Transit (NA)	11,476,800	11,476,800	11,476,800
Total - Arizona State Lottery Commission	\$1,078,830,800	\$946,343,300	\$983,353,900
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	\$0	\$0	\$0
Federal Education and Training (2400)	37,300	37,500	37,500
Federal Grants (2000)	688,200	444,900	444,900
Total - State Mine Inspector	\$725,500	\$482,400	\$482,400
State Board of Nursing (BNA)			
Nurse Aide Training and Registration (2000)	\$409,800	\$414,700	\$414,700
Statewide Donations (2025)	0	0	0
Total - State Board of Nursing	\$409,800	\$414,700	\$414,700
Arizona Parents Commission on Drug Education and Prevention (PCA)			
Drug Treatment and Education (2277)	\$4,858,400	\$5,860,200	\$5,860,200
Arizona State Parks Board (PRA)			
Arizona State Parks Heritage (3126)	\$0	\$0	\$0
Federal (2000)	2,968,400	5,842,000	5,842,000
Land Conservation - Administration Account (2432)	0	94,800	94,800
Off Highway Vehicle Recreation (2253)	493,200	2,927,600	2,927,600

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Partnership (2448)	2,779,200	2,684,000	2,684,000
State Lake Improvement (2106)	8,101,800	11,000,000	11,000,000
State Parks (3117)	16,600	556,500	556,500
Sustainable State Parks and Roads (3125)	0	523,100	523,100
Total - Arizona State Parks Board	<u>\$14,359,200</u>	<u>\$23,628,000</u>	<u>\$23,628,000</u>
Arizona State Board of Pharmacy (PMA)			
Controlled Substances Prescription Monitoring Program (2359)	\$1,919,800	\$0	\$0
Federal Grants (2000)	0	0	0
Total - Arizona State Board of Pharmacy	<u>\$1,919,800</u>	<u>\$0</u>	<u>\$0</u>
Arizona Pioneers' Home (PIA)			
IGA and ISA (2500)	\$630,000	\$600,000	\$600,000
Pioneers' Home (Cemetery Proceeds) (3144)	155,100	0	0
Pioneers' Home (Donations) (3143)	116,600	0	0
Total - Arizona Pioneers' Home	<u>\$901,700</u>	<u>\$600,000</u>	<u>\$600,000</u>
Commission for Postsecondary Education (PEA)			
Arizona Teacher Student Loan (2358)	\$0	\$0	\$0
Family College Savings Program Trust (3121)	825,600	0	0
Federal Grants (2000)	134,500	289,800	0
Private Donations (2402)	37,000	201,500	0
Private Postsecondary Education Student Financial Assistance (2128)	0	0	0
Total - Commission for Postsecondary Education	<u>\$997,100</u>	<u>\$491,300</u>	<u>\$0</u>
Arizona Power Authority (PAA)			
Arizona Power Authority (9506)	\$20,554,800	\$40,000	\$40,000
Hoover Uprating (1113)	19,337,700	19,594,300	19,594,300
Interest Income (1112)	36,000	1,700	1,700
Total - Arizona Power Authority	<u>\$39,928,500</u>	<u>\$19,636,000</u>	<u>\$19,636,000</u>
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	\$209,300	\$272,000	\$272,000
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	\$2,017,700	\$1,742,100	\$1,742,100
Board of Fingerprinting (2435)	657,400	840,000	840,000
Capitol Police Administrative Towing (1999)	3,100	0	0
Coronavirus Relief (2975)	13,700,500	700,000	700,000
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	2,956,000	2,062,200	2,062,200
DPS Licensing (2490)	1,377,000	1,448,400	1,448,400
Driving Under the Influence Abatement (2422)	472,400	950,900	950,900
Families of Fallen Police Officers Special Plate (2386)	172,000	239,000	239,000
Federal Grants (2000)	64,854,800	74,276,000	74,276,000
Fingerprint Clearance Card (2433)	5,275,100	5,366,500	5,366,500
IGA and ISA (2500)	11,595,500	13,062,500	13,062,500
Indirect Cost Recovery (9000)	3,173,800	3,379,900	3,379,900
Motor Carrier Safety Revolving (2380)	300	0	0
Peace Officers' Training (2049)	5,274,400	6,095,200	6,095,200
Public Safety Equipment (2391)	1,028,200	1,200,000	1,200,000
Records Processing (2278)	4,176,500	4,728,500	4,728,500
Smart and Safe Arizona (1120)	0	0	0
State Highway Work Zone Safety (2480)	11,100	25,000	25,000
Victims' Rights Enforcement (2519)	993,800	960,000	960,000
Total - Department of Public Safety	<u>\$117,739,600</u>	<u>\$117,076,200</u>	<u>\$117,076,200</u>
Public Safety Personnel Retirement System (NA)			
Disability Program Trust (NA)	\$0	\$0	\$0
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (NA)	93,300	133,000	133,000
Investment and Administrative Expenses (NA)	18,653,100	25,493,200	25,493,200
Retiree Pool Account (NA)	0	0	0
Total - Public Safety Personnel Retirement System	<u>\$18,746,400</u>	<u>\$25,626,200</u>	<u>\$25,626,200</u>
State Real Estate Department (REA)			
Condominium and Planned Community Hearing Office (2537)	\$41,000	\$41,000	\$41,000
Education Revolving (4011)	1,400	20,000	20,000
Recovery (3119)	0	154,300	154,300
Total - State Real Estate Department	<u>\$42,400</u>	<u>\$215,300</u>	<u>\$215,300</u>

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Arizona State Retirement System (RSA)			
Administrative Account - Investment Expenses (1407)	\$7,101,700	\$7,189,200	\$7,189,200
Department of Revenue (RVA)			
Coronavirus Relief (2975)	\$0	\$0	\$0
Escheated Estates (3745)	0	0	0
Estate and Unclaimed Property (1520)	0	0	0
I Didn't Pay Enough (1031)	0	0	0
IGA and ISA (2500)	1,955,800	2,907,800	2,907,800
Revenue Publications Revolving (2166)	32,200	32,200	32,200
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	3,700	0	0
Veterans' Income Tax Settlement (VSA1601)	24,400	143,800	143,800
Waste Tire (2356)	0	0	0
Total - Department of Revenue	<u>\$2,016,100</u>	<u>\$3,083,800</u>	<u>\$3,083,800</u>
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	\$564,400	\$562,400	\$562,400
Coronavirus Relief (2975)	700,300	0	0
County Contributions to the Voter Registration System (2367)	0	58,900	58,900
Data Processing Acquisition (2265)	75,400	165,000	165,000
Election Training (2521)	0	4,500	4,500
Federal Grants (LAA2000)	4,548,300	6,139,600	6,139,600
IGA and ISA (2500)	4,825,700	905,000	905,000
Museum Gift Shop Revolving (LAA4008)	13,400	0	0
Notary Bond (2387)	123,700	108,600	108,600
Standing Political Committee Administrative (2426)	0	0	0
State Library (LAA2115)	343,200	188,000	188,000
Total - Secretary of State - Department of State	<u>\$11,194,400</u>	<u>\$8,132,000</u>	<u>\$8,132,000</u>
State Board of Technical Registration (TEA)			
Technical Registration Board of Investigations (2072)	\$51,500	\$0	\$0
Office of Tourism (TOA)			
Coronavirus Relief (2975)	\$3,993,500	\$0	\$0
IGA and ISA (2500)	6,700	0	0
Tourism (2236)	12,303,700	14,626,400	14,626,400
Total - Office of Tourism	<u>\$16,303,900</u>	<u>\$14,626,400</u>	<u>\$14,626,400</u>
Department of Transportation (DTA)			
Abandoned Vehicle Administration (2150)	\$1,428,200	\$1,000,000	\$1,000,000
Arizona Highways Magazine (2031)	4,810,300	4,830,900	4,830,900
Cash Deposits (2266)	0	0	0
Coronavirus Relief (2975)	2,877,100	0	0
Federal Grants (2097)	30,839,200	29,305,900	29,305,900
Governor's Emergency Education Relief (2980)	1,105,000	(371,500)	0
Highway Expansion and Extension Loan Program (2417)	0	0	0
IGA and ISA (2500)	11,154,700	1,354,400	1,354,400
Local Agency Deposits (3701)	0	0	0
Maricopa Regional Area Road (2029)	12,628,200	13,374,000	13,374,000
Motor Carrier Safety Revolving (2380)	7,600	500	500
Rental Tax and Bond Deposit (3737)	300	0	0
Shared Location and Advertising Agreements Expense (2414)	200	0	0
Smart Highway Corridor Trust (5906)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	9,600	13,000	13,000
Statewide Special Plates (2650)	4,567,500	5,252,600	5,252,600
Total - Department of Transportation	<u>\$69,427,900</u>	<u>\$54,759,800</u>	<u>\$55,131,300</u>
State Treasurer (TRA)			
Arizona Fallen Firefighter Memorial (3033)	\$0	\$0	\$0
Arizona Public School Credit Enhancement (2675)	0	0	0
AZ529, Arizona's Education Savings Plan Tust (3122)	269,600	751,500	751,500
Criminal Justice Enhancement (3702)	3,494,700	3,494,700	3,494,700
Public Deposit Administration (2574)	30,900	140,300	140,300
State Treasurer's Financial Literacy (2725)	0	0	0
Total - State Treasurer	<u>\$3,795,200</u>	<u>\$4,386,500</u>	<u>\$4,386,500</u>
Governor's Office on Tribal Relations (IAA)			
Arizona Indian Town Hall (4014)	\$0	\$0	\$0
Statewide Donations (2025)	15,600	8,500	8,500

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Total - Governor's Office on Tribal Relations	\$15,600	\$8,500	\$8,500
Arizona Board of Regents (BRA)			
Arizona Health Education Center Program (BRA2)	\$0	\$0	\$0
Arizona Promise Program (9999)	0	0	0
Arizona Teacher Student Loan (2358)	0	0	0
Arizona Teachers Academy (9900)	0	0	0
Federal (2000)	0	0	186,200
Private Donations (2402)	0	0	0
Regents Local (BRA1)	5,290,600	6,781,400	6,781,400
Technology and Research Initiative (2472)	4,928,500	37,761,200	37,761,200
Trust Land (3131/3132/3134/3136)	0	0	0
Total - Arizona Board of Regents	<u>\$10,219,100</u>	<u>\$44,542,600</u>	<u>\$44,728,800</u>
Arizona State University (ASA)			
Auxiliary (UNI8906)	\$114,845,700	\$159,849,900	\$159,849,900
Capital Infrastructure (UNI3001)	0	0	0
Designated - Other (UNI8905)	108,125,900	278,749,900	278,749,900
Designated - Tuition and Fees (UNI8905)	1,466,160,300	1,602,860,400	1,752,014,800
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	534,764,800	473,903,900	473,903,900
Federal Indirect Cost Recovery (UNI8902)	46,012,400	60,734,900	60,734,900
Indirect Cost Recovery (Non-Federal) (UNI8900)	25,909,900	24,807,200	24,807,200
Loan (UNI8901)	2,778,500	0	0
Restricted (Excluding Federal Funds) (UNI8907)	463,516,100	317,117,800	317,117,800
University Capital Improvement Lease-to-Own and Bond (BRA3042)	11,622,400	11,156,300	11,156,300
Total - Arizona State University	<u>\$2,773,736,000</u>	<u>\$2,929,180,300</u>	<u>\$3,078,334,700</u>
Northern Arizona University (NAA)			
Auxiliary (UNI8906)	\$76,744,000	\$97,362,800	\$102,210,200
Capital Infrastructure (UNI3002)	0	0	0
Designated - Other (UNI8905)	44,617,900	35,564,900	59,271,100
Designated - Tuition and Fees (UNI8905)	124,250,500	128,308,900	124,066,900
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	122,016,800	123,236,900	124,469,500
Federal Indirect Cost Recovery (UNI8902)	7,177,400	11,750,000	11,778,100
Indirect Cost Recovery (Non-Federal) (UNI8900)	7,827,200	12,857,900	16,656,900
Loan (UNI8901)	365,700	100,000	100,000
Restricted (Excluding Federal Funds) (UNI8907)	40,268,400	40,671,100	41,040,800
University Capital Improvement Lease-to-Own and Bond (BRA3042)	10,058,700	10,055,100	10,055,100
Total - Northern Arizona University	<u>\$433,326,600</u>	<u>\$459,907,600</u>	<u>\$489,648,600</u>
University of Arizona - Main Campus (UAA)			
Auxiliary (UNI8906)	\$175,300,200	\$276,758,200	\$276,758,200
Capital Infrastructure (UNI3003)	0	0	0
Designated - Other (UNI8905)	192,316,100	266,972,600	266,972,600
Designated - Tuition and Fees (UNI8905)	437,799,500	538,346,200	538,346,200
Endowment and Life Income (UNI8904)	21,837,600	22,274,300	22,274,300
Federal Grants (UNI8903)	168,596,300	173,578,100	173,578,100
Federal Indirect Cost Recovery (UNI8902)	49,725,400	50,719,900	50,719,900
Geological Survey (UNI3030)	141,800	99,000	99,000
Geological Survey Federal Grants (UNI3031)	1,088,700	835,800	835,800
Geological Survey - Mining, Mineral and Natural Resources			
Educational Museum Account (UNI9999)	8,500	22,100	22,100
Indirect Cost Recovery (Non-Federal) (UNI8900)	10,624,500	10,837,000	10,837,000
Loan (UNI8901)	1,053,500	1,066,000	1,066,000
Restricted (Excluding Federal Funds) (UNI8907)	337,168,400	289,303,100	289,303,100
University Capital Improvement Lease-to-Own and Bond (BRA3042)	26,033,300	26,013,600	26,013,600
Total - University of Arizona - Main Campus	<u>\$1,421,693,800</u>	<u>\$1,656,825,900</u>	<u>\$1,656,825,900</u>
University of Arizona - Health Sciences Center (UAA)			
Auxiliary (UNI8906)	\$1,463,500	\$982,800	\$982,800
Designated - Other (UNI8905)	201,415,000	215,545,400	215,545,400
Designated - Tuition and Fees (UNI8905)	26,624,800	34,775,900	34,775,900
Endowment and Life Income (UNI8904)	19,252,800	19,637,900	19,637,900
Federal Grants (UNI8903)	142,120,500	145,361,400	145,361,400
Federal Indirect Cost Recovery (UNI8902)	45,374,100	46,281,600	46,281,600
Indirect Cost Recovery (Non-Federal) (UNI8900)	6,078,100	6,199,700	6,199,700
Loan (UNI8901)	0	0	0

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Restricted (Excluding Federal Funds) (UNI8907)	74,017,300	96,311,100	96,311,100
Total - University of Arizona - Health Sciences Center	<u>\$516,346,100</u>	<u>\$565,095,800</u>	<u>\$565,095,800</u>
Department of Veterans' Services (VSA)			
Arizona State Veterans' Cemetery Trust (2499)	\$695,500	\$485,000	\$485,000
Coronavirus Relief (2975)	471,100	5,348,800	5,348,800
Federal (2000)	12,261,600	16,293,000	16,293,000
Hyperbaric Oxygen Therapy for Military Veterans (3219)	0	0	0
Military Family Relief (2339)	434,200	1,100,000	1,100,000
Statewide Employee Recognition Gifts (2449)	400	400	400
Veterans' Donations (2441)	3,261,600	1,365,000	1,365,000
Veterans' Income Tax Settlement (1601)	0	0	0
Total - Department of Veterans' Services	<u>\$17,124,400</u>	<u>\$24,592,200</u>	<u>\$24,592,200</u>
Water Infrastructure Finance Authority (WFA)			
Clean Water Annual Debt Service Interest (FAA4313)	8,349,900	8,349,900	8,349,900
Clean Water Annual Debt Service Principal Fund (FAA4312)	79,202,500	28,708,600	28,708,600
Clean Water Debt Service Reserve - Clean Water (FAA4315)	0	1,869,100	1,869,100
Clean Water Federal Loan (FAA4310)	6,671,000	6,671,000	6,671,000
Clean Water Fee Program Income (FAA4309)	4,569,500	2,241,400	2,241,400
Clean Water Fees Non Program Income (FAA4317)	127,800	2,757,900	2,757,900
Clean Water Financial Assistance (FAA4319)	99,993,300	0	0
Clean Water State Loan (FAA4311)	0	0	0
Drinking Water Annual Debt Service Interest (FAA4333)	5,094,200	0	0
Drinking Water Annual Debt Service Principal (FAA4332)	19,656,000	10,250,000	10,250,000
Drinking Water Debt Service Reserve (FAA4320)	0	0	0
Drinking Water Federal Loan (FAA4335)	23,827,700	24,756,800	24,756,800
Drinking Water Fees Non Program (FAA4322)	676,200	656,800	656,800
Drinking Water Fees Program Income (FAA4336)	2,700,200	90,900	90,900
Drinking Water Financial Assistance (FAA4324)	(29,500,000)	32,323,500	32,323,500
Drinking Water State Loan (FAA4331)	0	0	0
Greater Arizona Development Authority Revolving (2311)	24,800	24,800	24,800
Small and Disadvantaged Communities Drinking Water Assistance (FAA2230)	151,300	611,700	611,700
Small Drinking Water Systems (FAA2225)	0	0	0
Water Supply Development Revolving (FAA2336)	0	20,000,000	20,000,000
Total - Water Infrastructure Financing Authority	<u>\$221,544,400</u>	<u>\$139,312,400</u>	<u>\$139,312,400</u>
Department of Water Resources (WCA)			
Arizona System Conservation (9900)	\$0	\$0	\$0
Arizona Water Banking (2110)	6,018,700	6,860,700	5,057,800
Arizona Water Protection (1302)	1,909,900	1,260,800	644,100
Arizona Water Quality (2304)	238,100	234,600	234,600
Augmentation and Conservation Assistance (2213)	973,200	947,500	947,500
Colorado River Water Use Fee Clearing Account (2538)	30,300	30,300	30,300
Dam Repair (2218)	0	300,000	150,000
Employee Recognition (2449)	600	1,000	1,000
Federal Grants (2000)	379,200	379,500	379,500
Flood Warning System (1021)	1,200	87,000	87,000
General Adjudications (2191)	13,100	13,000	13,000
Indirect Cost Recovery (9000)	333,500	343,000	343,000
Interagency Service Agreement (2500)	221,600	320,600	320,600
Production and Copying (2411)	0	0	0
Publication and Mailing (2410)	0	0	0
Purchase and Retirement (2474)	0	0	0
Statewide Donations (2025)	0	0	0
Temporary Groundwater and Irrigation Efficiency Projects (9901)	0	0	0
Well Administration and Enforcement (2491)	729,400	768,200	768,200
Total - Department of Water Resources	<u>\$10,848,800</u>	<u>\$11,546,200</u>	<u>\$8,976,600</u>
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$30,307,737,600</u>	<u>\$38,644,019,900</u>	<u>\$36,947,977,700</u>
Subtotal - Other Funds	11,072,843,400	11,925,272,800	12,064,922,600
Subtotal - Federal Funds	<u>19,234,894,200</u>	<u>26,718,747,100</u>	<u>24,883,055,100</u>
OPERATING TOTAL - FEDERAL AND OTHER	<u>\$30,307,737,600</u>	<u>\$38,644,019,900</u>	<u>\$36,947,977,700</u>

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
NON-APPROPRIATED FUND EXPENDITURES	<u>\$30,307,737,600</u>	<u>\$38,644,019,900</u>	<u>\$36,947,977,700</u>
CAPITAL - NON-APPROPRIATED			
Aviation Federal Funds (DTA2267)	\$5,288,000	\$8,352,000	\$11,524,000
Bond Proceeds (DTA5004/5008/2463)	7,598,000	3,601,000	0
Federal Grants (DTA2097)	733,962,000	855,644,000	1,113,724,000
Economic Strength Project (DTA2244)	1,000,000	1,000,000	1,000,000
Highway Expansion and Extension Loan Program (DTA2417)	0	0	0
Local Agency Deposits (DTA3701)	3,063,000	3,970,000	4,327,000
Maricopa Regional Area Road (DTA2029)	331,761,000	605,235,000	504,050,000
State Parks Board - State Lake Improvement (2105)	0	2,894,000	0
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$1,082,672,000</u>	<u>\$1,480,696,000</u>	<u>\$1,634,625,000</u>
Subtotal - Other Funds	343,422,000	616,700,000	509,377,000
Subtotal - Federal Funds	739,250,000	863,996,000	1,125,248,000
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$1,082,672,000</u>	<u>\$1,480,696,000</u>	<u>\$1,634,625,000</u>
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$31,390,409,600</u>	<u>\$40,124,715,900</u>	<u>\$38,582,602,700</u>
Subtotal - Other Funds	11,416,265,400	12,541,972,800	12,574,299,600
Subtotal - Federal Funds	19,974,144,200	27,582,743,100	26,008,303,100
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$31,390,409,600</u>	<u>\$40,124,715,900</u>	<u>\$38,582,602,700</u>

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

NA = No Fund Number

**PREVIOUSLY ENACTED APPROPRIATIONS
FY 2023 and BEYOND 1/**

GENERAL FUND

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</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>			
A.R.S. § 42-5031.01 - Indian Tribal Postsecondary Institutions <u>2/</u>	2,953,400	2,953,400	2,953,400
A.R.S. § 15-1469.01 - Rural County Allocation <u>3/</u>	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 2020, Ch. 58/Laws 2021, Ch. 408 - Basic State Aid (Rollover)	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	<u>4/</u>	<u>4/</u>	<u>4/</u>
<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>Judiciary - Supreme Court</u>			
Laws 2021, Ch. 432 - Records Sealing	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, Ch. 275 - Electronic Repository and 1 FTE		70,000	
<u>School Facilities Board</u>			
Laws 2020, Ch. 58/Laws 2021, Ch. 408 - New School Facilities Fund	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
<u>Arizona State University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>5/</u>	13,462,100	13,468,200	13,459,300
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>6/</u>	12,784,200	13,039,900	13,300,700

	FY 2023	FY 2024	FY 2025
<u>Northern Arizona University</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>5/</u>	5,301,500	5,302,900	4,885,500
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>6/</u>	4,845,600	4,942,500	5,041,400
<u>University of Arizona</u>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>5/</u>	14,252,500	14,255,300	14,247,300
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>6/</u>	11,309,700	11,535,900	11,766,600
<u>Other</u>			
A.R.S. § 9-602 - Phoenix Convention Center Financing <u>7/</u>	24,999,400	25,498,600	25,998,700
A.R.S. § 42-5031 - Rio Nuevo Multi-Purpose Facility District <u>8/</u>	16,000,000	16,000,000	16,000,000
TOTAL	1,148,613,600	219,079,000	218,165,200

OTHER FUNDS

	FY 2023	FY 2024	FY 2025
<u>Arizona Department of Administration</u>			
Laws 2021, Ch. 408 - School Financial Transparency Reporting System	1,500,000	1,500,000	
<u>Department of Agriculture</u>			
Laws 2021, Ch. 71 - Nuclear Emergency Management Fund	280,500		
<u>Attorney General - Department of Law</u>			
Laws 2019, Ch. 263 - Criminal Division	2,350,000		
<u>Department of Emergency and Military Affairs</u>			
Laws 2021, Ch. 71 - Nuclear Emergency Management Fund	1,987,400		
<u>Veterans Services, Department of</u>			
Laws 2018, Ch. 98 - Hyperbaric Oxygen Therapy Fund Reimbursement	25,000		
TOTAL	6,142,900	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 \$328,400 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 transferred the \$15,000,000 to WQARF, but does not permit any additional corporate income tax adjustment above that level. The Baseline continues to assume this level of funding on an ongoing basis.
- 5/ 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.
- 6/ 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.
- 7/ 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.
- 8/ 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.

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2022 and 2023 1/

BUDGET UNITS	Fiscal Year 2022			Fiscal Year 2023		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
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
School Facilities Division	17.0	0.0	17.0	17.0	0.0	17.0
SUBTOTAL - Administration, Arizona Department of	131.2	436.9	568.1	131.2	436.9	568.1
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	192.7	20.1	212.8	192.7	20.1	212.8
AHCCCS	368.4	795.1	1,163.5	368.4	795.1	1,163.5
AHCCCS - DES Eligibility	557.3	627.5	1,184.8	557.3	627.5	1,184.8
SUBTOTAL - AHCCCS <u>2/</u>	925.7	1,422.6	2,348.3	925.7	1,422.6	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	406.1	624.7	218.6	406.1	624.7
Barbering and Cosmetology Board <u>3/</u>	0.0	0.0	0.0	0.0	28.5	28.5
Barbers, Board of <u>3/</u>	0.0	4.0	4.0	0.0	0.0	0.0
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>4/</u>	1,513.6	1,689.5	3,203.1	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	49.8	251.1	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 <u>3/</u>	0.0	24.5	24.5	0.0	0.0	0.0
Criminal Justice Commission, Arizona	0.0	11.0	11.0	0.0	11.0	11.0
Deaf and the Blind, Arizona State Schools for the	284.8	277.4	562.2	284.8	277.4	562.2
Deaf and the Hard of Hearing, Commission for the	0.0	17.0	17.0	0.0	17.0	17.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Economic Opportunity, Office of	5.0	0.0	5.0	5.0	0.0	5.0
Economic Security, Department of <u>5/</u>	1,004.9	3,376.9	4,381.8	1,004.9	3,376.9	4,381.8
Education, State Board of	19.0	0.0	19.0	19.0	0.0	19.0
Education, Department of <u>6/</u>	187.7	15.2	202.9	187.7	15.2	202.9
Emergency and Military Affairs, Department of	63.1	9.5	72.6	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	213.0	0.0	213.0	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	833.9	301.6	1,135.5	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	6.0	0.0	6.0	0.0	0.0	0.0
Industrial Commission of Arizona	1.0	235.6	236.6	1.0	235.6	236.6
Insurance and Financial Institutions, Department of	94.4	57.0	151.4	94.4	57.0	151.4
Judiciary						
Supreme Court	148.6	38.4	187.0	148.6	38.4	187.0
Court of Appeals	136.8	0.0	136.8	136.8	0.0	136.8
Superior Court	229.8	8.7	238.5	229.8	8.7	238.5
SUBTOTAL - Judiciary	515.2	47.1	562.3	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 2022			Fiscal Year 2023		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Legislative Council	66.0	0.0	66.0	66.0	0.0	66.0
SUBTOTAL - Legislature	295.8	0.0	295.8	295.8	0.0	295.8
Liquor Licenses and Control, Department of	0.0	51.2	51.2	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	16.0	0.0	16.0	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	52.0	52.0	0.0	52.0	52.0
Nursing Care Institution of Administrators, Board of	0.0	7.0	7.0	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	9.0	9.0	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	25.4	25.4	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	0.0	0.0
Private Postsecondary Education, Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.5	4.5	0.0	4.5	4.5
Public Safety, Department of	775.7	1,271.0	2,046.7	772.7	1,271.0	2,043.7
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
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	35.4	35.4	0.0	35.4	35.4
Tribal Relations, Governor's Office on	3.0	0.0	3.0	3.0	0.0	3.0
Universities 7/8/						
Regents, Arizona Board of	25.9	0.0	25.9	30.9	0.0	30.9
Arizona State University	3,044.2	5,126.8	8,171.0	3,044.2	5,126.8	8,171.0
Northern Arizona University	1,226.6	1,392.7	2,619.3	1,226.6	1,392.7	2,619.3
University of Arizona - Main Campus	2,884.4	3,091.1	5,975.5	2,884.4	3,091.1	5,975.5
University of Arizona - Health Sciences Center	785.7	483.0	1,268.7	785.7	483.0	1,268.7
SUBTOTAL - Universities	7,966.8	10,093.6	18,060.4	7,971.8	10,093.6	18,065.4
Veterans' Services, Department of	128.3	644.0	772.3	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	26,368.9	28,093.4	54,462.3	26,364.9	28,088.4	54,453.3

- 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 2022 and FY 2023 can be found in the individual agency pages.
- 2/ Includes 1,370.1 FTE Positions in FY 2022 and FY 2023 in the Other Fund FTE Positions columns funded from Federal Medicaid Expenditure Authority.
- 3/ Laws 2021, Chapter 334 merged the Board of Barbers and the Board of Cosmetology into 1 agency and renamed it the Barbering and Cosmetology Board. The FY 2023 FTE Positions for the Board of Barbers and the Board of Cosmetology were reduced to 0 and moved to the Barbering and Cosmetology Board.
- 4/ Includes 970.3 FTE Positions in FY 2022 and FY 2023 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 5/ Includes 2,337.8 FTE Positions in FY 2022 and FY 2023 in the Other Fund FTE Positions columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 6/ The FY 2023 FTE Position allocations have been rebased to match FY 2022 allocations.
- 7/ The FY 2022 General Appropriation Act originally appropriated 17,485.0 FTE Positions to the Universities for FY 2022. This FTE Position amount has been revised to 18,060.4 to account for changes in projected tuition and fee collections. Any revised tuition rates as well as changes in enrollment can result in collections exceeding (or being below) the appropriated amount.
- 8/ The Other Fund FTE Positions are funded by the University Collections Fund, which includes a portion of tuition and fees and a portion of land earnings.

FY 2023 BUDGET RECONCILIATION BILL PROVISIONS

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

Statewide

1. As session law, continues to 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.
2. As session law, continues to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.
3. As session law, continues to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund through FY 2025.

Arizona Department of Agriculture

4. As session law, continues fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2023, including legislative intent that limits additional revenues to \$357,000.

AHCCCS

Rates and Services

5. 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.

Counties

6. As session law, sets the FY 2023 county Arizona Long Term Care System (ALTCS) contributions at \$330,315,800.
7. As session law, sets the County Acute Care contribution at \$44,917,500.
8. As session law, continues to exclude Proposition 204 administration costs from county expenditure limitations.
9. As session law, continues to require AHCCCS to transfer any excess monies back to the counties by December 31, 2023 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.

Hospitals

10. As session law, continues to establish FY 2023 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 2023.
11. 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.

Available Funding

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

Arizona Community Colleges

13. As session law, continues to suspend the Operating State Aid funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2023 for only Maricopa and Pima Counties.
14. 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 2023 for only Maricopa, Pima and Pinal Counties.

Counties and Cities & Towns

15. As session law, continues to allow counties with a population of less than 250,000 according to the 2020 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2023, up to \$1,250,000 of county revenue for each county. Continues to require counties using this authority to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2022.

Department of Economic Security

16. As session law, continues to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable suspicion the recipient uses illegal drugs.

Department of Education

Formula Requirements

17. As permanent law, increases the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school “Additional Assistance” amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation.

Results-Based Funding

18. 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.
19. 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.
20. 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.

Other

21. As session law, continues stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.
22. As 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.

Department of Environmental Quality

23. As session law, continues to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2023 for department administrative expenses and for sewage remediation.
24. As session law, continues notwithstanding the \$18,000,000 annual funding level for the Water Quality Assurance Revolving Fund (WQARF) and limiting the General Fund transfer to \$15,000,000.
25. As session law, continues to charge fees that are not greater than the FY 2022 level of vehicle emissions inspection fees in FY 2023.

Department of Gaming

26. As session law, continues to set the Racing Wagering Assessment at 0.5% in FY 2023 only.

Department of Health Services

27. As session law, continues to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
28. As session law, continues to notwithstand A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services.

Judiciary

29. As session law, amend Laws 2018, Chapter 278, Section 17 as amended by Laws 2021, Chapter 403, Section 24 to allow the Supreme Court to spend money from the funds on a new appellate case management system in FY 2023.

Arizona Navigable Stream Adjudication Commission

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

Universities

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

Department of Water Resources

32. 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 2023.

FY 2023 GENERAL APPROPRIATION ACT PROVISIONS

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

Department of Education

1. As session law, continue deferral of \$865,727,700 of Basic State Aid payments for FY 2023 until FY 2024. Continue to exempt districts with less than 2,000 students from the deferral. Appropriate \$865,727,700 in FY 2024 for these deferred Basic State Aid payments. Allow ADE to make the rollover payment no later than July 12, 2023
2. As session law, continue to require school districts to include in the FY 2023 revenue estimates that they use for computing their FY 2023 tax rates the rollover monies that they will receive for FY 2023 in July 2023.

Revenues

3. As session law, continue to specify revenue and expenditure estimates for FY 2022, FY 2023, FY 2024, and FY 2025.
4. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2022 ending balances by September 15, 2022. Require the Joint Legislative Budget Committee (JLBC) Staff to report to JLBC by October 15, 2022 as to whether FY 2023 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.

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.
6. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2023 in all agencies and provide it to the Director by October 1, 2023. The Universities are exempt from the report but are required to report separately.
7. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2022 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2022.
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.
9. As session law, prior to spending more than \$10,000,000, require 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.
 - 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 2023. (Same provision as appeared in the FY 2022 Budget Procedures BRB. The Arizona Supreme Court declared the entire bill unconstitutional.)"

General

10. As session law, continue to define "*" as designating an appropriation exempt from lapsing.
11. As session law, continue to define "expenditure authority" as continuously appropriated monies included in individual line items of appropriations.
12. 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.

FY 2023 MAJOR FOOTNOTE CHANGES

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

Arizona Department of Administration

13. Deletes footnote requiring the department to charge state agencies not more than \$10.42 per user per month for the statewide email and calendar service.
14. Modifies a footnote to no longer require JLBC review of a report on travel reduction pilot programs but continues to require the report.

Department of Corrections

15. Eliminates footnote requiring the department to submit semi-annual reports on the status of performance measures tracked as required by the *Parson v. Ryan* stipulation agreement.
16. Modifies footnote requiring JLBC review of capacity changes only if the department opens or closes 100 or more state-operated or private prison beds.
17. Adds a footnote requiring the department to submit actual FY 2022, estimated FY 2023 and requested FY 2024 expenditures when the department submits its FY 2024 budget request. (Previously included in the Criminal Justice Budget Reconciliation Bill)

Department of Economic Security

18. Deletes footnote requiring DES submit an expenditure plan report to the JLBC on any new Division of Developmental Disabilities salary adjustments not previously reviewed by the committee.
19. Deletes footnote requiring report on the number of filled positions for case managers and non-case managers in the Division of Developmental Disabilities.

Department of Gaming

20. Adds footnote requiring the department to report to the JLBC and OSPB by October 1, 2022 on the expected amount and purpose of expenditures from the Additional Operating Expenses line item for FY 2023.
21. Adds footnote requiring the department to report to the JLBC and OSPB by August 1, 2022 on the expected amount and purpose of expenditures from the Event Wagering Fund for FY 2023.

Judiciary – Superior Court

22. Modifies a footnote to no longer require JLBC review of a report on county-approved salary adjustments provided to probation officers but continues to require the report.

Capital

23. Deletes footnote reverting unexpended capital monies after 2 years. This deletion will return the lapsing policy to the existing permanent law provision. (Capital)
24. Deletes redundant footnote requiring JCCR review of capital appropriations. Statute already requires JCCR review. (Capital)

INDIVIDUAL AGENCY ESTIMATES

Arizona State Board of Accountancy

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	785,100	955,500	955,500
Employee Related Expenditures	317,700	360,300	360,300
Professional and Outside Services	300,800	418,500	418,500
Travel - In State	0	6,100	6,100
Travel - Out of State	0	12,000	12,000
Other Operating Expenditures	236,200	282,800	282,800
Equipment	3,700	16,600	16,600
AGENCY TOTAL	1,643,500	2,051,800	2,051,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,643,500	2,051,800	2,051,800
SUBTOTAL - Other Appropriated Funds	1,643,500	2,051,800	2,051,800
SUBTOTAL - Appropriated Funds	1,643,500	2,051,800	2,051,800
TOTAL - ALL SOURCES	1,643,500	2,051,800	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 Baseline includes \$2,051,800 and 14 FTE Positions from the Board of Accountancy Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of public accountants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
Funds Expended	1,643,500	2,051,800
Year-End Fund Balance	3,041,700	2,534,100

Acupuncture Board of Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	102,100	102,800	102,800
Employee Related Expenditures	30,800	32,000	32,000
Travel - In State	0	2,000	2,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	34,100	35,000	35,000
AGENCY TOTAL	167,000	176,800	176,800^{1/}

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	167,000	176,800	176,800
SUBTOTAL - Other Appropriated Funds	167,000	176,800	176,800
SUBTOTAL - Appropriated Funds	167,000	176,800	176,800
TOTAL - ALL SOURCES	167,000	176,800	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 Baseline includes \$176,800 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of acupuncturists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate acupuncturists, and for board administration.		
Funds Expended	167,000	176,800
Year-End Fund Balance	(56,700)	(74,000)

Arizona Department of Administration

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	551.1	551.1	551.1 ^{1/}
Personal Services	27,589,300	29,477,000	29,477,000
Employee Related Expenditures	9,777,800	10,577,200	10,577,200
Professional and Outside Services	4,877,200	6,068,600	5,968,600
Travel - In State	208,300	220,400	220,400
Travel - Out of State	0	16,200	16,200
Other Operating Expenditures	38,619,800	40,515,900	40,515,900
Equipment	2,184,100	329,500	329,500
OPERATING SUBTOTAL	83,256,500	87,204,800	87,104,800 ^{D/}
SPECIAL LINE ITEMS			
Facilities Management			
Hoteling Pilot Program	0	375,900	0
Enduring Freedom Memorial Repair	0	21,500	0
Utilities	4,319,100	7,649,900	7,649,900
Financial Services			
Arizona Financial Information System	8,483,400	11,423,800	12,923,800 ^{2/}
Named Claimants	49,900	0	0
Information Technology Services			
Statewide Information Security and Privacy Operations and Controls	6,186,600	6,366,700	6,366,700
Information Technology Project Management and Oversight	1,368,800	1,504,400	1,504,400
Risk Management			
Federal Transfer Payment	2,801,500 ^{3/}	0	0
Risk Management Administrative Expenses	10,234,800	9,294,300	9,294,300
Risk Management Losses and Premiums	37,117,300	48,396,100	48,396,100
Workers' Compensation Losses and Premiums	22,157,000	31,171,600	31,171,600
Support Services			
Government Transformation Office	1,496,400	2,016,900	2,016,900
State Surplus Property Sales Agency Proceeds	1,353,400	1,810,000	1,810,000 ^{4/}
Other			
Transwestern Pipeline Litigation	17,043,300	0	0
K-12 Transportation Grants	0	10,000,000	20,000,000
Southwest Defense Contracts	25,000	25,000	25,000 ^{5/}
AGENCY TOTAL	195,893,000	217,260,900	228,263,500 ^{6/}
FUND SOURCES			
General Fund	24,035,300	18,255,000	28,155,000
Other Appropriated Funds			
Air Quality Fund	142,300	928,200	928,200 ^{7/}
Arizona Financial Information System Collections Fund	8,483,400	11,423,800	12,923,800
Automation Operations Fund	27,105,100	31,127,700	31,127,700 ^{8/}
Capital Outlay Stabilization Fund	16,065,300	18,395,100	18,395,100
Capitol Mall Consolidation Fund	0	375,900	0
Corrections Fund	593,000	575,000	575,000
Federal Surplus Materials Revolving Fund	0	466,900	466,900
Information Technology Fund	8,125,300	8,467,900	8,467,900
Motor Vehicle Pool Revolving Fund	5,371,100	0	0
Personnel Division Fund	12,145,500	12,764,900	12,764,900
Risk Management Revolving Fund	78,361,800	96,714,500	96,714,500

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
Special Employee Health Insurance Trust Fund	4,956,200	5,330,100	5,330,100
Special Services Revolving Fund	492,200	1,170,700	1,170,700
State Monument and Memorial Repair Fund	0	21,500	0
State Surplus Materials Revolving Fund	2,331,400	2,979,800	2,979,800
State Web Portal Fund	5,996,900	6,612,200	6,612,200
Telecommunications Fund	1,688,200	1,651,700	1,651,700
SUBTOTAL - Other Appropriated Funds	171,857,700	199,005,900	200,108,500
SUBTOTAL - Appropriated Funds	195,893,000	217,260,900	228,263,500
Other Non-Appropriated Funds	1,096,292,200	1,069,078,400	1,069,078,400
Federal Funds	6,614,600	30,920,200	2,920,200
TOTAL - ALL SOURCES	1,298,799,800	1,317,259,500	1,300,262,100

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 2023.
- 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/ Of the amount appropriated for the Arizona financial information system line item in fiscal year 2022-2023, \$3,500,000 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 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)
- 5/ All state surplus materials revolving fund monies received by the department of administration in excess of \$2,979,800 in fiscal year 2022-2023 are appropriated to the department. Before spending state surplus materials revolving fund monies in excess of \$2,979,800 in fiscal year 2022-2023, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- 6/ 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)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ On or before September 1, 2023, the department shall submit a report for review by TO the joint legislative budget committee on the results of pilot projects implemented in fiscal year 2022-2023 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)
- 9/ 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 2022-2023. 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 2022-2023, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$87,104,800 and 494.1 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
General Fund	\$8,130,000
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
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 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2023 to remove one-time Information Technology (IT) costs for the State Permitting Portal.

The Baseline deletes a footnote capping the charge for agency email. This footnote was added as a start-up requirement when the statewide email system went live in FY 2020.

Facilities Management

Hoteling Pilot Program

The Baseline includes no funding in FY 2023 for a hoteling pilot program. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(375,900) from the Capitol Mall Consolidation Fund in FY 2023 to remove one-time funding for a hoteling pilot project at state-owned facilities.

The FY 2022 appropriation for the Hoteling Pilot Program does not lapse until June 30, 2023.

This line item funds costs to develop and design a Hoteling workspace program. Hoteling is a method of providing employees with unassigned and temporary

workspace to utilize for in-office work when not working remotely (at home).

Enduring Freedom Memorial Repair

The Baseline includes no funding in FY 2023 to repair the Enduring Freedom Memorial. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(21,500) from the State Monument and Memorial Repair Fund in FY 2023 to remove one-time renovation costs for the Enduring Freedom Memorial.

Utilities

The Baseline includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2023 for Utilities. This amount is unchanged from FY 2022.

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

Financial Services

Arizona Financial Information System

The Baseline includes \$12,923,800 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2023 for the Arizona Financial Information System (AFIS). FY 2023 adjustments are as follows:

AFIS Upgrade Expenditure Alignment

The Baseline includes an increase of \$1,500,000 from the AFIS Collections Fund in FY 2023 to upgrade the state's financial accounting system. The project costs will be financed by increased charges to state agencies' AFIS transaction fees. The project is expected to cost a total of \$9,500,000 through FY 2024. Of that amount, \$2,000,000 was funded in the FY 2022, \$3,500,000 would be in FY 2023 and \$4,000,000 would be in FY 2024. The Baseline includes a footnote to make the FY 2023 appropriation available through FY 2024.

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

Named Claimants

The Baseline includes no funding in FY 2023 for Named Claimants. This amount is unchanged from FY 2022.

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

Statewide Information Security and Privacy Operations and Controls

The Baseline includes \$6,366,700 and 14 FTE Positions from the Information Technology (IT) Fund in FY 2023 for Statewide Information Security and Privacy Operations and Controls. These amounts are unchanged from FY 2022.

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.

Information Technology Project Management and Oversight

The Baseline includes \$1,504,400 and 15 FTE Positions from the Automation Operations Fund in FY 2023 for IT Project Management and Oversight. These amounts are unchanged from FY 2022.

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.

Risk Management

Federal Transfer Payment

The Baseline includes no funding in FY 2023 for one-time payments to the federal government. This amount is unchanged from FY 2022.

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. Examples of restricted use include fund transfers from one ADOA fund to another fund, using an ADOA fund for a federally disallowed operating purpose, or retaining an excess fund balance.

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 [FY 2022 Supplemental section](#) in [Other Issues](#) for more information.)*

Risk Management Administrative Expenses

The Baseline includes \$9,294,300 from the Risk Management Revolving Fund in FY 2023 for Risk Management Administrative Expenses. This amount is unchanged from FY 2022.

This line item funds financial and actuarial analyses, relevant investigations, and related travel. This line item also funds legal representation from outside the Office of the Attorney General.

Risk Management Losses and Premiums

The Baseline includes \$48,396,100 from the Risk Management Revolving Fund in FY 2023 for Risk

Management Losses and Premiums. This amount is unchanged from FY 2022.

This line item represents estimated payments for liability and property settlements, medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Workers' Compensation Losses and Premiums

The Baseline includes \$31,171,600 from the Risk Management Revolving Fund in FY 2023 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2022.

This line item accounts for the state's liability in workplace injuries. The funding represents payments for workers' compensation beneficiaries, hospital and medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Support Services

Government Transformation Office

The Baseline includes \$2,016,900 from the State Web Portal Fund in FY 2023 for the Government Transformation Office (GTO). This amount is unchanged from FY 2022.

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

State Surplus Property Sales Agency Proceeds

The Baseline includes \$1,810,000 from the State Surplus Materials Revolving Fund in FY 2023 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2022.

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

K-12 Transportation Grants

The Baseline includes \$20,000,000 from the General Fund in FY 2023 for K-12 Transportation Grants. FY 2023 adjustments are as follows:

K-12 Transportation Grants

The Baseline includes an increase of \$10,000,000 from the General Fund in FY 2023 for K-12 Transportation Grants. The 3-year spending plan associated with the enacted FY 2022 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).

The FY 2022 K-12 BRB established the Public School Transportation Modernization Grants program within ADOA for distribution of grants to school districts, charter schools, and other entities for public transportation projects, such as improving access 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 nonprofit A for Arizona was selected to administer the program.

Southwest Defense Contracts

The Baseline includes \$25,000 from the General Fund in FY 2023 for Southwest Defense Contracts. This amount is unchanged from FY 2022.

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

FY 2022 Supplemental

The Baseline includes an FY 2022 supplemental appropriation of \$1,110,600 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2021. This amount consists of:

- \$368,300 related to fund transfers from the Risk Management Revolving Fund in FY 2021.

Health Insurance Trust Fund			
	(\$ in M)		
	FY 21	FY 22	FY 23
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Beginning Balance	\$ 82.2	\$ 56.9	\$ 47.5
Baseline Premiums	803.0	784.6	828.0
1/21 Employee/Retiree Premium	4.7	4.7	0.0
Coronavirus Relief Fund Reimbursement	0.0	28.0	0.0
Ongoing Employer Increase	0.0	36.9	0.0
One-time Employer Increase	<u>58.4</u>	<u>0.0</u>	<u>0.0</u>
<i>Net Revenues</i>	<i>\$948.3</i>	<i>\$911.1</i>	<i>\$875.5</i>
<u><i>Expenses</i></u>			
Baseline Medical Expenses	\$895.4	\$862.0	\$883.8
PY 21 Plan Changes	\$(9.5)	\$(3.7)	0.0
Administration	<u>5.3</u>	<u>5.3</u>	<u>5.3</u>
<i>Net Expenses</i>	<i>\$891.4</i>	<i>\$863.6</i>	<i>\$889.1</i>
Cash Balance	\$ 56.9	\$ 47.5	\$ (13.6)
Ongoing Balance ^{1/}	\$ (83.7)	\$ (37.4)	\$ (61.1)

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

- \$423,000 related to excess retained earnings in the IT Fund and the Records Services Fund.
- \$211,600 related to payments made from the Risk Management Revolving Fund which has federal financial participation.
- \$107,700 related to interest on fund transfers, disallowed costs, and payments. This amount also includes a negotiation cushion estimated by ADOA.

(Please see the Federal Transfer Payment line item above for 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. The FY 2022 budget included \$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).

ADOA implemented no changes to employee premiums, deductibles, copays, or plan structure for Plan Year 2022.

For FY 2022, the fund is projected to have an ongoing shortfall of approximately \$(37,400,000) but a cash balance of \$47,500,000. With the ongoing employer premium contribution increase HITF has a projected ongoing shortfall of about \$(13,600,000) in FY 2023 and an ending cash shortfall of \$(61,100,000).

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
Funds Expended	142,300	928,200
Year-End Fund Balance	2,151,900	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Financial Information System Collections Fund (ADA1234/A.R.S. § 41-740.01)		Appropriated
Source of Revenue: Revenues are collected from state agencies to recover pro rata costs of operating AFIS. Pro rata charges are determined by ADOA and allocated to each agency based on AFIS usage.		
Purpose of Fund: Supplements the cost of operating AFIS.		
Funds Expended	8,483,400	11,423,800
Year-End Fund Balance	2,225,400	2,214,600
Automation Operations Fund (ADA4230/A.R.S. § 41-711)		Appropriated
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information. Balances reflect a transfer into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	27,105,100	31,127,700
Year-End Fund Balance	10,746,100	1,599,900
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying ADOA owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	16,065,300	18,395,100
Year-End Fund Balance	21,921,800	4,041,400
Capitol Mall Consolidation Fund (ADA3211/A.R.S. § 41-792.02)		Appropriated
Source of Revenue: Monies appropriated by the Legislature. The FY 2019 Budget Procedures Budget Reconciliation Bill directs the sale proceeds from the properties at 2910 N 44th Street in Phoenix, 2163 Vickey Street in Flagstaff, and the northeast corner of South Horne Street and East Baseline Road in Mesa into the fund.		
Purpose of Fund: For repair and renovations of state-owned buildings. Monies in the fund are for capital expenses and are not displayed in the ADOA operating budget.		
Funds Expended	0	375,900
Year-End Fund Balance	449,200	73,300
Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)		Non-Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements.		
Funds Expended	105,411,700	106,073,600
Year-End Fund Balance	6,906,000	6,906,100
Construction Insurance Fund (ADA4219/A.R.S. § 41-622)		Non-Appropriated
Source of Revenue: Risk management charges to agencies for state construction projects. The construction and design insurance rate is set by ADOA and reviewed by the Joint Committee on Capital Review.		
Purpose of Fund: To self-insure state construction projects against tort losses from design and construction defects.		
Funds Expended	7,538,600	12,402,500
Year-End Fund Balance	1,969,600	10,958,800
Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Annual subscription fees paid by local governments for state purchasing records, fees paid by individuals for copies of public records, and fees paid by vendors participating in the State Contract Show.		
Purpose of Fund: To operate the cooperative purchasing program and support its membership list.		
Funds Expended	4,534,200	6,405,200
Year-End Fund Balance	4,868,700	3,678,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Coronavirus Relief Fund (ADA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	4,673,700	28,000,000
Year-End Fund Balance	0	0
Corrections Fund (ADA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: To pay for construction, major maintenance, lease, purchase, renovation, or conversion of Arizona Department of Corrections (ADC) and Department of Juvenile Corrections (DJC) facilities. ADOA uses these monies to oversee construction projects benefiting ADC or DJC.		
Funds Expended	593,000	575,000
Year-End Fund Balance	(856,500)	(1,431,500)
Crisis Contingency and Safety Net Fund (ADA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	1,307,100	0
Year-End Fund Balance	0	0
Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)		Non-Appropriated
Source of Revenue: The telecommunication services excise tax, currently 20¢ per wire or wireless account, levied on monthly telephone bills and remitted by telephone companies, as authorized by A.R.S. § 42-5252. In addition, a tax equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunication services, as authorized by A.R.S. § 42-5402.		
Purpose of Fund: To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up to 5% of revenue); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.		
Funds Expended	21,093,600	20,453,000
Year-End Fund Balance	14,950,100	13,665,100
Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)		Non-Appropriated
Source of Revenue: State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
Purpose of Fund: To administer state employee benefit plans and pay non-health insurance premiums.		
Funds Expended	34,459,200	36,755,600
Year-End Fund Balance	2,223,700	2,931,300
Federal Grants (ADA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants, including pass through grants from several agencies.		
Purpose of Fund: To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects.		
Funds Expended	1,940,900	2,920,200
Year-End Fund Balance	78,600	1,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)		Appropriated
Source of Revenue: Federal surplus property service and handling fees.		
Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Federal regulations concerning the disposition of federal surplus property cap the year-end balance of this fund at \$50,000. When the fund exceeds this cap, the department must discount its service and handling charges for federal surplus materials transferred to agencies in the following fiscal year.		
Funds Expended	0	466,900
Year-End Fund Balance	8,800	(458,100)
IGA and ISA Fund (ADA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	15,635,800	51,800,100
Year-End Fund Balance	2,463,500	2,218,100
Information Technology Fund (ADA2152/A.R.S. § 18-401)		Appropriated
Source of Revenue: A pro rata share of 0.43% of total payroll, charged to all budget units subject to oversight of information technology projects by ADOA's Arizona Strategic Enterprise Technology (ASET) Office or by the Information Technology Authorization Committee (ITAC).		
Purpose of Fund: Provides personnel funding for statewide information technology planning, coordinating, oversight, and consulting. The Statewide Strategic Information Technology Plan is prepared annually by Information Technology (IT) Fund personnel with input from state agency Chief Information Officers. Additionally, monies from the IT Fund also support the operation of the Statewide Information Security and Privacy Office (SISPO). Balances reflect transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	8,125,300	8,467,900
Year-End Fund Balance	5,746,700	6,434,700
Legislative, Executive, and Judicial Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)		Appropriated
Source of Revenue: State trust land lease revenues.		
Purpose of Fund: To support state Legislative, Executive, and Judicial buildings. Monies appropriated for capital expenses are not displayed in the ADOA operating budget.		
Funds Expended	0	0
Year-End Fund Balance	3,732,400	4,340,700
Motor Vehicle Pool Revolving Fund (ADA4204/A.R.S. § 41-804 [REPEALED])		Appropriated
Source of Revenue: Charges to agencies for the use of motor pool vehicles.		
Purpose of Fund: To operate the motor vehicle pool. The FY 2022 Transportation Budget Reconciliation Bill repealed this fund. The fund balance was transferred to the State Vehicle Replacement Fund in the Arizona Department of Transportation.		
Funds Expended	5,371,100	0
Year-End Fund Balance	2,830,400	0
Payroll Administration Fund (ADA9200/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collects and pays out all monies associated with the statewide payroll functions. Fund 9200 incorporates several payroll funds (ADA9220, ADA9230, NAU9202, UAA9203, and ASU9221). Fund 9230 collects a one-time \$50 charge for setting up a garnishment, which is granted by the court, a \$5 employee fee for each non-exempt statement that is generated per payday, and a \$1 administrative fee for child and spousal support orders.		
Purpose of Fund: Generally, revenues and expenditures are not used for normal payroll activities. The only balance that accumulates in this fund is for Unemployment Tax. For Fund 9230, monies are used for administrative costs related to garnishments and child support.		
Funds Expended	110,700	152,300
Year-End Fund Balance	106,900	38,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Personnel Division Fund (ADA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To operate the ADOA Human Resources Division.		
Funds Expended	12,145,500	12,764,900
Year-End Fund Balance	3,824,400	2,317,400
Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616)		Non-Appropriated
Source of Revenue: A 0.40% charge on the total benefit-eligible payroll of each agency within the ADOA personnel system. By statute, the rate may not exceed 0.55% and is set by ADOA with Joint Legislative Budget Committee review.		
Purpose of Fund: To compensate eligible retiring state employees for accumulated sick leave, to pay insurance premiums, and to administer the program. Payments are calculated as a percentage, tiered according to accrual level of hourly salary. Payments to an individual shall not exceed \$30,000.		
Funds Expended	15,111,400	15,052,500
Year-End Fund Balance	7,188,000	7,331,900
Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
Funds Expended	78,361,800	96,714,500
Year-End Fund Balance	103,379,000	93,350,800
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)		Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. Only administrative expenditures from this fund are subject to legislative appropriation. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	4,956,200	5,330,100
Year-End Fund Balance	56,884,200	60,503,700
Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)		Non-Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. The Non-Appropriated expenditures reflect the state's self-insured health care claims costs. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	886,878,700	818,721,600
Year-End Fund Balance	56,884,200	60,503,700
Special Events Fund (ADA2503/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Set-up fees for special events on state property.		
Purpose of Fund: To set up special events on state property.		
Funds Expended	(2,800)	0
Year-End Fund Balance	16,400	298,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)		Appropriated
Source of Revenue: Payments by agencies using administrative services offered by ADOA.		
Purpose of Fund: Appropriated monies are collected from 11 small regulatory boards residing in the State Boards' Office to provide centralized administrative services. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	492,200	1,170,700
Year-End Fund Balance	237,800	(301,500)
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)		Non-Appropriated
Source of Revenue: Payments by agencies using administrative services offered by ADOA.		
Purpose of Fund: Non-Appropriated expenditures reflect various centralized printing, copying, and repair services offered by ADOA. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	810,300	700,000
Year-End Fund Balance	237,800	(301,500)
State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)		Non-Appropriated
Source of Revenue: Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
Purpose of Fund: To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
Funds Expended	250,900	535,000
Year-End Fund Balance	883,700	883,700
State Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)		Appropriated
Source of Revenue: Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
Purpose of Fund: For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall.		
Funds Expended	0	21,500
Year-End Fund Balance	237,500	216,000
State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)		Appropriated
Source of Revenue: State surplus property sales revenues.		
Purpose of Fund: To collect, store, and administer the sale of state surplus property. The majority of revenues are returned to donor agencies. The department retains a service and handling fee.		
Funds Expended	2,331,400	2,979,800
Year-End Fund Balance	2,286,200	662,200
State Web Portal Fund (ADA2531/A.R.S. § 18-421)		Appropriated
Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less revenues deposited into the Highway User Revenue Fund, as stipulated in A.R.S. § 18-421.		
Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. Monies received from private grants or donations, as well as federal grants, are non-appropriated. Balances reflect transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
Funds Expended	5,996,900	6,612,200
Year-End Fund Balance	9,154,900	8,717,800
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Employee donations and other miscellaneous deposits.		
Purpose of Fund: Employee donations are used to recognize outstanding employees.		
Funds Expended	3,300	0
Year-End Fund Balance	2,800	2,800

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Telecommunications Fund (ADA4231/A.R.S. § 41-713)		Appropriated
Source of Revenue: Administrative surcharges on telecommunications services for agencies and other political entities.		
Purpose of Fund: To operate the Telecommunications Program Office, which manages and oversees statewide contracts for telecommunications products and services. The state's contractors operate and equip telecommunications voice, data, video, and graphics systems, allowing the collection, storage, interchange, retrieval, and transmission of information.		
Funds Expended	1,688,200	1,651,700
Year-End Fund Balance	1,214,200	1,321,700
Text to 911 Services Fund (ADA2177/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies transferred from the Emergency Telecommunications Service Revolving Fund. In FY 2018, ADOA transferred \$1,362,700 from the fund.		
Purpose of Fund: To provide grants to political subdivisions of the state for text-to-911 services.		
Funds Expended	0	0
Year-End Fund Balance	1,090,600	916,600
Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)		Non-Appropriated
Source of Revenue: Penalties and fees collected for traffic and parking violations on state property.		
Purpose of Fund: To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
Funds Expended	0	0
Year-End Fund Balance	4,100	4,100
Transparency Website Fund (ADA2955/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges to local governments that utilize the state's transparency website, Arizona OpenBooks.		
Purpose of Fund: To maintain the transparency website for public use.		
Funds Expended	27,000	27,000
Year-End Fund Balance	37,900	37,900
VW Diesel Emissions Environment Mitigation Trust Fund (ADA3917/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies deposited from the National Volkswagen Lawsuit Settlement. Arizona will receive approximately \$57.0 million over 10 years in settlement monies to support eligible air pollution mitigation activities		
Purpose of Fund: To support eligible air pollution mitigation activities.		
Funds Expended	3,122,500	0
Year-End Fund Balance	119,800	119,800

Arizona Department of Administration - Automation Projects Fund

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
INDIVIDUAL PROJECTS ^{1/2/}			
Department of Administration Subaccount			
Business One-Stop Shop Web Portal	0	7,758,900	0
K-12 School Financial Transparency Reporting Portal ^{3/}	0	3,000,000	1,500,000
State Data Center	0	2,000,000	0
Department of Administration Subtotal	0	12,758,900	1,500,000
Charter School Board Subaccount			
Charter School Board Online Platform	0	614,100	0
Department of Child Safety Subaccount			
CHILDS Replacement	7,476,600	0	0
Department of Economic Security Subaccount			
Child Care Management System	0	9,000,000	0
Department of Education Subaccount			
Education Learning and Accountability System	2,245,800	7,200,000	0
Department of Gaming Subaccount			
Tribal Gaming Certification e-Licensing	0	850,000	0
Industrial Commission of Arizona Subaccount			
IT System Upgrades	0	1,067,700	0
State Board of Psychologist Examiners Subaccount			
e-licensing System Modifications	0	20,000	0
Department of Public Safety Subaccount			
Arizona Criminal Justice Information System	1,101,000	0	0
Concealed Weapons Tracking System	410,000	550,000	0
Department of Public Safety Subtotal	1,511,000	0	0
TOTAL - ALL PROJECTS ^{4/5/}	11,233,400	32,060,700	1,500,000
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Department of Administration Subaccount	0	12,758,900	1,500,000
Charter School Board Subaccount	0	614,100	0
Department of Child Safety Subaccount	7,476,600	0	0
Department of Economic Security Subaccount	0	9,000,000	0
Department of Education Subaccount	2,245,800	7,200,000	0
Department of Gaming Subaccount	0	850,000	0
Industrial Commission of Arizona Subaccount	0	1,067,700	0
State Board of Psychologist Examiners Subaccount	0	20,000	0
Department of Public Safety Subaccount	1,511,000	550,000	0
SUBTOTAL - Other Appropriated Funds	11,233,400	32,060,700	1,500,000
SUBTOTAL - Appropriated Funds ^{6/}	11,233,400	32,060,700	1,500,000
TOTAL - ALL SOURCES	11,233,400	32,060,700	1,500,000

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 2020-2021 actual column also includes non-lapsing expenditures from FY 2020 appropriations.
- 3/ 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. (FY 2022 General Appropriation Act footnote)
- 4/ 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. (FY 2022 General Appropriation Act footnote)
- 5/ 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)
- 6/ 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 subaccounts used to implement, upgrade, or maintain automation and information technology (IT) projects for state agencies. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit to the Joint Legislative Budget Committee (JLBC) for review an expenditure plan 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. If project costs are greater than \$5,000,000, A.R.S. § 18-104 requires an additional third-party analysis before receiving ITAC approval and requires agencies to submit quarterly progress reports from the third-party consultant. Unless otherwise noted, appropriations are non-lapsing for 2 years.

Department of Administration Subaccount

Business One-Stop Shop Web Portal

The Baseline includes no funding in FY 2023 for the Business One-Stop Shop Web Portal. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(7,758,900) from the ADOA APF Subaccount in FY 2023 to eliminate one-time for design costs associated with the development of a Business One-Stop Web Portal.

The FY 2022 appropriation of \$7,758,900 was 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 2022 funding will complete the development for functionality for any business to plan or start operations in Arizona. In July 2021, the JLBC gave a favorable review of ADOA's FY 2022 expenditure.

K-12 School Financial Transparency Reporting Portal

The Baseline includes \$1,500,000 from the ADOA APF Subaccount in FY 2023 for the K-12 School Financial Transparency Reporting Portal. FY 2023 adjustments are as follows:

Expenditure Alignment

The Baseline includes a decrease of \$(1,500,000) from the ADOA APF Subaccount in FY 2023 for the development of a K-12 School Financial Transparency Reporting Portal.

The FY 2022 K-12 Budget Reconciliation Bill (BRB) included 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 was 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. As a result, these monies will not appear in the FY 2023 General Appropriation Act. These appropriations are non-lapsing through FY 2025.

State Data Center

The Baseline includes no funding in FY 2023 for the ADOA State Data Center. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the ADOA APF Subaccount in FY 2023 to eliminate one-time funding for ADOA to relocate the state data center in Tucson to a third-party location.

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

Charter School Board Subaccount

Charter School Board Online Platform

The Baseline includes no funding in FY 2023 for the Charter School Board Online Platform. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(614,100) from the Charter School Board APF Subaccount in FY 2023 to eliminate one-time funding 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 was financed by an appropriation from the General Fund to the Charter School Board APF Subaccount.

Department of Child Safety Subaccount

CHILDS Replacement

The Baseline includes no funding in FY 2023 to replace the Department of Child Safety (DCS) CHILDS system. This amount is unchanged from FY 2022.

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.)*

Department of Economic Security Subaccount

Child Care Management System

The Baseline includes no funding in FY 2023 for the Department of Economic Security (DES) Child Care Management System. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(9,000,000) from the DES APF Subaccount in FY 2023 to eliminate one-time funding 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.

At the December 2021 JLBC meeting, the Committee favorably reviewed DES's expenditure plan of \$2,532,800 to replace the child care attendance tracking system.

The FY 2022 appropriation was 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 Baseline includes no funding in FY 2023 for the Arizona Department of Education (ADE) Education Learning and Accountability System (ELAS). FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(7,200,000) from the ADE APF Subaccount in FY 2023 to eliminate one-time funding 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 was financed by a transfer from the Empowerment Scholarship Fund to the ADE APF Subaccount. *(Please see the FY 2022 Appropriations Report for additional details and background on the project.)*

Department of Gaming Subaccount

Tribal Gaming Certification e-Licensing

The Baseline includes no funding in FY 2023 for Tribal Gaming Certification e-Licensing system. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(850,000) from the Department of Gaming APF Subaccount in FY 2023 to eliminate one-time funding for the Tribal Gaming Certification e-Licensing system.

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

At ITAC's October 2021 meeting, the committee approved the department's e-licensing project which included an additional \$384,300 from the agency's operating budget for a total project cost of \$1,231,300.

Industrial Commission of Arizona Subaccount

IT System Upgrades

The Baseline includes no funding in FY 2023 for the Industrial Commission of Arizona's IT System Upgrades. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(1,067,700) from the Industrial Commission of Arizona APF Subaccount in FY 2023 to eliminate one-time funding 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 was financed by a transfer from the Industrial Commission Administrative Fund to the Department of Gaming APF Subaccount.

Board of Psychologist Examiners Subaccount

e-Licensing System Modifications

The Baseline includes no funding in FY 2023 for modifications to the Board of Psychologist Examiners e-licensing system. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(20,000) from the Board of Psychologist Examiners APF Subaccount in FY 2023 to eliminate one-time funding for modifications to the board's e-licensing system. The board uses the statewide e-licensing system operated by ADOA.

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

Department of Public Safety Subaccount

Concealed Weapons Tracking System

The Baseline includes no funding in FY 2023 for upgrades to the Department of Public Safety Concealed Weapons Tracking System. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(550,000) from the DPS APF Subaccount in FY 2023 to eliminate one-time funding to complete upgrades to the Concealed Weapons Tracking System.

The system tracks concealed weapon permits and allows law enforcement to verify permits. The current system uses antiquated mainframe technology. The new system will interface with other law enforcement systems and allow the public to renew permits online. *(Please see the FY 2022 Appropriations Report for additional details and background on the project.)*

Table 1

Automation Projects Fund Transfers

(\$ in thousands)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>Department of Administration Subaccount</u>			
General Fund		3,000.0	1,500.0
Automation Projects Fund		2,000.0	
Automation Operations Fund		4,758.9	
State Web Portal Fund		3,000.0	
<u>Charter School Board Subaccount</u>			
General Fund		614.1	
<u>Department of Child Safety Subaccount</u>			
Automation Projects Fund	4,992.8		
<u>Department of Economic Security Subaccount</u>			
Federal Child Care Development Fund Block Grant		9,000.0	
<u>Department of Education Subaccount</u>			
ADE Empowerment Scholarship Fund		4,448.9	
State Treasurer Empowerment Scholarship Fund		2,751.1	
<u>Department of Gaming Subaccount</u>			
Arizona Benefits Fund		850.0	
<u>Industrial Commission of Arizona Subaccount</u>			
Industrial Commission Administrative Fund		1,067.7	
<u>Board of Psychologist Examiners Subaccount</u>			
Board of Psychologist Examiners Fund		20.0	
<u>Department of Public Safety Subaccount</u>			
Concealed Weapons Permit Fund		550.0	
Highway Patrol Fund			
General Fund Subtotal	0.0	3,614.1	1,500.0
Other Appropriated Fund Subtotal	4,992.8	28,446.6	0.0
Total	4,992.8 ^{1/}	32,060.7	1,500.0

^{1/} The FY 2021 column of numbers are transfers, not actuals, and therefore may not match the FY 2021 Actual column in the Budget table above.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Automation Projects Fund (ADA2566/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects for any state agency. A.R.S § 41-714 requires ADOA to establish subaccounts for each agency that implements an Information Technology project funded through the APF. Transfers out of this fund are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Prior Year Appropriations Expended	0	0
Year-End Fund Balance	2,017,600	17,600
Department of Administration Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Administration.		
Funds Expended	0	12,785,900
Prior Year Appropriation Expended	0	0
Year-End Fund Balance	587,100	594,400
Department of Agriculture Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Agriculture.		
Funds Expended	0	0
Year-End Fund Balance	51,000	51,000
Charter School Board Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Charter School Board.		
Funds Expended	0	614,100
Year-End Fund Balance	0	0
Department of Child Safety Automation Projects Fund Subaccount (ADA9967/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Child Safety.		
Funds Expended	3,058,300	0
Prior Year Appropriation Expended	4,418,300	1,934,500
Year-End Fund Balance	1,934,500	0
Department of Economic Security Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects at the Department of Economic Security.		
Funds Expended	0	9,000,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Department of Education Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Education.		
Funds Expended	0	7,200,000
Prior Year Appropriation Expended	2,245,800	146,200
Year-End Fund Balance	146,200	0
Department of Gaming Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Gaming.		
Funds Expended	0	850,000
Year-End Fund Balance	0	0
Industrial Commission of Arizona Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Industrial Commission of Arizona.		
Funds Expended	0	1,067,700
Year-End Fund Balance	0	0
State Board of Psychologist Examiners Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the State Board of Psychologist Examiners.		
Funds Expended	0	20,000
Year-End Fund Balance	0	0
Department of Public Safety Automation Projects Fund Subaccount (ADA9964/A.R.S. § 41-714)		Appropriated
<i>Source of Revenue:</i> Monies appropriated by the Legislature.		
<i>Purpose of Fund:</i> To implement, upgrade, or maintain automation and information technology projects at the Department of Public Safety.		
Funds Expended	0	550,000
Prior Year Appropriation Expended	1,511,000	864,100
Year-End Fund Balance	864,100	0

Arizona Department of Administration - School Facilities Division

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	884,200	900,100	900,100
Employee Related Expenditures	291,700	305,200	305,200
Professional and Outside Services	124,600	83,300	83,300
Travel - In State	9,100	24,000	24,000
Other Operating Expenditures	217,100	399,800	399,800
Equipment	13,900	5,000	5,000
OPERATING SUBTOTAL	1,540,600	1,717,400	1,717,400
SPECIAL LINE ITEMS			
New School Facilities			
New School Facilities (FY 2020 Authorizations)	45,805,900	0	0
New School Facilities (FY 2021 Authorizations)	12,980,900	11,730,900	0
New School Facilities (FY 2022 Authorizations)	0	76,881,700	47,950,000 ^{1/}
New School Facilities (FY 2023 Authorizations)	0	0	48,253,900 ^{2/}
Retroactive Rate Increases	0	63,526,200	0
Yuma Union High School	0	16,515,200	16,515,200 ^{3/}
Kirkland Elementary Replacement School	0	3,000,000	0
New School Facilities Debt Service	67,177,800	9,938,100	9,938,100 ^{4/5/}
Other Programs			
Building Renewal Grants	146,259,000	107,500,000	16,667,900
AGENCY TOTAL	273,764,200	290,809,500	141,042,500 ^{6/}
FUND SOURCES			
General Fund	273,764,200	290,809,500	141,042,500
SUBTOTAL - Appropriated Funds	273,764,200	290,809,500	141,042,500
Other Non-Appropriated Funds	662,100	0	0
Federal Funds	918,700	0	0
TOTAL - ALL SOURCES	275,345,000	290,809,500	141,042,500

AGENCY DESCRIPTION — The School Facilities Division in the Arizona Department of Administration 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, the division provides support to the Credit Enhancement Eligibility Board, which operates the Arizona Public School Credit Enhancement program for district and charter schools. The division is assisted in its duties by a School Facilities Oversight Board composed of 7 gubernatorial appointments, along with the State Superintendent of Public Instruction and the Director of the Department of Administration serving as advisory non-voting members.

FOOTNOTES

- 1/ Laws 2021, Chapter 408 appropriated \$47,950,000 from the General Fund in FY 2023 for the New School Facilities FY 2022 authorizations.
- 2/ Pursuant to section 41-5741, 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 division on or before December 15, 2021. (General Appropriation Act footnote)
- 3/ Laws 2021, Chapter 408 appropriated \$16,515,200 from the General Fund in FY 2023 for the Yuma Union High School project.
- 4/ At least thirty days before any monies are transferred out of the new school facilities debt service line item, the school facilities division shall report the proposed transfer to the director of the joint legislative budget committee. (General Appropriation Act footnote)

- 5/ Pursuant to section 35-142.01, Arizona Revised Statutes, any reimbursement received by or allocated to the school facilities division under the federal qualified school construction bond program in fiscal year 2022-2023 shall be deposited in or revert to the state general fund. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by division.

Operating Budget

The Baseline includes \$1,717,400 and 17 FTE Positions from the General Fund in FY 2023 for the operating budget. This amount is unchanged from FY 2022.

New School Facilities

The Baseline includes \$112,719,100 from the General Fund in FY 2023 for New School Facilities, which is a decrease of \$(58,934,900) from FY 2022. The FY 2023 funding amount for New School Facilities includes the following:

- \$47,950,000 for the remaining 50% of construction funding to complete 5 projects which were authorized to begin construction in FY 2022.
- \$16,515,200 for the remaining 50% of construction costs to accelerate the construction of a new high school for Yuma Union School District.
- \$48,253,900 for the land costs and the first 50% of construction costs for 3 projects that will be authorized to begin construction in FY 2023. This amount includes \$16,500,000 for land, and \$31,753,900 for construction.

All new school construction is labeled as one-time rather than ongoing. (See Table 3)

Background – The New School Facilities line item provides funding for school districts to build new K-12 school facilities. The division distributes the monies to school districts as work is completed on approved projects. 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 14, 2021 meeting, the JLBC approved a 6.63% adjustment in the cost per square foot. This inflation adjustment is based on measure of construction costs since December 2020 when the Committee last adopted an adjustment. This adjustment applies to the FY 2023 projects approved by the division. (See Table 1)

In addition, the division distributes money for land acquisition and site conditions. Site conditions funding is used 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.

Type of School	Per Student	Funding Per Square Foot
K-6	90	\$288.16
7-8	100	\$304.22
9-12 (<1,800 pupils)	134	\$352.20
9-12 (≥1,800 pupils)	125	\$352.20

^{1/} Increased by 5% for rural school districts.
^{2/} Adjusted annually for inflation in subsequent years.

New School Facilities (FY 2021 Authorization)

The Baseline includes no funding in FY 2023 for New School Facilities projects which are authorized to start construction in FY 2021. FY 2023 adjustments are as follows:

New School Funding Completion

The Baseline includes a decrease of \$(11,730,900) from the General Fund in FY 2023 for the completion of the following projects:

- Chandler Unified (9-12) – for a high school addition.
- Tanque Verde Unified (7-12) – for a new high school including land.

New School Facilities (FY 2022 Authorization)

The Baseline includes \$47,950,000 from the General Fund in FY 2023 for New School Facilities projects which are authorized to start construction in FY 2022. FY 2023 adjustments are as follows:

Continue New School Construction Projects

The Baseline includes a decrease of \$(28,931,700) from the General Fund in FY 2023 to continue construction for 5 new school projects authorized to start construction in FY 2022. The enacted FY 2022 budget included 100% of the land costs and 50% of the construction costs with the exception of Tanque Verde Unified project which received 100% of the funding in FY 2022. 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, with 100% of the construction costs 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. As a result, these monies will not appear in the FY 2023 General Appropriations Act

New School Facilities (FY 2023 Authorization)

The Baseline includes \$48,253,900 from the General Fund in FY 2023 for New School Facilities projects which are authorized to start construction in FY 2023. FY 2023 adjustments are as follows:

Begin New School Construction Projects

The Baseline includes an increase of \$48,253,900 from the General Fund in FY 2023 for new projects. These school districts are projected to be at capacity in FY 2024 or before. The Baseline assumes the FY 2023 appropriation will include 100% of the land costs and 50% of the construction costs. The projects are as follows:

- Marana (9-12) – for a new high school
- Nadaburg (9-12) – for a new high school including land.
- Pima (9-12) – for a new high school including land.

Retroactive Rate Increases

The Baseline includes no funding in FY 2023 for one-time 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 2023 adjustments are as follows:

Remove One-Time Retroactive Rate Increases

The Baseline includes a decrease of \$(63,526,200) from the General Fund in FY 2023 to remove increased funding provided to new schools approved between FY 2019 and FY 2021, but which had not yet started construction. (See Table 3).

Yuma Union High School

The Baseline includes \$16,515,200 from the General Fund in FY 2023 for a new high school in the Yuma Union High School District. This amount is unchanged from FY 2022.

The FY 2022 General Appropriation Act appropriated the remaining \$16,515,200 of funding in FY 2023 for the remaining cost of this project. As a result, these monies will not appear in the FY 2023 General Appropriations Act.

Kirkland Elementary Replacement School

The Baseline includes no funding in FY 2023 for the Kirkland Elementary Replacement School line item. FY 2023 adjustments are as follows:

Remove One-Time School Replacement Funding

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2023 to remove one-time funding to replace the Kirkland Elementary School. The school has experienced flooding and requires relocation.

New School Facilities Debt Service

The Baseline includes \$9,938,100 from the General Fund in FY 2023 for New School Facilities Debt Service. This amount is unchanged from FY 2022.

Background – SFD is currently paying debt service only on a FY 2010 lease-purchase agreement used to finance the costs of new school construction. SFD issued Certificates of Participation (COPs) that are typically repaid over a period of 15 years.

The FY 2023 Baseline includes \$9,938,100 for the debt service requirement for the 2010 Qualified School Construction Bonds (QSCB) issuance. 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 2023 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 Baseline includes \$16,667,900 from the General Fund in FY 2023 for Building Renewal Grants. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(90,832,100) from the General Fund in FY 2023 to eliminate one-time funding for building renewal grants.

Since FY 2014, the state has funded an ongoing "base" amount of Building Renewal Grant funding of \$16,667,900. (See Table 2.)

Fiscal Year	Ongoing	One-Time
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

Background – SFD distributes monies to school districts to fund “primary” building renewal projects. SFD 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 SFD to prioritize funding to critical projects.

Pursuant to A.R.S. § 41-5721, SFD 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. SFD estimates the EDC Fund to have a \$528,400 balance at the beginning of FY 2022.

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.

Other Issues

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, SFD’s General Fund costs are projected to decrease by \$(80,602,000) in FY 2024 below FY 2023 and increase by \$37,109,800 in FY 2025 above FY 2024. These estimates are based on:

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 SFD as part of the agencies' long-term planning process.

In FY 2024, new school construction spending is projected to decrease by \$(80,602,000). In addition, FY 2025 new school construction spending is projected to increase by \$37,109,800 above FY 2024. (See Table 3)

Long-term estimates include land costs when SFD indicates land is required which is not already available to the district. Unless a land cost estimate was specifically provided by SFD, land costs are projected using an estimated parcel size within the range required by SFD policy (based on school type/size) and estimated land market values.

New construction projects assumed to start in FY 2024 and FY 2025 are based on SFD conceptual approvals as of December 2021.

Auditor General Report

In September 2021, the Auditor General published a performance audit of SFD that included recommendations for improvements to the division's school facilities database and enrollment projections for its new school facilities program.

Specifically, the audit recommended that the division establish processes for inspecting school district buildings for compliance with the minimum adequacy guidelines.

In addition, the audit recommended that the division establish a process to ensure accuracy of school facility square footage in its database. That database is used to determine new school eligibility and to publish a list of vacant and partially used school buildings as required by statute.

Finally, the audit found that SFD did not use the most recently available average daily membership data, as required by statute, when projecting enrollment to award new school projects. Instead, SFD used historical data to develop its final enrollment projections to correct for student enrollment declines related to the COVID-19 pandemic, based on the assumption that student

enrollment would recover to pre-pandemic levels in the next school year.

By not using the most recently available average daily membership data in its approved enrollment projections, the division potentially overestimated some districts' future enrollment growth. The audit found that other states have developed models using different assumptions about the long-term effects of COVID-19 on school enrollment. The audit recommended that the division revise its process to project enrollment. The audit also recommended that the division follow its process to re-evaluate projections for districts already approved for a new school.

Table 3

Long-Term New School Facilities Funding

	Type	Sq. Ft	Student Capacity	FY 2022	FY 2023	FY 2024	FY 2025
<u>FY 2021 Starts</u>							
Chandler 9-12	Addition	87,500	700	8,789,500			
Tanque Verde 7-12	New	30,675	250	2,941,400			
Subtotal - FY 2021 Starts				\$ 11,730,900			
<u>FY 2022 Starts</u>							
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	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		
<u>FY 2022 New School Line Items</u>							
Kirkland Replacement				3,000,000			
Yuma Union 9-12	New	100,000	800	16,515,200	16,515,200		
Subtotal - FY 2022 New School Line Items				\$ 19,515,200	\$ 16,515,200		
<u>Retroactive Rate Increases</u>							
Douglas 9-12 (Rural)				13,838,100			
Maricopa 9-12				18,826,700			
Safford K-6 (Rural)				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			
<u>FY 2023 Starts</u>							
Marana 9-12	New	50,000	400		8,805,100	8,805,100	
Nadaburg 9-12	New	67,000	500		11,799,000	11,799,000	
Nadaburg Land					12,000,000		
Pima 9-12 (Rural)	New	60,300	450		11,149,800	11,149,800	
Pima Land					4,500,000		
Subtotal - FY 2023 Starts					\$ 48,253,900	\$ 31,753,900	
<u>FY 2024 Starts</u>							
Somerton K-6	New	1,260	14			363,200	
Subtotal - FY 2024 Starts						\$ 363,200	\$ -
<u>FY 2025 Starts</u>							
Agua Fria 9-12	New	225,000	1800				39,622,900
Liberty K-8	New	73,920	800				10,790,900
Maricopa 6-8	New	58,002	600				8,666,100
Saddle Mountain 9-12	Addition	57,620	430				10,147,000
Subtotal - FY 2025 Starts							\$ 69,226,900
Total				\$ 171,654,000	\$ 112,719,100	\$ 32,117,100	\$ 69,226,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Public School Credit Enhancement Fund (SFA9999/A.R.S. § 41-5857)		Non-Appropriated
Source of Revenue: Revenues include fees paid by participating schools, repayments of monies used to make payments of principal and interest on guaranteed financings, proceeds of program funding obligations, gifts, grants, and donations. The fund is administered by the Treasurer's Office. (Please see the State Treasurer's Section for more information.)		
Purpose of Fund: To make payments of principal or interest on guaranteed financings. To pay administrative expenses for the Arizona Credit Enhancement Program. The School Facilities Division allows the Governor's Office to administer the program		
Funds Expended	0	0
Year-End Fund Balance	0	0
Building Renewal Grant Fund (SFA2392/A.R.S. § 41-5741)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide grants to school districts for maintaining the adequacy of existing school facilities. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. The balance amounts displayed represent unencumbered funds which have not been awarded by the division.		
Funds Expended	0	0
Year-End Fund Balance	79,709,000	0
Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 15-41-5721)		Non-Appropriated
Source of Revenue: Monies transferred from the Building Renewal Grants Fund or New School Facilities Fund.		
Purpose of Fund: To provide school districts monies for facility emergencies.		
Funds Expended	662,100	0
Year-End Fund Balance	528,400	529,400
Governor's Emergency Education Relief Fund (SFA2980/U.S. P.L. 116-136)		Non-Appropriated
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	918,700	0
Year-End Fund Balance	0	0
IGA and ISA Fund (SFA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	72,700	0
Lease to Own Debt Service Fund (SFA2373/A.R.S. § 41-5704)		Non-Appropriated
Source of Revenue: Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
Purpose of Fund: To pay the debt service on any lease-to-own agreements entered into by the school facilities oversight board to finance the costs of new school construction. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	1,743,700	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
New School Facilities Fund (SFA2460/A.R.S. § 41-5731)		Non-Appropriated
Source of Revenue: Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To provide school districts with monies for constructing new school facilities, and to pay for the following: construction project management services, school building structural assessments, and land acquisition services.		
Funds Expended	0	0
Year-End Fund Balance	81,509,800	0
School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 41-5084)		Non-Appropriated
Source of Revenue: Revenues from a 0.6% increase in the state Transaction Privilege Tax (as approved under Proposition 301 in the 2000 General Election) and monies credited to the fund from the Permanent State School Fund.		
Purpose of Fund: To pay the debt service on \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds.		
Funds Expended	0	0
Year-End Fund Balance	9,316,100	0
State School Trust Revenue Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)		Non-Appropriated
Source of Revenue: Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
Purpose of Fund: To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
Funds Expended	0	0
Year-End Fund Balance	29,900	0

Office of Administrative Hearings

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	590,700	565,600	565,600
Employee Related Expenditures	219,700	218,200	218,200
Other Operating Expenditures	110,400	108,000	108,000
AGENCY TOTAL	920,800	891,800	891,800 ^{1/}
FUND SOURCES			
General Fund	920,800	891,800	891,800
SUBTOTAL - Appropriated Funds	920,800	891,800	891,800
Other Non-Appropriated Funds	772,900	796,100	796,100
TOTAL - ALL SOURCES	1,693,700	1,687,900	1,687,900

AGENCY DESCRIPTION — The Office of Administrative Hearings is an independent office whose services and personnel are to be used by all state agencies to conduct administrative hearings, unless exempted by law. All agencies supported by other appropriated or non-appropriated funding sources are to contract for administrative hearing services from the office. The Director shall assign Administrative Law Judges (ALJ) from the office to an agency, on either a temporary or permanent basis, to preside over contested cases in accordance with the special expertise of the ALJ in the subject matter of the agency.

FOOTNOTES

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

Operating Budget

The Baseline includes \$891,800 and 12 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)		Non-Appropriated
Source of Revenue: Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
Purpose of Fund: To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
Funds Expended	772,900	796,100
Year-End Fund Balance	0	0
Video Service Provider Complaint Fund (HGA2603/A.R.S. § 9-1451)		Non-Appropriated
Source of Revenue: Fees from administrative hearings conducted for complaints filed about alleged violations of video service statutes or agreements between local government and video service providers.		
Purpose of Fund: To cover expenses of hearings to hear disputes between local governments and video service providers.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona Commission of African-American Affairs

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	82,800	83,100	83,100
Employee Related Expenditures	33,200	25,700	25,700
Professional and Outside Services	5,700	0	0
Travel - Out of State	0	3,200	3,200
Other Operating Expenditures	11,500	16,800	16,800
AGENCY TOTAL	133,200	128,800	128,800 ^{1/}

FUND SOURCES

General Fund	133,200	128,800	128,800
SUBTOTAL - Appropriated Funds	133,200	128,800	128,800
Other Non-Appropriated Funds	500	0	0
TOTAL - ALL SOURCES	133,700	128,800	128,800

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 Baseline includes \$128,800 and 3 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)		Non-Appropriated
Source of Revenue: Gifts, grants, and fees from the Arizona African-American town hall.		
Purpose of Fund: To pay for the operating costs of the Arizona Commission of African-American Affairs.		
Funds Expended	500	0
Year-End Fund Balance	9,900	34,900

Arizona Department of Agriculture

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	209.3	212.8	212.8 ^{1/2/}
Personal Services	5,896,300	6,767,300	4,267,300
Employee Related Expenditures	2,564,600	2,827,800	2,827,800
Professional and Outside Services	319,900	3,010,400	1,010,400
Travel - In State	651,300	972,000	972,000
Travel - Out of State	600	40,700	40,700
Other Operating Expenditures	1,911,200	1,926,700	1,926,700
Equipment	300,900	2,584,900	2,584,900
OPERATING SUBTOTAL	11,644,800	18,129,800	13,629,800
SPECIAL LINE ITEMS			
Agricultural Consulting and Training	127,200	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	230,600	280,500	280,500 ^{3/4/}
Red Imported Fire Ant Control	23,200	23,200	23,200
AGENCY TOTAL	12,114,100	18,650,300	14,150,300 ^{5/}
FUND SOURCES			
General Fund	10,395,000	16,915,700	12,415,700
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,488,500	1,454,100	1,454,100
Nuclear Emergency Management Fund	230,600	280,500	280,500
SUBTOTAL - Other Appropriated Funds	1,719,100	1,734,600	1,734,600
SUBTOTAL - Appropriated Funds	12,114,100	18,650,300	14,150,300
Other Non-Appropriated Funds	17,475,000	21,791,400	21,791,400
Federal Funds	5,127,800	6,172,500	6,172,500
TOTAL - ALL SOURCES	34,716,900	46,614,200	42,114,200

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 2023.
- 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 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 Baseline includes \$13,629,800 and 209.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$12,175,700
Air Quality Fund	1,454,100

FY 2023 adjustments are as follows:

Cloud Migration

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2023 to remove one-time funding for migrating department data to a cloud-based system.

Agricultural Lab Equipment

The Baseline includes a decrease of \$(2,500,000) from the General Fund in FY 2023 to remove one-time funding for the replacement of aging equipment in the State Agricultural Lab.

Agricultural Consulting and Training

The Baseline includes \$128,500 from the General Fund in FY 2023 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2022.

This line item funds on-site visits to establishments for consultation, interpreting, and applying alternative methods of complying with statutes, rules, regulations, and standards relating to compliance.

Agricultural Employment Relations Board

The Baseline includes \$23,300 from the General Fund in FY 2023 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2022.

This line item funds accounting and budgeting support for the Agricultural Employment Relations Board. The board receives and investigates complaints and conducts farm labor union elections.

Animal Damage Control

The Baseline includes \$65,000 from the General Fund in FY 2023 for the Animal Damage Control line item. This amount is unchanged from FY 2022.

This line item funds agreements with the U.S. Department of Agriculture to control, dispatch, or relocate predatory animals and noxious rodents, which are injurious to

livestock, poultry, agriculture, other industries, or the public health.

Nuclear Emergency Management Program

The Baseline includes \$280,512 and 2.88 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2023 for the Nuclear Emergency Management Program line item. These amounts are unchanged from FY 2022.

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. *(Please see the Department of Emergency and Military Affairs narrative 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.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Department representatives assist in the planning for off-site responses to an emergency at the Palo Verde Nuclear Generating Station and participate in the annual response exercises, mainly the Ingestion Pathway Zone exercises.

The Department of Agriculture is responsible for controlling embargoes of food, water, and milk in the event that there is an emergency that would contaminate those items produced in the areas around the plant.

Red Imported Fire Ant Control

The Baseline includes \$23,200 from the General Fund in FY 2023 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2022.

This line item funds ongoing pest exclusion efforts aimed at preventing the introduction of the red imported fire ant. The state has successfully suppressed isolated infestations of red imported fire ants and continues to be federally certified as free from this pest.

Other Issues

Statutory Changes

The Baseline would as session law, continue fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2023, including legislative intent that limits additional revenues to \$357,000.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Administrative Support Fund (AHA2436/A.R.S. § 3-108)		Non-Appropriated
<i>Source of Revenue:</i> Monies are collected from each commodity council based on annually negotiated interagency agreements.		
<i>Purpose of Fund:</i> For costs incurred by the department in providing administrative support.		
Funds Expended	39,300	44,500
Year-End Fund Balance	69,700	65,500
Agricultural Consulting and Training Trust Fund (AHA1239/A.R.S. § 5-113)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To fund the agricultural consulting and training program established by A.R.S. § 3-109.01.		
Funds Expended	9,700	9,600
Year-End Fund Balance	19,300	9,700
Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)		Non-Appropriated
<i>Source of Revenue:</i> Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
<i>Purpose of Fund:</i> To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
Funds Expended	410,300	508,000
Year-End Fund Balance	224,000	171,800
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
<i>Source of Revenue:</i> Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
<i>Purpose of Fund:</i> To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
Funds Expended	1,488,500	1,454,100
Year-End Fund Balance	0	0
Aquaculture Trust Fund (AHA2297/A.R.S. § 3-2913)		Non-Appropriated
<i>Source of Revenue:</i> A non-appropriated trust fund with fees resulting from the regulation of aquaculture.		
<i>Purpose of Fund:</i> To administer and enforce the provisions of A.R.S. Title 3, Chapter 16, relating to aquaculture. Aquaculture is the controlled growth and harvest of aquatic plants and animals such as fish, shellfish, and algae.		
Funds Expended	0	9,900
Year-End Fund Balance	49,000	44,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)		Non-Appropriated
Source of Revenue: \$1 per head surcharge collected on behalf of the Arizona Beef Council when animals are inspected by the department for sale. The department retains 5 cents per dollar, while 95 cents per dollar is forwarded to this fund.		
Purpose of Fund: For collection and administration costs.		
Funds Expended	395,600	395,600
Year-End Fund Balance	95,600	100
Citrus Trust Fund (AHA2299/A.R.S. § 3-468.04, 3-468.06)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the assessment on citrus produced in the state, other charges, and interest.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, eradication of citrus pests, and other programs deemed appropriate to production, harvesting, handling, and hauling from field to market.		
Funds Expended	45,000	42,000
Year-End Fund Balance	500	500
Citrus, Fruit and Vegetable Trust Fund (AHA2260/A.R.S. § 3-447)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from the assessments and civil penalties relating to the standardization of citrus, other fruits, and vegetables.		
Purpose of Fund: To enable producers and shippers to develop uniform grades and standards for citrus, fresh fruit, and vegetables and to allow field and shed inspections of commodities produced in the state.		
Funds Expended	235,400	319,800
Year-End Fund Balance	171,400	52,200
Commercial Feed Trust Fund (AHA2012/A.R.S. § 3-2607)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund for licensing fees and fees collected for the inspection of animal and bird feeds.		
Purpose of Fund: To regulate animal and bird feeds.		
Funds Expended	274,900	298,600
Year-End Fund Balance	859,100	930,600
Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)		Non-Appropriated
Source of Revenue: Proceeds of a fee collected for a Certificate of Free Sale and any sales of merchandise with the Arizona Grown trademark. A Certificate of Free Sale is a document authenticating that a commodity is generally and freely sold in domestic channels of trade. Many countries require this documentation before allowing a shipment of consumable products to enter their borders and markets.		
Purpose of Fund: To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
Funds Expended	4,100	4,000
Year-End Fund Balance	22,600	23,600
Cotton Research and Protection Council Fund (AHA2013/A.R.S. § 3-1085)		Non-Appropriated
Source of Revenue: Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
Purpose of Fund: To support research programs related to cotton production or protection and to provide a program to refund collected fees as an incentive for boll weevil control.		
Funds Expended	3,520,600	7,410,000
Year-End Fund Balance	8,608,400	4,775,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Dangerous Plants, Pests and Diseases Trust Fund (AHA2054/A.R.S § 3-214.01)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund for certification fees and reimbursements for the destruction of dangerous plants, pests, and diseases.		
Purpose of Fund: To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
Funds Expended	70,000	60,000
Year-End Fund Balance	75,000	114,000
Designated Fund (AHA3011/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), 5% of Beef Council surcharges, and other grants and contributions.		
Purpose of Fund: To administer the purpose for which the fee, grant, or contribution is intended.		
Funds Expended	768,100	982,300
Year-End Fund Balance	1,002,300	881,400
Egg Inspection Trust Fund (AHA2022/A.R.S. § 3-717)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees from the regulation of eggs and egg products.		
Purpose of Fund: To administer the Egg Inspection Program.		
Funds Expended	1,590,900	1,797,000
Year-End Fund Balance	801,600	811,700
Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)		Non-Appropriated
Source of Revenue: Inspection fees for processing ownership and transportation of horses.		
Purpose of Fund: To fund the issuance of horse ownership and transportation certificates.		
Funds Expended	0	0
Year-End Fund Balance	800	1,000
Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)		Non-Appropriated
Source of Revenue: Fees for Inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
Purpose of Fund: The Arizona Department of Agriculture is the fiduciary of this program, which monitors produce being imported from Mexico at the Nogales Port of Entry in accordance with the cooperative agreement between the department and the U.S. Department of Agriculture.		
Funds Expended	6,998,200	6,184,400
Year-End Fund Balance	8,423,000	14,167,600
Federal Funds (AHA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: As determined by federal law with regard to U.S. Department of Agriculture meat inspection regulation enforcement, hazardous plant pest eradication, increasing consumption of specialty crops, and studies of threatened and endangered plant species. (The meat and poultry inspection amounts are a reimbursement to the General Fund and, therefore, pass through this fund without a net impact on expenditures shown here.)		
Funds Expended	4,938,600	5,986,200
Year-End Fund Balance	4,100	0
Fertilizer Materials Trust Fund (AHA2081/A.R.S. § 3-269)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees collected for the inspection of materials and a portion of the fertilizer manufacturer's license fee.		
Purpose of Fund: To regulate fertilizers.		
Funds Expended	332,700	368,500
Year-End Fund Balance	967,400	1,024,300

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Grain Trust Fund (AHA2201/A.R.S. § 3-590)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from an assessment on commercial grain sales.		
Purpose of Fund: To support the Grain Research and Promotion Council's promotion and research activities with public or private organizations. Such activities relate to reducing fresh water consumption, developing new varieties, improving production and handling methods, researching and designing new or improved harvesting and handling equipment, and similar programs.		
Funds Expended	68,300	64,700
Year-End Fund Balance	85,500	66,800
Iceberg Lettuce Trust Fund (AHA2259/A.R.S. § 3-526.06)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from an assessment on iceberg lettuce prepared for market.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, including programs for pest eradication, production harvesting, handling and hauling from field to market, and other activities deemed appropriate.		
Funds Expended	101,900	100,000
Year-End Fund Balance	42,400	42,300
Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: For indirect costs associated with administration of federal grants.		
Funds Expended	189,200	186,300
Year-End Fund Balance	356,400	317,600
Industrial Hemp Trust Fund (AHA2372/A.R.S. § 3-315)		Non-Appropriated
Source of Revenue: Legislative appropriations and licensing fees related to the processing,		
Purpose of Fund: To support the licensing and regulation of industrial hemp.		
Funds Expended	454,400	565,400
Year-End Fund Balance	811,300	450,700
Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Originally, \$2 million annually from the Land Conservation Fund through FY 2011, as established by A.R.S. § 41-511.23. There are no new sources of revenue other than interest payments.		
Purpose of Fund: Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
Funds Expended	27,000	122,000
Year-End Fund Balance	242,900	121,900
Livestock Custody Trust Fund (AHA2065/A.R.S. § 3-1377)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with monies resulting from fines assessed for and proceeds resulting from the sale of mistreated or stray livestock.		
Purpose of Fund: To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
Funds Expended	18,200	51,000
Year-End Fund Balance	143,200	132,600
Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
Funds Expended	230,600	280,500
Year-End Fund Balance	104,600	64,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Pest Management Trust Fund (AHA2050/A.R.S. § 3-3604)		Non-Appropriated
Source of Revenue: Monies collected by the Division of Pest Management for the licensing of professional pest control companies and applicators of structural pesticides.		
Purpose of Fund: To license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
Funds Expended	1,644,200	1,749,100
Year-End Fund Balance	2,356,200	2,020,500
Pesticide Trust Fund (AHA2051/A.R.S. § 3-350)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from a portion of pesticide registration fees.		
Purpose of Fund: To regulate pesticides.		
Funds Expended	325,800	528,300
Year-End Fund Balance	1,169,100	965,600
Protected Native Plant Trust Fund (AHA2298/A.R.S. § 3-913)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from permits issued for the removal or salvage of protected native plants.		
Purpose of Fund: For the protection of native plants.		
Funds Expended	77,700	80,100
Year-End Fund Balance	13,600	7,500
Seed Law Trust Fund (AHA2064/A.R.S. § 3-234)		Non-Appropriated
Source of Revenue: A non-appropriated trust fund with fees resulting from seed dealers' and labelers' license fees and penalties.		
Purpose of Fund: To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.		
Funds Expended	62,700	96,600
Year-End Fund Balance	302,600	315,200

Arizona Health Care Cost Containment System

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,339.3	2,348.3	2,348.3 ^{1/}
Personal Services	45,660,500	47,141,900	47,141,900
Employee Related Expenditures	18,992,100	19,357,500	19,357,500
Professional and Outside Services	16,920,200	17,700,900	17,700,900
Travel - In State	15,300	15,300	15,300
Other Operating Expenditures	22,420,700	27,232,600	26,452,600
Equipment	98,400	98,400	98,400
OPERATING SUBTOTAL	104,107,200	111,546,600	110,766,600 ^{2/}
SPECIAL LINE ITEMS			
Administration			
AHCCCS Data Storage	15,173,500	19,325,800	19,325,800
DES Eligibility	101,760,300	88,874,500	88,874,500 ^{3/}
Proposition 204 - AHCCCS Administration	21,885,900	13,906,200	13,906,200 ^{4/}
Proposition 204 - DES Eligibility	41,745,200	44,358,700	44,358,700 ^{4/}
Medicaid Services			
Traditional Medicaid Services	5,219,519,500	6,858,335,700	6,874,421,500 ^{5/6/7/8/}
Proposition 204 Services	4,108,435,000	6,504,234,100	5,944,540,300 ^{7/8/}
Adult Expansion Services	602,859,200	1,569,961,900	813,985,400
Comprehensive Medical and Dental Program	198,750,800	227,089,300	235,498,300 ^{7/}
KidsCare Services	95,663,000	141,691,200	117,645,400
ALTCS Services	1,648,966,200	2,022,877,700	2,105,506,100 ^{9/10/11/}
Behavioral Health Services in Schools	10,003,300	10,003,300	9,891,200
Non-Medicaid Behavioral Health Services			
Non-Medicaid Seriously Mentally Ill Services	75,714,600	77,646,900	77,646,900 ^{12/}
One-Time Substance Use Disorder Services Fund Deposit	0	6,000,000	0
Supported Housing	5,324,800	65,324,800	65,324,800 ^{13/14/}
Crisis Services	16,319,700	16,391,300	16,391,300
Hospital Payments			
Disproportionate Share Payments	4,202,300	5,087,100	5,087,100 ^{15/}
DSH Payments - Voluntary Match	30,632,100	48,666,500	37,535,300 ^{8/16/}
Graduate Medical Education	270,797,800	351,322,800	389,658,300 ^{8/16/-20/}
Rural Hospitals	36,068,900	28,612,400	28,612,400
Targeted Investments Program	7,499,200	50,000,000	50,000,000
AGENCY TOTAL	12,615,428,500	18,261,256,800	17,048,976,100 ^{21/-25/}
FUND SOURCES			
General Fund	1,274,618,300	1,915,630,200	2,172,721,300
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	4,037,400	4,076,200	4,303,100
Children's Health Insurance Program Fund	100,299,800	117,660,900	98,396,100
Prescription Drug Rebate Fund - State	148,305,700	175,236,600	165,158,600
Seriously Mentally Ill Housing Trust Fund	0	200,000	200,000
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	16,216,300	17,921,600	17,448,300
Tobacco Tax and Health Care Fund - Medically Needy Account	65,627,200	69,002,100	67,179,700
SUBTOTAL - Other Appropriated Funds	336,736,600	386,347,600	354,936,000
SUBTOTAL - Appropriated Funds	1,611,354,900	2,301,977,800	2,527,657,300

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
Expenditure Authority Funds			
Arizona Tobacco Litigation Settlement Fund	105,683,600	102,000,000	102,000,000
County Funds	303,982,200	328,828,000	375,233,300
Delivery System Reform Incentive Payment Fund	2,249,000	15,495,200	15,495,200
Federal Medicaid Authority	9,461,104,900	13,671,841,100	12,305,443,400
Health Care Investment Fund	97,764,900	382,548,500	362,711,100
Hospital Assessment Fund	251,024,200	608,696,900	517,750,200
Nursing Facility Provider Assessment Fund	28,411,500	32,989,600	32,989,600
Political Subdivision Funds	109,800,400	169,989,300	163,799,600
Prescription Drug Rebate Fund - Federal	609,060,300	609,060,300	609,060,300
Third Party Liability and Recovery Fund	194,700	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	34,797,900	37,635,400	36,641,400
SUBTOTAL - Expenditure Authority Funds	11,004,073,600	15,959,279,000	14,521,318,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	12,615,428,500	18,261,256,800	17,048,976,100
Other Non-Appropriated Funds	108,798,000	119,404,400	119,404,400
Federal Funds	157,393,300	263,968,200	263,968,200
TOTAL - ALL SOURCES	12,881,619,800	18,644,629,400	17,432,348,700

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 2023.
- 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, 2023 on the suicide prevention coordinator's accomplishments in fiscal year 2022-2023. (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 2022-2023 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 2022-2023 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 2022-2023 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. (General Appropriation Act footnote)
- 10/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2022-2023 nonfederal costs of providing long-term care system services is \$330,315,800. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
- 11/ Any supplemental payments received in excess of \$107,449,200 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2022-2023, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2022-2023. 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, 2023, 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, 2023, 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 2022-2023 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 2022-2023 by the Arizona health care cost containment system administration in excess of \$37,535,300 are appropriated to the administration in fiscal year 2022-2023. 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 2022-2023, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$389,658,300 are appropriated to the administration in fiscal year 2022-2023. 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 \$5,000,000 from the state general fund and \$13,549,300 from expenditure authority for the direct and indirect costs of graduate medical education programs located in counties 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 \$4,000,000 from the state general fund and \$10,875,400 from expenditure authority for the direct and indirect costs of graduate medical education programs located in counties 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, 2023. (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, 2023, 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, 2023, 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, 2022. (General Appropriation Act footnote)
- 25/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

Summary

AHCCCS's FY 2023 General Fund spending increases by \$257,091,100 from FY 2022. This amount includes:

- \$253,951,000 for formula adjustments.
- \$3,000,000 for Graduate Medical Education funding.
- \$140,100 for implementation of a newborn screening fee.

Below is an overview of FY 2023 formula adjustments, which *Table 1* summarizes. As part of the Baseline's 3-year spending plan, AHCCCS's General Fund costs are projected to increase by \$204,611,800 in FY 2024 above FY 2023 and by \$161,935,200 in FY 2025 above FY 2024. (*See the Other Issues section for more information.*)

Formula Adjustments

Formula adjustments represent changes that occur under current law, including caseload, capitation, and federal match rate revisions. The Baseline includes an increase of \$253,951,000 from the General Fund in FY 2023 for the

following AHCCCS formula adjustments. This amount includes:

- \$182,836,000 for state match expenses associated with formula adjustments.
- \$71,115,000 for changes in General Fund offsets.

FY 2023 Caseload Adjustment

Formula adjustments include a (4.1)% enrollment decline for Traditional; a (7.9)% decline for Proposition 204; a (26.2)% decline for Adult Expansion; a (22.2)% decline for KidsCare; 0.5% growth for CMDP; and 3.5% growth for ALTCs. The continuous enrollment provision included in the Families First Coronavirus Response Act prevents AHCCCS from disenrolling ineligible members before the public health emergency expires. These figures assume that the public health emergency will expire in January 2022. While the enhanced match will remain in place until March 2022, AHCCCS can begin to disenroll members in February.

Table 1

AHCCCS State Match Spending Changes (in millions)

<u>State Match Formula Adjustments</u>	
FY 2023 Caseload Growth	(418)
FY 2023 Inflation Increase	291
FY 2023 Federal Medicaid Match Rate Change	310
<i>State Match Costs Subtotal</i>	<i>183</i>
<u>Non-General Fund State Match Offsets</u>	
Political Subdivisions Fund Decrease	(1)
Hospital Assessment Fund	91
County Funds Increase	(46)
Tobacco Tax Revenue Increase	3
Health Care Investment Fund	20
PDRF State	4
<i>General Fund Offsets Subtotal</i>	<i>71</i>
<u>Non-Formula Adjustments</u>	
GME/Health Professional Shortage Area	3
<i>Non-Formula Subtotal</i>	<i>3</i>
Total General Fund Spending Change	\$257

The expiration of continuous enrollment and improving economic conditions are assumed to result in AHCCCS enrollment returning to pre-pandemic levels by November 2022, adjusted for state population growth since that time. Thereafter, enrollment is assumed to grow at an annualized average rate of 1.0% based on Arizona population growth projections. Overall, caseload declines are expected to decrease state match expenses by \$(417,840,300) and Total Funds expenses by \$(2,964,865,700) in FY 2023. *Table 2* displays historical and forecasted member months across AHCCCS populations. (See the *Other Issues* section for more information.)

FY 2023 Inflation Adjustments

The Baseline assumes a 3.1% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2022. This increase is based on a 5-year average of the medical care consumer price index. The Baseline also annualizes the FY 2022 capitation rate adjustment of 3.7%. Inflation adjustments increase AHCCCS state costs by \$291,132,600 and Total Funds costs by \$1,732,272,800 in FY 2023.

FY 2023 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 2023, the standard FMAP rates will be as follows:

- Traditional Medicaid rate will decrease to 69.67% (a 4.99 percentage point decrease).

Table 2

AHCCCS Member Months ^{1/}

	June 2021	June 2022	June 2023	'22-'23 % Change
<u>Population</u>	<u>(Actual)</u>	<u>(Revised)</u>	<u>(Forecast)^{2/}</u>	
Traditional	1,076,356	1,059,884	1,016,946	(4.1)%
Prop 204 Childless Adults	383,009	366,838	319,975	(12.8)%
Other Proposition 204	191,151	184,175	187,416	1.8%
Adult Expansion	141,505	107,417	79,326	(26.2)%
KidsCare	51,696	45,895	35,689	(22.2)%
CMDP	13,628	13,569	13,634	0.5%
ALTCS - Elderly & Physically Disabled ^{3/}	28,587	29,041	30,052	3.5%
Emergency Services	125,482	123,562	118,556	(4.1)%
Total Member Months	2,011,414	1,930,381	1,801,594	(6.7)%

^{1/} The figures represent June 1 enrollment.
^{2/} The FY 2023 forecasted numbers account for caseload decreases associated with expiration of the Families First Coronavirus Response Act maintenance of eligibility requirement.
^{3/} The ALTCS program is funded in AHCCCS. An additional 37,405 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of December 1, 2021.

- Proposition 204 Childless Adult rate will remain at 90.0%.
- Adult Expansion rate will remain at 90.0%.
- CHIP rate will decrease to 78.77% (a 3.49 percentage point decrease).

The Baseline includes an increase of \$309,543,700 in state costs and a corresponding decrease of \$(309,543,700) in Federal Medicaid Authority in FY 2023 as a result of these FMAP adjustments.

In accordance with the Families First Coronavirus Response Act (FFCRA) and guidance from the Biden Administration, the FY 2022 enacted budget included an enhanced federal match rate of 6.2% for the first 2 quarters of SFY 2022. Since that time, the enhanced FMAP provision has been extended into the third quarter of FY 2022, resulting in additional General Fund savings of \$(77,932,400) compared to the enacted budget. The Baseline assumes the enhanced match rate would expire in March 2022. (See the *Other Issues* section for more information.)

Non-General Fund State Match Items

The gross state match contribution from FY 2023 caseload growth, inflation, and federal match rate changes is projected to increase by \$182,836,000. The Non-General Fund state match is forecast to decrease by \$(71,115,000), resulting in a net General Fund change of \$253,951,000. The decline in the non-General Fund state match is attributable to substantial enrollment declines associated with expiration of the FFCRA's continuous enrollment requirement. In particular, the Hospital Assessment realizes most of the enrollment savings for Proposition 204 and Adult Expansion populations since it

funds acute care for both populations. When combined with legislatively-mandated changes, or non-formula adjustments, the net General Fund change increases to \$257,091,100.

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

- A decrease of \$(90,946,700) from the Hospital Assessment Fund in FY 2023 for physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- A decrease of \$(19,837,400) from the Health Care Investment Fund.
- An increase of \$553,500 in Political Subdivision Funds, mostly for Traditional.
- An increase of \$46,405,300 in County Funds, mostly for ALTCS.
- A decrease of \$(3,289,700) from tobacco tax revenues to reflect higher-than-budgeted receipts.
- A decrease of \$(4,000,000) from Prescription Drug Rebate Fund - State to remove one-time funding for physician and dental fee schedule increases.

Operating Budget

The Baseline includes \$110,766,600 and 1,032.2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
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	660,700
Seriously Mentally Ill (SMI) Housing Trust Fund	200,000
Federal Medicaid Authority (FMA)	69,641,200

FY 2023 adjustments are as follows:

Remove One-Time Funding of PMMIS Roadmap

The Baseline includes a decrease of \$(780,000) in FY 2023 to remove one-time funding for the cost of developing a plan to replace AHCCCS's management information system. This amount consists of:

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

Administration

AHCCCS Data Storage

The Baseline includes \$19,325,800 in FY 2023 for AHCCCS Data Storage. 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 2022.

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 Baseline includes \$88,874,500 and 885 FTE Positions in FY 2023 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 2022.

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

Proposition 204 - AHCCCS Administration

The Baseline includes \$13,906,200 and 131 FTE Positions in FY 2023 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

These amounts are unchanged from FY 2022.

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

Proposition 204 - DES Eligibility

The Baseline includes \$44,358,700 and 300.1 FTE Positions in FY 2023 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,419,100
Budget Neutrality Compliance Fund (BNCF)	4,303,100
Federal Medicaid Authority	23,636,500

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(226,900) from the General Fund and a corresponding increase of \$226,900 from the BNCF in FY 2023 to reflect an increase of county contributions in FY 2023. This adjustment assumes an inflation adjustment of 4.07% and a state population adjustment of 1.5% pursuant to 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 2023. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The Baseline includes \$6,874,421,500 in FY 2023 for Traditional Medicaid Services. This amount consists of:

General Fund	1,472,315,100
County Funds	44,917,500
Health Care Investment Fund	233,881,200
Political Subdivision Funds	40,142,900
PDRF – State	156,858,600
TTHCF - Medically Needy Account	67,179,700
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	4,286,293,500

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$30,499,300 in FY 2023 for formula adjustments. This amount consists of:

General Fund	223,210,300
County Funds	(716,500)
Health Care Investment Fund	7,203,100
Political Subdivision Funds	(10,104,900)
TTHCF - Medically Needy Account	(1,822,400)
Federal Medicaid Authority	(187,270,300)

These adjustments are based on standard baseline assumptions plus the following:

- (4.1)% enrollment decline in FY 2023.
- \$(1,822,400) decrease from the TTHCF - Medically Needy Account with a corresponding General Fund increase.
- \$(716,500) decrease in the Maricopa County Acute Care contribution (County Funds) under A.R.S. § 11-292 with a corresponding General Fund increase based on an assumed 4.07% inflation rate.

Remove One-Time HCIF Increase

The Baseline includes a decrease of \$(14,875,400) in FY 2023 to remove one-time funding used to maintain 15% physician and dentist base rate increases that would have otherwise been financed by the Health Care Investment Fund. This amount consists of:

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

Newborn Screening Fee

The Baseline includes an increase of \$461,900 in FY 2023 for increased newborn screening fees. This amount consists of:

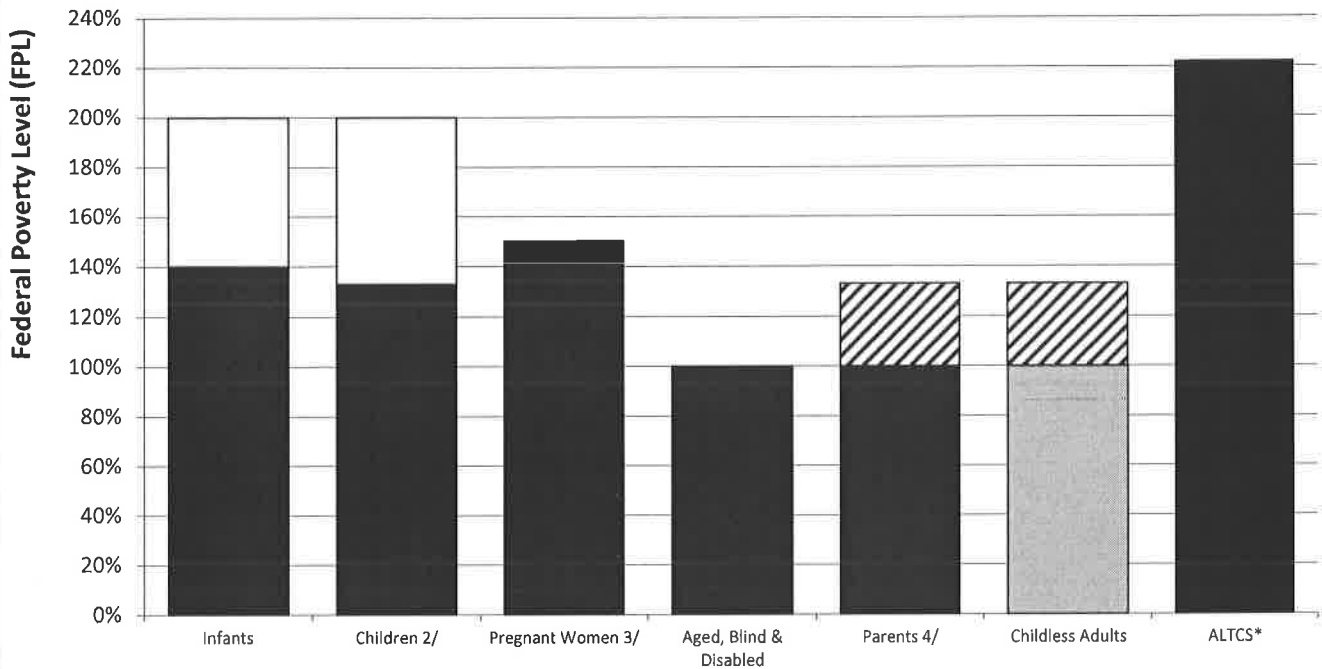
General Fund	140,100
Federal Medicaid Authority	321,800

The FY 2022 Health Budget Reconciliation Bill (BRB) (Laws 2021, Chapter 409) required the Department of Health Services to increase the number of disorders included in newborn screening, which DHS estimates will increase its fees in FY 2023. The 3-year spending plan associated with the enacted FY 2022 budget assumed AHCCCS would incur a cost of \$461,900 for AHCCCS-eligible newborns.

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

Chart 1

AHCCCS Eligibility ^{1/}



Mandatory (70% Fed Match)
 KidsCare (79% Fed Match)
 Childless Adults Option (90% Fed Match)
 ACA Expansion (90% Fed Match)

^{1/} Match rates do not reflect a one-time increase to the regular and KidsCare match rate associated with the federal Families First Coronavirus Response Act.
^{2/} Children ages 6 to 18 years in families with incomes between 100% FPL and 133% FPL are eligible to receive an 78.69% federal match in FFY 2023.
^{3/} Women diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program and those in the "Ticket to Work" program receive coverage to 250% FPL.
^{4/} Mandatory Status of Parents is subject to interpretation.

- 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").

Hospital Assessment Fund	457,525,400
Political Subdivision Funds	8,644,000
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	17,448,300
TPTF - Proposition 204 Protection Account	36,641,400
Federal Medicaid Authority	5,105,753,500

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(559,693,800) in FY 2023 for formula adjustments. This amount consists of:

General Fund	(6,303,300)
Health Care Investment Fund	(29,741,000)
Hospital Assessment Fund	(23,102,500)
Political Subdivision Funds	4,245,900
TPTF - Emergency Health Services Account	(473,300)
TPTF - Proposition 204 Protection Account	(994,000)
Federal Medicaid Authority	(503,325,600)

Proposition 204 Services

The Baseline includes \$5,944,540,300 in FY 2023 for Proposition 204 Services. This amount consists of:

General Fund	122,364,300
Health Care Investment Fund	94,163,400

These adjustments are based on standard baseline assumptions plus the following:

- (7.9)% enrollment decline in FY 2023-
- \$(1,467,300) decrease from the tobacco tax accounts and a corresponding increase in other state costs due to lower-than-expected tobacco tax revenues.

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

Adult Expansion Services

The Baseline includes \$813,985,400 in FY 2023 for Adult Expansion Services. This amount consists of:

General Fund	6,703,500
Health Care Investment Fund	8,439,500
Hospital Assessment Fund	60,224,800
Political Subdivision Funds	1,221,700
Federal Medicaid Authority	737,395,900

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(755,976,500) in FY 2023 for formula adjustments. This amount consists of:

General Fund	(9,940,000)
Health Care Investment Fund	(606,400)
Hospital Assessment Fund	(67,844,200)
Political Subdivision Funds	739,200
Federal Medicaid Authority	(678,325,100)

These adjustments are based on standard baseline assumptions plus a (26.2)% enrollment decline in FY 2023.

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.

Pursuant to A.R.S. § 36-2901.07 and Laws 2013, First Special Session, Chapter 10, coverage of this population is discontinued if any of the following occur: 1) the federal matching rate for adults in this category or childless adults falls below 80%; 2) the maximum amount that can be generated from the hospital assessment is insufficient to pay for the newly-eligible populations; or 3) the Federal ACA is repealed.

Comprehensive Medical and Dental Program

The Baseline includes \$235,498,300 in FY 2023 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	67,489,900
Health Care Investment Fund	3,930,500
Federal Medicaid Authority	164,077,900

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$8,409,000 in FY 2023 for formula adjustments. This amount consists of:

General Fund	8,975,500
Health Care Investment Fund	1,329,800
Federal Medicaid Authority	(1,896,300)

These adjustments are based on standard baseline assumptions plus a 0.5% enrollment growth in FY 2023.

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 both the physical and behavioral health services for this population. The funding amounts listed above are transferred to DCS, where they appear as expenditure authority.

KidsCare Services

The Baseline includes \$117,645,400 in FY 2023 for KidsCare Services. This amount consists of:

General Fund	22,111,500
Health Care Investment Fund	2,521,900
Political Subdivision Funds	358,400
CHIP Fund	92,653,600

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(24,045,800) in FY 2023 for formula adjustments. This amount consists of:

General Fund	(4,965,700)
Health Care Investment Fund	289,200
Political Subdivision Funds	(104,500)
CHIP Fund	(19,264,800)

These adjustments are based on standard baseline assumptions plus a (22.2)% enrollment decline in FY 2023.

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. Households are charged a monthly premium of \$10 to \$70, depending on level of family income and number of children enrolled in the program. KidsCare is funded with the federal CHIP Block Grant and state matching dollars. The federal monies are deposited into the CHIP Fund, and the CHIP Fund is then appropriated, along with the General Fund match, to fund KidsCare. *For additional program history, please refer to the FY 2020 Appropriations Report.*

ALTCs Services

The Baseline includes \$2,105,506,100 in FY 2023 for ALTCs Services. This amount consists of:

General Fund	279,122,800
County Funds	330,315,800
Health Care Investment Fund	17,302,300
Political Subdivision Funds	6,227,800
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	1,395,547,400

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$82,628,400 in FY 2023 for formula adjustments. This amount consists of:

General Fund	43,068,400
County Funds	47,121,800
Health Care Investment Fund	1,687,900
Political Subdivision Funds	5,777,800
Federal Medicaid Authority	(15,027,500)

These adjustments are based on standard baseline assumptions plus 3.5% enrollment growth in FY 2023.

Background – ALTCs provides coverage for individuals up to 222% of the FPL, or \$28,593 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 \$9,660 per person.

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 2022, AHCCCS estimates that client

contributions will pay for 3.6%, or \$52,300,000 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 Baseline includes \$9,891,200 in FY 2023 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	6,891,200

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes a decrease of \$(112,100) from Federal Medicaid Authority in FY 2023 for a change in the federal match rate.

Background – This line item funds behavioral health services at or near public school campuses for both Medicaid-eligible and non-Medicaid students. Funds will be allocated to behavior health providers contracted with AHCCCS health plans working directly in schools.

Non-Medicaid Behavioral Health Services

Non-Medicaid Seriously Mentally Ill Services

The Baseline includes \$77,646,900 from the General Fund in FY 2023 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2022.

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 Baseline includes no funding in FY 2023 for One-Time Substance Use Disorder Services Fund Deposit. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(6,000,000) from PDRF - State in FY 2023 to remove a one-time deposit in the Substance Use Disorder Services (SUDS) Fund. The deposit funds 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 Baseline includes \$65,324,800 in FY 2023 for Supported Housing. This amount consists of:

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

This amount is unchanged from FY 2022.

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.

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, an

FY 2022 General Appropriation Act footnote would reduce the Federal Medicaid Authority appropriation by \$60,000,000.

Crisis Services

The Baseline includes \$16,391,300 in FY 2023 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 2022.

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 Baseline does not assume any federal funding loss related to DSH in FY 2024. The Baseline therefore assumes that Arizona's DSH allocation would be adjusted in FY 2023 through FY 2025 according to the regular federal formula, as outlined below.

MIHS Distribution

The Baseline 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 \$91,498,200 of federal DSH funds associated with uncompensated care in public hospitals (MIHS and the Arizona State Hospital) are available for General Fund deposit. The \$91,498,200

assumes MIHS would report uncompensated care of \$109,104,900 in FY 2023, the same amount reported for FY 2021.

Increase in Uncompensated Care Payments

In FY 2023, the state's total DSH payments are estimated to increase by 2,277,700 from \$173,722,200 in FY 2022 to \$175,999,900 due to federal adjustments for inflation and the FMAP. Of the \$175,999,900 of eligible DSH funding in FY 2023, \$134,120,600 is distributed according to the allocations described below and listed in *Table 3*. The remaining \$41,879,300 of eligible funding represents existing expenditures used as part of the state match. (See the *Hospital Payments program summary on the JLBC website*.)

Disproportionate Share Payments

The Baseline includes \$5,087,100 in FY 2023 for Disproportionate Share Payments. This amount consists of:

General Fund	269,300
Federal Medicaid Authority	4,817,800

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$3,900 from the General Fund and a corresponding decrease of \$(3,900)

from Federal Medicaid Authority in FY 2023 to reflect a change in the federal match rate.

Of the \$5,087,100 of total funds appropriated by the budget in the Disproportionate Share Payments line, \$884,800 represents distributions to private hospitals, including \$269,300 from the General Fund and \$615,500 in federal expenditure authority. In FY 2018, there were 31 private hospitals that received DSH payments. The remaining \$4,202,300 represents federal matching funds that the state appropriates to MIHS.

DSH Payments - Voluntary Match

The Baseline includes \$37,535,300 in FY 2023 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	11,425,700
Federal Medicaid Authority	26,109,600

FY 2023 adjustments are as follows:

Decreased Funding

The Baseline includes a decrease of \$(11,131,200) in FY 2023 due to an increase in Arizona's allocation of federal DSH funding. This amount consists of:

Political Subdivision Funds	(3,169,400)
Federal Medicaid Authority	(7,961,800)

Table 3
Disproportionate Share Hospital Payments

Eligible Funding ^{1/}	FY 2022 (Enacted)	FY 2022 (Estimated)	FY 2023
MIHS - CPE ^{2/}	\$ 95,696,000	\$ 109,104,900	\$ 109,104,900
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	<u>48,666,500</u>	<u>31,881,300</u>	<u>37,535,300</u>
Total Funding	\$ 173,722,200	\$ 170,345,900	\$ 175,999,900
General Fund			
Retain FF of CPE (via MIHS) ^{2/}	\$ 62,794,500	\$ 79,586,800	\$ 71,691,100
Retain FF of CPE (via ASH)	<u>19,935,300</u>	<u>21,867,800</u>	<u>19,807,100</u>
Subtotal - General Fund	\$ 82,729,800	\$ 101,454,600	\$ 91,498,200
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	\$ 87,816,900	\$ 106,541,700	\$ 96,585,300
Voluntary Match	\$ 48,666,500	\$ 31,881,300	\$ 37,535,300
Total Distributions	\$ 136,483,400	\$ 138,423,000	\$ 134,120,600

^{1/} Amounts include state and federal match funding.
^{2/} The Baseline would continue to establish an MIHS DSH limit of \$113,818,500 in the FY 2023 Health BRB to maximize the DSH General Fund revenue deposit in the event actual uncompensated care is higher.

Background – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The Baseline would continue 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 2023. (Please see Table 3.)

Graduate Medical Education

The Baseline includes \$389,658,300 in FY 2023 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	95,779,100
Federal Medicaid Authority	284,879,200

FY 2023 adjustments are as follows:

Increased Funding

The Baseline includes an increase of \$24,874,100 in FY 2023 to reflect AHCCCS's revised projections of reimbursable GME expenses among participating hospitals in FY 2023. This amount consists of:

Political Subdivision Funds	(3,573,800)
Federal Medicaid Authority	28,447,900

Health Professional Shortage Areas

The Baseline includes an increase of \$13,461,400 in FY 2023 for GME payments to hospitals located in health professional shortage areas. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	10,461,400

With this increase, \$33,469,700 Total Funds will be available for Health Professional Shortage Areas, or \$9,000,000 from the General Fund and \$24,469,700 from Federal Medicaid Authority.

A pair of General Appropriation Act footnotes instructs AHCCCS how to allocate the \$33,469,700 total amount for this program. The Baseline would allocate \$16,663,900 Total Funds for GME programs located in a county with less than 500,000 persons and the remaining \$13,331,100 to programs in counties with a population of more than 500,000 persons. The General Fund amount may supplement, but not supplant, existing political subdivision funds for GME programs. AHCCCS shall prioritize funding for hospitals located in federally-designated health professional shortage areas.

The FY 2022 budget's 3-year spending plan included a \$3,000,000 increase in FY 2023 GME funding for a total General Fund contribution of \$9,000,000. This amount includes \$5,000,000 allocation for rural programs and \$4,000,000 for urban programs.

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 2021, 21 hospitals received a total of \$270,797,900 for Graduate Medical Education.

Rural Hospitals

The Baseline includes \$28,612,400 in FY 2023 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	8,709,600
Federal Medicaid Authority	19,902,800

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$128,800 from the General Fund and a corresponding decrease of \$(128,800) from Federal Medicaid Authority in FY 2023 due to a change in the federal match.

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 2021, 20 hospitals qualified for funding from Rural Hospital Reimbursement and 12 from CAH.

Targeted Investments Program

The Baseline includes \$50,000,000 in FY 2023 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

This amount is unchanged from FY 2022.

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 \$300,000,000 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.

AHCCCS is seeking to extend its waiver authority for this program as part of its 2021-2026 waiver renewal application, submitted December 21, 2020. The current application proposes \$250,000,000 over the next 5 years.

Other Issues

This section includes information on the following topics:

- FY 2022 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

FY 2022 Adjustments

The Baseline assumes that AHCCCS General Fund formula expenses for FY 2022 will be \$(77,932,400) lower than the original FY 2022 General Fund appropriation. The \$(77,932,400) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency through March 2022. The enacted budget assumed the enhanced rate would only be available through December 2021. As a result, the initial estimated savings of \$(180,000,000) within AHCCCS will increase to an estimated \$(257,932,400).

The Baseline does not, however, include an ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund reverts.

Statutory Changes

The Baseline would:

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 2023 County Acute Care contribution at \$44,917,500.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2023, 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 2023 county Arizona Long Term Care System (ALTCS) contributions at \$330,315,800.

Hospitals

- As session law, continue to establish FY 2023 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 2023.
- 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 Baseline's 3-year spending plan, AHCCCS's General Fund spending increases by \$204,611,800 in FY 2024 above FY 2023 and by \$161,935,200 in FY 2025 above FY 2024.

County Contributions

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in *Table 4*. 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. See the *County Contributions program summary on the JLBC website*.

Program Components

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

Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2023, the average capitation rate is expected to be approximately \$593 per member per month (or \$7,100 annually). Of that amount, an average of \$150 is from state match and \$443 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 Baseline continues to require AHCCCS to transfer up to \$2,036,000 from the Traditional Medicaid Services line item in FY 2023 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:

Table 4

County Contributions

County	FY 2022			FY 2023		
	<u>BNCF</u> ^{1/}	<u>Acute</u>	<u>ALTCS</u>	<u>BNCF</u> ^{1/}	<u>Acute</u>	<u>ALTCS</u>
Apache	\$134,400	\$268,800	662,900	\$141,300	\$268,800	795,400
Cochise	250,600	2,214,800	4,551,700	263,600	2,214,800	5,737,500
Coconino	247,200	742,900	1,990,400	260,000	742,900	2,387,900
Gila	101,500	1,413,200	2,327,100	106,800	1,413,200	2,683,300
Graham	72,200	536,200	1,328,000	75,900	536,200	1,258,800
Greenlee	18,500	190,700	0	19,500	190,700	0
La Paz	38,400	212,100	357,100	40,400	212,100	590,400
Maricopa	0	17,603,700	184,272,900	0	16,887,200	215,427,200
Mohave	288,600	1,237,700	9,154,300	303,500	1,237,700	9,659,800
Navajo	189,100	310,800	2,744,100	198,900	310,800	3,292,200
Pima	1,718,800	14,951,800	44,073,400	1,807,800	14,951,800	51,069,800
Pinal	336,300	2,715,600	12,109,900	353,700	2,715,600	16,153,500
Santa Cruz	79,500	482,800	2,242,800	83,600	482,800	2,607,500
Yavapai	317,700	1,427,800	7,677,800	334,100	1,427,800	8,576,900
Yuma	<u>283,300</u>	<u>1,325,100</u>	<u>9,701,600</u>	<u>297,900</u>	<u>1,325,100</u>	<u>10,075,600</u>
Subtotal	\$4,076,200	\$45,634,000	\$283,194,000	\$4,287,200	\$44,917,500	\$330,315,800
Total			\$332,904,200			\$379,520,500

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

- 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. (See the program summary on the JLBC website.)

Tobacco Tax Allocations

The Baseline projects AHCCCS and DHS will receive \$144,826,200 in transfers of tobacco tax collections in FY 2023. This amount represents a decrease of \$(3,928,600) from the FY 2022 budgeted amount. *Table 5* summarizes tobacco tax transfers and allocations to the agencies.

Table 5

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

	<u>FY 2021</u>	<u>FY 2022</u>
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 1,581,400	\$ 6,166,000
Transfer In - Tobacco Tax and Health Care Fund	39,610,400	43,201,200
Transfer In - Tobacco Products Tax Fund	<u>22,879,600</u>	<u>22,975,200</u>
Total Funds Available	\$ 64,071,400	\$ 72,342,400
<u>Allocations</u>		
<i>AHCCCS</i>		
AHCCCS State Match Appropriation	\$ <u>65,627,200</u>	\$ <u>69,002,100</u>
Total AHCCCS Allocations	\$ 65,627,200	\$ 69,002,100
<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*	\$ (2,255,800)	\$ 2,640,300
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 3,890,500	\$ 6,166,000
Transfer In - Tobacco Products Tax Fund	<u>37,073,400</u>	<u>37,228,400</u>
Total Funds Available	\$ 40,963,900	\$ 43,394,400
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 34,797,900	\$ 37,635,400
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward	\$ 6,166,000	\$ 5,759,000
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 1,852,600	\$ 3,290,300
Transfer In - Tobacco Products Tax Fund	<u>17,654,000</u>	<u>17,727,800</u>
Total Funds Available	\$ 19,506,600	\$ 21,018,100
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 16,216,300	\$ 17,921,600
Administrative Adjustments	<u>0</u>	<u>0</u>
Balance Forward ^{1/}	\$ 3,290,300	\$ 3,096,500
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 5,542,100	\$ 10,994,400
Transfer In - Tobacco Tax and Health Care Fund	14,431,600	12,946,000
Transfer In - Tobacco Products Tax Fund	<u>2,090,900</u>	<u>2,107,500</u>
Total Funds Available	\$ 22,064,600	\$ 26,047,900
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 9,605,800	\$ 17,507,100
Leading Causes of Death - Prevention and Detection	<u>1,464,400</u>	<u>2,292,900</u>
Balance Forward	\$ 10,994,400	\$ 6,247,900
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 2,391,600	\$ 1,866,900
Transfer In - Tobacco Tax and Health Care Fund	3,135,100	3,195,100
Transfer In - Tobacco Products Tax Fund	<u>4,430,800</u>	<u>4,515,600</u>
Total Funds Available	\$ 9,957,500	\$ 9,577,600
<u>Allocations</u>		
Biomedical Research Support	\$ 1,500,600	\$ 0
Alzheimer's Disease Research	1,000,000	0
Research Grants	<u>5,590,000</u>	<u>7,829,100</u>
Balance Forward	\$ 1,866,900	\$ 1,748,500 *

^{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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Tobacco Litigation Settlement Fund (HCA2468/A.R.S. § 36-2901.02)		Expenditure Authority
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.		
Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
Funds Expended	105,683,600	102,000,000
Year-End Fund Balance	0	0
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)		Appropriated
Source of Revenue: County contributions.		
Purpose of Fund: To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
Funds Expended	4,037,400	4,076,200
Year-End Fund Balance	0	0
Children's Behavioral Health Services Fund (HCA2735/A.R.S. § 36-3436)		Non-Appropriated
Source of Revenue: Includes monies appropriated to the fund, gifts or donations to the fund, and any interest earned.		
Purpose of Fund: To provide behavioral health services for uninsured or underinsured non-Medicaid children. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	8,000,000	4,000,000
Children's Health Insurance Program Fund (HCA2410/A.R.S. § 36-2995)		Appropriated
Source of Revenue: Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare. General Fund monies are used to leverage federal monies for KidsCare and are not included in the reported CHIP Fund expenditures.		
Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the KidsCare program has been set at 200% of the Federal Poverty Level (FPL), which is approximately \$53,000 for a family of 4.		
Funds Expended	100,299,800	117,660,900
Year-End Fund Balance	1,526,000	1,526,000
County Funds (HCA9691/A.R.S. § 36-2912)		Expenditure Authority
Source of Revenue: Statutorily prescribed county contributions.		
Purpose of Fund: For the provision of acute medical and long term care services to Arizona Health Care Cost Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid dollars. County Funds received by AHCCCS to provide behavioral health services to persons with a serious mental illness are accounted for separately in the IGA for County Behavioral Health Services Fund.		
Funds Expended	303,982,200	328,828,000
Year-End Fund Balance	0	0
Crisis Contingency and Safety Net Fund (HCA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with fewer than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)		Expenditure Authority
Source of Revenue: Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To fund incentive payments to Medicaid providers that adopt processes to integrate physical care and behavioral health services through the Targeted Investment Program (TI Program). The projects will be funded with existing state matching monies and intergovernmental transfers (IGTs) from counties and universities.		
Funds Expended	2,249,000	15,495,200
Year-End Fund Balance	0	0
Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	0	1,000
Year-End Fund Balance	3,600	2,600
Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Medicaid eligible. All federal Medicaid monies must flow through AHCCCS, therefore, these monies are obtained by AHCCCS and then passed on to the participating schools.		
Funds Expended	59,926,800	92,254,000
Year-End Fund Balance	0	0
Federal Funds (HCA2120 Acute Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal grant monies.		
Purpose of Fund: To provide federal match for non-appropriated state expenditures.		
Funds Expended	97,466,500	171,714,200
Year-End Fund Balance	478,000	478,000
Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)		Expenditure Authority
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: For AHCCCS's administrative costs and for the provision of services to eligible Medicaid populations.		
Funds Expended	9,461,104,900	13,671,841,100
Year-End Fund Balance	8,708,400	8,708,400
Health Care Investment Fund (HCA2588/A.R.S. § 36-2999.73)		Expenditure Authority
Source of Revenue: An assessment on hospital revenues, discharges, or beds days in addition to the Hospital Assessment established by A.R.S. § 36-2901.09, interest earnings, and legislative appropriations.		
Purpose of Fund: To increase the base reimbursement level for hospital services, to increase dental and physician fee schedules, and to cover related administrative expenses incurred by AHCCCS.		
Funds Expended	97,764,900	382,548,500
Year-End Fund Balance	59,934,400	88,370,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Hospital Assessment Fund (HCA2576/A.R.S. § 36-2901.09)		Expenditure Authority
Source of Revenue: An assessment on hospital revenues, discharges, or beds days.		
Purpose of Fund: For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
Funds Expended	251,024,200	608,696,900
Year-End Fund Balance	121,312,300	46,215,400
IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)		Non-Appropriated
Source of Revenue: Monies voluntarily given to AHCCCS from local governments and tribal communities in order to obtain a federal match.		
Purpose of Fund: To fund claims processing for inmates by counties and Arizona Department of Corrections.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA for County Behavioral Health Services Fund (HCA4503/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from local governments and state liquor service fees.		
Purpose of Fund: To fund the delivery of behavioral health services to seriously mentally ill (SMI) individuals, some mental health services for non-SMI individuals, and the administration of Local Alcohol Reception Centers (LARC) to treat substance abuse.		
Funds Expended	78,732,500	76,651,700
Year-End Fund Balance	0	0
Intergovernmental Service Fund (HCA2442/A.R.S. § 36-2927)		Non-Appropriated
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medicaid Management Information System.		
Funds Expended	11,284,700	14,284,700
Year-End Fund Balance	4,016,300	3,016,300
Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)		Expenditure Authority
Source of Revenue: Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.		
Purpose of Fund: To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid sharer of the assessment, to provide Medicaid supplemental payments to fund covered nursing facility services for Medicaid beneficiaries, and to pay up to 1% in administrative expenses incurred by AHCCCS for administering this fund.		
Funds Expended	28,411,500	32,989,600
Year-End Fund Balance	3,556,500	3,556,500
Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)		Expenditure Authority
Source of Revenue: Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To expand funding for hospitals through supplemental payments and the Access to Professional Services Initiative. Includes agreements for the Disproportionate Share Hospital (DSH) Voluntary Match Payments, Graduate Medical Education (GME), and Pediatric Services Initiative (PSI) programs.		
Funds Expended	109,800,400	169,989,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Prescription Drug Rebate Fund - Federal (HCA2546/A.R.S. § 36-2930)		Expenditure Authority
Source of Revenue: Prescription drug rebate collections, interest from prescription drug rebate late payments, and federal monies made available to this state for the operation of the AHCCCS Prescription Drug Rebate Program.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies are listed as Expenditure Authority. All other monies are appropriated.		
Funds Expended	609,060,300	609,060,300
Year-End Fund Balance	156,534,200	78,267,100
Prescription Drug Rebate Fund - State (HCA2546/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Prescription drug rebate collections and interest from prescription drug rebate late payments.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. The federal share of rebates is retained by the state and is used in lieu of federal match funds. Monies in the fund used in lieu of federal match funds are subject to expenditure authority; all other monies are appropriated.		
Funds Expended	148,305,700	175,236,600
Year-End Fund Balance	10,130,100	10,243,000
Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)		Non-Appropriated
Source of Revenue: Gaming monies received from the Arizona Benefits Fund.		
Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.		
Funds Expended	17,517,300	24,197,000
Year-End Fund Balance	8,510,700	8,510,700
Seriously Mentally Ill Housing Trust Fund (HCA2555/A.R.S. § 41-3955.01)		Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: To cover related administrative expenses. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	200,000
Year-End Fund Balance	0	0
Seriously Mentally Ill Housing Trust Fund (HCA2555/A.R.S. § 41-3955.01)		Non-Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: To fund housing projects and rental assistance for seriously mentally ill persons. The Legislature may appropriate up to 10% of the monies from the fund for administrative costs of services. Appropriated monies are displayed in the Appropriated portion of the fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	222,800	1,800,000
Year-End Fund Balance	9,650,800	9,650,800

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Substance Abuse Services Fund (HCA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: The fund receives 23.6% of monies collected from the Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services; to contract for preventive or rehabilitative and substance abuse services; and to provide priority for treatment services to pregnant substance abusers.		
Funds Expended	2,250,200	2,250,200
Year-End Fund Balance	706,500	706,500
Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund, any gifts or donations to the fund, and interest earned on those monies.		
Purpose of Fund: To enter into agreements with one or more contractors for substance use disorder services. Monies in the fund shall not be used for persons eligible for Medicaid or Children's Health Insurance Program services. Preferences shall be given to persons with lower household incomes. Contractor administrative costs shall not exceed 8% of the expenditures for services. Monies in the fund are non-lapsing. Expenditures are not displayed to avoid double counting of General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	58,400	4,058,400
Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)		Expenditure Authority
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	194,700	194,700
Year-End Fund Balance	0	0
Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members. This account displays payment of the Third Party Liability contractor fee and return of the federal share of recoveries to CMS. Please see the Expenditure Authority portion of the fund for additional information.		
Funds Expended	1,040,700	2,470,000
Year-End Fund Balance	5,632,100	5,437,400
Tobacco Products Tax Fund - Emergency Health Services Account (HCA1304/A.R.S. § 36-776)		Appropriated
Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
Funds Expended	16,216,300	17,921,600
Year-End Fund Balance	3,337,600	3,337,600
Tobacco Products Tax Fund - Proposition 204 Protection Account (HCA1303/A.R.S. § 36-778)		Expenditure Authority
Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.		
Funds Expended	34,797,900	37,635,400
Year-End Fund Balance	6,266,200	6,266,200

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Tobacco Tax and Health Care Fund - Medically Needy Account (HCA1306/A.R.S. § 36-774)		Appropriated
<p>Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account.</p> <p>Purpose of Fund: For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.</p>		
Funds Expended	65,627,200	69,002,100
Year-End Fund Balance	2,981,600	2,981,600

Arizona Commission on the Arts

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	1,123,100	1,859,000	1,859,000
Federal Funds	1,351,500	3,795,800	3,795,800
TOTAL - ALL SOURCES	2,474,600	5,654,800	5,654,800

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Arts Trust (HUA3043/A.R.S. § 41-983.01)		Non-Appropriated
Source of Revenue: An annual report filing fee from domestic and foreign for-profit corporations.		
Purpose of Fund: To award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are to be used to provide grants to: 1) organizations representing handicapped persons, 2) racial or ethnic minorities; and 3) organizations representing rural areas. Amounts transferred in from the Budget Stabilization Fund and General Fund are not displayed to avoid double counting of appropriations.		
Funds Expended	901,100	1,400,800
Year-End Fund Balance	428,000	176,000
Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)		Non-Appropriated
Source of Revenue: Public and private grants, donations, exhibit rentals, admissions, charges for services, and amounts transferred in from the Budget Stabilization Fund.		
Purpose of Fund: To award grants to arts programs in all areas of the state. The applicant organizations must contribute to each grant awarded by the Arts Commission.		
Funds Expended	222,000	458,200
Year-End Fund Balance	255,400	90,000
Coronavirus State and Local Fiscal Recovery Fund (HUA2985/U.S P.L. 117-2)		Non-Appropriated
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	0	2,000,000
Year-End Fund Balance	0	0
Crisis Contingency and Safety Net Fund (HUA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (HUA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants from the National Endowment for the Arts.		
Purpose of Fund: To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
Funds Expended	1,351,500	1,795,800
Year-End Fund Balance	200	0

Board of Athletic Training

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	69,200	63,500	63,500
Employee Related Expenditures	28,900	35,900	35,900
Travel - In State	0	1,200	1,200
Other Operating Expenditures	22,000	26,400	26,400
AGENCY TOTAL	120,100	127,000	127,000^{1/}

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	120,100	127,000	127,000
SUBTOTAL - Other Appropriated Funds	120,100	127,000	127,000
SUBTOTAL - Appropriated Funds	120,100	127,000	127,000
TOTAL - ALL SOURCES	120,100	127,000	127,000

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

FOOTNOTES

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

Operating Budget

The Baseline includes \$127,000 and 1.5 FTE Positions from the Athletic Training Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Athletic Training Fund (BAA2583/A.R.S. § 32-4105)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of athletic trainers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate athletic trainers, and for board administration.		
Funds Expended	120,100	127,000
Year-End Fund Balance	253,900	271,200

Attorney General - Department of Law

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	607.7	624.7	624.7 ^{1/}
Personal Services	31,322,700	32,014,400	31,514,400
Employee Related Expenditures	11,836,000	13,226,400	13,226,400
Professional and Outside Services	620,900	1,060,200	1,060,200
Travel - In State	130,000	151,900	151,900
Travel - Out of State	36,300	18,400	18,400
Other Operating Expenditures	7,844,300	8,970,900	8,814,600
Equipment	1,244,000	1,150,200	1,150,200
OPERATING SUBTOTAL	53,034,200	56,592,400	55,936,100 ^{2/3/}
SPECIAL LINE ITEMS			
Attorney Stipend/Retention Bonus	0	2,000,000	0
Capital Postconviction Prosecution	682,400	802,200	802,200
Child and Family Advocacy Centers	100,000	600,000	100,000 ^{4/}
Criminal Division Major Fraud Unit	0	1,139,000	1,139,000
Internet Crimes Against Children Enforcement	81,400	1,250,000	1,250,000 ^{5/}
Expert Witness and Outside Counsel	0	1,200,000	0
Federalism Unit	820,200	1,236,000	1,236,000
Government Accountability and Special Litigation	899,900	1,235,200	1,235,200
Military Airport Planning	83,300	85,000	85,000 ^{6/}
Study Committee on Missing and Murdered Indigenous Peoples	0	40,000	0
Organized Retail Theft Task Force	0	1,500,000	1,500,000 ^{7/}
Risk Management Interagency Service Agreement	9,371,700	9,617,300	9,617,300
State Grand Jury	174,200	180,500	180,500
Southern Arizona Law Enforcement	1,401,600	1,527,500	1,527,500
Technology Company Antitrust	0	1,000,000	0
Tobacco Enforcement	77,400	829,800	829,800
Victims' Rights	2,467,000	3,768,800	3,768,800
Voter Fraud Unit	482,400	525,400	525,400
AGENCY TOTAL	69,675,700	85,129,100	79,732,800 ^{8/}
FUND SOURCES			
General Fund	24,600,300	24,739,800	24,739,800
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	144,600	1,148,700	148,700
Attorney General Legal Services Cost Allocation Fund	1,623,600	2,110,300	2,110,300
Collection Enforcement Revolving Fund	6,854,900	6,925,700	6,925,700
Consumer Protection - Consumer Fraud Revolving Fund	9,251,300	18,943,600	15,047,300
Interagency Service Agreements Fund	15,362,300	16,474,900	16,474,900 ^{9/}
Internet Crimes Against Children Enforcement Fund	0	900,000	900,000
Risk Management Revolving Fund	9,371,700	10,117,300	9,617,300
Victims' Rights Fund	2,467,000	3,768,800	3,768,800
SUBTOTAL - Other Appropriated Funds	45,075,400	60,389,300	54,993,000
SUBTOTAL - Appropriated Funds	69,675,700	85,129,100	79,732,800
Other Non-Appropriated Funds	55,630,800	54,908,300	54,908,300
Federal Funds	6,632,800	8,530,800	9,760,900
TOTAL - ALL SOURCES	131,939,300	148,568,200	144,402,000

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 2023.
- 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/ 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)
- 5/ 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, until June 30, 2024. (General Appropriation Act footnote)
- 6/ A.R.S. § 26-263 annually appropriates \$85,000 from the General Fund for Military Airport Planning. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 7/ 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)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ 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 2022-2023. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$55,936,100 and 456.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$21,923,800
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	8,352,700
Interagency Service Agreements (ISA) Fund	16,474,900

FY 2023 adjustments are as follows:

Criminal Division Resources

The Baseline continues to include \$2,350,000 from the CPCF Revolving Fund in FY 2023 for additional Criminal Division resources. This amount is unchanged from FY 2022.

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

Remove One-Time State Fleet Initiative Funding

The Baseline includes a decrease of \$(156,300) from the CPCF Revolving Fund in FY 2023 to remove one-time funding for newly purchased State Fleet vehicles. *(Please see the Arizona Department of Transportation narrative for more details on the State Fleet Initiative.)*

Remove One-Time Election Litigation Funding

The Baseline includes a decrease of \$(500,000) from the Risk Management Revolving Fund in FY 2023 to remove one-time funding for election litigation expenses. This funding is used for legal costs associated with the pursuit of criminal prosecutions and defense in civil cases regarding the most recent election.

Attorney Stipend/Retention Bonus

The Baseline includes no funding in FY 2023 for the Attorney Stipend/Retention Bonus line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the CPCF Revolving Fund in FY 2023 to remove one-time funding for attorney stipends and retention bonuses.

Monies in this line item provide funding for stipend and retention bonuses to reduce attorney turnover.

Capital Postconviction Prosecution

The Baseline includes \$802,200 and 6 FTE Positions from the General Fund in FY 2023 for Capital Postconviction Prosecution. These amounts are unchanged from FY 2022.

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

Child and Family Advocacy Centers

The Baseline includes \$100,000 from the General Fund in FY 2023 for the Child and Family Advocacy Centers line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the CPCF Revolving Fund in FY 2023 to remove an additional one-time distribution to child and family advocacy centers.

These monies are deposited into the Child and Family Advocacy Centers Fund. Monies in the fund are for distribution to child and family advocacy centers. Child and family advocacy centers provide victim advocacy, case management, and counseling services to primary and secondary victims of child abuse, domestic violence, sexual assault, elder abuse and homicide.

Criminal Division Major Fraud Unit

The Baseline includes \$1,139,000 and 7 FTE Positions from the CPCF Revolving Fund in FY 2023 for the Criminal Division Major Fraud Unit. These amounts are unchanged from FY 2022.

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 Baseline includes \$1,250,000 in FY 2023 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 2022.

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

A General Appropriation Act footnote would make the FY 2023 amount non-lapsing until the end of FY 2024.

Expert Witness and Outside Counsel

The Baseline includes no funding in FY 2023 for the Expert Witness and Outside Counsel line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,200,000) from the CPCF Revolving Fund in FY 2023 to remove one-time funding for expert witnesses and outside counsel.

Monies in this line item are used for expert witness and litigation expenses.

Federalism Unit

The Baseline includes \$1,236,000 and 8 FTE Positions from the CPCF Revolving Fund in FY 2023 for the Federalism Unit. These amounts are unchanged from FY 2022.

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 Baseline includes \$1,235,200 and 10 FTE Positions from the CPCF Revolving Fund in FY 2023 for the Government Accountability and Special Litigation (GASL) line item. These amounts are unchanged from FY 2022.

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 Baseline includes \$85,000 and 1 FTE Position from the General Fund in FY 2023 for Military Airport Planning. These amounts are unchanged from FY 2022.

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. Monies in this line item pay for the review and determination of compliance with land use plans.

Study Committee on Missing and Murdered Indigenous Peoples

The Baseline includes no funding in FY 2023 for the Study Committee on Missing and Murdered Indigenous Peoples line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(40,000) from the CPCF Revolving Fund in FY 2023 to remove one-time funding 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.

Organized Retail Theft Task Force

The Baseline includes \$1,500,000 and 9 FTE Positions from the CPCF Revolving Fund in FY 2023 for the Organized Retail Theft Task Force line item. These amounts are unchanged from FY 2022.

An FY 2022 General Appropriation Act footnote required 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 task force ends on July 1, 2029. 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. *(Please see the FY 2022 Appropriations Report for a more detailed history.)*

Risk Management Interagency Service Agreement

The Baseline includes \$9,617,300 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2023 for the Risk Management Interagency Service Agreement. These amounts are unchanged from FY 2022.

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 Baseline includes \$180,500 and 1.6 FTE Positions from the General Fund in FY 2023 for the State Grand Jury. These amounts are unchanged from FY 2022.

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 Baseline includes \$1,527,500 and 16 FTE Positions in FY 2023 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,212,500
CPCF Revolving Fund	315,000

These amounts are unchanged from FY 2022.

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 Baseline includes no funding in FY 2023 for the Technology Company Antitrust line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the Antitrust Enforcement Revolving Fund in FY 2023 to remove one-time funding for technology company antitrust enforcement.

An FY 2022 General Appropriation Act footnote requires monies in this line item be used to employ or retain attorneys to investigate and pursue enforcement actions against technology companies that engage in anticompetitive, anticonsumer, or monopolistic behavior. The FY 2022 appropriation is non-lapsing.

Tobacco Enforcement

The Baseline includes \$829,800 and 6.6 FTE Positions in FY 2023 for Tobacco Enforcement. These amounts consist of:

General Fund	85,800
CPCF Revolving Fund	744,000

These amounts are unchanged from FY 2022.

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 Baseline 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 Baseline includes a total of up to \$2,029,800 for the Attorney General to enforce the MSA in FY 2023.

Victims' Rights

The Baseline includes \$3,768,800 and 6 FTE Positions from the Victims' Rights Fund in FY 2023 for Victims' Rights. These amounts are unchanged from FY 2022.

This line item provides monies to state and local agencies that are required to notify victims during various steps in the criminal justice process. The program is funded by a \$9 penalty on civil and criminal violations.

Voter Fraud Unit

The Baseline includes \$525,400 and 4 FTE Positions from the CPCF Revolving Fund in FY 2023 for the Voter Fraud Unit. These amounts are unchanged from FY 2022.

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

Other Issues

Attorney General Legal Services Cost Allocation Fund

A.R.S. § 41-191.09 requires agencies to pay annually a flat fee to the Attorney General for general legal counsel as specified by the General Appropriation Act each year. See *Table 2* for a list of agencies and their corresponding FY 2023 Attorney General Legal Services charge. These amounts are unchanged from FY 2022.

(Please see the FY 2022 and FY 2015 Appropriations Reports 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 2023 Attorney General Legal Services Charges

<u>Agency</u>	<u>Charge</u>
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
Department of Public Safety	677,400
Arizona Board of Regents	1,800
Arizona State Retirement System	69,100
Department of Revenue	4,900
Secretary of State	1,800
State Treasurer	9,200
Department of Veterans' Services	52,700
Total Legal Services Charges	\$ 1,798,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes, to fund gang prevention, substance abuse prevention/education, and witness protection programs.		
Funds Expended	5,644,800	6,300,800
Year-End Fund Balance	28,103,700	29,898,100
Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)		Appropriated
Source of Revenue: Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
Purpose of Fund: For antitrust enforcement expenses, excluding attorney compensation.		
Funds Expended	144,600	1,148,700
Year-End Fund Balance	1,958,900	925,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Restricted donations and gifts from individuals and corporations.		
Purpose of Fund: For purposes specified by donors or grantors.		
Funds Expended	367,900	6,000
Year-End Fund Balance	40,900	40,900
Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)		Appropriated
Source of Revenue: Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
Purpose of Fund: To fund non-contracted Attorney General Legal Services.		
Funds Expended	1,623,600	2,110,300
Year-End Fund Balance	714,600	402,800
Child and Family Advocacy Center Fund (AGA2540/A.R.S § 41-191.11)		Non-Appropriated
Source of Revenue: Appropriated funds as well as other monies such as private gifts and grants.		
Purpose of Fund: Funds shall be distributed to child and family advocacy centers that apply for funding and meet certain eligibility requirements. The Attorney General may use up to 5% of the monies in the fund for administrative costs.		
Funds Expended	600,000	400,000
Year-End Fund Balance	100,000	300,000
CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: 10.66% of the Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To enhance prosecutorial efforts of county attorneys.		
Funds Expended	2,662,400	3,352,600
Year-End Fund Balance	942,700	471,300
Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)		Appropriated
Source of Revenue: The fund receives 35% of monies recovered by the Attorney General from debts owed to the state, except that it receives 20% of all fine surcharge debt.		
Purpose of Fund: For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration. Monies in the Collection Enforcement Revolving Fund up to \$1,000,000 are non-lapsing.		
Funds Expended	6,854,900	6,925,700
Year-End Fund Balance	6,444,900	2,594,200
Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)		Appropriated
Source of Revenue: Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
Purpose of Fund: For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.		
Funds Expended	9,251,300	18,943,600
Year-End Fund Balance	41,500,600	35,443,800

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Non-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Remediation Subaccount consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable person. Monies in the Consumer Remediation Subaccount up to \$4,000,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation.		
Funds Expended	2,160,200	816,300
Year-End Fund Balance	13,000,400	12,798,500
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)		Non-Appropriated
Source of Revenue: Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
Purpose of Fund: The Consumer Restitution and Remediation Revolving Fund comprises 2 subaccounts: the Consumer Restitution Subaccount and the Consumer Remediation Subaccount. The Consumer Restitution Subaccount is to be used for monies collected from lawsuits intended to compensate a specific, identifiable person, including the state, for economic loss resulting from violations of consumer protection laws.		
Funds Expended	5,630,600	3,840,800
Year-End Fund Balance	6,568,500	6,088,900
Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits. Includes funds from a 2012 nationwide settlement between numerous states and mortgage loan services. Arizona residents received a total of \$1.6 billion from the settlement, of which \$33.9 million was allocated to the Attorney General.		
Purpose of Fund: To assure funds are available to pay judgments. Future payments are dependent on case settlements.		
Funds Expended	175,600	0
Year-End Fund Balance	7,000,400	5,792,900
Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)		Non-Appropriated
Source of Revenue: A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
Purpose of Fund: For the processing of criminal cases.		
Funds Expended	107,700	110,500
Year-End Fund Balance	179,500	127,800
Federal Grants (AGA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants awarded by various federal agencies and state agencies which pass through federal monies.		
Purpose of Fund: To be used in accordance with the terms of the individual grants.		
Funds Expended	6,632,800	8,530,800
Year-End Fund Balance	1,234,300	1,625,200
Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant monies and other appropriated and non-appropriated funds.		
Purpose of Fund: To pay administrative costs not directly attributable to any single agency program.		
Funds Expended	8,554,800	11,315,400
Year-End Fund Balance	7,025,000	5,864,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Interagency Service Agreements Fund (AGA2657/A.R.S. § 41-192)		Appropriated
Source of Revenue: Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
Purpose of Fund: To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	15,362,300	16,474,900
Year-End Fund Balance	2,130,900	0
Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects.		
Funds Expended	28,819,000	27,775,800
Year-End Fund Balance	1,706,700	1,148,100
Internet Crimes Against Children Enforcement Fund (AGA3217/A.R.S. § 41-199)		Appropriated
Source of Revenue: Pursuant to A.R.S. § 5-554, the fund receives \$900,000 from the proceeds of lottery games that are sold from a vending machine in age-restricted areas. If the lottery games do not produce sufficient funds for the \$900,000 allocation, then unclaimed lottery prize monies will be used to backfill the difference. A.R.S. § 5-554 also directs \$100,000 from the same lottery game revenue to the Victims' Rights Enforcement Fund administered by the Department of Public Safety. (Please see the Department of Public Safety for more detail on the Victims' Rights Enforcement Fund.)		
Purpose of Fund: For the Attorney General to enter into 1 or more intergovernmental agreements to continue the operation of the federally recognized Internet Crimes Against Children Task Force program that coordinates a national network of coordinated task forces that assist federal, state, local, and tribal law enforcement agencies in investigations, forensic examinations, and prosecutions related to technology-facilitated sexual exploitation of children and internet crimes against children.		
Funds Expended	0	900,000
Year-End Fund Balance	2,144,200	1,808,300
Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: This fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28, Chapter 14; and monies received from private grants or donations.		
Purpose of Fund: The Department of Public Safety conducts motor carrier safety investigations, the Motor Vehicle Division of the Department of Transportation administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	46,300	46,300
Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)		Non-Appropriated
Source of Revenue: 3.45% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
Funds Expended	907,800	990,100
Year-End Fund Balance	115,400	57,700
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and the Arizona Department of Administration.		
Funds Expended	9,371,700	10,117,300
Year-End Fund Balance	555,000	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)		Appropriated
Source of Revenue: A \$9 penalty on civil and criminal violations.		
Purpose of Fund: For states and local entities that provide victims' rights services and assistance.		
Funds Expended	2,467,000	3,768,800
Year-End Fund Balance	1,224,400	(623,200)

Barbering and Cosmetology Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	28.5
Personal Services	0	0	1,019,100
Employee Related Expenditures	0	0	517,800
Professional and Outside Services	0	0	148,300
Travel - In State	0	0	38,700
Travel - Out of State	0	0	8,800
Other Operating Expenditures	0	0	519,300
Equipment	0	0	6,800
AGENCY TOTAL	0	0	2,258,800 ^{1/2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Barbering and Cosmetology Fund	0	0	2,258,800
SUBTOTAL - Other Appropriated Funds	0	0	2,258,800
SUBTOTAL - Appropriated Funds	0	0	2,258,800
TOTAL - ALL SOURCES	0	0	2,258,800

AGENCY DESCRIPTION — The board administers licensing examinations and licenses; inspects salons, barber establishments and schools; and investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate.

FOOTNOTES

- ^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- ^{2/} 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)

Laws 2021, Chapter 334 merged the Board of Barbers with the Board of Cosmetology and renamed the agency the Barbering and Cosmetology Board effective January 1, 2022. The newly-renamed agency retained all the same regulatory functions as the 2 separate agencies.

Operating Budget

The Baseline includes \$2,258,800 and 28.5 FTE Positions from the Barbering and Cosmetology Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Agency Consolidation

The Baseline includes an increase of \$2,258,800 from the Barbering and Cosmetology Fund in FY 2023 to consolidate the Board of Barbers and the Board of Cosmetology.

Other Issues

Auditor General Report

In August 2021 the Auditor General published a Board of Barbers performance audit and sunset review.—In terms of budget-related issues, the report found that the board has not reevaluated the appropriateness of its fees since 2016 and has not adequately protected cash receipts.

The Auditor General recommended the Board of Barbers:

- Develop and implement policies and procedures for periodically reviewing the appropriateness of its fees by analyzing the costs of its regulatory processes, comparing these costs to the associated fees, and then revising its fees as needed.
- Develop and implement cash-handling policies and procedures that adhere to the State of Arizona Accounting Manual requirements.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Barbering and Cosmetology Fund (BCB2017/A.R.S. § 32-505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists and barbers, salons, cosmetology schools, barber schools, and barbering establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, barbers, salons, cosmetology schools, barber schools, and barbering establishments, and for board administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Board of Barbers

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	0.0
Personal Services	193,600	196,000	0
Employee Related Expenditures	98,500	94,800	0
Professional and Outside Services	600	1,300	0
Travel - In State	1,100	8,700	0
Travel - Out of State	0	3,300	0
Other Operating Expenditures	89,300	104,200	0
Equipment	1,600	600	0
AGENCY TOTAL	384,700	408,900	0

FUND SOURCES

Other Appropriated Funds

Board of Barbers Fund	384,700	408,900	0
SUBTOTAL - Other Appropriated Funds	384,700	408,900	0
SUBTOTAL - Appropriated Funds	384,700	408,900	0
TOTAL - ALL SOURCES	384,700	408,900	0

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.

As required by Laws 2021, Chapter 334, the Board of Cosmetology will merge with the Board of Barbers and be renamed the Barbering and Cosmetology Board effective January 1, 2022. The FY 2022 General Appropriation Act provided a full year's funding to the Board of Barbers. As a result, the FY 2022 column is displayed as the full appropriation. Upon the effective date, the remainder of this funding will be available to the Barbering and Cosmetology Board.

Agency Consolidation

The Baseline includes a decrease of \$(408,900) and (4) FTE Positions from the Board of Barbers Fund in FY 2023 to merge the Board of Barbers with the Board of Cosmetology. This reduction is offset by an equally sized increase in the Barbering and Cosmetology Board. (*Please see Barbering and Cosmetology Board for more information.*)

Operating Budget

The Baseline includes no funding in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Barbers Fund (BBA2007/A.R.S. § 32-305)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of barbers, barber schools, and barbering establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate barbers, barber schools, and barbering establishments, and for board administration. Laws 2021 Chapter 334 repeals this fund effective January 1, 2022 and transfers the remaining balance to the Barbering and Cosmetology Fund.		
Funds Expended	384,700	408,900
Year-End Fund Balance	708,600	691,100

Board of Behavioral Health Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	1,008,000	947,800	947,800
Employee Related Expenditures	376,300	380,900	380,900
Professional and Outside Services	90,900	190,000	190,000
Travel - In State	3,500	20,000	20,000
Travel - Out of State	600	15,000	15,000
Other Operating Expenditures	194,000	212,400	212,400
Equipment	45,300	10,000	10,000
AGENCY TOTAL	1,718,600	1,776,100	1,776,100^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Behavioral Health Examiners Fund	1,718,600	1,776,100	1,776,100
SUBTOTAL - Other Appropriated Funds	1,718,600	1,776,100	1,776,100
SUBTOTAL - Appropriated Funds	1,718,600	1,776,100	1,776,100
TOTAL - ALL SOURCES	1,718,600	1,776,100	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 Baseline includes \$1,776,100 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)		Appropriated
Source of Revenue: Monies collected by the board from the certification and regulation of behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
Funds Expended	1,718,600	1,776,100
Year-End Fund Balance	4,195,900	4,885,700

State Board for Charter Schools

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.0	24.0	24.0
Personal Services	979,100	830,000	830,000
Employee Related Expenditures	354,000	343,300	343,300
Professional and Outside Services	112,400	70,500	70,500
Travel - In State	0	10,000	10,000
Travel - Out of State	0	5,500	5,500
Other Operating Expenditures	271,000	823,700	823,700
Equipment	14,900	20,000	20,000
AGENCY TOTAL	1,731,400	2,103,000	2,103,000
FUND SOURCES			
General Fund	1,731,400	2,103,000	2,103,000
SUBTOTAL - Appropriated Funds	1,731,400	2,103,000	2,103,000
Other Non-Appropriated Funds	102,200	92,000	92,000
TOTAL - ALL SOURCES	1,833,600	2,195,000	2,195,000

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 554 charter schools.

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,103,000 and 24 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
Funds Expended	51,200	14,000
Year-End Fund Balance	74,800	86,800
New Charter Application Processing Fund (CHA2568/A.R.S. § 15-183.01)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of applications submitted for new charters.		
Funds Expended	51,000	78,000
Year-End Fund Balance	116,500	181,500

Department of Child Safety

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,193.1	3,203.1	3,203.1 ^{1/}
Personal Services	58,724,800	57,524,800	57,524,800
Employee Related Expenditures	25,269,100	25,177,600	25,177,600
Professional and Outside Services	7,047,800	6,326,000	6,326,000
Travel - In State	178,200	208,600	208,600
Travel - Out of State	34,900	36,400	36,400
Other Operating Expenditures	24,344,700	21,663,200	21,663,200
Equipment	336,000	336,000	336,000
OPERATING SUBTOTAL	115,935,500	111,272,600	111,272,600 ^{2/-10/}
SPECIAL LINE ITEMS			
Additional Operating Resources			
Attorney General Legal Services	25,522,800	25,522,800	25,522,800
Caseworkers	102,144,100	111,900,500	111,900,500
General Counsel	134,000	157,000	157,000
Inspections Bureau	2,548,300	2,514,800	2,514,800
New Case Aides	3,305,900	3,232,200	3,232,200
Office of Child Welfare Investigations	9,085,500	9,699,400	9,699,400
Records Retention Staff	565,600	589,900	589,900
Training Resources	9,150,000	9,150,000	9,150,000
Litigation Expenses	1,168,000 ^{11/}	0	0
Overtime Pay	4,425,400	0	0
Out-of-Home Placements			
Congregate Group Care	100,055,900	114,927,100	114,927,100
Extended Foster Care	13,970,000	14,437,200	14,437,200
Foster Home Placement	46,798,000	51,929,500	51,929,500
Foster Home Recruitment, Study and Supervision	32,753,600	32,753,600	32,753,600
Kinship Care	5,000,000	5,000,000	5,000,000 ^{12/}
Permanent Placements			
Permanent Guardianship Subsidy	12,516,900	12,516,900	12,516,900
Adoption Services	274,922,900	278,258,500	278,258,500
Support Services			
DCS Child Care Subsidy	56,559,400	152,075,400	61,675,400
In-Home Mitigation	25,362,600	28,988,100	28,988,100
Out-of-Home Support Services	90,545,600	116,126,800	116,126,800
Preventive Services	15,148,400	15,148,300	15,148,300
Comprehensive Health Plan			
Comprehensive Health Plan Administration	13,404,000	29,862,500	29,862,500
Comprehensive Health Plan Premium Tax	2,062,100	4,405,100	4,550,900
Comprehensive Health Plan Services Services	87,641,000	197,055,400	201,703,700
AGENCY TOTAL	1,050,725,500	1,327,523,600	1,241,917,700 ^{13/}
FUND SOURCES			
General Fund	372,440,600	405,728,800	415,728,800
Other Appropriated Funds			
Child Abuse Prevention Fund	0	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	900	941,900	941,900
Children and Family Services Training Program Fund	0	207,900	207,900
Federal Child Care and Development Fund Block Grant	35,400,000	130,916,000	40,516,000
Federal Temporary Assistance for Needy Families Block Grant	159,091,100	157,468,100	157,468,100

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
Risk Management Revolving Fund	1,168,000	0	0
SUBTOTAL - Other Appropriated Funds	195,660,000	290,993,200	200,593,200
SUBTOTAL - Appropriated Funds	568,100,600	696,722,000	616,322,000
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	379,517,800	399,478,600	389,478,600
Comprehensive Health Plan Fund	103,107,100	231,323,000	236,117,100
SUBTOTAL - Expenditure Authority Funds	482,624,900	630,801,600	625,595,700
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,050,725,500	1,327,523,600	1,241,917,700
Other Non-Appropriated Funds	548,700	4,889,300	4,889,300
TOTAL - ALL SOURCES	1,051,274,200	1,332,412,900	1,246,807,000

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 2023.
- 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, 2023 and August 31, 2023, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2022 through December 2022 and January 2023 through June 2023, 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 a required 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 kinship care shall be used for a stipend of \$75 per month for a relative caretaker, including a grandparent, any level of great grandparent or any nongrandparent relative, or a caretaker of fictive kinship, if a dependent child is placed in the care of a relative caretaker or caretaker of fictive kinship pursuant to department guidelines. The department shall provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent. The unlicensed kinship foster care parent is not required to file an application to receive the stipend. Before changing the eligibility for the program or the amount of the stipend, the department shall submit a report for review by the joint legislative budget committee detailing the proposed changes. (General Appropriation Act footnote)
- 13/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$111,272,600 and 1,321.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$72,679,500
Federal TANF Block Grant	21,926,700
Child Safety Expenditure Authority	15,724,500
Child Welfare Licensing Fee Fund	941,900

FY 2023 adjustments are as follows:

Remove One-Time Funding Shift

The budget includes an increase of \$10,000,000 from the General Fund and a corresponding decrease of \$(10,000,000) from Child Safety Expenditure Authority in FY 2023 to remove a one-time fund shift in the FY 2022 budget. The FY 2022 fund shift was 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. The Baseline assumes the enhanced federal match rate will now expire on March 31, 2022, but will not extend into FY 2023.

Additional Operating Resources

Attorney General Legal Services

The Baseline includes \$25,522,800 and 276.2 FTE Positions in FY 2023 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 2022.

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.

Caseworkers

The Baseline includes \$111,900,500 and 1,406 FTE Positions in FY 2023 for caseworkers. These amounts consist of:

General Fund	47,539,500
Children and Family Services Training Program Fund	207,900
Federal TANF Block Grant	31,992,200
Child Safety Expenditure Authority	32,160,900

These amounts are unchanged from FY 2022.

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). As of the latest available data from October 2021, DCS had filled 1,232 of these positions, or 174 fewer filled positions than the funded amount.

General Counsel

The Baseline includes \$157,000 and 1 FTE Position from the General Fund in FY 2023 for General Counsel. These amounts are unchanged from FY 2022.

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

Inspections Bureau

The Baseline includes \$2,514,800 and 31 FTE Positions in FY 2023 for the Inspections Bureau. These amounts consist of:

General Fund	1,490,900
Federal TANF Block Grant	178,900
Child Safety Expenditure Authority	845,000

These amounts are unchanged from FY 2022.

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.

New Case Aides

The Baseline includes \$3,232,200 and 34 FTE Positions in FY 2023 for New Case Aides. These amounts consist of:

General Fund	1,147,500
Federal TANF Block Grant	1,334,700
Child Safety Expenditure Authority	750,000

These amounts are unchanged from FY 2022.

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

Office of Child Welfare Investigations

The Baseline includes \$9,699,400 and 127 FTE Positions in FY 2023 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	9,496,800
Child Safety Expenditure Authority	202,600

These amounts are unchanged from FY 2022.

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.

Records Retention Staff

The Baseline includes \$589,900 and 5 FTE Positions in FY 2023 for Records Retention Staff. These amounts consist of:

General Fund	459,300
Child Safety Expenditure Authority	130,600

These amounts are unchanged from FY 2022.

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

Training Resources

The Baseline includes \$9,150,000 in FY 2023 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2022.

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%.

In FY 2021, DCS reports that 57 ASU/NAU social work students received scholarships, including 22 Bachelors of Social Work (BSW) students and 35 Masters of Social Work (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 1* shows out-of-home placements by setting each year.

Table 1

Out-of-Home Placements ^{1/}

	June <u>2019</u>	Sept <u>2020</u>	Jan <u>2021</u>
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 Baseline includes \$114,927,100 in FY 2023 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

These amounts are unchanged from FY 2022.

Congregate Care Federal Funding Backfill

The Baseline continues an FY 2022 increase of \$25,138,200 from the General Fund to address an expected loss of federal funding, increased provider rates, and new placement requirements for those placed in foster-care. The FY 2022 3-year budget plan designates this funding as one-time in FY 2022 and FY 2023.

(Please see the Family First Prevention Services Act section below for more details on both increases.)

Caseload – According to the latest available data from DCS, in FY 2021, 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 2023. 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.

Extended Foster Care

The Baseline includes \$14,437,200 in FY 2023 for Extended Foster Care. This amount consists of:

General Fund	7,283,300
Child Safety Expenditure Authority	7,153,900

These amounts are unchanged from FY 2022.

Caseload – According to the latest available data from DCS, in FY 2021, a monthly average of 1,170 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 2023.

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.

Foster Home Placement

The Baseline includes \$51,929,500 in FY 2023 for Foster Home Placement. This amount consists of:

General Fund	17,825,500
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	27,130,900

These amounts are unchanged from FY 2022.

Caseload – According to the latest available data from DCS, 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 2023.

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.

Foster Home Recruitment, Study and Supervision

The Baseline includes \$32,753,600 in FY 2023 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 2022.

Background – This line item funds contracts with child welfare licensing agencies that recruit foster families, complete home studies to ensure that foster homes comply with requirements for licensure and provide ongoing monitoring and oversight of foster homes.

Kinship Care

The Baseline includes \$5,000,000 in FY 2023 for Kinship Care. This amount consists of:

General Fund	4,500,000
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2022.

Caseload – In FY 2021, a monthly average of 5,725 children were placed in unlicensed kinship care. At an average monthly cost of \$74.45, this line item is sufficient to fund a monthly average of 5,596 kinship placements in FY 2023.

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 2* shows the total caseload for permanent placements.

Table 2

	Permanent Placements		
	June 2019	June 2020	October 2021
Adoption	31,382	32,688	35,147
Permanent Guardianship	2,775	2,723	3,541
Total	34,157	35,411	38,688

Permanent Guardianship Subsidy

The Baseline includes \$12,516,900 in FY 2023 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 2022.

Caseload – According to the latest available data from DCS, 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 2023.

Background – A.R.S. § 8-871 establishes the criteria for the Juvenile Court to establish a permanent guardianship for children in out-of-home care. The current base subsidy rate is \$12.95 per day (\$388.50 per month).

Adoption Services

The Baseline includes \$278,258,500 in FY 2023 for Adoption Services. This amount consists of:

General Fund	80,965,800
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	174,847,000

These amounts are unchanged from FY 2022.

Caseload – According to the latest available data from DCS, 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. *Table 3* displays combined spending from FY 2020 for in-home mitigation and out-of-home support services by category.

Table 3

**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 ^{2/}

^{1/} Does not include substance use disorder services spending for AFF recipients who are eligible for AHCCCS.
^{2/} Latest available data for placement types is from January 2021.

DCS Child Care Subsidy

The Baseline includes \$61,675,400 in FY 2023 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,000,000
Federal CCDF Block Grant	40,516,000
Child Safety Expenditure Authority	14,159,400

FY 2023 adjustments are as follows:

**Remove One-Time Additional Child Care
Development Funding**

The budget includes a decrease of \$(90,400,000) from the Federal CCDF Block Grant in FY 2022 for the removal of one-time additional child care funding. 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 – According to the latest available data from DCS, 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 DES Child Care Subsidy line item for other child care funding.)*

In-Home Mitigation

The Baseline includes \$28,988,100 and 1 FTE Position in FY 2023 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 2022.

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. According to the latest available data from DCS, there were 3,817 new referrals to the in-home services program in FY 2020.

Out-of-Home Support Services

The Baseline includes \$116,126,800 in FY 2023 for Out-of-Home Support Services. This amount consists of:

General Fund	47,879,200
Federal TANF Block Grant	34,139,600
Child Safety Expenditure Authority	34,108,000

These amounts are unchanged from FY 2022.

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

Preventive Services

The Baseline includes \$15,148,300 in FY 2023 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 2022.

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. *(Please see the FY 2022 Appropriations Report for more detail.)*

Comprehensive Health Plan Administration

The Baseline includes \$29,862,500 from the Comprehensive Health Plan Fund in FY 2023 for Comprehensive Health Plan Administration. This amount is unchanged from FY 2022.

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 Premium Tax

The Baseline includes \$4,550,900 from the Comprehensive Health Plan Fund in FY 2023 for Comprehensive Health Plan Premium Taxes. FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$145,800 from the Comprehensive Health Plan Fund in FY 2023 for CHP formula adjustments.

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.

Comprehensive Health Plan Services

The Baseline includes \$201,703,700 from the Comprehensive Health Plan Fund in FY 2023 for Comprehensive Health Plan Services. FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$4,648,300 from the Comprehensive Health Plan Fund in FY 2023 for CHP formula adjustments. The formula adjustments consist of 0.5% enrollment growth in FY 2023, 3.1% capitation growth, and prior year base adjustments.

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.

Other Issues

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.
- 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.
- 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.

An FY 2021 General Appropriation Act footnote requires DCS to report on its implementation of the legislation by December 1, 2021, including quantification of any fiscal impacts. DCS reported it has taken the following actions related to implementing the legislation:

- The department implemented a variety of measures to retain and recruit foster families and accredit Qualified Residential Treatment Programs (QRTP), which are congregate care settings that will continue to be eligible for federal reimbursement.
- DCS hired 2 Foster Recruitment and Retention Specialists, launched a website to support foster families, and began working with a marketing firm to create a campaign to raise awareness to further support and recruit foster families.
- The department now has 9 contracted QRTP providers and 18 other facilities working to become accredited as of November 2021.
- DCS announced they would cover accreditation fees for congregate care homes to provide trauma informed care, qualifying them as QRTP facilities. The department now has 14 providers that received accreditation and 13 additional providers that are seeking accreditation.
- DCS standardized therapeutic foster care placements in collaboration with the Arizona Health Care Cost Containment System (AHCCCS), including increased utilization of therapeutic foster homes for youth with higher needs, but do not meet medical necessity.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	0	1,459,300
Year-End Fund Balance	1,317,000	732,800
Child Restraint Fund (CHA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	84,000	84,000
Year-End Fund Balance	20,000	20,000
Child Safety Expenditure Authority (CHA2009/A.R.S. § 41-101.01)		Expenditure Authority
Source of Revenue: All non-appropriated funds and Federal Funds for the Department of Child Safety, excluding the Federal Temporary Assistance for Needy Families Block Grant, the Federal Child Care and Development Fund, the Client Trust Fund, and the Economic Security Donations Fund.		
Purpose of Fund: To fund the Department of Child Safety.		
Funds Expended	379,517,800	399,478,600
Year-End Fund Balance	16,600	16,600
Child Welfare Licensing Fee Fund (CHA2994/A.R.S. § 8-467)		Appropriated
Source of Revenue: License fees and legislative appropriations		
Purpose of Fund: To issue licenses to licensees who do not contract with DCS for care and supervision of DCS children and for the inspection, examination, suspension, denial, revocation and change of licenses.		
Funds Expended	900	941,900
Year-End Fund Balance	(900)	(900)
Children and Family Services Training Program Fund (DCS2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of child welfare files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child safety workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of child welfare files may be used only for reimbursing the department for its cost.		
Funds Expended	0	207,900
Year-End Fund Balance	76,800	(113,000)
Client Trust Fund (CHA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	448,100	4,805,300
Year-End Fund Balance	11,050,900	8,572,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Comprehensive Health Plan Fund (CHA2121/ A.R.S. § 8-512, 41-2501)		Expenditure Authority
Source of Revenue: Monies paid by the Arizona Health Care Cost Containment System Administration pursuant to the contract, amounts paid by third-party payors, gifts, donations and grants from any source, interest on monies deposited in the Comprehensive Health Plan Expenditure Authority fund.		
Purpose of Fund: To fund the administration of foster children's physical, dental, and behavioral health care.		
Funds Expended	103,107,100	231,323,000
Year-End Fund Balance	0	(17,340,400)
Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
Funds Expended	16,600	0
Year-End Fund Balance	20,400	45,100
Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. DES has a separate allocation of CCDF.		
Funds Expended	35,400,000	130,916,000
Year-End Fund Balance	0	0
Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families. DES has a separate allocation of TANF.		
Funds Expended	159,091,100	157,468,100
Year-End Fund Balance	0	0
Risk Management Revolving Fund (CHA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
Funds Expended	1,168,000	0
Year-End Fund Balance	1,608,700	0

State Board of Chiropractic Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	210,600	214,600	214,600
Employee Related Expenditures	94,200	85,400	85,400
Professional and Outside Services	27,300	35,000	35,000
Travel - In State	600	2,000	2,000
Travel - Out of State	0	15,000	15,000
Other Operating Expenditures	61,600	75,000	75,000
Equipment	2,500	10,000	10,000
AGENCY TOTAL	396,800	437,000	437,000 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	396,800	437,000	437,000
SUBTOTAL - Other Appropriated Funds	396,800	437,000	437,000
SUBTOTAL - Appropriated Funds	396,800	437,000	437,000
TOTAL - ALL SOURCES	396,800	437,000	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 Baseline includes \$437,000 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of chiropractors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate chiropractors, and for board administration.		
Funds Expended	396,800	437,000
Year-End Fund Balance	653,400	679,800

Citizens Clean Elections Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	8,153,000	4,878,800	4,878,800
TOTAL - ALL SOURCES	8,153,000	4,878,800	4,878,800

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 2021, the fund had revenues of \$6,583,300 for total available funds of \$36,663,400. This compares to spending of \$8,153,000 in FY 2021. In FY 2022, the commission estimates annual fund revenue will increase to \$6,813,000, compared to \$4,878,800 in ongoing spending. Along with surpluses from prior years, the commission forecasts the fund will have a balance of \$30,444,600 at the end of FY 2022.

For additional background and a history of Clean Elections Fund transfers to the General Fund, please see the [FY 2022 Appropriations Report](#).

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)		
		Non-Appropriated
Source of Revenue: Election-related civil penalties; civil and criminal fine and penalty surcharges; "qualifying contributions" on behalf of candidates who seek public campaign funding. Prior to FY 2013, the commission also generated revenues from a check-off box on state income tax forms and tax credits. Laws 2012, Chapter 257 repealed those provisions.		
Purpose of Fund: To fund administrative costs of the Citizens Clean Elections Commission, campaigns of candidates who qualify for public campaign funding under A.R.S. § 16-950, and activities pertaining to voter education.		
Funds Expended	8,153,000	4,878,800
Year-End Fund Balance	28,510,400	30,444,600

Arizona Commerce Authority

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
Personal Services	5,460,500	5,460,500	5,460,500
Employee Related Expenditures	1,201,400	1,201,400	1,201,400
Professional and Outside Services	1,489,800	1,489,800	1,489,800
Travel - In State	87,600	87,600	87,600
Travel - Out of State	156,800	156,800	156,800
Other Operating Expenditures	1,548,100	1,548,100	1,548,100
Equipment	55,800	55,800	55,800
OPERATING SUBTOTAL	10,000,000	10,000,000	10,000,000 ^{1/}
SPECIAL LINE ITEMS			
Blockchain/Wearable Research	0	5,000,000	0
Arizona Competes Fund Deposit	5,500,000	55,500,000	5,500,000
Major Events Fund Deposit	0	7,500,000	7,500,000
Frankfurt, Germany Trade Office	0	250,000	0
Israel Trade Office	175,000	175,000	175,000
Mexico Trade Offices	500,000	500,000	500,000
AGENCY TOTAL	16,175,000	78,925,000	23,675,000
FUND SOURCES			
General Fund	16,175,000	78,925,000	23,675,000
SUBTOTAL - Appropriated Funds	16,175,000	78,925,000	23,675,000
Other Non-Appropriated Funds	18,864,000	26,795,600	26,795,600
Federal Funds	6,153,100	5,359,000	5,359,000
TOTAL - ALL SOURCES	41,192,100	111,079,600	55,829,600

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)

Operating Budget Deposit

The Baseline includes \$10,000,000 from the General Fund in FY 2023 for the operating budget. This amount is unchanged from FY 2022.

In FY 2021, ACA expended \$10,008,200 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.

Blockchain/Wearable Research

The Baseline includes no funding for Blockchain/Wearable Research in FY 2023. FY 2023 adjustments are as follows:

Remove One Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 for removal of one-time funding for research into blockchain and wearable technology.

Of the monies in this line item, \$2,500,000 was to be distributed to applied research centers specializing in

blockchain research and the other \$2,500,000 was dedicated to applied research centers specializing in wearable technology.

Arizona Competes Fund Deposit

The Baseline includes \$5,500,000 from the General Fund in FY 2023 for deposit into the Arizona Competes Fund. FY 2023 adjustments are as follows:

Remove One Time Funding

The Baseline includes a decrease of \$(50,000,000) from the General Fund in FY 2023 for removal of a one-time 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.

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.

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.

Monies in the Arizona Competes Fund are utilized to issue grants to attract, retain, and support businesses in Arizona.

Major Events Fund Deposit

The Baseline includes \$7,500,000 from the General Fund in FY 2023 to be deposited into the Major Events Fund. This amount is unchanged from FY 2022.

The Major Events Fund was created by the Budget Procedures Budget Reconciliation Bill, which was determined by the Arizona Supreme Court to be unconstitutional. The FY 2022 budget's 3-year spending plan includes funding the program at \$7,500,000 annually as a pilot program through FY 2025.

Frankfurt, Germany Trade Office

The Baseline includes no funding for the Frankfurt, Germany Trade Office in FY 2023. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2023 for removal of one-time funding for establishing a trade office in Frankfurt, Germany.

Israel Trade Office

The Baseline includes \$175,000 from the General Fund in FY 2023 to operate a trade office in Israel. This amount is unchanged from FY 2022.

Mexico Trade Offices

The Baseline includes \$500,000 from the General Fund in FY 2023 to operate trade offices in Mexico. This amount is unchanged from FY 2022.

Currently, the ACA funds trade offices in Mexico City, Guanajuato, and Chihuahua.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Application Fees Fund (CAA3005/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: A processing fee equal to 1% of the relevant tax credit being refunded per tax credit application.		
Purpose of Fund: To provide funding for staff to determine if taxpayers who qualify for a tax credit for increased research activities qualify for other income tax funds.		
Funds Expended	755,300	1,525,200
Year-End Fund Balance	3,426,000	2,846,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Leftover funds and residual revenue transferred from various funds belonging to the Arizona Department of Commerce.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding, or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	394,100	545,400
Year-End Fund Balance	1,336,600	1,072,300
Arizona Commerce Authority Fund (CAA2547/A.R.S. § 41-1506)		Non-Appropriated
Source of Revenue: An annual deposit of \$10,000,000 in corporate income tax withholding revenues, gifts, grants, and other donations.		
Purpose of Fund: To fund the operating costs of the Authority. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	495,100	495,100
Arizona Competes Fund (CAA2548/A.R.S. § 41-1545.01)		Non-Appropriated
Source of Revenue: Receives an annual deposit of \$5,500,000 in income tax withholding revenues, \$3,500,000 in lottery ticket sales revenues, gifts, grants, and other donations.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding, or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	59,283,000	110,095,800
Arizona Coronavirus Relief Fund (CAA3002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Donations from individuals and organizations.		
Purpose of Fund: Fund established under the Governor's Arizona Together initiative during the COVID-19 pandemic. Monies in the fund are distributed by the Governor to support COVID-19 relief efforts.		
Funds Expended	1,910,700	510,600
Year-End Fund Balance	510,600	0
Arizona Innovation Accelerator Fund (CAA9507/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Funds in the form of loans from the U.S. Department of Treasury under the State Small Business Credit Initiative Act of 2010.		
Purpose of Fund: To provide loans to small businesses and foster business expansion, capital investment, and job creation in Arizona.		
Funds Expended	164,800	2,456,700
Year-End Fund Balance	18,750,000	16,323,200
Arizona Job Training Fund (CAA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and interest earned on investments. The FY 2015 Revenue Budget Reconciliation Bill repealed the job training tax that had been previously deposited in the fund effective December 31, 2015. Laws 2017, Chapter 307 allows ACA to continue to make grants from the fund until December 31, 2020, and grantees must expend all funds by June 20, 2022, when the fund expires. Any monies in the fund as of the repeal date shall be transferred to the General Fund.		
Purpose of Fund: To provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. Training shall be through the community college system, a licensed private post-secondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Of the monies appropriated to the fund, 25% is set aside for rural and small businesses.		
Funds Expended	8,708,800	15,438,100
Year-End Fund Balance	15,414,300	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Blockchain/Wearables Fund (CAA1016/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Legislative appropriations		
Purpose of Fund: The FY 2022 budget appropriated \$5,000,000 for distribution 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.		
Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Coronavirus Relief Fund (CAA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	2,000,000	0
Year-End Fund Balance	0	0
Donations Fund (CAA3189/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
Funds Expended	2,900	33,000
Year-End Fund Balance	46,500	33,500
Economic Development Fund (CAA1026/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: State and local government grants.		
Purpose of Fund: To assist the agency in its operations.		
Funds Expended	1,743,500	6,052,300
Year-End Fund Balance	(804,100)	285,200
Federal Funds (CAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for community development, job training, and home programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing federal grants.		
Funds Expended	3,988,300	2,902,300
Year-End Fund Balance	(2,665,000)	(2,746,900)
Frankfurt Germany Fund (CAA1023/ A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Legislative appropriations		
Purpose of Fund: To support a foreign trade office in Frankfurt, Germany and assist Arizona companies in entering the German market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Institute for Automated Mobility Fund (CAA4080/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Private donations, grant proceeds, and support from other ACA funds.		
Purpose of Fund: To account for the activities related to the Institute for Automated Mobility established by Executive Order 2018-09 to support the advancement of autonomous vehicles in Arizona.		
Funds Expended	325,200	418,700
Year-End Fund Balance	327,300	71,100

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Israel Trade Office Fund (CAA1021/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: General Fund as well as donations from public and private entities.		
Purpose of Fund: To support a foreign trade office in Tel Aviv, Israel and assist Arizona companies in entering the Israeli market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Mexico Trade Office Fund (CAA1020/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: General Fund, the City of Phoenix, the City of Tucson, Maricopa Association of Governments, and other public and private entities.		
Purpose of Fund: To support foreign trade offices in Mexico City, Guanajuato, and Chihuahua, Mexico and assist Arizona companies in entering the Mexican market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	(116,600)	0
Year-End Fund Balance	426,700	426,700
Non-Federal Grant Fund (CAA3010/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Unrestricted donations.		
Purpose of Fund: To be expended as stipulated by state statutes authorizing grants.		
Funds Expended	25,000	75,000
Year-End Fund Balance	75,000	0
RevAZ Fund (CAA9971/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Fees paid by private-sector entities for services in conjunction with the federal Manufacturing Extension Partnership.		
Purpose of Fund: To assist in manufacturing sector business development and management.		
Funds Expended	439,600	1,302,900
Year-End Fund Balance	454,800	451,900
Rural Broadband Grants Fund (CAA1006/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To expand Internet access to rural households, schools, and libraries. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	1,811,000	0
State Web Portal Fund (CAA2531/A.R.S. § 18-421)		Appropriated
Source of Revenue: Legislative appropriations, web portal usage fees, private grants or donations, or federal government funding.		
Purpose of Fund: To distribute to applied research centers and the Institute of Automated Mobility who specialize in blockchain, wearable technology or automated mobility research.		
Funds Expended	0	0
Year-End Fund Balance	250,000	250,000
State Workforce Programs (CAA1025/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Intrastate agreements between the ACA and the Governor's Office. Funding also comes from a portion of the state's allocation from the federal Workforce Innovation and Opportunity Act.		
Purpose of Fund: To carry out workforce-related projects on behalf of the Governor's Office.		
Funds Expended	4,675,500	894,400
Year-End Fund Balance	(511,800)	0

Arizona Community Colleges

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
SPECIAL LINE ITEMS			
Equalization Aid			
Cochise	7,227,100	7,925,300	8,771,400
Graham	17,469,100	18,193,200	19,114,000
Navajo	8,444,300	9,171,000	9,912,900
Yuma/La Paz	155,200	616,700	530,200
<i>Subtotal - Equalization Aid</i>	33,295,700	35,906,200	38,328,500
Operating State Aid			
Cochise	4,690,700	4,373,500	4,230,000
Coconino	1,698,400	1,626,500	1,369,600
Gila	296,300	271,500	155,300
Graham	2,338,800	1,936,100	1,532,300
Mohave	1,138,900	1,205,500	903,000
Navajo	1,554,800	1,512,300	1,393,400
Pinal	1,128,300	1,356,500	818,200
Santa Cruz	0	17,100	0
Yavapai	585,800	590,500	300,400
Yuma/La Paz	2,384,800	2,391,900	1,898,200
<i>Subtotal - Operating State Aid</i>	15,816,800	15,281,400	12,600,400
STEM and Workforce Programs State Aid			
Cochise	1,014,500	928,400	895,200
Coconino	397,400	371,800	293,800
Gila	136,000	127,200	91,900
Graham	627,600	484,200	361,500
Maricopa	1,600,000	1,600,000	0
Mohave	441,900	465,700	373,800
Navajo	334,800	319,700	283,600
Pima	400,000	400,000	0
Pinal	96,500	96,500	96,500
Santa Cruz	23,700	29,800	21,800
Yavapai	697,500	699,200	611,100
Yuma/La Paz	1,024,900	1,027,400	877,500
<i>Subtotal - STEM and Workforce Programs State Aid</i>	6,794,800	6,549,900	3,906,700
Rural Aid			
Cochise	0	6,251,000	3,544,300
Coconino	0	1,907,300	886,200
Gila	0	652,300	277,100
Graham	0	2,483,700	1,090,500
Mohave	0	2,388,900	1,127,600
Navajo	0	1,640,200	855,500
Pinal	0	3,666,000	1,662,500
Santa Cruz	0	153,000	65,900
Yavapai	0	3,586,900	1,843,400
Yuma/La Paz	0	5,270,700	2,647,000
<i>Subtotal - Rural Aid</i>	0	28,000,000	14,000,000
Urban Aid			
Maricopa	0	10,400,000	0
Pima	0	2,600,000	0
<i>Subtotal - Urban Aid</i>	0	13,000,000	0 ^{1/}
Rural County Allocation	3,658,200	4,337,300	4,337,300 ^{2/}
Rural County Reimbursement Subsidy	1,273,800	1,773,800	1,273,800 ^{2/}
Tribal Community Colleges	4,099,600	2,856,100	3,014,800 ^{3/}

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Diné College Remedial Education	1,000,000	1,000,000	1,000,000 ^{4/}
AGENCY TOTAL	66,138,900	108,904,700	78,661,500 ^{5/}
FUND SOURCES			
General Fund	66,138,900	108,904,700	78,661,500
SUBTOTAL - Appropriated Funds	66,138,900	108,904,700	78,661,500
Other Non-Appropriated Funds	34,460,300	50,925,100	50,925,100
TOTAL - ALL SOURCES	100,599,200	159,829,800	129,586,600

AGENCY DESCRIPTION - The Arizona community college system is comprised of 10 college districts and 2 provisional districts. Arizona's community colleges provide programs and training in the arts, sciences and humanities, and vocational education leading to an Associates degree, Baccalaureate degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

FOOTNOTES

- 1/ 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 2023, 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.
- 2/ Of the \$1,273,800 appropriated to the rural county reimbursement subsidy line item, Apache county receives \$699,300 and Greenlee county receives \$574,500. (General Appropriation Act footnote)
- 3/ 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.
- 4/ On or before October 15, 2023, 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 2022-2023 academic year. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Equalization Aid

The Baseline includes \$38,328,500 from the General Fund in FY 2023 for Equalization Aid. FY 2023 adjustments are as follows:

Property Value Changes

The Baseline includes an increase of \$2,422,300 from the General Fund in FY 2023 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in *Table 1*.

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

Table 1

FY 2023 Equalization Funding Changes

District	FY 2022	Year-over- Year Change	FY 2023
Cochise	\$ 7,925,300	\$ 846,100	\$ 8,771,400
Graham	18,193,200	920,800	19,114,000
Navajo	9,171,000	741,900	9,912,900
Yuma/La Paz	616,700	(86,500)	530,200
Total	\$35,906,200	\$2,422,300	\$38,328,500

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 5.4% higher in TY 2021 than in the preceding year. Therefore, for the FY 2023 Equalization Aid formula calculation, the

minimum assessed valuation increased 5.4% to approximately \$1.6 billion. (See Table 2 for the calculation of the growth rate.)

District	TY 2020	TY 2021	TY 2020-2021 % Growth
	Primary AV	Primary AV	
Cochise*	\$ 973,084,500	\$ 994,800,800	2.2 %
Graham*	223,604,200	239,863,700	7.3 %
Navajo*	882,158,100	911,478,100	3.3 %
Yuma/La Paz*	1,506,557,400	1,596,348,900	6.0 %
Coconino	1,929,724,100	1,983,520,000	2.8 %
Mohave	2,010,693,400	2,143,344,600	6.6 %
Pinal	2,689,422,200	2,868,880,600	6.7 %
Yavapai	2,957,724,700	3,143,221,200	6.3 %
Total	\$13,172,968,600	\$13,881,457,800	5.4 %
Minimum AV	\$1,551,572,600	\$1,635,047,200	5.4 %

* These districts qualify to receive Equalization Aid under the state funding formula in FY 2023.

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 5.4% in TY 2021. In comparison, Cochise increased by 2.2% and Navajo increased by 3.3%. Because their primary assessed values increased by less than the average rural district, Cochise and Navajo qualify for more aid. While Graham increased by 7.3% and Yuma/La Paz increased by 6.0%, more than the average rural district, their assessed values remain below the minimum assessed value.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.64 billion in FY 2023), 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 Baseline includes \$12,600,400 from the General Fund in FY 2023 for Operating State Aid. FY 2023 adjustments are as follows:

Enrollment Changes

The Baseline includes a decrease of \$(2,681,000) from the General Fund in FY 2023 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (3,996), or (14.9)% decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 3). The (3,996) net FTSE decrease consists of a (3,785) FTSE decrease in non-dual enrollment students and a (211) FTSE decrease in dual enrollment students. A.R.S. § 15-1466.01 requires dual enrollment students be funded at 50% for state aid purposes. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit.

Background – With the exception of Maricopa and Pima, the Operating State Aid line items provide each community college district with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466. The Operating State Aid formula adjusts state aid in an amount that reflects changes in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the change in the most recent year's actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. (For FY 2023, the last actual FTSE data was from FY 2021.)

	FY 2020 FTSE	FY 2021 FTSE	Percentage Change
Rural Districts			
Cochise	5,829	5,620	(3.6)%
Coconino	1,877	1,491	(20.6)%
Gila	655	472	(27.9)%
Graham	2,348	1,770	(24.6)%
Mohave	2,370	1,914	(19.2)%
Navajo	1,648	1,468	(10.9)%
Pinal	3,432	2,655	(22.6)%
Santa Cruz	142	104	(26.8)%
Yavapai	3,520	3,062	(13.0)%
Yuma/La Paz	5,005	4,274	(14.6)%
<i>Subtotal</i>	<i>26,826</i>	<i>22,830</i>	<i>(14.9)%</i>
Urban Districts			
Maricopa	67,472	56,417	(16.4)%
Pima	13,874	11,488	(17.2)%
Total	108,172	90,735	(16.1)%

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 2023. The

Operating State Aid formula adjusts the prior year's appropriation based on the changes in FTSE enrollment count. Maricopa and Pima County have not received Operating State Aid since FY 2015.

STEM and Workforce Programs State Aid

The Baseline includes \$3,906,700 from the General Fund in FY 2023 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. FY 2023 adjustments are as follows:

Remove Maricopa and Pima Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2023 for the elimination of one-time funding to Maricopa and Pima. 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.

Enrollment Changes

The Baseline includes a decrease of \$(643,200) from the General Fund in FY 2023 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 2021.

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 2022 Higher Education BRB suspended this formula and funded districts as specified in the FY 2022 General Appropriation Act. The FY 2023 Baseline 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 \$454,600.
- 3) Maricopa and Pima receive no STEM and Workforce Programs State Aid. Fully funding Maricopa and Pima according to the formula in FY 2023 would cost \$8,584,900 for Maricopa and \$1,776,600 for Pima.

Rural Aid

The Baseline includes \$14,000,000 from the General Fund in FY 2023 for Rural Aid. FY 2023 adjustments are as follows:

Remove One-Time Rural Aid

The Baseline includes a decrease of \$(14,000,000) from the General Fund in FY 2023 for the elimination of one-time aid to the 10 rural community college districts.

In FY 2022, this one-time funding was allocated to the 10 rural community college districts based on each district's share of actual FY 2020 enrollment.

In FY 2023, rural aid will be allocated based on each district's share of actual FY 2021 enrollment.

Urban Aid

The Baseline includes no funding in FY 2023 for Urban Aid. FY 2023 adjustments are as follows:

Remove One-Time Urban Aid

The Baseline includes a decrease of \$(13,000,000) from the General Fund in FY 2023 for the elimination of one-time aid to the 2 urban community college districts, Maricopa and Pima.

In FY 2022, this one-time 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 Baseline includes \$4,337,300 from the General Fund in FY 2023 for Rural County Allocation. This amount is unchanged from FY 2022.

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 Baseline includes \$1,273,800 from the General Fund in FY 2023 for Rural County Reimbursement Subsidy. FY 2023 adjustments are as follows:

Remove One-Time Subsidy Increase

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2023 for the elimination of one-time increase 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 Baseline continues a General Appropriation Act footnote allocating these monies. Of the \$1,273,800 subsidy, \$699,300 is distributed to Apache and \$574,500 to Greenlee.

Tribal Community Colleges

The Baseline includes \$3,014,800 from the General Fund in FY 2023 for Tribal Community Colleges. FY 2023 adjustments are as follows:

Increase Tohono O'odham Funding

The Baseline includes an increase of \$158,700 from the General Fund in FY 2023 for Tohono O'odham Community College.

The Baseline 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 Baseline also includes \$389,800 for Tohono O'odham Community College in FY 2023 based on a projection of 10% of the collected TPT revenues from the reservation.

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 2023 will depend on FY 2023 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act. (*Please see the FY 2020 Appropriations Report for more information.*)

Additional Gila Workforce Development Aid

The Baseline includes \$200,000 from the General Fund for Additional Gila Workforce Development Aid in FY 2023. This amount is unchanged from FY 2022.

Background – As a provisional community college district, Gila County is not eligible for a \$200,000 annual Workforce Development allocation from Proposition 301 monies (*see A.R.S. § 42-5029*).

Diné College Remedial Education

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for Diné College Remedial Education. This amount is unchanged from FY 2022.

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 Baseline 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 2022-2023 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2023.

Other Issues

Statutory Changes

The Baseline would:

- 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 2023 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 Appropriation Act, which effectively means suspending the formula in FY 2023 for only Maricopa, Pima and Pinal Counties.

Long-Term Budget Impacts

Beyond FY 2023 Baseline changes, the JLBC Staff estimates that Community College statutory caseload changes will require an additional \$4,160,100 in FY 2024 above FY 2023 spending and an additional \$2,740,400 in FY 2025 above FY 2024 spending.

These estimates assume:

- An increase of \$1,263,400 for Operating State Aid in FY 2024 above FY 2023 due to enrollment increases in rural districts. The COVID-19 pandemic resulted in a decline in student enrollment in FY 2021. Unaudited enrollment figures indicate a rebound in enrollment in rural districts in FY 2022. Given that the Operating State Aid funding is based on enrollment changes from 2 years prior, enrollment increases in FY 2022 would not affect Operating State Aid until FY 2024.

- An increase of \$317,500 for STEM and Workforce Programs State Aid in FY 2024 above FY 2023. As with Operating State Aid, STEM and Workforce Programs State Aid funding is based on enrollment from 2 years prior. Therefore, enrollment increases in FY 2022 would not affect STEM and Workforce Programs State Aid until FY 2024.
- An increase of \$2,579,200 for Equalization Aid in FY 2024 above FY 2023 and \$2,740,400 in FY 2025 above FY 2024. These estimates assume total Net Assessed Value (NAV) growth of 5.4% in FY 2024 and 5.5% in FY 2025 based on the statewide average. The counties receiving aid would see an average NAV increase of 4.5% in FY 2024 and 4.6% in FY 2025. This would cause NAV in those districts to grow farther from the statewide NAV average for rural counties in both years, entitling them to more Equalization Aid.

Community College Revenue Sources

In addition to state General Fund monies, Arizona's community colleges receive revenues from a number of other sources, including student tuition and fees, local property taxes, grants, and other monies generated by the colleges. Of the total, the community colleges receive 3.0% of their revenues (excluding bond proceeds) from state aid.

Table 4

Total Estimated Community College Revenues – FY 2022

District	State Aid ^{1/}	Tuition/Fees	Property Taxes	Grants ^{2/}	Other ^{3/}	FY 2022 Total ^{4/}	FY 2021 Total ^{5/}	% Change from FY 2021
Cochise	\$16,379,100	\$6,381,000	\$24,314,900	\$29,141,200	\$12,977,300	\$89,193,500	\$61,218,000	45.7%
Coconino	3,204,800	7,508,500	8,715,600	12,620,100	809,000	32,858,000	24,794,700	32.5%
Gila ^{6/}	271,500	0	5,374,300	591,200	351,000	6,588,000	6,356,100	3.6%
Graham	20,129,300	7,494,000	7,424,700	23,370,100	8,781,900	67,200,000	53,919,600	24.6%
Maricopa	0	201,749,700	597,210,100	291,480,900	240,885,500	1,331,326,200	978,844,900	36.0%
Mohave	1,205,500	8,506,000	26,510,100	16,635,500	543,100	53,400,200	48,291,100	10.6%
Navajo	12,323,500	4,400,000	15,955,400	8,250,000	2,682,500	43,611,400	39,718,300	9.8%
Pima	0	44,707,000	123,461,100	124,009,000	6,192,000	298,369,100	219,095,800	36.2%
Pinal	1,356,500	9,185,000	61,454,900	32,133,800	7,796,200	111,926,400	89,542,900	25.0%
Santa Cruz ^{6/}	17,100	10,000	1,727,000	224,000	11,700	1,989,800	1,866,300	6.6%
Yavapai	4,096,500	10,574,000	48,329,600	23,394,500	5,434,300	91,828,900	80,890,600	13.5%
Yuma/La Paz	<u>8,008,600</u>	<u>12,407,500</u>	<u>39,376,100</u>	<u>55,928,000</u>	<u>8,805,100</u>	<u>124,525,300</u>	<u>80,064,200</u>	<u>55.5%</u>
Total ^{7/}	\$66,992,400	\$312,922,600	\$959,853,800	\$617,778,300	\$295,269,600	\$2,252,816,800	\$1,684,602,500	33.7%

^{1/} State Aid revenue includes Operating State Aid and Equalization Aid.

^{2/} Includes federal coronavirus-related grants.

^{3/} Includes auxiliary programs, interest income, workforce development funds, and transfers.

^{4/} Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are estimated to be \$2,561,553,100 for FY 2022.

^{5/} Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are \$1,778,770,400 for FY 2021.

^{6/} 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.

^{7/} Columns may not add to total due to rounding.

For FY 2022, base operating revenues from all sources are estimated to be \$2,252,816,800. (See Table 4 for a summary of FY 2022 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 42.6% of their revenues. There are 2 types of property taxes: primary and secondary. For the community colleges, primary property taxes are levied for operating purposes and secondary property taxes are levied to pay for capital outlay expenses. Both taxes are levied on limited property values. Each community college district determines its primary and secondary property tax rates. (See Table 5 for a summary of TY 2021 property tax rates.)

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>	<u>% Change Combined Rate from TY 2020</u>
Cochise	\$2.44	\$0.00	\$2.44	1.7%
Coconino	0.44	0.00	0.44	(2.2)%
Gila	0.96	0.00	0.96	0.0%
Graham	3.10	0.00	3.10	(0.6)%
Maricopa	1.11	0.11	1.22	(5.4)%
Mohave	1.24	0.00	1.24	(3.9)%
Navajo	1.75	0.00	1.75	(1.7)%
Pima	1.27	0.00	1.27	(5.2)%
Pinal	1.98	0.17	2.15	(6.5)%
Santa Cruz	0.46	0.00	0.46	(2.1)%
Yavapai	1.56	0.01	1.57	(7.1)%
Yuma/La Paz	2.13	0.34	2.47	(3.5)%

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 13.9% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2022 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,580 if a full-time student attends for 30 hours a year. The FY 2022 amount represents a decrease of (14.2)% from FY 2021. (See Table 6 for FY 2022 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 40.5% of community college revenues.

Table 6

Community College Resident Tuition and Fees – FY 2022

<u>District</u>	<u>Average Cost Per Credit Hour</u>	<u>Annual Cost ^{1/}</u>	<u>% Change from FY 2021</u>
Cochise	\$91	\$2,730	0.0%
Coconino	113	3,390	0.0%
Gila	90	2,700	0.0%
Graham	90	2,700	0.0%
Maricopa	85	2,550	25.0%
Mohave	81	2,430	0.0%
Navajo	82	2,460	3.8%
Pima	87	2,610	0.0%
Pinal	86	2,580	0.0%
Santa Cruz	44	1,305	(48.5)%
Yavapai	76	2,280	0.0%
Yuma/La Paz	<u>90</u>	<u>2,700</u>	<u>2.3%</u>
Weighted Average	\$86	\$2,580	(14.2)%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

Revenue listed in the "other" category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

Total Community College Expenditures

Table 7 shows total budgeted FY 2022 community college expenditures. In FY 2022, total budgeted expenditures are \$2,549,359,400. As mentioned previously, base operating revenues for FY 2022 are \$2,252,816,800; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,561,553,100. Of the total \$2,549,359,400 in budgeted expenditures, \$2,107,949,500, or 82.7%, of these expenditures are from the community colleges' General and Restricted Funds. This includes \$542,259,900, or 21.3%, for instruction and \$425,392,200, or 16.7%, for institutional support. Expenditures for auxiliary enterprises, including revenue-generating retail and business services such as parking lots, bookstores, and food service, are \$76,072,100, or 3.0% of the total. Plant Fund expenditures, which generally include capital costs, are \$281,523,300, or 11.0% of the total. The remaining \$83,814,500, or 3.3%, is for debt service.

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.

Table 7

Community Colleges - FY 2022 Budgeted Expenditures

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 542,259,900	21.3%
Public Service	55,341,500	2.2%
Academic Support	187,150,000	7.3%
Student Services	213,215,600	8.4%
Institutional Support	425,392,200	16.7%
Operation & Maintenance	141,971,100	5.6%
Scholarships & Grants	433,298,100	17.0%
Contingency	109,321,000	4.3%
Subtotal ^{1/}	\$2,107,949,500	82.7%
Auxiliary Enterprises Fund	\$ 76,072,100	3.0%
Plant Fund	281,523,300	11.0%
Debt Service	83,814,500	3.3%
Total ^{1/}	\$2,549,359,400	100%

^{1/} May not add to subtotal and total due to rounding.

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.

As part of the annual budget submission process, the community college districts calculate their expenditures for the current year. These figures are then audited by the Auditor General after the end of each fiscal year.

Table 8 includes the FY 2022 expenditure limits and the estimated expenditures reported by the districts. Of the 12 districts, 7 currently estimate that they will be at the limit in FY 2022.

Table 8

Community College Expenditure Limits – FY 2022

<u>District</u>	<u>Expenditure Limit</u>	<u>Estimated Expenditures</u>
Cochise	\$67,578,287	\$45,369,582
Coconino	16,927,200	15,367,633
Gila*	5,241,566	5,241,566
Graham	36,049,564	34,247,086
Maricopa	472,659,526	472,659,526
Mohave	25,647,407	25,647,407
Navajo	15,503,375	15,503,375
Pima	138,825,309	138,825,309
Pinal	37,374,131	37,374,131
Santa Cruz*	1,441,943	1,441,943
Yavapai	48,002,250	45,866,490
Yuma/La Paz	55,891,071	47,535,530

* indicates provisional community college district

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Smart and Safe Arizona Fund (varies by account/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	11,433,700	24,860,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal community college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A "qualifying Indian tribe" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state.		
Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
Funds Expended	857,300	889,100
Year-End Fund Balance	0	0
Workforce Development Accounts (varies by account/A.R.S. § 15-1472)		Non-Appropriated
Source of Revenue: Three percent of collections from the 0.6% education sales tax, after debt service on state school facilities revenue bonds has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.		
Purpose of Fund: To fund workforce development and training activities at the community college districts.		
Funds Expended	22,169,300	25,175,300
Year-End Fund Balance	0	0

Constable Ethics Standards and Training Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	337,500	503,700	503,700
TOTAL - ALL SOURCES	337,500	503,700	503,700

AGENCY DESCRIPTION — The board establishes and enforces the code of conduct for constables throughout the state. The board also administers funding for constable training and equipment. The Arizona Association of Counties currently manages the board’s administrative responsibilities. The board receives fees from every writ collected on behalf of a Justice of the Peace.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Constable Ethics Standards and Training (CNA2346/A.R.S. § 22-138)		Non-Appropriated
Source of Revenue: Fees collected for every writ served on behalf of a Justice of the Peace.		
Purpose of Fund: 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
Funds Expended	337,500	503,700
Year-End Fund Balance	650,100	441,300

Registrar of Contractors

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	6,165,000	5,936,600	5,936,600
Employee Related Expenditures	2,381,000	2,506,100	2,506,100
Professional and Outside Services	238,700	405,300	405,300
Travel - In State	164,300	301,000	301,000
Travel - Out of State	200	11,800	11,800
Other Operating Expenditures	1,225,400	1,894,900	1,894,900
Equipment	121,600	517,000	517,000
OPERATING SUBTOTAL	10,296,200	11,572,700	11,572,700
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	375,500	1,017,600	1,017,600
AGENCY TOTAL	10,671,700	12,590,300	12,590,300 ^{1/}

FUND SOURCES

Other Appropriated Funds

Registrar of Contractors Fund	10,671,700	12,590,300	12,590,300
SUBTOTAL - Other Appropriated Funds	10,671,700	12,590,300	12,590,300
SUBTOTAL - Appropriated Funds	10,671,700	12,590,300	12,590,300
Other Non-Appropriated Funds	3,098,400	4,666,800	4,666,800
TOTAL - ALL SOURCES	13,770,100	17,257,100	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 Baseline includes \$11,572,700 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Office of Administrative Hearings Costs

The Baseline includes \$1,017,600 from the Registrar of Contractors Fund in FY 2023 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2022.

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Registrar of Contractors Cash Bond Fund (RGA3721/A.R.S. § 32-1152)		Non-Appropriated
Source of Revenue: Cash deposits from contractors filed with the Registrar as an alternative to the filing of surety bonds.		
Purpose of Fund: To pay for legitimate claims of damages caused by a duly licensed contractor.		
Funds Expended	0	0
Year-End Fund Balance	1,949,300	1,949,300

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)		Appropriated
Source of Revenue: Monies collected from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate contractors, and for board administration.		
Funds Expended	10,671,700	12,590,300
Year-End Fund Balance	3,990,000	(285,900)
Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)		Non-Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: To compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed \$30,000. Up to 14% of prior fiscal year revenue may be used to administer the fund.		
Funds Expended	3,098,400	4,666,800
Year-End Fund Balance	20,258,300	20,581,800

Corporation Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	300.9	300.9	300.9 ^{1/}
Personal Services	15,569,100	16,665,200	16,665,200
Employee Related Expenditures	5,978,000	6,519,700	6,519,700
Professional and Outside Services	398,500	421,100	421,100
Travel - In State	141,800	224,000	224,000
Travel - Out of State	3,000	116,000	116,000
Other Operating Expenditures	3,292,100	2,929,400	2,929,400
Equipment	203,900	285,900	285,900
OPERATING SUBTOTAL	25,586,400	27,161,300	27,161,300
SPECIAL LINE ITEMS			
Corporation Filings, Same-Day Service	360,800	408,400	408,400
Utilities Audits, Studies, Investigations & Hearings	701,100	380,000	380,000 ^{2/}
AGENCY TOTAL	26,648,300	27,949,700	27,949,700 ^{3/}
FUND SOURCES			
General Fund	647,000	623,100	623,100
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	36,800	51,200	51,200
Investment Management Regulatory and Enforcement Fund	735,300	721,600	721,600
Public Access Fund	6,318,300	6,799,400	6,799,400
Securities Regulatory and Enforcement Fund	5,062,100	5,135,300	5,135,300
Utility Regulation Revolving Fund	13,848,800	14,619,100	14,619,100
SUBTOTAL - Other Appropriated Funds	26,001,300	27,326,600	27,326,600
SUBTOTAL - Appropriated Funds	26,648,300	27,949,700	27,949,700
Other Non-Appropriated Funds	19,700	0	0
Federal Funds	1,725,100	2,219,500	2,219,500
TOTAL - ALL SOURCES	28,393,100	30,169,200	30,169,200

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 2023.
- ^{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 Baseline includes \$27,161,300 and 298.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
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

commission charges a fee to use this program, which is then deposited into the Public Access Fund.

These amounts are unchanged from FY 2022.

Utilities Audits, Studies, Investigations & Hearings

Corporation Filings, Same-Day Service

The Baseline includes \$408,400 and 2 FTE Positions from the Public Access Fund in FY 2023 for Corporation Filings, Same-Day Service. These amounts are unchanged from FY 2022.

The Baseline includes \$380,000 from the Utility Regulation Revolving Fund in FY 2023 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2022.

Monies in this line item are used to staff the 2-hour, same-day, and next-day corporation filing services provided by the Corporation Commission. The

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Arts Trust Fund (CCA3043/A.R.S. § 41-983.01)		Appropriated
<i>Source of Revenue:</i> One-third of the filing fees for the annual report of domestic and foreign corporations.		
<i>Purpose of Fund:</i> For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.		
Funds Expended	36,800	51,200
Year-End Fund Balance	145,500	181,100
Federal Funds (CCA2000/A.R.S. § 40-441)		Non-Appropriated
<i>Source of Revenue:</i> U.S. Department of Transportation grants.		
<i>Purpose of Fund:</i> To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.		
Funds Expended	1,725,100	2,219,500
Year-End Fund Balance	6,201,400	5,481,900
IGA and ISA Fund (CCA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Grants and intergovernmental agreements between state agencies and local governments.		
<i>Purpose of Fund:</i> To be used as specified in the grant or agreement.		
Funds Expended	500	0
Year-End Fund Balance	6,400	6,900
Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)		Appropriated
<i>Source of Revenue:</i> Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
<i>Purpose of Fund:</i> For education, regulatory, investigative and enforcement operations in the Securities Division.		
Funds Expended	735,300	721,600
Year-End Fund Balance	1,899,800	1,967,900
Public Access - Money on Deposit Account (CCA2334/A.R.S. § 10-122.01)		Non-Appropriated
<i>Source of Revenue:</i> Fees for expedited service for the filing of articles of incorporation and other documents.		
<i>Purpose of Fund:</i> To segregate unearned revenues received from customers from the overall Public Access Fund. Customers deposit funds pending their use for filing documents or for obtaining specialized listings from the public database. Once earned, the funds are then transferred to the Public Access Fund.		
Funds Expended	0	0
Year-End Fund Balance	524,900	524,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Public Access Fund (CCA2333/A.R.S. § 10-122.01)		Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To cover a part of the commission's administrative and legal expenses as well as costs associated with an improved data processing system that allows direct, online access by any person at a remote location to all public records concerning corporations and associations.		
Funds Expended	6,318,300	6,799,400
Year-End Fund Balance	4,238,400	300,300
Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)		Appropriated
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	5,062,100	5,135,300
Year-End Fund Balance	20,902,300	22,267,000
Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)		Appropriated
Source of Revenue: Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
Purpose of Fund: For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the division.		
Funds Expended	13,848,800	14,619,100
Year-End Fund Balance	15,155,800	14,473,000
Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)		Non-Appropriated
Source of Revenue: Fees paid for applications to the Power Plant and Transmission Line Siting Committee for proposed and expanded power plants and transmission lines.		
Purpose of Fund: For costs incurred by the Power Plant and Transmission Line Siting Committee in connection with the activities of the committee.		
Funds Expended	19,200	0
Year-End Fund Balance	1,600	17,600

State Department of Corrections

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,566.0	9,566.0	9,566.0 ^{1/}
Correctional Officer Personal Services	322,746,300	356,924,800	351,085,300
Health Care Personal Services	3,563,700	3,542,300	3,542,300
All Other Personal Services	72,356,900	66,575,700	66,575,700
Personal Services Subtotal	398,666,900	427,042,800	421,203,300
Employee Related Expenditures	233,785,100	272,708,300	268,815,300
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	68,028,000	15,540,500	15,540,500
Other Operating Expenditures			
Professional and Outside Services	7,879,700	8,869,200	8,869,200
Travel - In State	143,600	169,000	169,000
Travel - Out of State	21,600	48,300	48,300
Food	36,699,000	39,503,000	37,218,800
Other Operating Expenditures	102,662,700	107,874,300	81,542,900
Equipment	4,544,200	21,479,400	21,479,400
Other Operating Expenditures Subtotal	151,950,800	177,943,200	149,327,600
OPERATING SUBTOTAL	852,430,800	893,234,800	854,886,700 ^{2/}
SPECIAL LINE ITEMS			
Community Corrections	18,911,600	23,684,000	23,684,000
Private Prison Per Diem	154,061,400	197,548,800	220,048,800
Inmate Health Care Contracted Services	177,657,900	203,173,100	199,634,500 ^{3/}
Medical Staffing Augmentation	0	15,000,000	0
Substance Abuse Treatment	0	5,000,600	0
Named Claimants	800	0	0
AGENCY TOTAL	1,203,062,500	1,337,641,300	1,298,254,000 ^{D/4/-11/}
FUND SOURCES			
General Fund	1,162,398,100 ^{2/}	1,284,302,300	1,244,915,000
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	17,800	555,700	555,700
Corrections Fund	30,238,700	30,312,400	30,312,400
Inmate Store Proceeds Fund	616,100	1,373,000	1,373,000
Penitentiary Land Fund	2,653,300	2,790,700	2,790,700 ^{12/}
Prison Construction and Operations Fund	4,000,000	12,500,000	12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,400	2,663,700	2,663,700 ^{13/}
State Education Fund for Correctional Education	0	743,300	743,300 ^{14/}
Transition Program Fund	477,100	2,400,200	2,400,200
SUBTOTAL - Other Appropriated Funds	40,664,400	53,339,000	53,339,000
SUBTOTAL - Appropriated Funds	1,203,062,500	1,337,641,300	1,298,254,000
Other Non-Appropriated Funds	84,459,600	60,415,900	60,415,900
Federal Funds	27,013,300	15,265,200	15,265,200
TOTAL - ALL SOURCES	1,314,535,400	1,413,322,400	1,373,935,100

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

FOOTNOTES

- 1/ Includes 184 GF FTE Positions funded from Special Line Items in FY 2023.
- 2/ Of the amount appropriated in the operating lump sum, \$421,203,300 is designated for personal services and \$268,815,300 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 expenditures, 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)
- 3/ 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)
- D/ ~~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)~~
- 4/ 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)
- 5/ 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)
- 6/ On or before November 1, 2022, 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, 2021 and June 30, 2022 and the projected capacity for June 30, 2023, 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. (General Appropriation Act footnote)
- 7/ ~~If the department develops a plan after its November 1 report to open or close 100 OR MORE state-operated OR PRIVATE 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-CHANGES for review by the joint legislative budget committee before implementing these changes. (General Appropriation Act footnote)~~
- 8/ On or before August 1, 2022, 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 2022-2023. (General Appropriation Act footnote)
- 9/ On or before December 15, 2022 and July 15, 2023, 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)
- 10/ **NEW** The department shall report actual fiscal year 2021-2022, estimated fiscal year 2022-2023, and requested fiscal year 2023-2024 expenditures as delineated in the prior year when the department submits its fiscal year 2023-2024 budget request pursuant to section 35-113, Arizona Revised Statutes. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

- 12/ 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)
- 13/ 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)
- 14/ 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)

Summary

The Baseline decreases the Arizona Department of Corrections (ADC)'s General Fund spending by \$(39,387,300) in FY 2023 for the following:

- \$2,444,700 for net increased costs associated with year 2 of the phased closure of the Florence prison.
- \$(600,000) for rent savings.
- \$(41,232,000) for the elimination of one-time funding.

Operating Budget

The Baseline includes \$854,886,700 and 9,382 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$845,127,400
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 2023 adjustments are as follows:

Remove One-Time Radio Replacement Funding

The Baseline includes a decrease of \$(17,329,500) from the General Fund in FY 2023 for the elimination of one-time funding for radio replacements.

Remove One-Time Vest Funding

The Baseline includes a decrease of \$(3,851,900) from the General Fund in FY 2023 for the elimination of one-time funding for new ballistic and stab-proof vests.

Remove One-Time Equipment

The Baseline includes a decrease of \$(50,000) from the General Fund in FY 2023 for the elimination of one-time equipment for the expansion of the Braille Transcription Program.

Florence Closure Savings

The Baseline includes a decrease of \$(16,516,700) from the General Fund in FY 2023 for state-funded prison operational savings resulting from the second year of the Florence closure plan. (See the Florence Prison section in Other Issues)

Rent Savings

The Baseline includes a decrease of \$(600,000) from the General Fund in FY 2023 for rent savings. Beginning in FY 2023, ADC will consolidate its office space and relocate to less square feet at 701 E. Jefferson in downtown Phoenix. This decrease was enacted by the FY 2022 budget's 3-year spending plan.

Retirement Savings

The FY 2022 budget's 3-year spending plan included a FY 2021 supplemental of \$500,000,000 from the General Fund to PSPRS to reduce unfunded pension liability in the ADC CORP Employer Group. The Baseline reduces ongoing General Fund spending by \$(52,037,300) beginning in FY 2023 due to lower employer contributions. These savings will be allocated to the ADC budget in the FY 2023 General Appropriation Act.

The Baseline includes a new General Appropriation Act footnote that would require the department to report actual FY 2022, estimated FY 2023, and requested FY 2024 expenditures as delineated in the prior year when the department submits its FY 2024 budget request. This requirement was previously included in the Criminal Justice Budget Reconciliation Bill.

Community Corrections

The Baseline includes \$23,684,000 and 184 FTE Positions in FY 2023 for Community Corrections. These amounts consist of:

General Fund	20,978,300
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,200

These amounts are unchanged from FY 2022.

Background – Monies in this line item are used for several different community corrections programs as described below. In addition to the \$23,684,000 in FY 2023 appropriated funds, ADC projects that they will utilize an additional \$5,791,100 in non-appropriated funds for these activities in FY 2023.

As of December 17, 2021, ADC has responsibility for 5,429 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 line item funds the staffing costs for correctional officers that oversee offenders on community supervision. The department also uses the appropriated monies for contracted drug testing, behavioral needs testing, and other programming.
- **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. (See the *Transition Program section in Other Issues.*)
- **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, ADC operates the Maricopa and Pima Reentry Centers, 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.
- **Mental Health Transition Program:** Starting in FY 2022, 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.

	Approp.	Non-Approp.	Total
Comm. Supervision	\$14,155,200	\$3,691,500	\$17,846,700
Transition	495,000	0	495,000
Maricopa Reentry	1,099,800	425,400	1,525,200
Pima Reentry	2,444,500	0	2,444,500
Other/Overhead	717,100	0	717,100
Total	\$18,911,600	\$4,116,900	\$23,028,500

Private Prison Per Diem

The Baseline includes \$220,048,800 in FY 2023 for Private Prison Per Diem. This amount consists of:

General Fund	190,674,800
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

FY 2023 adjustments are as follows:

Florence Replacement Beds

The Baseline includes an increase of \$22,500,000 from the General Fund in FY 2023 for the second-year costs of new private prison beds to replace beds removed from service in the partial Florence prison closure. (See the *Florence Prison section.*)

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 11,268 beds after the increase in new private prison 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 as the state owns those facilities.

Inmate Health Care Contracted Services

The Baseline includes \$199,634,500 in FY 2023 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	188,134,500
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

FY 2023 adjustments are as follows:

Florence Closure Savings

The Baseline includes a decrease of \$(3,538,600) from the General Fund in FY 2023 for assumed contract savings from a reduced state-prison inmate population resulting from the second year of the partial closure of the Florence prison. (See the Florence Prison section.)

Background – The state contracts with a private company to provide health care to inmates in state-operated prisons. In June 2021, ADC exercised the first of 3 one-year extensions to the current contract for FY 2022. The line item funds the costs of the contract; ADC expenditures for monitoring the contracted services are included within the department’s operating budget. The current contract can be amended for changes to scope, and the vendor may request adjustments for inflation. A General Appropriation Act footnote continues to require review of any changes to the per diem.

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.

In previous years a General Appropriation Act footnote required ADC to report semi-annually on the status of healthcare performance measures. The Baseline removes this requirement as ADC is currently involved in ongoing litigation regarding health care services which could affect future funding and reporting requirements.

Medical Staffing Augmentation

The Baseline includes no funding from the General Fund in FY 2023 for Medical Staffing Augmentation. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2023 for the elimination of one-time funding.

This line item provides ADC with flexible funding to address performance measures related to the ongoing inmate healthcare litigation.

Substance Abuse Treatment

The Baseline includes no funding from the General Fund in FY 2023 for Substance Abuse Treatment. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,600) from the General Fund in FY 2023 for the elimination of one-time funding.

This funding is used to contract with a private company to provide additional substance abuse treatment services to inmates.

Other Issues

This section includes information on the following topics:

- Long-Term Budget Impacts
- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall
- Auditor General Report
- Florence Prison

Long-Term Budget Impacts

As part of the FY 2023 budget’s 3-year spending plan, ADC’s General Fund costs are projected to increase by \$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. (See the Florence Prison section.)

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. Participants reside in homes or halfway houses across the state and receive substance abuse counseling and case management services.

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 from an earlier release 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 2021, the program saved a total of 81,082 bed days. In that same year, the Transition Program Fund received revenue of about \$1,990,800 from all sources. Of this amount, \$1,378,400 came from the statutory \$17 transfer and the remainder came from DUI inmate wages. According to ADC, the vendor costs to run the program in FY 2021 were on average \$6 per inmate per day, or \$495,000 total.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2021, the total inmate population was 35,954. This was a decrease of (4,197) inmates since the June 30, 2020 population of 40,151. *Table 2* shows the year-end populations from FY 2017 to FY 2022.

<u>Year</u>	<u>Population</u>
FY 2017	42,200
FY 2018	42,113
FY 2019	42,312
FY 2020	40,151
FY 2021	35,954
FY 2022 (as of December 17)	34,114

The decline in the ADC population in FY 2020 through FY 2022 may be related to the pandemic.

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, 2021, unchanged from June 30, 2020.
- 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 2021, the department increased its total operating capacity by 16 beds, from 45,191 to 45,207.

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 1,821 as of June 30, 2021, a decrease of (16) from June 30, 2020.

Bed Surplus/Shortfall

At the end of FY 2021, the department had a total rated bed surplus of 3,018. After adjusting for the 6,235 temporary beds in the overall ADC system, the rated bed shortfall became a 9,253-bed surplus.

ADC plans to close most of the Florence prison by the end of FY 2022 and replace these beds with new private beds. The net impact of this change would add 39 new beds to the operating capacity. (See *Table 5*.)

Auditor General Report

In October 2021 the Auditor General published 2 ADC audits: a performance audit and sunset review and a review of specific self-improvement or treatment programs provided by the department.

Performance Audit and Sunset Review

The report evaluated whether the department met its statutory requirements. In terms of budget-related issues, the report found that in some instances the department did not release inmates to the Transition Program as required by statute, and as a result some inmates were in custody longer than required. The report also found that the department had not yet programmed all eligibility requirements for the Transition Program into the inmate management system, which likely led to the error.

Review of Specific Self-Improvement or Treatment Programs

The report reviewed 4 specific programs offered by the department: cognitive restructuring, moderate substance abuse (SA) treatment, intensive SA treatment, and driving-under-the-influence (DUI) treatment.

The report found that the department was not able to provide treatment to all inmates who needed it. *Table 3* details the participation and completion rates for inmates released by the department between January 2017 and November 2019.

	<u>Need Met</u>	<u>Completion Rate</u>
Cognitive Restructuring	43%	78%
Moderate or Intensive SA Treatment	17%	63%
DUI Treatment	79%	87%

The report identified staffing limitations as a contributor to the lack of treatment capacity. The report also noted that transfers to other prisons while enrolled in a program

contributed to lower completion rates and said the department was taking steps to reduce those noncompletions.

The Auditor General's key recommendations were that ADC:

- Continue to increase capacity in these 4 programs by requesting additional resources, particularly for substance abuse treatment.
- Continue efforts to reduce noncompletions.
- Use enrollment data to research causes for noncompletions and utilize data to change enrollment process.

Florence Prison

The FY 2022 budget included 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 included an additional net increase of \$2,444,700 from the General Fund in FY 2023 for the second-year costs and \$7,226,800 in FY 2024.

The Executive plan includes several components:

- **Florence Closure Savings:** This includes savings from reduced overtime, healthcare costs, food, and other costs.
- **Remaining Florence Unit Costs:** The Executive plans to keep the Globe and Florence South units at least partially open through 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 with an assumed per diem of \$85. The new private beds would be phased in over several years. ADC's budget caps some private prison contracts at 97% of capacity. The Executive plan restores this funding, which would add 294 beds. In total, the Executive plans to add 2,706 beds.

See Table 4 for the full 3-year funding plan.

	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 5

State	Fiscal Year-End Operating Capacity								
	FY 2021 Actual			FY 2022 Estimate			FY 2023 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	1,833	5,817	3,984	1,833	5,817
Florence	3,284	697	3,981	794	473	1,267	794	473	1,267
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	509	5,109	4,600	516	5,116	4,600	516	5,116
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	5,573	36,645	28,582	5,396	33,978	28,582	5,396	33,978
Private (Per Diem)									
Kingman (\$48.09)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$57.37)	400	100	500	400	100	500	400	100	500
Marana (\$53.98)	500	-	500	500	-	500	500	-	500
Florence West (\$52.82 - 64.01)	600	150	750	600	150	750	600	150	750
Florence II (\$76.22)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$75.07)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
New RFP)\$85.00)	-	-	-	2,706	-	2,706	2,706	-	2,706
Subtotal ^{1/}	7,900	662	8,562	10,606	662	11,268	10,606	662	11,268
Total - All beds ^{2/}	38,972	6,219	45,191	39,188	6,058	45,246	39,188	6,058	45,246
State Prison Population									
Female	3,387		3,387	3,387		3,387	3,500		3,500
Male	25,372		25,372	25,372		25,372	25,000		25,000
Subtotal	28,759		38,759	28,759		28,759	28,500		28,500
Private Prison Population									
Male	7,195		7,195	7,195		7,195	9,300		9,300
Total Population ^{3/4/}	35,954		35,954	35,594		35,954	37,800		37,800
Bed Surplus/(Shortfall)									
Male	3,018		9,253	3,234		9,292	1,388		7,446
Female	2,080		8,174	2,112		8,213	379		6,480
	938		1,079	1,122		1,353	1,009		1,240
Bed Surplus/(Shortfall) (% of Beds)	8%		20%	8%		21%	4%		16%

^{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 1,821 as of June 30, 2021.

^{3/} The chart excludes prisoners awaiting transfer from county jail.

^{4/} The chart assumes the inmate population in FY 2022 remains unchanged from FY 2021 and a 5% population growth in FY 2023.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)		Appropriated
Source of Revenue: The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses.		
Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
Funds Expended	17,800	555,700
Year-End Fund Balance	1,398,000	1,180,800
Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)		Non-Appropriated
Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs. A.R.S. § 41-1624 authorizes an annual \$1,000,000 transfer into the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	34,947,600	38,893,000
Year-End Fund Balance	12,657,100	5,996,700
Community Corrections Enhancement Fund (DCA2395/ARS § 31-418)		Non-Appropriated
Source of Revenue: A portion (30%) of a monthly supervision fee of at least \$65 paid by the prisoner. The departments may require payment of a lesser amount. Laws 2012, Chapter 208 permits the department to implement a fee for participation in a drug testing program; the department has not yet implemented the fee.		
Purpose of Fund: To pay for costs related to community corrections.		
Funds Expended	427,100	405,000
Year-End Fund Balance	485,700	546,400
Coronavirus Relief Fund (DCA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	22,562,700	0
Year-End Fund Balance	0	0
Corrections Fund (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products. The fund receives 20% of the monies collected from spirituous liquor and 50% of the monies collected from vinous and malt liquors are deposited in the Corrections Fund. A.R.S. § 42-3104 designates that the fund receive 50% of all general tax rate collections from the tax on tobacco products.		
Purpose of Fund: For the construction, major maintenance, lease-purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. A.R.S. § 41-1641 authorizes an annual transfer of \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	30,238,700	30,312,400
Year-End Fund Balance	14,861,000	12,291,200
Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)		Appropriated
Source of Revenue: Monies transferred annually from the following funds: Inmate Store Proceeds Fund (\$500,000), Special Services Fund (\$500,000), Arizona Correctional Industries Revolving Fund (\$1,000,000), and Corrections Fund (\$2,500,000). Also includes monies from a visitation background check fee and a 1% fee on inmate deposits. Expenditures from this fund are reported in the Capital section.		
Purpose of Fund: For capital projects and preventive maintenance (up to 8% of the annual expenditures).		
Funds Expended	0	0
Year-End Fund Balance	4,407,400	793,800

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)		Non-Appropriated
Source of Revenue: Law enforcement related federal grants.		
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
Funds Expended	4,450,600	15,265,200
Year-End Fund Balance	575,500	759,200
Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	716,800	450,900
Year-End Fund Balance	1,859,800	2,687,700
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: To fund inmate education. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	616,100	1,373,000
Year-End Fund Balance	8,209,800	7,491,000
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Non-Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: For inmate activities, incentive pay increases for Corrections Officers, equipment to enhance safety for both department personnel and inmates or other official needs as required, at the discretion of the Director of ADC. A.R.S. § 41-1604.02 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	5,187,100	4,377,000
Year-End Fund Balance	8,209,800	7,491,000
Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between ADC and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	34,927,500	4,931,600
Year-End Fund Balance	4,933,300	41,500
Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance.		
Funds Expended	2,653,300	2,790,700
Year-End Fund Balance	5,448,500	3,620,700
Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)		Appropriated
Source of Revenue: Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	4,000,000	12,500,000
Year-End Fund Balance	17,283,600	3,539,800

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Special Services Fund (DCA3187/A.R.S. § 41-1604.03)		Non-Appropriated
Source of Revenue: Revenues that are generated by the inmate use of technology, including telephone systems, kiosks and tablets.		
Purpose of Fund: For the benefit, education, and welfare of committed offenders, and to pay the costs of implementing, operating and maintaining technologies and programs for inmate use. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis. A.R.S. § 41-1604.03 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund; this transfer is reported as an expenditure. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
Funds Expended	6,797,200	8,033,100
Year-End Fund Balance	10,546,800	6,285,900
State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)		Appropriated
Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penal institutions.		
Funds Expended	2,661,400	2,663,700
Year-End Fund Balance	4,147,100	2,609,500
State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)		Non-Appropriated
Source of Revenue: The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To provide support for rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole.		
Funds Expended	1,322,000	3,212,500
Year-End Fund Balance	5,147,100	6,043,100
State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)		Appropriated
Source of Revenue: "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. § 15-1372.		
Purpose of Fund: To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
Funds Expended	0	743,300
Year-End Fund Balance	1,060,200	770,900
Statewide Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	134,300	112,800
Year-End Fund Balance	78,500	90,400
Transition Program Fund (DCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)		Appropriated
Source of Revenue: Revenue from 5% allocation of wages (if available after other obligations) from inmates not convicted of DUI earning under \$2.00 per hour and from the cost savings from the implementation of a transition program as calculated by A.R.S. § 31-285. The source of revenue for the cost savings is the State DOC Revolving Fund that receives a share of tax revenue collected from liquor, and the expenditures of these monies are reported from this fund.		
Purpose of Fund: To pay for costs related to the administration of the Transition Program and for transition program services.		
Funds Expended	477,100	2,400,200
Year-End Fund Balance	6,174,500	6,070,800

Board of Cosmetology

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	0.0
Personal Services	768,000	823,100	0
Employee Related Expenditures	383,700	423,000	0
Professional and Outside Services	188,000	147,000	0
Travel - In State	10,900	30,000	0
Travel - Out of State	0	5,500	0
Other Operating Expenditures	352,400	415,100	0
Equipment	1,300	6,200	0
AGENCY TOTAL	1,704,300	1,856,700	0
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Cosmetology Fund	1,704,300	1,856,700	0
SUBTOTAL - Other Appropriated Funds	1,704,300	1,856,700	0
SUBTOTAL - Appropriated Funds	1,704,300	1,856,700	0
TOTAL - ALL SOURCES	1,704,300	1,856,700	0

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.

As required by Laws 2021, Chapter 334, the Board of Cosmetology will merge with the Board of Barbers and be renamed the Barbering and Cosmetology Board effective January 1, 2022. The FY 2022 General Appropriation Act provided a full year's funding to the Board of Cosmetology. As a result, the FY 2022 column is displayed as the full appropriation. Upon the effective date, the remainder of this funding will be available to the Barbering and Cosmetology Board.

Operating Budget

The Baseline includes no funding in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(6,800) from the Board of Cosmetology Fund in FY 2023 to eliminate one-time funding for digital documentation.

Agency Consolidation

The Baseline includes a decrease of \$(1,849,900) and (24.5) FTE Positions from the Board of Cosmetology Fund in FY 2023 to merge the Board of Barbers with the Board of Cosmetology. This reduction is offset by an equally sized increase in the Barbering and Cosmetology Board. (Please see *Barbering and Cosmetology Board for more information.*)

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Cosmetology Fund (CBA2017/A.R.S. § 32-505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists, salons, and cosmetology schools. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, and for board administration.		
Funds Expended	1,704,300	1,856,700
Year-End Fund Balance	12,604,000	12,129,500

County Funding

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
SPECIAL LINE ITEMS			
Coordinated Reentry Planning Services	0	10,000,000	7,000,000
County Sheriff Reentry Planning	500,000	0	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	20,650,700	17,650,700
FUND SOURCES			
General Fund	10,650,700	20,650,700	17,650,700
<u>Other Appropriated Funds</u>			
State Charitable, Penal and Reformatory Institutions Land Fund	500,000	0	0
SUBTOTAL - Other Appropriated Funds	500,000	0	0
SUBTOTAL - Appropriated Funds	11,150,700	20,650,700	17,650,700
TOTAL - ALL SOURCES	11,150,700	20,650,700	17,650,700

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.

Coordinated Reentry Planning Services

The Baseline includes \$7,000,000 from the General Fund in FY 2023 for Coordinated Reentry Planning Services. FY 2023 adjustments are as follows:

Decreased Coordinated Reentry Services Funding

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2023 to reduce the level of funding 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 FY 2022 General Appropriation Act allocated a total of \$10,000,000: \$5,000,000 to Mohave County, \$4,000,000 to Pinal County, and \$1,000,000 to Yavapai County. The FY 2022 3-year budget plan includes \$7,000,000 in both FY 2023 and FY 2024 for this purpose.

Elected Officials Retirement Plan Offset

The Baseline includes \$3,000,000 from the General Fund in FY 2023 for the Elected Officials Retirement Plan (EORP) Offset. This amount is unchanged from FY 2022.

This amount is allocated equally among counties with a population of less than 300,000 according to the 2020

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 Baseline includes \$7,650,650 from the General Fund in FY 2023 for assistance to small counties. This amount is unchanged from FY 2022.

This line item provides funding for counties with populations less than 900,000 according to the 2020 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 Baseline would, as session law, continue to allow counties with a population of less than 250,000 according to the 2020 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY 2023, up to \$1,250,000 of county revenue for each county. The Baseline would continue to require counties using this authority to report to the Director of the Joint Legislative

Table 1

Distribution and County Population

<u>County</u>	<u>Ongoing Distribution</u>	<u>2020 Census Population</u>
Apache	\$ 550,050	66,021
Cochise	550,050	125,447
Coconino	550,050	145,101
Gila	550,050	53,272
Graham	1,050,050	38,533
Greenlee	550,050	9,563
La Paz	550,050	16,557
Maricopa	-	4,420,568
Mohave	550,050	213,267
Navajo	550,050	106,717
Pima	-	1,043,433
Pinal	550,050	425,264
Santa Cruz	550,050	47,669
Yavapai	550,050	236,209
Yuma	550,050	203,771
Total	\$7,650,650	7,151,392

Budget Committee (JLBC) on the intended amount and sources of funds by October 1, 2022. (Please see the Other Issues – Decennial Census section below for more information.)

County Flexible Revenue Report

The FY 2022 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 2022. Counties using the authority were required to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2021.

Of the 12 eligible counties, 5 reported using the flexibility in FY 2022:

- Apache County: \$900,000 from the Library District, Junior College District, and Flood Control District to the Jail District for Jail District Operations.
- 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: \$1,250,000 from the Vehicle License Tax to the General Fund to pay down a General Fund shortfall.

- Mohave County: \$1,250,000 from the Landfill Fund, ERACE Fund, and Motor Pool Fund to the General Fund for capital projects.
- Navajo County: \$300,000 from the Library District and Flood Control District to the General Fund for operating expenses.

The following 7 counties indicated that they are not utilizing this provision: Cochise, Gila, Graham, Greenlee, Santa Cruz, Yavapai, and Yuma.

Table 2 shows the utilization of the county flexibility language in FY 2021 and FY 2022. Please see FY 2022 Appropriations Report for FY 2016 – FY 2020 usage.

Table 2

County Flexibility Language Utilization

	<u>FY 2021</u>	<u>FY 2022</u>
Apache	NR	\$ 900,000
Cochise	-	-
Coconino	\$1,250,000	1,250,000
Gila	-	-
Graham	-	-
Greenlee	-	-
La Paz	600,000	1,250,000
Maricopa	-	-
Mohave	1,000,000	1,250,000
Navajo	830,000	300,000
Pima	-	-
Pinal	-	-
Santa Cruz	-	-
Yavapai	1,250,000	-
Yuma	500,000	-
Total	\$5,430,000	\$4,950,000

NR = County did not respond to the request for information.

Decennial Census

The Baseline revises 2 appropriations for County Funding to use the 2020 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 has also been revised to use the 2020 Decennial Census. This revision does not change the distribution of the 2 appropriations or affect the counties permitted to use fund flexibility.

Arizona Criminal Justice Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	539,600	461,000	461,000
Employee Related Expenditures	187,600	170,100	170,100
Professional and Outside Services	243,100	442,400	442,400
Travel - In State	3,500	4,000	4,000
Travel - Out of State	1,300	2,000	2,000
Other Operating Expenditures	132,700	160,800	160,800
Equipment	2,300	36,000	36,000
OPERATING SUBTOTAL	1,110,100	1,276,300	1,276,300
SPECIAL LINE ITEMS			
Coordinated Reentry Planning Database	0	1,000,000	0
Criminal History Repository Upgrade	553,300 ^{1/}	0	0
State Aid to County Attorneys	685,900	973,700	973,700
State Aid to Indigent Defense	0	700,000	700,000
Victim Compensation and Assistance	2,620,800	4,224,600	4,224,600
AGENCY TOTAL	4,970,100	8,174,600	7,174,600 ^{2/}
FUND SOURCES			
General Fund	0	1,000,000	0
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	488,400	658,800	658,800
Drug and Gang Prevention Resource Center Fund	621,700	617,500	617,500
Fingerprint Clearance Card Fund	553,300	0	0
State Aid to County Attorneys Fund	685,900	973,700	973,700 ^{3/}
State Aid to Indigent Defense Fund	0	700,000	700,000
Victim Compensation and Assistance Fund	2,620,800	4,224,600	4,224,600 ^{4/}
SUBTOTAL - Other Appropriated Funds	4,970,100	7,174,600	7,174,600
SUBTOTAL - Appropriated Funds	4,970,100	8,174,600	7,174,600
Other Non-Appropriated Funds	4,671,500	4,628,900	4,628,900
Federal Funds	12,630,600	16,616,800	16,616,800
TOTAL - ALL SOURCES	22,272,200	29,420,300	28,420,300

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 2022-2023 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 2022-2023, 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 2022-2023 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 2022-2023, the Arizona criminal justice

commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$1,276,300 and 11 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
CJEF	\$658,800
Drug and Gang Prevention Resource Center Fund	617,500

These amounts are unchanged from FY 2022.

Coordinated Reentry Planning Database

The Baseline includes no funding from the General Fund in FY 2023 for the Coordinated Reentry Planning Database. FY 2023 adjustments are as follows:

Remove One-Time Database Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to remove one-time funding for the development of a cross-system recidivism tracking database.

This line item provides funding for ACJC to develop a recidivism tracking database that incorporates data collected by counties that receive money for these purposes. *(Please see the County Funding – Coordinated Reentry Planning Services Section for more information.)*

State Aid to County Attorneys

The Baseline includes \$973,700 from the State Aid to County Attorneys Fund in FY 2023 for State Aid to County Attorneys. This amount is unchanged from FY 2022.

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 Baseline includes \$700,000 from the State Aid to Indigent Defense Fund in FY 2023 for State Aid to Indigent Defense. This amount is unchanged from FY 2022.

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 Baseline includes \$4,224,600 from the Victim Compensation and Assistance Fund in FY 2023 for Victim Compensation and Assistance. This amount is unchanged from FY 2022.

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

COVID-Related Spending

ACJC will receive an allocation through the American Rescue Plan Act passed in March 2021. ACJC is expected

to receive \$1,200,000 in FY 2022 to fund programmatic expenses that the Victim Compensation and Assistance Program is eligible to pay out, including victims' medical or dental needs, mental health counseling, funeral and burial costs, lost wages or loss of support, and crime scene clean-up.

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 FY 2021 amounts transferred, the current distribution percentages, and the appropriation status of the funds and programs receiving CJEF monies. (See individual agency pages for detailed information on each recipient.)

Funds Transferred ^{1/}	FY 2021 ^{2/}	% of CJEF	Approp.
<u>Attorney General</u>			
AZ Prosecuting Attorneys Advisory Council (4)	\$ 933,800	3.45	no
County Attorneys (7)	2,885,400	10.66	no
<u>Arizona Criminal Justice Commission</u>			
Operation Costs (10)	424,700	1.79	yes
<u>Department of Public Safety</u>			
Forensics Fund (1,11)	5,876,400	21.71	yes
Peace Officers' Training Fund (3)	5,134,800	18.97	no
State/Local Grants (6)	2,243,900	8.29	^{3/}
<u>Department of Juvenile Corrections (2)</u>			
<u>State Treasurer</u>			
County Sheriffs (9)	3,232,000	13.34	no
<u>Supreme Court</u>			
Case Processing (8)	1,856,900	6.86	yes
Juvenile Crime (5)	2,885,400	10.66	yes
Community Punishment Program (12)	657,800	2.43	yes
Total Funds Distributed ^{4/}	\$26,629,200		

^{1/} The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.
^{2/} The FY 2021 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/} Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.
^{4/} Total does not sum due to rounding.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		Appropriated
Source of Revenue: A 1.79% allocation of the Criminal Justice Enhancement Fund (CJEF) for operating costs. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Please see the Non-Appropriated portion of the fund for additional information.		
Purpose of Fund: For operating costs of ACJC.		
Funds Expended	488,400	658,800
Year-End Fund Balance	957,300	718,100
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: A 1.79% allocation of CJEF and a portion of "Fill the Gap" funds pursuant to A.R.S. § 41-2124. CJEF consists of a 42% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Please see the Appropriated portion of the fund for additional information.		
Purpose of Fund: For operating costs of ACJC.		
Funds Expended	500,100	507,700
Year-End Fund Balance	957,300	718,100

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Drug and Gang Enforcement Fund (JCA2516/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.		
Purpose of Fund: To make grants in amounts not to exceed the percentages shown to enhance efforts to prosecute (50%), adjudicate (30%), and punish (30%) drug offenders and members of criminal street gangs, as well as to enhance investigations and education programs relating to drug and gang activities (50%), and to improve criminal justice records integration (30%). The fund may also be used to fund the Statistical Analysis Center but not the Arizona Youth Survey.		
Funds Expended	4,171,400	4,121,200
Year-End Fund Balance	3,577,900	4,088,600
Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402)		Appropriated
Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.		
Purpose of Fund: To fund the Statistical Analysis Center and Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools.		
Funds Expended	621,700	617,500
Year-End Fund Balance	468,300	594,400
Federal Grants (JCA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To improve the criminal justice records system in Arizona; to fund state and local correction and detention agencies' substance abuse programs for incarcerated offenders; and to provide support dealing with criminal justice issues.		
Funds Expended	12,630,600	16,616,800
Year-End Fund Balance	13,702,000	7,170,100
Fingerprint Clearance Card Fund (JCA2433/A.R.S. § 41-1758.06)		Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.		
Funds Expended	553,300	0
Year-End Fund Balance	1,145,500	0
IGA and ISA Fund (JCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	0	0
Year-End Fund Balance	51,300	51,300
State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)		Appropriated
Source of Revenue: Legislative appropriations, a 15.44% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 21.61% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county attorneys to improve the processing of criminal cases in the Superior and Justice Courts. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population.		
Funds Expended	685,900	973,700
Year-End Fund Balance	0	(223,700)

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county public defenders, legal defenders for the processing of criminal cases. These monies are no longer used for this purpose.		
Funds Expended	0	700,000
Year-End Fund Balance	103,900	103,900
Transition Program Fund (JCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)		Appropriated
Source of Revenue: Revenue from 5% allocation of wages (if available after other obligations) from inmates not convicted of DUI earning under \$2.00 per hour and from the cost savings from the implementation of a transition program as calculated by A.R.S § 31-285. The source of revenue for the cost savings is the State Department of Corrections Revolving Fund that receives a share of tax revenue collected from liquor, and the expenditures of these monies are reported from this fund.		
Purpose of Fund: To fund felony pretrial intervention programs.		
Funds Expended	0	0
Year-End Fund Balance	15,000	15,000
Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)		Appropriated
Source of Revenue: The fund consists of 2 subaccounts. The Victim Compensation subaccount receives revenue from a \$9 penalty on criminal and civil violations, monies collected from a 10% assessment of a working prisoner's gross compensation, and unclaimed restitution. The Victim Assistance subaccount receives revenue derived from community supervision fees and interstate compact fees.		
Purpose of Fund: To establish, maintain and support programs that compensate and assist victims of crime.		
Funds Expended	2,620,800	4,224,600
Year-End Fund Balance	3,084,700	1,550,100

Arizona State Schools for the Deaf and the Blind

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
PROGRAM BUDGET			
Administration/Statewide	8,271,000	7,986,700	7,986,700
Phoenix Day School for the Deaf	9,555,400	10,801,700	10,801,700
Preschool/Outreach Programs	6,287,400	6,323,400	6,323,400
Regional Cooperatives	0	18,108,600	18,108,600
Tucson Campus	11,785,900	12,099,100	12,099,100
AGENCY TOTAL	35,899,700	55,319,500	55,319,500
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	562.2	562.2	562.2
Personal Services	19,959,400	19,256,200	19,256,200
Employee Related Expenditures	8,425,800	8,094,900	8,094,900
Professional and Outside Services	2,195,600	3,206,600	3,206,600
Travel - In State	27,400	108,200	108,200
Travel - Out of State	700	3,000	3,000
Other Operating Expenditures	4,367,900	5,596,400	5,596,400
Equipment	593,300	576,600	576,600
OPERATING SUBTOTAL	35,570,100	36,841,900	36,841,900 ^{1/}
SPECIAL LINE ITEMS			
School Bus/Agency Vehicle Replacement	329,600	369,000	369,000
Cooperative Services	0	18,108,600	18,108,600 ^{2/}
AGENCY TOTAL	35,899,700	55,319,500	55,319,500
FUND SOURCES			
General Fund	23,432,000	23,255,700	23,255,700
<u>Other Appropriated Funds</u>			
Cooperative Services Fund	0	18,108,600	18,108,600
Schools for the Deaf and the Blind Fund	12,467,700	13,955,200	13,955,200 ^{3/}
SUBTOTAL - Other Appropriated Funds	12,467,700	32,063,800	32,063,800
SUBTOTAL - Appropriated Funds	35,899,700	55,319,500	55,319,500
Other Non-Appropriated Funds	18,012,800	2,738,900	2,738,900
Federal Funds	3,526,800	2,687,500	2,687,500
TOTAL - ALL SOURCES	57,439,300	60,745,900	60,745,900

AGENCY DESCRIPTION — The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for students with sensory impairments from birth to age 22. ASDB has 2 main campuses, a day school in Phoenix and a residential campus in Tucson, satellite preschools in the Tucson and Phoenix Metropolitan areas, and 5 regional offices from which cooperative programs with school districts are operated. ASDB also serves infants and toddlers throughout the state. As of October 2021, ASDB served approximately 2,115 children: 353 students in the K-12 programs (110 in Tucson and 243 in Phoenix), 98 children in preschools, 546 infant/toddlers in regional areas, and 1,118 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 cooperative services fund monies in excess of \$18,108,600 in fiscal year 2022-2023, 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)

3/ Before spending any schools for the deaf and the blind fund monies in excess of \$13,955,200 in fiscal year 2022-2023, the Arizona state schools for the deaf and the blind shall report to the joint legislative budget committee the intended use of the monies. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$36,841,900 and 562.2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$22,886,700
Schools for the Deaf and the Blind Fund	13,955,200

These amounts are unchanged from FY 2022.

Background – Special education voucher monies in the ASDB Fund represent ASDB’s reimbursement from the Arizona Department of Education (ADE) for educational costs based on its enrollment. As with school districts, ASDB’s ADE funding is determined by statutory formula. 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.

Assistive Technology Devices

The Baseline includes no change in funding from the General Fund in FY 2023 for assistive technology devices. The Baseline includes a total of \$253,100 from the General Fund in FY 2023 for this equipment, which may include: electronic dictionaries for visually impaired students, mobile classroom computer labs for visually disabled students, interactive whiteboards for hearing impaired students, and computer and software upgrades for computers used by visually impaired students.

Foundation for Blind Children

The Baseline maintains funding in FY 2023 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

School Bus/Agency Vehicle Replacement

The Baseline includes \$369,000 from the General Fund in FY 2023 for School Bus/Agency Vehicle Replacement. This amount is unchanged from FY 2022.

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. (Please see the FY 2022 Appropriations Report for more background).

Cooperative Services

The Baseline includes \$18,108,600 from the Cooperative Services Fund in FY 2023 for Cooperative Services. This amount is unchanged from FY 2022.

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 October 2021 was 1,118.

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305)		Non-Appropriated
Source of Revenue: Monies transferred to the fund pursuant to A.R.S. § 15-1305 from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Funding level is determined by the "Group A" and "Group B" weighted student count, as specified in A.R.S. § 15-943.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	1,777,400	2,000,800
Year-End Fund Balance	3,283,800	3,732,300
Cooperative Services Fund (SDA4221/A.R.S § 15-1202)		Appropriated
Source of Revenue: Revenues consist of tuition payments made by participating school districts or special education voucher monies claimed on their behalf by the Arizona School for the Deaf and Blind. Funds are used to support educational programs and supplemental services offered at the 5 state regional cooperatives.		
Purpose of Fund: To receive special education voucher monies paid to ASDB by the Department of Education on behalf of students enrolled in one of ASDB's 5 regional cooperatives, tuition payments from school districts, and district membership fees.		
Funds Expended	0	18,108,600
Year-End Fund Balance	4,468,600	5,044,800
Enterprise Fund (SDA4222/A.R.S. § 15-1323)		Non-Appropriated
Source of Revenue: Monies received from fees, rentals, and other charges from the non-school use of facilities.		
Purpose of Fund: To defray the costs of operating those facilities (i.e. auditorium).		
Funds Expended	140,000	22,500
Year-End Fund Balance	280,200	300,200
Federal Grants (SDA2000/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Federal Grants - Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; and Arizona Early Intervention program.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	2,556,200	2,658,100
Year-End Fund Balance	709,400	3,451,000
Governor's Emergency Education Relief Fund (SDA2980/U.S. P.L. 116-136)		Non-Appropriated
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	970,600	29,400
Year-End Fund Balance	0	0
IGA and ISA Fund (SDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGAs) and Intergovernmental Service Agreements (ISAs).		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Instructional Improvement Fund (SDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	0	0
Year-End Fund Balance	1,800	1,800
Regional Cooperatives Fund (SDA4221/ A.R.S. § 15-1304)		Non-Appropriated
Source of Revenue: Monies in the fund come from special education voucher funds as well as tuition and fees that school districts pay to ASDB in order to reimburse it for costs of providing services to their students.		
Purpose of Fund: The Regional Cooperative Fund is used to support ASDB's Regional Cooperatives program, which provides educational services to sensory impaired pupils who attend school at their local school districts rather than at an ASDB campus.		
Funds Expended	15,575,200	0
Year-End Fund Balance	0	0
Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)		Appropriated
Source of Revenue: "Special Education Fund" monies that ASDB receives from the Arizona Department of Education under the formula prescribed in A.R.S. § 15-1204. This formula is based on the number of pupils attending ASDB and the various special education "Group B" funding categories that those pupils qualify for under A.R.S. § 15-943(2b). This fund also receives expendable land endowment earnings pursuant to A.R.S. § 15-1304 and over-age and non-resident tuition income pursuant to A.R.S. § 15-1345.		
Purpose of Fund: To cover the cost of educating students receiving special education services at ASDB.		
Funds Expended	12,467,700	13,955,200
Year-End Fund Balance	3,022,500	4,606,900
State Grants (SDA2011/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
Purpose of Fund: To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
Funds Expended	480,300	580,600
Year-End Fund Balance	554,700	591,100
Telecommunication Fund for the Deaf (SDA2047/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To supplement funding to ASDB's Early Childhood and Family Education Program.		
Funds Expended	0	0
Year-End Fund Balance	561,000	561,000
Trust Fund (SDA3148/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
Purpose of Fund: Spent at the discretion of ASDB.		
Funds Expended	39,900	135,000
Year-End Fund Balance	261,500	289,500

Commission for the Deaf and the Hard of Hearing

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	1,218,600	1,151,200	1,151,200
Employee Related Expenditures	432,400	437,500	437,500
Professional and Outside Services	837,100	1,457,000	1,457,000
Travel - In State	0	3,000	3,000
Other Operating Expenditures	946,600	1,271,200	1,271,200
Equipment	113,800	120,000	120,000
OPERATING SUBTOTAL	3,548,500	4,439,900	4,439,900
SPECIAL LINE ITEMS			
Support Services for the Deaf-Blind	0	192,000	192,000
AGENCY TOTAL	3,548,500	4,631,900	4,631,900^{1/}

FUND SOURCES

Other Appropriated Funds

Telecommunication Fund for the Deaf	3,548,500	4,631,900	4,631,900
SUBTOTAL - Other Appropriated Funds	3,548,500	4,631,900	4,631,900
SUBTOTAL - Appropriated Funds	3,548,500	4,631,900	4,631,900
TOTAL - ALL SOURCES	3,548,500	4,631,900	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 Baseline includes \$4,439,900 and 17 FTE Positions from the Telecommunication Fund for the Deaf in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

loss which requires special strategies and skills. Examples of support services provided include transportation assistance, sighted guides, independent living assistance, and communication facilitators.

Support Services for the Deaf-Blind

The Baseline includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2023 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2022.

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

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Private Grants (DFA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenue received from grants and donations from non-governmental agencies such as foundation and private donors.		
Purpose of Fund: Monies used to pay for conferences, program, or other activities that are sponsored by donor organizations.		
Funds Expended	0	0
Year-End Fund Balance	6,500	13,000
Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To operate the Arizona Relay System; support community outreach and education, purchase; repair, and distribute telecommunication devices for the deaf, hard of hearing, blind, and speech impaired; and operating costs of the commission.		
Funds Expended	3,548,500	4,631,900
Year-End Fund Balance	10,176,100	9,647,200

State Board of Dental Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	564,300	703,600	703,600
Employee Related Expenditures	242,700	281,800	281,800
Professional and Outside Services	194,900	541,700	481,000
Travel - In State	700	3,200	3,200
Travel - Out of State	0	5,500	5,500
Other Operating Expenditures	190,500	256,300	256,300
Equipment	1,000	23,700	23,700
AGENCY TOTAL	1,194,100	1,815,800	1,755,100^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,194,100	1,815,800	1,755,100
SUBTOTAL - Other Appropriated Funds	1,194,100	1,815,800	1,755,100
SUBTOTAL - Appropriated Funds	1,194,100	1,815,800	1,755,100
TOTAL - ALL SOURCES	1,194,100	1,815,800	1,755,100

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

FOOTNOTES

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

Operating Budget

The Baseline includes \$1,755,100 and 11 FTE Positions from the Dental Board Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Remove One-Time File Imaging Costs

The Baseline includes a decrease of \$(60,700) from the Dental Board Fund in FY 2023 to remove one-time file imaging costs for a compliance files digitization project.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Dental Board Fund (DXA2020/A.R.S. § 32-1212)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of dentists, denturists, dental hygienists, and dental assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
Funds Expended	1,194,100	1,815,800
Year-End Fund Balance	3,643,800	3,236,500

Drought Mitigation Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
SPECIAL LINE ITEMS			
Drought Mitigation Revolving Fund Deposit	160,000,000	0	0
AGENCY TOTAL	160,000,000	0	0^{1/}
FUND SOURCES			
General Fund	160,000,000	0	0
SUBTOTAL - Appropriated Funds	160,000,000	0	0
Other Non-Appropriated Funds	0	10,000,000	0
TOTAL - ALL SOURCES	160,000,000	10,000,000	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. The Department of Water Resources (DWR) provides technical assistance to the board, along with clerical and administrative support.

FOOTNOTES

1/ General Appropriation Act funds are appropriated by Special Line Items by Agency.

Other Issues

Drought Mitigation Revolving Fund

The FY 2022 Environment Budget Reconciliation Bill (BRB) established 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.

The FY 2022 budget included an FY 2021 supplemental of \$160,000,000 from the General Fund to the Drought Mitigation Revolving Fund. The FY 2022 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 that would avoid reductions in this state's Colorado River supplies. Under forbearance grants, water rights holders are compensated for not using their water entitlements, which helps to increase water levels in storage reservoirs. This amount is required to be used on or before June 30, 2025.
- 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.

Drought Mitigation Board

The FY 2022 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 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 FY 2022 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 of each year, 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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Drought Mitigation Revolving Fund (WCA3230/A.R.S. § 49-193.01)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature, federal monies, loan repayments and charges, interest from investments, gifts, grants, and donations. The FY 2022 budget established the fund and included a one-time \$160.0 million deposit from the General Fund.		
Purpose of Fund: To be used for assistance for projects to develop water supply and conservation projects, including projects to import water supplies from outside the state. Monies in the fund may be used directly by the board for certain financial assistance, or by the Department of Water Resources and State Land Department for specific purposes.		
Funds Expended	0	10,000,000
Year-End Fund Balance	160,000,000	150,032,400

Arizona Early Childhood Development and Health Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	141,199,400	163,412,000	163,412,000
Federal Funds	1,592,200	17,373,000	17,373,000
TOTAL - ALL SOURCES	142,791,600	180,785,000	180,785,000

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 2021, ECDHB’s largest expenditure was **Child Care Scholarships** at \$69.3 million, as displayed in *Table 1*, serving an average of 5,920 children monthly, up from 5,167 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 2021 ECDH Fund Expenditures by Category ^{1/} (\$ in Millions)

<u>Expenditure Category</u>	<u>Amount</u>	<u>Percent</u>
Child Care Scholarships	\$69.3	49%
Family Support	31.3	22%
Health	15.6	11%
Administration	10.0	7%
Professional Development	5.2	4%
Community Awareness	2.7	2%
Research & Evaluation	4.1	3%
System Coordination	1.0	1%
Other Funds (Grants, Gifts, etc.)	2.0	1%
Total	\$141.2	100%

^{1/} Does not include federal grant expenditures.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)		Non-Appropriated
Source of Revenue: A 4¢ tax per cigarette as well as various increases on other tobacco products.		
Purpose of Fund: To fund the administrative and programmatic costs of the Arizona Early Childhood Development and Health Board. Monies from the fund may supplement, but not supplant, existing early childhood development programs. Up to 10% of the funds each year are deposited into the Administrative Costs Account and at least 90% are deposited into the Program Account for early childhood development programs and grants. The fund was created as a result of a voter initiative (Proposition 203) in the 2006 election.		
Funds Available		
Balance Forward	341,322,900	325,724,700
Revenue:		
Administrative Costs Account	111,097,800	12,150,000
Program Account	12,344,200	109,350,000
Other (Donations/Grants)	<u>2,159,200</u>	<u>19,940,900</u>
Total Funds Available	466,924,100	467,165,600
Expenditures:		
Administrative Expenditures	125,560,200	15,955,600
Program Expenditures	13,716,400	127,129,100
Other (Donations/Grants)	<u>1,922,800</u>	<u>20,327,300</u>
Total Funds Expended	141,199,400	163,412,000
Year-End Fund Balance	325,724,700	303,753,600
Federal Grants (CDA2000/A.R.S. § 8-1182)		Non-Appropriated
Source of Revenue: Federal Funds.		
Purpose of Fund: To fund early comprehensive childhood systems.		
Funds Expended	1,592,200	17,373,000
Year-End Fund Balance	295,500	300,100

Office of Economic Opportunity

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	323,200	323,200	323,200
Employee Related Expenditures	113,000	113,000	113,000
Professional and Outside Services	4,100	4,100	4,100
Other Operating Expenditures	38,600	29,900	29,900
Equipment	100	100	100
AGENCY TOTAL	479,000	470,300	470,300 ^{1/}
FUND SOURCES			
General Fund	479,000	470,300	470,300
SUBTOTAL - Appropriated Funds	479,000	470,300	470,300
Other Non-Appropriated Funds	5,344,800	9,896,700	9,896,700
Federal Funds	2,589,400	2,589,400	2,589,400
TOTAL - ALL SOURCES	8,413,200	12,956,400	12,956,400

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 Baseline includes \$470,300 and 5 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

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 \$140,003,900 in expenditures in FY 2023.

WIFA funds are now reported in its own separate section of the Baseline. (See the Water Infrastructure Finance Authority section in the Baseline 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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Finance Authority Operations Fund (FAA5352/A.R.S. § 41-5352)		Non-Appropriated
Source of Revenue: Legislative appropriations, unrestricted and available monies of WIFA and GADA, proceeds from the bond issuances of AIDA, donations, loans, or gifts to the Authority.		
Purpose of Fund: To fund the operations of AFA. Oversees the state's private activity bond authorization and the operations of WIFA and GADA.		
Funds Expended	1,500	1,500
Year-End Fund Balance	2,051,700	3,821,800
Arizona Industrial Development Authority Fund (FAA9973/A.R.S. § 41-5356)		Non-Appropriated
Source of Revenue: Filing and application fees related to the issuance of private activity bonds and investment income.		
Purpose of Fund: To pay for the operations of the Arizona Industrial Development Authority, including the review and approval of certain corporate bond financing projects. Revenues remaining in the fund at the end of the fiscal year are transferred to the Office of Economic Opportunity's Economic Development Fund and the Department of Housing's Housing Trust Fund. This fund is not held in a state account, so its expenditures and fund balances are not displayed.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Economic Development Fund (EOA3777/A.R.S. § 41-5302)		Non-Appropriated
Source of Revenue: Any unencumbered monies retained by the Arizona Finance Authority at the end of the fiscal year that are in excess of the Authority's operating expenses.		
Purpose of Fund: To fund projects as determined by the director of OEO.		
Funds Expended	2,184,600	7,141,600
Year-End Fund Balance	13,564,900	8,923,300
Federal Grants (EOA2000/A.R.S. § 49-1203)		Non-Appropriated
Source of Revenue: Federal grants related to water supply management, employment and population statistical analysis, Workforce Innovation and Opportunity Act (WIOA) monies, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	2,589,400	2,589,400
Year-End Fund Balance	95,800	161,500
IGA and ISA Fund (EOA2500/A.R.S. § 41-5303)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	48,200	48,200
Year-End Fund Balance	151,800	167,600
Office of Economic Opportunity Operations Fund (EOA9903/A.R.S. § 41-5302)		Non-Appropriated
Source of Revenue: Filing fees paid by security issuers and registration fees paid by security dealers to the Corporation Commission. Prior to the creation of this fund, these monies had been deposited into the Arizona Competes Fund.		
Purpose of Fund: To fund the operational costs of the office.		
Funds Expended	3,110,500	2,705,400
Year-End Fund Balance	1,436,000	2,345,800

Department of Economic Security

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,377.8	4,381.8	4,381.8 ^{1/}
Personal Services	74,199,000	74,694,400	74,694,400
Employee Related Expenditures	32,869,600	32,939,600	32,939,600
Professional and Outside Services	22,844,500	21,532,600	21,532,600
Travel - In State	26,900	133,000	133,000
Travel - Out of State	0	80,700	80,700
Other Operating Expenditures	24,856,800	24,901,800	24,901,800
Equipment	5,554,200	5,468,200	5,468,200
OPERATING SUBTOTAL	160,351,000	159,750,300	159,750,300 ^{2/3/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	10,600,000	11,222,900	11,222,900
Aging and Adult Services			
Adult Services	8,731,900	11,205,900	9,731,900
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	2,522,600	2,522,600
Domestic Violence Prevention	12,770,200	14,003,900	14,003,900 ^{4/5/}
Sexual Violence Services	0	8,000,000	0
Long-Term Care Ombudsman	0	1,000,000	1,000,000
After School and Summer Youth Program	0	500,000	0
Benefits and Medical Eligibility			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Pandemic Emergency Assistance	0	14,546,500	0
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	3,043,800	8,539,700	8,539,700
Developmental Disabilities ^{6/-9/D/}			
DDD Administration	45,460,100	45,865,500	45,865,500
DDD Premium Tax Payment	46,961,500	50,055,200	52,819,500
Case Management - Medicaid	69,740,400	85,719,800	89,879,500
Home and Community Based Services - Medicaid	1,417,726,500	1,868,627,600	1,937,153,500
Institutional Services - Medicaid	41,321,100	40,149,500	42,344,200
Physical and Behavioral Health Services - Medicaid	448,078,500	485,132,500	528,070,000
Medicare Clawback Payments	4,388,900	4,661,200	5,710,300
Targeted Case Management - Medicaid	8,300,300	12,924,500	12,924,500
Case Management - State-Only	6,311,900	6,211,400	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	37,839,600	41,574,900	42,669,300
Employment and Rehabilitation Services			
Child Care Subsidy	292,007,300	1,273,693,000	187,080,200 ^{10/11/}
Independent Living Rehabilitation Services	936,100	1,289,400	1,289,400
JOBS	10,595,900	11,005,600	11,005,600
Rehabilitation Services	7,249,100	7,249,100	7,249,100
Workforce Investment Act Services	69,500,000	53,654,600	53,654,600 ^{12/}
Return to Work Grants	0	7,500,000	0
Unemployment Insurance Trust Fund Deposit	62,000,000	0	0
AGENCY TOTAL	2,820,460,000	4,280,628,900	3,284,721,200 ^{13-15/}

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
FUND SOURCES			
General Fund	760,829,100	850,052,500	954,858,300
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	14,346,900	17,204,700	17,204,700
Domestic Violence Services Fund	2,766,500	4,000,200	4,000,200
Federal CCDF Block Grant	304,470,100	1,285,880,000	199,267,200
Federal Pandemic Emergency Assistance Fund	0	14,546,500	0
Federal TANF Block Grant	65,839,800	65,405,800	65,405,800
Long Term Care System Fund (Non-Federal Matched)	28,989,800	32,459,600	33,280,500
Public Assistance Collections Fund	0	423,700	423,700
Sexual Violence Service Fund	0	8,000,000	0
Special Administration Fund	4,140,300	4,512,600	4,512,600
Spinal and Head Injuries Trust Fund	1,975,900	2,336,000	2,336,000
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	75,110,200	56,069,100	56,069,100
SUBTOTAL - Other Appropriated Funds	497,639,500	1,491,838,200	383,499,800
SUBTOTAL - Appropriated Funds	1,258,468,600	2,341,890,700	1,338,358,100
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	35,317,500	42,495,100	42,495,100
Health Care Investment Fund	20,147,300	26,863,200	54,363,200
Long Term Care System Fund (Federal Match)	1,506,526,600	1,869,379,900	1,849,504,800
SUBTOTAL - Expenditure Authority Funds	1,561,991,400	1,938,738,200	1,946,363,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	2,820,460,000	4,280,628,900	3,284,721,200
Other Non-Appropriated Funds	1,095,045,400	306,537,300	282,604,300
Federal Funds	2,785,215,100	3,700,400,100	3,462,000,100
TOTAL - ALL SOURCES	6,700,720,500	8,287,566,300	7,029,325,600

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 Adult 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 2023.
- 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)
- 4/ 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)
- 5/ On or before December 15, 2022, 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)
- 6/ 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)

- 7/ 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)
- 8/ On or before September 1, 2023, 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 2022-2023 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, 2023, 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 2022-2023. (General Appropriation Act footnote)
- ~~D/ 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)~~
- ~~D/ 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)~~
- 9/ 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)
- 10/ On or before September 15, 2022 and March 15, 2023, 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)
- 11/ 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)
- 12/ 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)
- 13/ On or after April 1, 2023, 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, 2023 and must be reimbursed in full as part of the closing the process for fiscal year 2022-2023. The department shall notify the joint legislative budget committee of the reimbursement on or before September 1, 2023. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)

- 14/ 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)
- 15/ 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)
- 16/ 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 2023 General Fund spending increases by \$104,805,800 or 12.3% above the FY 2022 appropriation. This amount includes:

- \$114,279,800 for DDD formula adjustments.
- \$(9,474,000) to remove one-time funding.

Operating Budget

The Baseline includes \$159,750,300 and 1,970.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
General Fund	\$79,514,800
Child Support Enforcement Administration Fund	13,653,000
Child Support Enforcement Administration Fund (EA)	27,566,900
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,476,700
Federal Child Care and Development Fund (CCDF) Block Grant	12,169,000
Public Assistance Collections Fund	332,400
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	2,404,700

These amounts are unchanged from FY 2022.

Administration

Attorney General Legal Services

The Baseline includes \$11,222,900 and 157.9 FTE Positions in FY 2023 for Attorney General (AG) Legal Services. These amounts consist of:

General Fund	1,053,000
Child Support Enforcement Administration Fund	2,497,400
Child Support Enforcement Administration Fund (EA)	7,442,800
Federal TANF Block Grant	103,800
Federal CCDF Block Grant	18,000
Public Assistance Collections Fund	91,300
Special Administration Fund	5,000
Spinal and Head Injuries Trust Fund	1,800
Workforce Investment Act Grant	9,800

These amounts are unchanged from FY 2022.

Aging and Adult Services

Adult Services

The Baseline includes \$9,731,900 from the General Fund in FY 2023 for Adult Services. FY 2023 adjustments are as follows:

Remove One-Time Area Agencies on Aging Increase
 The Baseline includes a decrease of \$(1,474,000) from the General Fund in FY 2023 to remove a one-time Area Agencies on Aging increase.

This line item provides an array of independent living support to elderly persons, as shown in *Table 1*.

Table 1

Independent Living Support	
Services	FY 2022
Adult Protective Contracted Services	\$ 295,100
Home Care	4,068,400
Older Americans Act	2,248,600
Assessments and Case Management	1,657,800
Respite Care	462,000
Provider Rate Increase Ongoing	1,000,000
Provider Rate Increase One-Time	<u>1,474,000</u>
Total	\$11,205,900

Community and Emergency Services

The Baseline includes \$3,724,000 from the Federal TANF Block Grant in FY 2023 for Community and Emergency Services. This amount is unchanged from FY 2022.

Monies in this line item provide funding to 18 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2021, this line item provided short-term crisis services to 7,927 households and energy assistance to 30,388 households.

Coordinated Homeless Services

The Baseline includes \$2,522,600 in FY 2023 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 2022.

In FY 2021, this line item provided emergency shelter services to 19,714 individuals, rapid re-housing services to 2,771 individuals, and homeless prevention services to 2,618 individuals.

Domestic Violence Prevention

The Baseline includes \$14,003,900 in FY 2023 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

These amounts are unchanged from FY 2022.

In FY 2021, this line item, along with non-appropriated funds, served approximately 4,300 adults and children in emergency shelters, 549 adults and children in transitional housing, and 13,571 victims with mobile and community-based advocacy.

Sexual Violence Services

The Baseline includes no funding in FY 2023 for Sexual Violence Services. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(8,000,000) from the Sexual Violence Service Fund in FY 2023 to remove a one-time fund deposit for grants to providers serving victims of sexual violence.

Long-Term Care Ombudsman

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for Long-Term Care Ombudsman services. This amount is unchanged from FY 2022.

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 Baseline includes no funding in FY 2023 for the After School and Summer Youth Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2023 to remove one-time funding that was 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 Baseline includes \$22,736,400 from the Federal TANF Block Grant in FY 2023 for TANF Cash Benefits. This amount is unchanged from FY 2022.

As of November 2021, the latest month for which data is available, DES served a regular TANF Cash Benefits caseload of 13,097 individual recipients. Caseloads have decreased (11.9)% compared to November 2020. While caseloads have decreased from the highest pandemic levels, the current caseload of 13,097 is still higher than the 12,107 in March 2020. 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 November 2021 Diversion caseload was 190, a (50.5)% decrease from November 2020. The average diversion payment per person is projected to be \$817.

The Baseline amount would be able to fund an average of 15,750 individuals at \$100 per month and 390 Diversion clients at \$817 per month. At November 2021 levels, the total cost would be \$17,579,200, or \$(5,157,200) below the Baseline amount.

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.

The Baseline continues a provision allowing DES to drug test TANF recipients if there is a reasonable suspicion that they are using illegal drugs.

(Please see Federal TANF Block Grant in Other Issues for more information on TANF expenditures).

Pandemic Emergency Assistance

The Baseline includes no funding in FY 2023 for Pandemic Emergency Assistance. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(14,546,500) from the Pandemic Emergency Assistance Fund in FY 2023 to remove one-time funding for emergency grants.

The American Rescue Plan Act established the Pandemic Emergency Assistance Fund (PEAF) to assist needy families impacted by the COVID-19 pandemic. The PEAF 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 PEAF monies must be expended by September 30, 2022.

Coordinated Hunger Services

The Baseline includes \$1,754,600 in FY 2023 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 2022.

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 2021, this funding assisted in the distribution of 209.2 million pounds of food.

Tribal Pass-Through Funding

The Baseline includes \$4,680,300 from the General Fund in FY 2023 for Tribal Pass-Through Funding. This amount is unchanged from FY 2022.

Monies in this line item are passed through to Native American tribes operating their own TANF programs.

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents.

The last 3 fund sources are deposited in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state. *Table 2* details the sources and uses of the CSEA Fund.

Table 2

CSEA Fund Sources and Uses

<u>Sources</u>	<u>FY 2023</u>
State Share of Retained Earnings	\$ 2,516,100
Federal Incentive Payments	5,706,400
Fees	3,823,800
Excess Appropriation Authority ^{1/}	4,783,400
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$19,945,300
<u>Uses</u>	
DCSE Administration (DES Operating)	\$13,278,000
Attorney General Legal Services	2,497,400
County Participation	1,054,300
Administration (Non-Appropriated)	<u>3,115,600</u>
Total	\$19,945,300

^{1/} This line is the difference between appropriation authority and expected revenues.

County Participation

The Baseline includes \$8,539,700 in FY 2023 for County Participation. This amount consists of:

CSEA Fund	1,054,300
CSEA Fund (EA)	7,485,400

These amounts are unchanged from FY 2022.

DES distributes these monies for county costs of child support programs. This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

Developmental Disabilities

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the FPL, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

The LTC program is funded from 2 sources: the General Fund and the Long Term Care System Fund. The Legislature appropriates the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to the Division of Developmental Disabilities (DDD) but does not appropriate any specific non-appropriated fund.

As of June 30, 2021, the Division of Developmental Disabilities served 45,973 clients, which includes 36,852 clients in the LTC program, 5,375 in Targeted Case Management, and 3,746 clients in the state-only program. The primary disabilities as reported by DES are shown in Table 3.

Table 3

Primary Disability of Clients Served

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Intellectual Disability	16,232	35.3%
At Risk	9,907	21.5%
Autism	14,365	31.3%
Cerebral Palsy	3,529	7.7%
Epilepsy	1,940	4.2%
Total	45,973	

Federal COVID legislation temporarily increased 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 March 31, 2022. The FY 2022 budget assumed it would only be in effect through December 31, 2021.

Overall DDD Formula Adjustments

The Baseline includes an increase of \$114,279,800 from the General Fund in FY 2023 for DDD formula changes. These adjustments are based on standard Baseline formula assumptions of 5.0% caseload growth and a 3.0% capitation rate increase. Changes are described in further detail below.

Caseload Growth

The Baseline includes an increase of \$73,554,700 from the General Fund in FY 2023 for DD caseload changes.

Compared to June 2021, LTC caseloads are expected to grow by 5% to 39,399 members by June 2022 (this amount excludes state-only clients). The 5% caseload growth is based on recent growth (3.5% 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 2021, and the estimated growth in FY 2022 and FY 2023.

Capitation Rate Adjustments

The Baseline includes an increase of \$39,676,000 from the General Fund in FY 2023 for a 3.0% net capitation rate increase beginning October 1, 2022. Capitation rates include adjustments for medical inflation, utilization of services, and other factors.

Table 4
DDD June Caseloads and Placement Settings

Placement	FY 21	FY 22 Est	FY 23 Est
Home	31,719	32,550	34,227
Group Home	3,293	3,331	3,510
Developmental Home	1,540	1,538	1,548
Institution	106	104	114
Total	36,658	37,523	39,399

Table 5 shows how the capitation adjustment is allocated by service category.

Table 5
DDD ALTCS Capitation Growth

	FY 2022 Capitation Rate ^{1/}	Assumed Growth Rate	FY 2023 Capitation Rate
Administration	229.79	3.0%	236.68
Premium Tax	108.35	3.0%	111.60
Case Management	194.75	3.0%	200.59
HCBS ^{2/}	3,789.27	3.0%	3,902.95
Institutional Care ^{3/}	69.48	3.0%	71.56
Acute Care ^{4/}	1,050.50	3.0%	1,082.02
Total	5,442.14	3.0%	5,605.40

^{1/} Revised rate effective January 1, 2022.
^{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 \$77.77 for reinsurance. Does not include behavioral health expenses.

FMAP Adjustments

The Baseline includes no change to the General Fund in FY 2023 associated with the Federal Medical Assistance Percentage (FMAP). The FMAP is the rate at which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During FY 2023, the blended Medicaid FMAP is projected to remain at 70.01%. The 6.2% enhanced Medicaid match from the Families First Coronavirus Response Act is not included in this figure. (Please see the Other Issues section for further details on FY 2022 Savings.)

Medicare Clawback

The Baseline includes an increase of \$1,049,100 from the General Fund in FY 2023 for adjustments associated with Medicare Clawback Payments.

The Baseline makes the following footnote changes:

- Deletes footnote requiring submission of an expenditure plan report to the JLBC on any new DDD salary adjustments not previously reviewed by the JLBC.
- Deletes footnote requiring a report on August 1, 2022 on the number of filled positions for case managers

and non-case managers in DDD as of June 30, 2022. This footnote also required an expenditure plan of staffing levels for review by the JLBC if DES planned on hiring staff for certain positions.

DDD Administration

The Baseline includes \$45,865,500 and 345 FTE Positions in FY 2023 for DDD Administration. These amounts consist of:

General Fund	17,665,000
Long Term Care System Fund	28,200,500

These amounts are unchanged from FY 2022.

Background – This line item includes funding for direct and indirect DDD administrative costs, as well as administrative funding for DES' subcontracted health plans for DD clients.

DDD Premium Tax Payment

The Baseline includes \$52,819,500 in FY 2023 for the DDD Premium Tax Payment. This amount consists of:

General Fund	16,018,800
Long Term Care System Fund	36,800,700

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$2,764,300 in FY 2023 for standard formula adjustments. This amount consists of:

General Fund	2,494,900
Long Term Care System Fund	269,400

Background – DES pays a 2% premium tax to the Department of Insurance and Financial Institutions on capitation payments received from AHCCCS.

Case Management - Medicaid

The Baseline includes \$89,879,500 and 1,029.9 FTE Positions in FY 2023 for Case Management - Medicaid. These amounts consist of:

General Fund	27,245,100
Long Term Care System Fund	62,634,400

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$4,159,700 from the General Fund in FY 2023 for standard formula adjustments.

Background – This line item provides case managers, case aides, case management unit supervisors, and case management area program managers that serve DDD clients enrolled in the ALTCS program. The ALTCS program requires DES to have at least 1 case manager for every 35 DD clients for each ALTCS client added since 2006.

Home and Community Based Services - Medicaid

The Baseline includes \$1,937,153,500 and 221.2 FTE Positions in FY 2023 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	580,510,400
Long Term Care System Fund	1,345,897,800
Health Care Investment Fund	10,745,300

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$68,525,900 in FY 2023 for standard formula adjustments. This amount consists of:

General Fund	81,921,400
Long Term Care System Fund	(13,395,500)

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. This line item also funds staff in state-operated group homes.

Institutional Services - Medicaid

The Baseline includes \$42,344,200 and 383 FTE Positions in FY 2023 for Medicaid Institutional Services. These amounts consist of:

General Fund	13,304,000
Long Term Care System Fund	29,040,200

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$2,194,700 from the General Fund in FY 2023 for standard formula adjustments.

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-Coolidge (ATP-C). DES reports that ATP-C had enrollment of 50 in FY 2021, a decrease of (6) from FY 2020.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. The department currently anticipates closing the state operated group homes (SOGHs) and moving them to the main Coolidge facility in April 2022.

Physical and Behavioral Health Services - Medicaid

The Baseline includes \$528,070,000 and 77 FTE Positions in FY 2023 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	146,974,200
Long Term Care System Fund	337,477,900
Health Care Investment Fund	43,617,900

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$15,437,500 in FY 2023 for standard formula adjustments. This amount consists of:

General Fund	22,186,500
Long Term Care System Fund	(6,749,000)

Hospital Direct Payments

The Baseline includes an increase of \$27,500,000 from the Health Care Investment Fund in FY 2023 for hospital direct payments. This amount does not reflect an increase in resources as it reflects pass-through funding from AHCCCS that previously wasn't displayed in the DES budget.

Background – This line item funds DES' subcontracts with AHCCCS health plans to obtain medical services, Children's Rehabilitative Services, and behavioral health services for DD clients in the ALTCS program.

Medicare Clawback Payments

The Baseline includes \$5,710,300 from the General Fund in FY 2023 for Medicare Clawback Payments. FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$1,049,100 from the General Fund in FY 2023 for standard 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.

Targeted Case Management - Medicaid

The Baseline includes \$12,924,500 and 134.6 FTE Positions in FY 2023 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	3,471,200
Long Term Care System Fund	9,453,300

These amounts are unchanged from FY 2022.

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. A monthly average of 5,148 clients received TCM services in FY 2021.

Case Management - State-Only

The Baseline includes \$6,211,400 and 60.8 FTE Positions from the General Fund in FY 2023 for Case Management - State-Only. These amounts are unchanged from FY 2022.

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 3,589 DD state-only clients received case management state-only services in FY 2021.

Cost-Effectiveness Study - Client Services

The Baseline includes \$1,220,000 from the Special Administration Fund in FY 2023 for Cost-Effectiveness Study (CES) - Client Services. This amount is unchanged from FY 2022.

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. This program funds the cost above this CES rate, thereby allowing clients to remain in a home and community based setting. (See the FY 2020 Appropriations Report.)

Home and Community Based Services - State-Only

The Baseline includes \$13,589,000 from the General Fund in FY 2023 for State-Only Home and Community Based Services. This amount is unchanged from FY 2022.

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 Baseline includes \$6,319,000 from the General Fund in FY 2023 for the Arizona Early Intervention Program (AzEIP). This amount is unchanged from FY 2022.

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 2023. As a result, the total AzEIP funding available is \$16,201,000 in FY 2023.

DES reports that there were 15,389 new referrals to AzEIP in FY 2021 and 5,524 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 4,658 DD-eligible children enrolled in the AzEIP program in FY 2021.

State-Funded Long Term Care Services

The Baseline includes \$42,669,300 and 2 FTE Positions in FY 2023 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	9,388,800
Long Term Care System Fund	33,280,500

FY 2023 adjustments are as follows:

Formula Adjustments

The Baseline includes an increase of \$1,094,400 in FY 2023 for standard caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses. This amount consists of:

General Fund	273,500
Long Term Care System Fund	820,900

Background – This line item primarily funds room and board expenses (e.g., rent and food) for DD clients in residential settings. Room and board costs for home and community-based settings are ineligible for Federal Funds reimbursement from AHCCCS.

Employment and Rehabilitation Services

Child Care Subsidy

The Baseline includes \$187,080,200 from the Federal CCDF Block Grant in FY 2023 for child care subsidies. FY 2023 adjustments are as follows:

Remove One-Time Federal Monies

The Baseline includes a decrease of \$(1,086,612,800) from the Child Care and Development Fund Block Grant in FY 2023 to remove one-time funding for child care initiatives and programs.

In FY 2022 the budget included an increase of \$1,086,612,800 in CCDF funding provided through federal COVID legislation. This funding was aimed at supporting additional recipients, providing additional benefits, increasing reimbursement rates, enhancing quality, updating systems, and for provider grants. *(See the FY 2022 Appropriations Report.)*

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. The FY 2022 budget included a footnote stating that provider rate increases from federal child care monies are contingent upon available federal funding and that they do not continue in the future after these federal child care monies have been spent.

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. *Table 6* shows child care subsidy appropriations by year. *(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. As of October 2021, the department has implemented the higher rates associated with this funding. Maximum rates for infants and toddlers are currently at the 75th percentile of the 2018 survey while older children's maximum rates are at the 50th percentile.

Caseloads – According to the department, the estimated number of children receiving child care services in June 2022 is projected to be 20,100 *(see Table 7)* excluding ECDHB- and DCS-related child care and the funding from federal COVID legislation.

Child Care Subsidy Appropriations			
	FY 2021	FY 2022	FY 2023
Base Appropriation	\$169,095,000	\$ 169,095,000	\$187,080,200
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	\$292,007,300	\$1,273,693,000	\$187,080,200

^{1/} For more information on One-Time Federal Monies please see the FY 2022 Appropriations Report.

Table 7
Child Care June Monthly Caseloads ^{1/}

<u>Category</u>	<u>FY 21</u>	<u>FY 22 est</u>	<u>FY 23 est</u>
TANF	600	600	500
Low-Income Working	14,000	18,100	20,000
Transitional Child Care	<u>1,500</u>	<u>1,400</u>	<u>1,200</u>
Total Served	16,100	20,100	21,700

^{1/} These numbers do not include increases associated with the additional \$1,086,612,800 in CCDF provided from federal COVID legislation.

Table 8
Estimated FY 2022 JOBS Expenditures

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 8,664,800
Job Training	959,700
FLSA Supplement	4,400
Work-Related Transportation	1,076,700
Job Search Stipends	<u>300,000</u>
Total	\$11,005,600

Independent Living Rehabilitation Services

The Baseline includes \$1,289,400 in FY 2023 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 2022.

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 490 clients in FY 2023 at an average Total Funds cost per client of \$3,600. 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 Baseline includes \$11,005,600 in FY 2023 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 2022.

Background – This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well as to former TANF recipients. These services are contracted out to third-party vendors. *Table 8* highlights total estimated expenditures for the JOBS line item.

Rehabilitation Services

The Baseline includes \$7,249,100 in FY 2023 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 2022.

Background – This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. The program is expected to serve up to 9,500 clients in FY 2022 at an average Total Funds cost of \$12,030 per client.

Third-party partnerships with government and non-governmental agencies provide portions of the state match.

Workforce Investment Act Services

The Baseline includes \$53,654,600 from the Workforce Investment Act (WIA) Grant in FY 2023 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2022.

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 2023 is shown in *Table 9*.

Table 9

FY 2022 WIA Grant Allocations

Category	Amount
WIA Line Item	\$53,654,600
Operating Budget	2,404,700
AG Legal Services	9,800
Total	\$56,069,100

Return to Work Grants

The Baseline includes no funding in FY 2023 for Return to Work Grants. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(7,500,000) from the General Fund in FY 2023 to remove one-time funding for scholarships to part-time community college students.

Other Issues

This section includes information on the following topics:

- FY 2022 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- Federal TANF Block Grant

FY 2022 Adjustments

The Baseline assumes that DES General Fund formula expenses for FY 2022 will be \$(69,912,000) lower than the original FY 2022 General Fund appropriation. The \$(69,912,000) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency

through March 2022. The enacted budget assumed the enhanced rate would only be available through December 2021. As a result, the initial estimated savings of \$(77,000,000) within DES will increase to an estimated \$(146,912,000).

The Baseline does not, however, include an ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund revertsments.

Statutory Changes

As session law, the Baseline would 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.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, DES' General Fund Developmental Disabilities formula costs are projected to increase by \$103,696,100 in FY 2024 above FY 2023 and \$87,175,900 in FY 2025 above FY 2024. The FY 2024 estimate includes an increase of \$1,000,000 for housing, rental assistance and other services for homeless youth.

Federal TANF Block Grant

The Baseline appropriates \$221,098,600 of the state's Federal TANF Block Grant monies in FY 2023. *Table 10* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

Table 10

	TANF Block Grant Spending		
	Actual FY 2021	Estimate FY 2022	Estimate FY 2023
Revenues			
Beginning Balance	\$ 8,404,500	\$ 8,195,200	\$ 8,419,900
TANF Base Revenues	<u>224,721,600</u>	<u>223,098,600</u>	<u>223,098,600</u>
Total TANF Available	\$233,126,100	\$231,293,800	\$231,518,500
Expenditures			
Department of Child Safety	\$159,091,100	\$157,468,100	\$157,468,100
Department of Economic Security			
TANF Cash Benefits	\$ 22,736,400	\$ 22,736,400	\$ 22,736,400
All Other TANF Expenditures	<u>43,103,400</u>	<u>42,669,400</u>	<u>42,669,400</u>
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 65,839,800	\$ 65,405,800	\$ 65,405,800
TOTAL - STATEWIDE	\$224,930,900	\$222,873,900	\$222,873,900
Ending Balance	\$ 8,195,200	\$ 8,419,900	\$ 8,644,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Expenditure Authority
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees. In addition, this fund includes Title IV-D funds received from the U.S. Department of Health and Human Services.		
Purpose of Fund: To fund the statewide Child Support Enforcement program. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	35,317,500	42,495,100
Year-End Fund Balance	0	0
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Appropriated
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.		
Purpose of Fund: To fund the statewide Child Support Enforcement program. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	14,346,900	17,204,700
Year-End Fund Balance	22,575,700	24,939,600
Client Trust Fund (DEA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	0	0
Year-End Fund Balance	4,000	4,000
Coronavirus Relief Fund (DEA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	14,411,100	248,800,400
Year-End Fund Balance	373,033,300	320,122,200
Coronavirus State and Local Fiscal Recovery Fund (DEA2985/U.S. P.L. 117-2)		Non-Appropriated
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	0	238,400,000
Year-End Fund Balance	0	0
Crisis Contingency and Safety Net Fund (DEA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	478,800	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Consists of client monies, such as Social Security, earnings, etc.		
Purpose of Fund: If consumers need assistance in handling their funds and no other person is available, the division is appointed to be the representative payee and is authorized to administer the personal funds of these consumers.		
Funds Expended	13,400	13,400
Year-End Fund Balance	1,574,500	1,585,300
Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)		Non-Appropriated
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned in those funds.		
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
Funds Expended	10,500	10,500
Year-End Fund Balance	33,800	23,400
Domestic Violence Services Fund (DEA2160/A.R.S. § 36-3002)		Appropriated
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Another portion of monies is from a \$50 fee for aggravated harassment, stalking, and other violent family offenses. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.		
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.		
Funds Expended	2,766,500	4,000,200
Year-End Fund Balance	1,614,200	227,800
Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.		
Funds Expended	0	0
Year-End Fund Balance	45,300	49,700
Economic Security Capital Investment Fund (DEA2093/A.R.S. § 4-116)		Non-Appropriated
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the department for buildings, equipment, and other capital investments.		
Funds Expended	0	0
Year-End Fund Balance	538,000	589,800
Employee Recognition Fund (DEA2449/A.R.S. § 38-613)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	0	0
Year-End Fund Balance	1,600	1,600
Family Caregiver Grant Program Fund (DEA2347/A.R.S. § 46-343)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: Grants provided to individuals who are caring for and supporting a qualifying family member.		
Funds Expended	108,400	325,300
Year-End Fund Balance	881,400	556,100

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs, providing child care to welfare recipient parents, and implementing licensing standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. The Department of Child Safety has a separate allocation of CCDF funding.		
Funds Expended	304,470,100	1,285,880,000
Year-End Fund Balance	1,135,892,000	22,886,600
Federal Grants (DEA2000/A.R.S. § 41-101.01)		Non-Appropriated
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp administration and the Social Services Block Grant, DCYF Expenditure Authority, and Medicaid.		
Funds Expended	2,770,804,000	3,213,199,700
Year-End Fund Balance	19,142,600	18,821,900
Federal Pandemic Emergency Assistance Fund (DEA2955/A.R.S. § 35-152)		Appropriated
Source of Revenue: Monies received from the federal American Rescue Plan Act of 2021 to states administering a TANF program.		
Purpose of Fund: To be used for administrative costs and non-recurrent short-term benefits.		
Funds Expended	0	14,546,500
Year-End Fund Balance	0	0
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families.		
Funds Expended	65,839,800	65,405,800
Year-End Fund Balance	8,195,200	8,419,900
Health Care Investment Fund (DEA2588/A.R.S. § 36-2999.73)		Expenditure Authority
Source of Revenue: An assessment on hospital revenues, discharges, or beds days in addition to the Hospital Assessment established by A.R.S. § 36-2901.09, interest earnings, and legislative appropriations.		
Purpose of Fund: To increase the base reimbursement level for hospital services, to increase dental and physician fee schedules, and to cover related administrative expenses incurred by DES.		
Funds Expended	20,147,300	26,863,200
Year-End Fund Balance	0	0
IGA and ISA Fund (DEA2500/§ 41-1954)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	56,700	56,700
Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)		Expenditure Authority
Source of Revenue: Federal Medicaid Authority monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	1,506,526,600	1,869,379,900
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	28,989,800	32,459,600
Year-End Fund Balance	173,870,200	0
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	27,700	40,000
Year-End Fund Balance	66,100	68,100
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		Appropriated
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	0	423,700
Year-End Fund Balance	438,800	66,100
Revenue From State or Local Agency Fund (DEA3193/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Dollars received through the collection efforts of the Department's Office of Accounts Receivable and Collections and dollars without sufficient identifying documentation may be temporarily deposited in this fund.		
Purpose of Fund: When the benefiting program is identified, funds are transferred out of the fund into the benefiting program's fund. Funds are utilized by the benefiting DES programs per state and federal requirements.		
Funds Expended	1,838,500	1,821,300
Year-End Fund Balance	2,918,900	2,971,800
Sexual Violence Service Fund (DEA2190/A.R.S. § 36-3102)		Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions.		
Purpose of Fund: Grants provided to service providers for victims of sexual violence.		
Funds Expended	0	8,000,000
Year-End Fund Balance	0	0
Special Administration Fund (DEA2066/A.R.S. § 23-705)		Appropriated
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
Funds Expended	4,140,300	4,512,600
Year-End Fund Balance	4,242,100	3,964,900
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	153,700	92,800
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)		Appropriated
Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.		
Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.		
Funds Expended	1,975,900	2,336,000
Year-End Fund Balance	305,600	(219,100)
Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954)		Appropriated
Source of Revenue: Federal reimbursement.		
Purpose of Fund: General operations.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	0
Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)		Non-Appropriated
Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.		
Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act. This fund provides regular unemployment benefits up to 26 weeks. Benefits extended beyond that time are federally funded and included in the Federal Grants fund.		
Funds Expended	1,092,893,200	304,234,000
Year-End Fund Balance	337,726,500	1,301,719,900
Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	75,110,200	56,069,100
Year-End Fund Balance	82,824,000	82,824,000

State Board of Education

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	19.0	19.0 ^{1/}
Personal Services	465,500	1,502,000	1,502,000
Employee Related Expenditures	161,100	146,800	146,800
Professional and Outside Services	307,900	206,800	206,800
Travel - In State	400	25,500	25,500
Travel - Out of State	0	15,000	15,000
Other Operating Expenditures	201,100	278,900	278,900
Equipment	5,700	15,000	15,000
OPERATING SUBTOTAL	1,141,700	2,190,000	2,190,000
SPECIAL LINE ITEMS			
Arizona Empowerment Scholarship Account Appeals	123,700	150,000	150,000
AGENCY TOTAL	1,265,400	2,340,000	2,340,000 ^{2/}
FUND SOURCES			
General Fund	1,265,400	2,340,000	2,340,000
SUBTOTAL - Appropriated Funds	1,265,400	2,340,000	2,340,000
TOTAL - ALL SOURCES	1,265,400	2,340,000	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 2023.

2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,190,000 and 18 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

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.

Arizona Empowerment Scholarship Account Appeals

The Baseline includes \$150,000 and 1 FTE Position from the General Fund in FY 2023 for the Arizona Empowerment Scholarship Account (ESA) Appeals. These amounts are unchanged from FY 2022.

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.

Department of Education

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	208.9	202.9	202.9 ^{1/}
Personal Services	4,429,600	4,384,300	4,384,300
Employee Related Expenditures	1,564,800	1,627,800	1,627,800
Professional and Outside Services	397,900	399,500	399,500
Travel - In State	4,700	11,200	11,200
Travel - Out of State	0	17,500	17,500
Other Operating Expenditures	4,405,400	6,583,600	3,882,500
Equipment	304,500	25,600	25,600
OPERATING SUBTOTAL	11,106,900	13,049,500	10,348,400 ^{2/3/4/5/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	4,928,172,500	5,611,174,900	5,598,444,300 ^{6/-10/}
State Aid Supplement	75,000,000	75,000,000	75,000,000 ^{11/12/}
Results-Based Funding	0	68,600,000 ^{13/}	68,600,000
Special Education Fund	36,029,200	36,029,200	36,029,200
Other State Aid to Districts	124,800	983,900	983,900
Classroom Site Fund	585,143,300	977,025,600	977,025,600 ^{14/}
Instructional Improvement Fund	76,298,500	54,425,700	54,425,700 ^{15/}
Property Tax Relief			
Additional State Aid	333,676,500	460,630,300	510,093,700
Non-Formula Programs			
Accountability and Achievement Testing	9,428,100	21,423,300	16,423,300 ^{16/17/}
Adult Education	4,502,100	4,867,800	4,867,800
Alternative Teacher Development Program	500,000	500,000	500,000
Arizona Empowerment Scholarship Account Administration	1,407,400	2,176,400	2,176,400
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
College Credit by Examination Incentive Program	5,000,000	7,472,100	7,472,100
College Placement Exam Fee Waiver	0	1,265,800	1,265,800
Computer Science Professional Development Program	0	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 ^{18/19/20/}
CTED Industry Credential Incentive Program	5,000,000	5,000,000	0
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{21/}
Early Literacy	12,000,000	12,000,000	12,000,000
Education Learning and Accountability System	5,305,300	5,315,400	5,315,400
English Learner Administration	6,541,600	6,516,900	6,516,900 ^{22/}
Extraordinary Special Education Needs Fund Deposit	0	5,000,000	0
Geographic Literacy	100,000	100,000	100,000 ^{23/}
Gifted Assessments	0	850,000	0
Jobs for Arizona Graduates	100,000	100,000	100,000 ^{24/}
School Safety Program	33,924,800	31,925,200	31,925,200 ^{25/}
State Block Grant for Vocational Education	11,539,100	11,576,300	11,576,300
Student Level Data Access	0	350,000	350,000 ^{D/}
Teacher Certification	1,950,500	2,403,000	2,403,000
Teacher Professional Development Pilot	78,800	400,000	0
Tribal College Dual Enrollment Program	157,500	325,000	325,000
AGENCY TOTAL	6,150,047,300	7,424,446,700	7,442,228,400
FUND SOURCES			
General Fund	5,090,264,300	5,910,547,300	5,921,646,000

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	0	350,000	350,000
Department of Education Professional Development Revolving Fund	0	2,701,100	0
Education Sales Tax Fund	0	7,000,000	7,000,000
Permanent State School Fund	300,555,000	309,832,400	319,216,500
Teacher Certification Fund	1,848,200	2,359,100	2,359,100
Tribal College Dual Enrollment Program Fund	157,500	325,000	325,000
SUBTOTAL - Other Appropriated Funds	302,560,700	322,567,600	329,250,600
SUBTOTAL - Appropriated Funds	5,392,825,000	6,233,114,900	6,250,896,600
<u>Expenditure Authority Funds</u>			
Classroom Site Fund – Carryforward	0	236,163,800	236,163,800
Classroom Site Fund – Land Trust	107,142,200	123,167,700	123,167,700
Education Sales Tax	573,781,600	777,574,600	777,574,600
Instructional Improvement Fund	76,298,500	54,425,700	54,425,700
SUBTOTAL - Expenditure Authority Funds	757,222,300	1,191,331,800	1,191,331,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	6,150,047,300	7,424,446,700	7,442,228,400
Other Non-Appropriated Funds	15,993,500	19,287,600	19,287,600
Federal Funds	1,465,534,100	2,839,559,500	2,839,559,500
TOTAL - ALL SOURCES	7,631,574,900	10,283,293,800	10,301,075,500

AGENCY DESCRIPTION The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. ADE currently oversees 236 school districts, accommodation districts and Career Technological Education Districts and 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 2023.
- 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 42-5029.02, subsection A, 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 42-5029.02, subsection A, paragraph 8, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ Any monies available to the department of education pursuant to section 42-5029.02, subsection A, 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 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- 6/ Includes K-12 rollover appropriation of \$865,727,700 from Laws 2021, Chapter 408.
- 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 \$319,566,400 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 2022-2023. (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 42-5029.02, subsection A, 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 42-5029.02, subsection A, paragraph 5, Arizona Revised Statutes. (General Appropriation Act footnote)
- 11/ 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.
- 12/ 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)
- 13/ 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 2021-2022 to the results-based funding program for fiscal year 2021-2022 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 2021-2022 reverts to the state general fund on June 30, 2022. (General Appropriation Act footnote)
- 14/ Any monies available to the department of education for the classroom site fund pursuant to section 37-521, subsection B, paragraph 4 and section 42-5029.02, subsection A, 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 42-5029.02, subsection A, paragraph 10, Arizona Revised Statutes. (General Appropriation Act footnote)
- 15/ 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)
- 16/ 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)
- 17/ Any monies available to the department of education for accountability purposes pursuant to section 42-5029.02, subsection A, paragraph 7, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 7, Arizona Revised Statutes. (General Appropriation Act footnote)
- 18/ 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)
- 19/ 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)
- 20/ 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, 2024. (General Appropriation Act footnote)
- 21/ 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)
- 22/ 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)

- 23/ 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)
- 24/ 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)
- 25/ Any monies available to the department of education for school safety pursuant to section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- D/ ~~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)~~
- 26/ After review by the joint legislative budget committee, in fiscal year 2022-2023, the department of education may use a portion of its fiscal year 2022-2023 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 2021-2022. (General Appropriation Act footnote)
- 27/ 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)
- 28/ 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)
- 29/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

ADE's FY 2023 General Fund spending increases by \$11,098,700 or 0.2% above the FY 2022 appropriation. The budget includes the following funding changes:

- A decrease of \$(135,000,000) for lower-than-budgeted FY 2022 Average Daily Membership (ADM).
- An increase of \$103,370,200 for FY 2023 enrollment growth of 6,848 pupils.
- An increase of \$137,060,700 for a 2.0% inflator.
- A decrease of \$(53,161,500) for local property tax growth due to new construction
- Increased Homeowner's Rebate expenses of \$49,463,400. This amount includes \$30,000,000 to increase the Homeowner's Rebate percentage from 47.19% in FY 2022 to 50.0% in FY 2023 and \$4,400,000 for increased expenses associated with a reduction in the assessment ratio for commercial property from 18.0% in FY 2022 to 17.5% in FY 2023 pursuant to Laws 2021, Chapter 412.
- A decrease of \$(9,384,100) to offset higher available endowment earnings under Proposition 123.
- A decrease of \$(65,000,000) to remove one-time funding from FY 2022 that eliminated the rollover for districts with more than 600 and less than 2,000 pupils.

- A decrease of \$(16,250,000) to remove other funding from the FY 2022 budget that was designated as one-time.

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$226,203,700 in FY 2024 above FY 2023 and \$224,724,100 in FY 2025 above FY 2024. (See *Other Issues for more information.*)

Operating Budget

The Baseline includes \$10,348,400 and 55.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$8,512,800
Teacher Certification Fund	135,600
Education Sales Tax	1,700,000

FY 2023 adjustments are as follows:

Remove Unused Fund Source

The Baseline includes a decrease of \$(2,701,100) from the Department of Education Professional Development Revolving Fund in FY 2023. According to ADE, the fund is not currently used because the monies were intended to

collect tuition monies from an online professional development program that was never started.

Formula Programs

Basic State Aid

The Baseline includes \$5,598,444,300 in FY 2023 for Basic State Aid. This amount consists of:

General Fund	5,128,847,300
Permanent State School Fund	319,216,500
Education Sales Tax	150,380,500

The \$5,598,444,300 total does not include local property taxes that will help fund K-12 formula costs for FY 2023, as they are non-appropriated (see Table 1).

FY 2023 adjustments are as follows:

Enrollment Base Adjustment

The Baseline includes a decrease of \$(135,000,000) from the General Fund in FY 2023 for an FY 2022 enrollment base adjustment. As of December 1st, ADE reported combined public school Average Daily Membership (ADM) and ESA enrollment of 1,103,397, or (31,531) less than the assumption of the enacted FY 2022 budget. The \$(135,000,000) of savings assumes that the final unweighted student count for FY 2022 will be no more than 1,120,802 (Please see table 2).

Table 1
FY 2023 Basic State Aid Formula Summary (estimated)

General Fund	
FY 2022 Appropriation	\$5,150,962,000
FY 2022 Enrollment Base Adjustment	(135,000,000)
FY 2023 Enrollment Growth (0.6%)	103,370,200
2.0% Inflator	137,060,700
Property Taxes from New Construction	(53,161,500)
Endowment Earnings	(9,384,100)
Rollover Payoff	<u>(65,000,000)</u>
FY 2023 Baseline	\$5,128,847,300
Permanent State School Fund	
FY 2022 Appropriation	\$ 309,832,400
Estimated FY 2023 Growth	<u>9,384,100</u>
FY 2023 Baseline	\$ 319,216,500
Education Sales Tax	
FY 2023 Baseline	\$ 150,380,500
Local Property Taxes ^{1/2/}	
FY 2023 Baseline - estimated	<u>\$2,842,425,800</u>
Grand Total (all sources)	\$8,440,870,100

^{1/} Non-appropriated, so excluded from appropriated totals.
^{2/} An estimated \$510,741,300 of this total will be funded by the state through Homeowner's Rebate and 1% cap funding.

Table 2
K-12 Enrollment (unweighted)

Fiscal Year	District	Charter	ESA	Total	Change	% Change
2017	915,797	179,788	3,360	1,098,945	9,444	0.9%
2018	913,665	189,869	5,042	1,108,576	9,631	0.9%
2019	906,004	201,757	6,450	1,114,211	5,635	0.5%
2020	907,121	208,438	7,781	1,123,340	9,129	0.8%
2021	857,139	220,678	9,777	1,087,594	(35,746)	(3.2)%
2022 est	890,421	219,499	10,882	1,120,802	33,208	3.1%
2023 est	894,187	221,156	12,307	1,127,650	6,848	0.6%
2024 est	888,324	230,853	13,732	1,132,909	5,259	0.5%
2025 est	882,580	240,978	15,157	1,138,715	5,806	0.5%

Table 3
K-12 Enrollment (weighted) ^{1/}

Fiscal Year	District	Charter	ESA	Total	Change	% Change
2017	1,239,690	248,277	11,668	1,499,635	13,390	0.9%
2018	1,242,424	262,390	14,775	1,519,589	19,955	1.3%
2019	1,238,223	278,094	19,698	1,536,015	16,426	1.1%
2020	1,245,681	287,844	24,493	1,558,018	22,003	1.4%
2021	1,179,670	303,774	30,696	1,514,140	(43,878)	(2.8)%
2022 est	1,238,543	294,498	36,018	1,569,059	54,919	3.6%
2023 est	1,249,633	301,867	40,734	1,592,234	23,176	1.5%
2024 est	1,250,020	314,588	45,451	1,610,059	17,825	1.1%
2025 est	1,251,033	327,886	50,167	1,629,086	19,028	1.2%

^{1/} District and charter figures are weighted ADM used for Basic State Aid formula calculations. In lieu of ADE weighted counts for ESAs, the ESA figures are JLBC Staff estimates based on ESA enrollment and spending data reported by ADE of the weighted ADM used to compute ESA recipient awards.

Enrollment Growth

The Baseline includes an increase of \$103,370,200 from the General Fund in FY 2023 for enrollment growth of 6,848 pupils, or 0.6%. Resulting total enrollment in public schools and the ESA program would be 1,127,650 in FY 2023. The enrollment peak prior to the pandemic was 1,123,340 in FY 2020. Table 2 and Table 3 provide historical and projected unweighted and weighted ADM and ESA enrollment figures through FY 2025.

2.0% Inflation Adjustment

The Baseline includes an increase of \$137,060,700 from the General Fund in FY 2023 for a 2.0% 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 2.0% inflation adjustment increases the base level by \$87.81.

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. Based on current data, the inflation rate for calendar year 2021 is forecast to be 4.07%, which would result in a 2.0% inflation adjustment for FY 2023. 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 more information).

Property Taxes from New Construction

The Baseline includes a decrease of \$(53,161,500) from the General Fund in FY 2023 due to a 2.22% increase in statewide Net Assessed Value (NAV) from new construction. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) by an estimated \$53,161,500 in FY 2023. It also will decrease state costs by \$(53,161,500), 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 3.75% in FY 2023, resulting in a net 5.97% NAV increase for new construction and existing property combined for FY 2023.

The 3.75% NAV increase for existing property will not affect net QTR or SETR collections in FY 2023 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 \$3.4108 (from \$3.5388 currently) and the SETR will decrease to \$0.4109 (from \$0.4263 currently) in FY 2023 to offset the estimated 3.75% NAV increase for existing property (see Table 4).

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.)

Tax Rate	TNT Tax Rates	
	FY 2022	FY 2023
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.7694	\$1.7054
• Unified districts and elementary districts not located within a high school district	\$3.5388	\$3.4108
• State Equalization Tax Rate (SETR)	\$0.4263	\$0.4109

Endowment Earnings Growth

The Baseline includes a decrease of \$(9,384,100) from the General Fund and an increase of \$9,384,100 from the Permanent State School Fund in FY 2023 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 \$319,216,500 for FY 2023, which would be \$9,384,100 more than the \$309,832,400 total assumed for FY 2022 (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 and Other Issues for more information).

Source	FY 2022	FY 2023	Change
Original 2.5%	\$72,263,000	\$72,263,000	\$0
Prop 123 4.4%	237,569,400	246,953,500	9,384,100
Total	\$309,832,400	\$319,216,500	\$9,384,100

^{1/} These earnings also fund the Classroom Site Fund (see Table 9).

Rollover

The Baseline includes a decrease of \$(65,000,000) from the General Fund in FY 2023 to remove one-time funding that was used to eliminate the K-12 rollover for districts with more than 600 and less than 2,000 pupils. This funding reduced the ongoing K-12 rollover from \$930,727,700 to \$865,727,700.

Laws 2021, Chapter 408 advance appropriated \$865,727,700 from the General Fund in FY 2023 to fund the \$865,727,700 deferred obligation from FY 2022. Those monies, therefore, will not appear in the FY 2023 General Appropriation Act. The Baseline assumes that the FY 2022 deferral level of \$865,727,700 would continue in FY 2023. As a result, the Baseline would advance appropriate \$865,727,700 from the General Fund in FY 2024 to fund the deferred FY 2023 obligation.

State Aid Supplement

The Baseline includes \$75,000,000 from the General Fund in FY 2023 for State Aid Supplement funding. This amount is unchanged from FY 2022.

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 (See the FY 2017 Appropriations Report).

Results-Based Funding

The Baseline includes \$68,600,000 from the General Fund in FY 2023 for Results-Based Funding. This amount is unchanged from FY 2022.

Background – The program provides additional funding to individual schools under a formula prescribed in A.R.S. § 15-249.08. (See the FY 2018 Appropriations Report for program requirements.)

The Baseline continues session law provisions from the FY 2022 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 Baseline assumes that Results-Based Funding distributions would be based on 2021 statewide assessment scores instead of 2019 test scores. Prior to the COVID-19 pandemic, Results Based Funding was computed based on test scores 2 years prior to the current fiscal year. In FY 2022, however, that policy was suspended because the 2020 statewide assessment was cancelled pursuant to Laws 2020, Chapter 47. Given the resumption testing during the 2020-2021 school year, the Baseline assumes the testing used to compute funding would be from FY 2021 test results.

These session law provisions continue to notwithstanding A.R.S. § 15-249.08 in FY 2023, which would otherwise make schools eligible for program funding in FY 2023 if they had a letter designation of A in the prior fiscal year (FY 2022) under the State Board of Education's A-F performance rating system pursuant to A.R.S. § 15-241. The State Board of Education has not yet determined

letter grades for FY 2022. As a result, the cost of the statutory formula for FY 2023 is unknown.

The Baseline continues to include 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 2023 to this program, if needed, without JLBC review, to address any FY 2022 shortfalls.

Special Education Fund

The Baseline includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2023 for the Special Education Fund Line Item. These amounts are unchanged from FY 2022.

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 the Department of Economic Security (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.

Other State Aid to Districts

The Baseline includes \$983,900 from the General Fund in FY 2023 for Other State Aid to Districts. This amount is unchanged from FY 2022.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

Classroom Site Fund

The Baseline includes \$977,025,600 in FY 2023 for the Classroom Site Fund (CSF). This amount consists of:

Education Sales Tax	617,694,100
Classroom Site Fund - Land Trust	123,167,700
Classroom Site Fund - Carry-Forward	236,163,800

These amounts are unchanged from FY 2022.

These amounts will be updated to reflect the Classroom Site Fund per pupil calculation made by the JLBC Staff for FY 2023 pursuant to A.R.S. § 15-977G1, which will occur by March 30, 2022.

Background – The CSF is established by A.R.S. § 15-977 and provides additional funding to public schools from the education sales tax and K-12 endowment earnings. Schools must spend these monies on class size reduction, teacher compensation including a base pay and performance pay component, assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, or student support services.

Expenditure Authority does not affect the department’s access to funding from the education sales tax or land trust endowment earnings, as a General Appropriation Act footnote allows the department to spend whatever funding is available.

Instructional Improvement Fund

The Baseline includes \$54,425,700 from Instructional Improvement Fund Expenditure Authority in FY 2023 for the Instructional Improvement Fund. This amount is unchanged from FY 2022.

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. Up to 50% of the monies in the fund may be expended for teacher compensation increases and class size reduction, while the remaining monies must be allocated to dropout prevention programs and instructional improvement programs, including programs to develop minimum reading skills for students by the end of third grade.

Property Tax Relief

Additional State Aid

The Baseline includes \$510,093,700 from the General Fund in FY 2023 for Additional State Aid. FY 2023 adjustments are as follows:

Increase Homeowner's Rebate Percentage to 50%

The Baseline includes an increase of \$30,000,000 from the General Fund in FY 2023 to increase the Homeowner's

Rebate Percentage from 47.19% of the QTR in FY 2022 to 50.0% of the QTR in FY 2023. This change was previously enacted by section 1 of the FY 2022 Omnibus Tax bill (Laws 2021, Chapter 412). The 3-year spending plan associated with the enacted FY 2022 budget included \$30,000,000 from the General Fund for this change in FY 2023.

Decrease Commercial Assessment Ratio

The Baseline includes an increase of \$4,400,000 from the General Fund in FY 2023 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 18.0% in FY 2022 to 17.5% in FY 2023. This change was previously enacted by section 10 of the FY 2022 Omnibus Tax Bill, which decreases the commercial property assessment ratio by (0.5)% increments each year until it reaches 16.0% for FY 2026 and each year thereafter. The 3-year spending plan included \$4,400,000 for this change in FY 2023.

New Homes

The Baseline includes an increase of \$15,063,400 from the General Fund in FY 2023 for increased Additional State Aid costs associated with new home construction. The \$15,063,400 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2023.

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 “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. In August 2021, the Arizona Court of Appeals reversed the Superior Court decision. The Court stipulated in the ruling that the state is not responsible for covering the costs of the 1% cap in school districts with a desegregation levy. In such jurisdictions, the school district would need to either 1) reduce its desegregation levy such that district residents no longer have primary property tax expenses that exceed the 1% cap or 2) cover desegregation expenses through a voter-approved override. The latter levies are exempt from the 1% cap requirement.

Non-Formula Programs

Accountability and Achievement Testing

The Baseline includes \$16,423,300 and 24.4 FTE Positions in FY 2023 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,423,300
Education Sales Tax Fund	7,000,000

FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 to remove one-time funding for ADE's achievement testing contracts.

Background – This line item funds costs of developing, administering and scoring achievement tests adopted and implemented by the State Board of Education pursuant to A.R.S. § 15-741. It includes the following exams in FY 2022:

- Arizona Academic Standards Assessment (AASA), which assesses proficiency in reading, writing and math. Pupils in grades 3 through 8 take an English and language arts and math exam administered annually, while High School pupils instead take the

ACT Aspire exam in grade 9 and the ACT in grade 11. Under the Menu of Assessments (MOA) program established by A.R.S. § 15-741.02, local education agencies(LEAs)may opt to replace the ACT exam for high school pupils with a different nationally recognized exam. For FY 2022, however, the State Board of Education has not approved any MOA exams.

- AzSCI, which assesses proficiency in science in grades 5, 8, and 11. Pupils are not required, however, to meet or exceed the science standards tested by the exam.
- Multi-State Alternative Assessment (MSAA), which assesses proficiency in English and language arts, math, and science for students with cognitive disabilities.

Students who are English Language Learners (ELL) must also take the Arizona English Language Learner Assessment (AZELLA). The costs of administering the AZELLA exam, however, are funded in the English Learner Administration line item.

Adult Education

The Baseline includes \$4,867,800 and 3 FTE Positions from the General Fund in FY 2023 for Adult Education. These amounts are unchanged from FY 2022.

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 2022, 26 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs. For FY 2020 (latest data available), the program served 11,340 participants.

The program is also expected to receive an estimated \$15,554,500 in federal funding in FY 2022. Its federal monies are subject to non-supplanting and maintenance-of-effort requirements stipulated in federal law.

Alternative Teacher Development Program

The Baseline includes \$500,000 from the General Fund in FY 2023 for an Alternative Teacher Development Program. This amount is unchanged from FY 2022.

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.

Arizona Empowerment Scholarship Account Administration

The Baseline includes \$2,176,400 and 26 FTE Positions from the General Fund in FY 2022 for Arizona Empowerment Scholarship Account Administration. These amounts are unchanged from FY 2022.

This line item funds administrative costs of the Arizona Empowerment Scholarship Account program. It includes staff for a call center, case managers, accounting staff, marketing, and information technology expenses.

Arizona English Language Learner Fund

The Baseline includes \$4,960,400 from the General Fund in FY 2023 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2022.

A.R.S. § 15-756.04 establishes the Arizona English Language Learner Fund for distribution of monies to school districts and charter schools for instruction to English language learners that supplements monies received via the English Language Learner Group B weight. The department distributed \$7,254,100 to public schools from the fund in FY 2021, including unspent prior year monies.

College Credit by Examination Incentive Program

The Baseline includes \$7,472,100 from the General Fund in FY 2023 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2022.

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.

College Placement Exam Fee Waiver

The Baseline includes \$1,265,800 from the General Fund in FY 2023 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2022.

This line item funds out-of-pocket expenses for college placement exams taken by students who are FRPL-eligible. The funding is sufficient to cover such costs for an estimated 19,044 FRPL-eligible students in FY 2023.

Computer Science Professional Development Program

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for a Computer Science Professional Development Program. This amount is unchanged from FY 2022.

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 half of state General Fund funding for the program each year to be matched with private monies or in-kind donations and establishes reporting requirements for the program.

CTED Completion Grants

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for CTED Completion Grants. This amount is unchanged from FY 2022.

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 Baseline continues a footnote that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2024).

CTED Industry Credential Incentive Program

The Baseline includes no funding in FY 2023 for the CTED Industry Credential Incentive Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 to eliminate one-time funding for the CTED Industry Credential Incentive Program. The FY 2020 budget provided one-time funding for this program in FY 2021 and FY 2022.

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.

CTED Soft Capital and Equipment

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2022.

The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriation Act requires the department to distribute the appropriated amount to CTEDs with fewer than 2,000 ADM pupils on a pro rata basis for soft capital and equipment expenses. The Baseline continues this footnote for FY 2023.

Early Literacy

The Baseline includes \$12,000,000 from the General Fund in FY 2023 for Early Literacy. This amount is unchanged from FY 2022.

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.

Education Learning and Accountability System

The Baseline includes \$5,315,400 and 24.2 FTE Positions from the General Fund in FY 2023 for the Education

Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2022.

Background – The monies in this line item are for continued maintenance and operation of ELA, which ADE uses 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). (*See the ADOA – Automation Projects Fund narrative*)

English Learner Administration

The Baseline includes \$6,516,900 and 13.5 FTE Positions from the General Fund in FY 2023 for English Learner Administration. These amounts are unchanged from FY 2022.

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 (*See FY 2011 and FY 2020 Appropriations Reports for history.*)

Extraordinary Special Education Needs Fund Deposit

The Baseline includes no funding in FY 2023 for an Extraordinary Special Education Needs Fund Deposit. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 to remove one-time funding for a deposit in the Extraordinary Special Education Needs Fund.

Background - School districts and charter schools may apply for grants from the Extraordinary Special Education Needs Fund established in A.R.S. § 15-774 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. Eligibility for grants is limited 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 Baseline includes \$100,000 from the General Fund in FY 2023 for Geographic Literacy. This amount is unchanged from FY 2022.

Based upon a footnote, the program funds a statewide geographic alliance for strengthening geographic literacy in this state.

Gifted Assessments

The Baseline includes no funding in FY 2023 for Gifted Assessments. FY 2023 adjustments are as follows:

One-Time Funding

The Baseline includes a decrease of \$(850,000) from the General Fund in FY 2023 for one-time gifted assessment funding.

Jobs for Arizona Graduates

The Baseline includes \$100,000 from the General Fund in FY 2023 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2022.

The Baseline continues a footnote stipulating that the department shall use the amount appropriated to the program to issue a grant to a nonprofit organization. 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 Baseline includes \$31,925,200 and 4 FTE Positions in FY 2023 for the School Safety program. These amounts consist of:

General Fund	24,125,200
Education Sales Tax	7,800,000

These amounts are unchanged from FY 2022.

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

(SROs), juvenile probation officers, school counselors, and school social workers on school campuses. Funding 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 the Education Sales Tax 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. 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 Baseline includes \$11,576,300 and 27 FTE Positions from the General Fund in FY 2023 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2022.

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 2022, the department will receive an estimated \$32,635,500 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 Baseline includes \$350,000 from the Department of Education Empowerment Scholarship Account Fund in FY 2023 for Student Level Data Access. This amount is unchanged from FY 2022.

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. A.R.S. § 15-1043 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 Baseline includes \$2,403,000 and 22.9 FTE Positions in FY 2023 for Teacher Certification. These amounts consist of:

General Fund	179,500
Teacher Certification Fund	2,223,500

These amounts are unchanged from FY 2022.

The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

Teacher Professional Development Pilot

The Baseline includes no funding in FY 2023 for a Teacher Professional Development Pilot Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(400,000) from the General Fund in FY 2023 to remove one-time funding for the Teacher Professional Development Pilot.

The FY 2020 K-12 Education BRB extended 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 2021 report, ADE states that a total of 119 scholarships were awarded under the pilot program between August 2019 and October 2021. Scholarship disbursements over the same time period totaled \$442,100.

Tribal College Dual Enrollment Program

The Baseline includes \$325,000 from the Tribal College Dual Enrollment Program Fund in FY 2023 for the Tribal College Dual Enrollment Program. This amount is unchanged from FY 2022.

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.

Other Issues

This section includes information on the following topics:

General Issues

- FY 2022 Adjustments
- Statutory Changes
- Long-Term Budget Impacts

Ballot Proposition

- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit
- Proposition 208
- Education Sales Tax

Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

FY 2022 Adjustments

The Baseline assumes that ADE's General Fund expenses associated with Basic State Aid will be at least \$(285,000,000) lower than the original FY 2022 appropriation. The estimated surplus is based on 3 factors:

- \$(130,000,000) is for lower-than-budgeted district Transportation Support Level (TSL) expenses as a result of reduced route miles during the COVID-19 pandemic. The Basic State Aid formula is calculated based on route miles from the prior year, so FY 2022 formula allocations are based on FY 2021 route miles,

which were (55)% lower in comparison with FY 2020. We assumed this savings is one-time.

- \$(20,000,000) is for lower-than-budgeted District Additional Assistance (DAA). The decrease is based on district enrollment declines that occurred during FY 2021 since DAA is based on prior year rather than current year student counts. The enacted budget did not include any savings in FY 2022 associated with prior year enrollment declines. We assumed this savings is one-time.
- \$(135,000,000) is for lower-than-budgeted current year (FY 2022) student counts. As of December 1st, ADE computed reported unweighted student counts of 1,103,397, or (31,531) less than the student count assumed in the enacted FY 2022 budget. The \$(135,000,000) of savings assumes that the final FY 2022 student counts will be no more than 1,120,802.

The actual surplus would be higher if final student counts are lower than 1,120,802. For example, if the current 1,103,397 student count remains unchanged until the end of the year, we estimate the final surplus could increase to \$(425,000,000).

The Baseline does not, however, reduce ADE's original FY 2022 appropriation to account for the projected surplus. As a result, the \$(285,000,000) is expected to be accounted for in ADE's General Fund reversion for FY 2022.

Statutory Changes

The Baseline would:

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 2.0% for standard inflation.

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.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$226,203,700 in FY 2024 above FY 2023 and \$224,724,100 in FY 2025 above FY 2024. These estimates are based on:

- 0.5% ADM growth (unweighted) in FY 2024 and FY 2025.
- GDP inflators of 2.0% for FY 2024 and FY 2025. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.15% for FY 2024 and 2.08% for FY 2025.
- General Fund decreases of \$(7,468,600) in FY 2024 and \$(6,846,300) in FY 2025 for higher endowment earnings.
- An increase of \$4,600,000 each of FY 2024 and FY 2024 for Homeowner's Rebate expenses associated with a reduction in the assessment ratio for commercial property by 0.5% each year pursuant to Laws 2021, Chapter 412.
- As provided by the 3-year spending plan in the FY 2022 budget, 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). The adjustments replace federal funding from prior years.

Endowment Earnings

In FY 2021, endowment earnings from state trust lands funded \$412,916,200 of Basic State Aid 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

2021, public schools received \$412,916,200 of expendable land trust monies from the State Land Department and State Treasurer combined. That total included \$54,912,900 from the Land Department and \$358,003,300 from the State Treasurer (see Table 6).

Source	2015 ^{1/}	2021	2022 est	2023 est
Land Department	53.2	54.9	54.9	54.9
Treasurer	76.0	358.0	372.0	387.3
Total	129.2	412.9	426.9	442.2

^{1/} Final year prior to Proposition 123.

Table 7 shows that K-12 endowment earnings are estimated to equal \$426,912,200 in FY 2022 and \$442,180,900 in FY 2023. Of the \$412,916,200 in K-12 expendable earnings generated for FY 2021, \$300,555,000 was used to fund Basic State Aid pursuant to A.R.S. § 37-521B3, and the remaining \$112,361,200 was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4 (see Table 7). 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 Education Sales Tax narrative and State Land Trust Program Summary on JLBC website.)

Source	2015	2021	2022	2023
Basic State Aid	47.3	300.6	309.5	319.2
SFB Debt Service ^{2/}	25.0	0.0	0.0	0.0
Classroom Site Fund	56.9	112.4	117.4	123.0
Total	129.2	412.9	426.9	442.2

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%.

The criteria for suspending the inflation rate have not been met since the enactment of Proposition 123.

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 have not been met since the enactment of Proposition 123.

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, or charter school funding.

Pursuant to A.R.S. § 15-911B, the Department of Education computed in November 2021 that budgeted expenditures for school districts collectively were \$1,154,029,000 above the AEL for FY 2022. A.R.S. § 15-911C2 allows the Legislature to authorize statewide school district spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate. A permanent increase in the AEL would require a voter-approved change to the State Constitution.

Proposition 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.

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 initiative. Please see *Table 8* for the estimated Student Support and Safety Fund distributions.

	\$ in Millions
Agency Distributions	0.6
School Districts/Charter Schools (85%):	
Teacher/Classroom Support (50%)	305.2
Student Support Services (25%)	152.6
Teacher Retention (10%)	<u>61.0</u>
Subtotal	518.8
Career Training and Workforce Fund (12%):	
Career Training and Workforce Program	72.7
Arizona Teachers Academy (3%)	<u>18.3</u>
Student Support and Safety Fund Total	\$610.4

In August 2021, the Arizona Supreme Court ruled in *Fann v State of Arizona* that the Proposition 208 income tax surcharge is unconstitutional if the tax revenues generated cannot be spent without school districts exceeding the K-12 Aggregate Expenditure Limit. The Court remanded the case to the Superior Court to make a determination as to whether Proposition 208 monies would result in an AEL exceedance if they are expended. That determination is still pending.

Education Sales Tax

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.

Starting in FY 2022, Laws 2018, Chapter 74 replaces 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 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 9 shows how education sales tax revenues are earmarked through FY 2021. Laws 2018, Chapter 74 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled \$617,700,000 (65.5%) of the \$942,400,000 of estimated collections for FY 2022 (see Table 9).

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 estimated available revenues to the CSF for FY 2022 are \$1,028,500,000 (see Table 9).

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.

Table 9

EDUCATION SALES TAX REVENUES		Education Sales Tax Monies (FY 2022 Estimate) (\$ in Millions)
Recipient	Amount	Comment
Universities	105.4	Receive 12% of monies remaining after distributions to the Superintendent for Basic State Aid is deducted.
Community Colleges	26.3	Receive 3% of monies after BSA distribution.
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	\$157.8	
Basic State Aid Distribution	\$64.2	
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	617.7	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	\$784.7	
Total - Prop 301 Sales Tax	\$942.4	
CLASSROOM SITE FUND REVENUES (ALL SOURCES)		
Prop 301 Sales Tax (from above)	617.7	
Prop 301/CSF - Land Trust	123.2	
Prop 301/CSF - Carry-Forward	287.6	
Total - Classroom Site Fund	\$1,028.5^{1/}	

^{1/} Total estimated disbursements reported for FY 2022 in JLBC's Classroom Site Fund memo from March 2021.

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
American Civics Education Fund (EDA2612/Laws 2018, Chapter 289)		Non-Appropriated
Source of Revenue: Legislative appropriations and other monies transferred into the fund. Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund to this fund for the program in FY 2020.		
Purpose of Fund: To fund the American Civics Education pilot program established by Laws 2018, Chapter 289.		
Funds Expended	0	0
Year-End Fund Balance	482,400	357,400
Arizona Agricultural Youth Organization Special Plate Fund (EDA2651/A.R.S. § 15-791)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal Arizona agricultural youth organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona agricultural youth organization special plates. ADOT is to annually deposit these monies, excluding administrative fees, into the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.		
Funds Expended	161,700	161,900
Year-End Fund Balance	0	1,600
Arizona English Language Learner Fund (EDA2535/A.R.S. § 15-756.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,316,300	2,316,300

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Industry Credentials Incentive Fund (EDA2685/A.R.S. § 15-249.15)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide incentive awards to school districts, charter schools, and career technical education districts for high school graduates who obtain a certification, credential, or license that is accepted by a vocation or industry through a career technical education course or program. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,964,600	5,000,000
Arizona Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)		Non-Appropriated
Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.		
Funds Expended	0	0
Year-End Fund Balance	170,800	171,800
Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)		Non-Appropriated
Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.		
Purpose of Fund: To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.02.		
Funds Expended	27,800	27,700
Year-End Fund Balance	0	300
Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)		Non-Appropriated
Source of Revenue: Monies appropriated from the Automation Projects Fund.		
Purpose of Fund: To provide state matching monies for certified broadband connectivity construction projects for qualified applicants. Expenditures are not displayed to avoid double counting of the Automation Projects Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,902,500	1,104,400
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.		
Funds Expended	46,000	21,900
Year-End Fund Balance	0	0
Classroom Site Fund – Carryforward (EDA9003/A.R.S. § 15-977)		Expenditure Authority
Source of Revenue: Carry-forward balances from prior year revenues to the Classroom Site Fund. Classroom Site Fund revenues consist of a portion of the education sales tax, pursuant to A.R.S. § 42-5029.02A10, and Permanent State School Fund expendable earnings that exceed the FY 2001 level, pursuant to A.R.S. § 37-521B4. Under A.R.S. § 15-977, the per pupil amount distributed each from the Classroom Site Fund is adjusted for any prior year carry-forward or shortfall. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029.02A10 (Classroom Site Fund). The education sales tax established by Laws 2018, Chapter 74 replaced the Proposition 301 sales tax beginning in FY 2022.		
Purpose of Fund: To provide additional funding for class size reduction, teacher compensation (including base pay and performance pay), assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, and student support services.		
Funds Expended	0	236,163,800
Year-End Fund Balance	258,009,300	51,422,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Classroom Site Fund – Land Trust (EDA9002/A.R.S. § 37-521)		Expenditure Authority
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund above the amount generated in FY 2001 (\$72,263,000) are automatically deposited into the Classroom Site Fund, as required by A.R.S. § 37-521B4. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029.02A10 (Classroom Site Fund).		
Purpose of Fund: To provide additional funding for class size reduction, teacher compensation (including base pay and performance pay), assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, and student support services.		
Funds Expended	107,142,200	123,167,700
Year-End Fund Balance	0	0
College Credit by Examination Development Fund (EDA2641/A.R.S. § 15-249.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the Arizona Department of Education for the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06, but that are not distributed by the end of the fiscal year in which they are appropriated.		
Purpose of Fund: To help schools with 50%+ eligibility rates for free or reduced-price lunches develop and operate classes that offer qualifying examinations under the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06.		
Funds Expended	0	0
Year-End Fund Balance	29,700	20,700
Computer Science Professional Development Program Fund (EDA2635/A.R.S. § 15-249.12)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
Purpose of Fund: To fund computer science professional development for school districts and charter schools that do not currently provide high school computer science instruction. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,990,300	2,059,800
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid through FY 2020 pursuant to A.R.S. § 15-2402C. Laws 2020, Chapter 12 eliminated the Basic State Aid transfer to the fund beginning in FY 2021. As a result, the fund has received no new revenues since FY 2020.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. In addition, ADE previously transferred Basic State Aid (BSA) monies to the State Treasurer to fund the Treasurer's ESA administrative costs and students' ESA distributions. Non-appropriated monies in the fund are prior year carry-forward.		
Funds Expended	0	350,000
Year-End Fund Balance	6,647,000	1,848,100
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Non-Appropriated
Source of Revenue: Prior year carry-forward from monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	637,600	0
Year-End Fund Balance	0	0
Department of Education Production Revolving Fund (EDA4211/A.R.S. § 15-237)		Non-Appropriated
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: To fund agency print shop expenditures.		
Funds Expended	651,400	493,600
Year-End Fund Balance	944,000	875,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Department of Education Professional Development Revolving Fund (EDA2580/A.R.S. § 15-237.01)		Appropriated
Source of Revenue: Tuition paid for professional development, pursuant to A.R.S. § 15-237.01.		
Purpose of Fund: To offset the cost of providing professional development.		
Funds Expended	0	2,701,100
Year-End Fund Balance	46,800	(2,654,300)
Early Literacy Program Fund (EDA2181/A.R.S. § 15-249.09)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: Provide support to improve reading skills, literacy and proficiency for students in Grades K-3 in addition to monies received pursuant to A.R.S. § 15-211. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	376,100	206,600
Year-End Fund Balance	785,600	1,002,200
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities sponsored by donor organizations.		
Funds Expended	37,600	0
Year-End Fund Balance	6,900	56,900
Education Sales Tax (EDA9001/A.R.S. § 42-5029.02)		Expenditure Authority
Source of Revenue: The portion of the education sales tax allocated to the Department of Education pursuant to A.R.S. § 42-5029.02, except for monies appropriated for school accountability pursuant to A.R.S. § 42-5029.02A7. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029.02. The education sales tax established by Laws 2018, Chapter 74 replaced the Proposition 301 sales tax beginning in FY 2022.		
Purpose of Fund: To fund basic state aid, additional school days, school safety, character education, the Failing Schools Tutoring Fund and the Classroom Site Fund. The latter provides additional funding for class size reduction, teacher compensation (including base pay and performance pay), assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, and student support services.		
Funds Expended	573,781,600	777,574,600
Year-End Fund Balance	21,616,900	19,594,200
Education Sales Tax Fund (EDA1114/A.R.S. § 42-5029.02A7)		Appropriated
Source of Revenue: Education sales tax monies appropriated by the Legislature pursuant to A.R.S. § 42-5029.02A7. The education sales tax established by Laws 2018, Chapter 74 replaced the Proposition 301 sales tax beginning in FY 2022.		
Purpose of Fund: To fund school accountability. The entire \$7,000,000 typically is appropriated to the Accountability and Achievement Testing line item in the department's budget.		
Funds Expended	0	7,000,000
Year-End Fund Balance	7,951,100	4,399,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Extraordinary Special Education Needs (EDA2483/A.R.S. § 15-774)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide grants to school districts and charter schools with students receiving special education services that have incurred costs of at least the statewide per pupil funding average multiplied by 3. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (EDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	1,464,584,500	2,830,659,500
Year-End Fund Balance	11,547,200	1,887,700
Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	232,800	232,800
Year-End Fund Balance	0	19,900
Governor's Emergency Education Relief Fund (EDA2980/U.S. P.L. 116-136)		Non-Appropriated
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	949,600	8,900,000
Year-End Fund Balance	17,900,400	9,000,400
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	2,472,100	3,195,400
Year-End Fund Balance	608,100	137,700
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	8,588,300	11,509,100
Year-End Fund Balance	3,623,200	2,239,100
Industry-Recognized Certification and Licensure Reimbursement Fund (EDA2780/A.R.S. § 15-1265)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and other donations.		
Purpose of Fund: To eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for students eligible for Free or Reduced-Price Lunches.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Expenditure Authority
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 15-979.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	76,298,500	54,425,700
Year-End Fund Balance	24,600	24,600
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	2,762,100	3,438,600
Year-End Fund Balance	2,022,600	1,446,500
Permanent State School Fund (EDA3138/A.R.S. § 37-521)		Appropriated
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund, up to the amount generated in FY 2001 (\$72,263,000), are automatically appropriated first to pay for debt service on State School Facilities Revenue Bonds, Qualified Zone Academy Bonds (QZAB) or State School Trust Revenue Bonds. Remaining monies, if any, are then available to help fund Basic State Aid. All affected bonds have been paid off, however, so the entire \$72,263,000 is now available to fund Basic State Aid. Expendable earnings beyond the \$72,263,000 total from FY 2001 are automatically deposited into the Classroom Site Fund pursuant to A.R.S. § 37-521B4, except that expendable earnings above \$72,263,000 that are attributable to Proposition 123 are instead used for Basic State Aid.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To support common schools.		
Funds Expended	300,555,000	309,832,400
Year-End Fund Balance	0	0
Results-Based Funding Fund (EDA2151/A.R.S. § 15-249.08)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: Provide additional funding to high performing schools under a formula prescribed in A.R.S. § 15-249.08. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	100	100
Special Education Fund (EDA1009/A.R.S. § 15-1182)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	11,427,500	12,400,100
Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)		Appropriated
Source of Revenue: Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	1,848,200	2,359,100
Year-End Fund Balance	883,600	127,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)		Appropriated
Source of Revenue: Unclaimed lottery prize monies pursuant to A.R.S. § 5-568, other monies appropriated by the Legislature and gifts, grants, devices and other contributions. Laws 2021, Chapter 404 allows \$325,000 of unclaimed lottery prize monies to be transferred to the fund annually.		
Purpose of Fund: To provide choice and access to higher education for high school students in this state by compensating tribal colleges for tuition and fees that are waived to allow high school students to attend classes at tribal colleges.		
Funds Expended	157,500	325,000
Year-End Fund Balance	469,100	469,100

Department of Emergency and Military Affairs

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
PROGRAM BUDGET			
Administration	56,921,700	1,956,400	1,956,400
Emergency Management	6,848,200	8,234,000	8,291,000
Military Affairs	1,809,800	5,107,100	4,586,600
AGENCY TOTAL	65,579,700	15,297,500	14,834,000
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	69.6	72.6	72.6 ^{1/}
Personal Services	2,016,500	2,236,500	2,236,500
Employee Related Expenditures	659,900	680,200	680,200
Professional and Outside Services	17,700	254,300	254,300
Travel - In State	11,400	53,000	53,000
Travel - Out of State	1,800	10,000	10,000
Other Operating Expenditures	220,800	1,192,100	1,192,100
Equipment	23,000	305,000	84,500
OPERATING SUBTOTAL	2,951,100	4,731,100	4,510,600
SPECIAL LINE ITEMS			
Emergency Management Matching Funds	1,585,900	1,544,900	1,544,900
Governor's Emergency Fund	4,000,000	4,000,000	4,000,000 ^{2/}
Nuclear Emergency Management Program	1,506,100	1,930,400	1,987,400
Military Airport Planning	90,000	90,000	90,000 ^{3/}
Border Security Fund	55,000,000	0	0
National Guard Cyber Response Revolving Fund Deposit	0	300,000	0
National Guard Matching Funds	216,200	1,701,100	1,701,100 ^{4/}
National Guard Tuition Reimbursement	230,400	1,000,000	1,000,000 ^{5/}
AGENCY TOTAL	65,579,700	15,297,500	14,834,000 ^{6/}
FUND SOURCES			
General Fund	64,073,600	13,367,100	12,846,600
<u>Other Appropriated Funds</u>			
Nuclear Emergency Management Fund	1,506,100	1,930,400	1,987,400
SUBTOTAL - Other Appropriated Funds	1,506,100	1,930,400	1,987,400
SUBTOTAL - Appropriated Funds	65,579,700	15,297,500	14,834,000
Other Non-Appropriated Funds	190,800	1,275,200	165,000
Federal Funds	153,853,000	212,423,800	135,939,400
TOTAL - ALL SOURCES	219,623,500	228,996,500	150,938,400

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 2023.
- ^{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/} 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.

- 4/ 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 2022-2023 monies remaining unexpended and unencumbered on December 31, 2023 revert to the state general fund. (General Appropriation Act footnote.
- 5/ 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, 2023. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

Operating Budget

The Baseline includes \$4,510,600 and 63.1 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(220,500) from the General Fund in FY 2023 to remove one-time funding for costs associated with communication equipment for National Guard aircrafts.

Emergency Management Matching Funds

The Baseline includes \$1,544,900 from the General Fund in FY 2023 for Emergency Management Matching Funds. This amount is unchanged from FY 2022.

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. FY 2020 is the latest data available.

In FY 2021, DEMA expects to receive \$8,949,100 in EMPG funds. This is the latest estimate available.

Governor's Emergency Fund

The Baseline includes \$4,000,000 from the General Fund in FY 2023 for the Governor's Emergency Fund. This amount is unchanged from FY 2022.

Under A.R.S. § 35-192, the Governor may, through emergency declarations, authorize up to \$4,000,000 annually from the General Fund for disaster prevention and mitigation without specific appropriation authority. Monies in this line item, therefore, are not included in the General Appropriation Act.

Nuclear Emergency Management Program

The Baseline includes \$1,987,400 and 8.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2023 for the Nuclear Emergency Management Program line item. FY 2023 adjustments are as follows:

NEMF Assessment

The Baseline includes an increase of \$57,000 from NEMF in FY 2023 for the NEMF assessment.

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 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.

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 Baseline includes \$90,000 and 1 FTE Position from the General Fund in FY 2023 for Military Airport Planning. These amounts are unchanged from FY 2022.

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.

Border Security Fund

The Baseline includes no funding in FY 2023 for the Border Security Fund line item. This amount is unchanged from FY 2022.

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.

National Guard Cyber Response Revolving Fund Deposit

The Baseline includes no funding in FY 2023 for the National Guard Cyber Response Revolving Fund Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Fund Deposit

The Baseline includes a decrease of \$(300,000) from the General Fund in FY 2023 to remove a one-time 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.

National Guard Matching Funds

The Baseline includes \$1,701,100 from the General Fund in FY 2023 for the National Guard Matching Funds line item. This amount is unchanged from FY 2022.

The line item provides state funding to DEMA that serves as a match to federal grants for the operational and maintenance costs associated with National Guard facilities. These matching funds are for military grants, whereas the Emergency Management Matching Funds line item is for emergency-related grants. These military grants have a matching requirement of 5-50%.

The operations and maintenance for these facilities are paid through service contracts. The Baseline continues to make this appropriation exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2023 monies remaining unexpended and unencumbered on December 31, 2023 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. FY 2020 is the latest data available.

DEMA estimates their FY 2021 match expenditures will be \$1,700,000. This is the latest estimate available from DEMA.

National Guard Tuition Reimbursement

DEMA estimates that the \$1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen.

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for the National Guard Tuition Reimbursement line item. This amount is unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Border Security Fund (MAA2655/A.R.S. § 26-105)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants and other donations.		
Purpose of Fund: Monies may be used 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. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	12,936,500
Camp Navajo Fund (MAA2106/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
Purpose of Fund: To operate and maintain the Camp Navajo National Guard training and storage facility and for the operation and maintenance of National Guard facilities in Arizona.		
Funds Expended	12,351,200	12,613,100
Year-End Fund Balance	11,790,200	12,021,300
Coronavirus Relief Fund (MAA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	77,850,000	0
Year-End Fund Balance	176,800	176,800
Crisis Contingency and Safety Net Fund (MAA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	120,000	0
Emergency Management Assistance Compact Revolving Fund (MAA2602/A.R.S. § 26-403)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and monies received as reimbursement for costs incurred by this state while rendering aid as prescribed in A.R.S. § 26-402.		
Purpose of Fund: To pay costs incurred by the state while assisting other states with emergencies or natural disasters.		
Funds Expended	0	0
Year-End Fund Balance	300,000	300,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal program grants.		
Purpose of Fund: To pay for the federal share of emergency planning, response and management programs.		
Funds Expended	14,369,100	131,337,600
Year-End Fund Balance	0	0
Federal Funds - Military (MAA2000 B/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal service contracts for security, maintenance and operations of the National Guard.		
Purpose of Fund: To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
Funds Expended	45,245,000	66,676,500
Year-End Fund Balance	5,821,700	4,178,100
Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal FEMA Grants and Non-Appropriated Funds.		
Purpose of Fund: To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
Funds Expended	1,186,700	1,077,600
Year-End Fund Balance	3,000	74,700
Interagency Service Agreement Fund (MAA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Funds from federal grants.		
Purpose of Fund: Support of the agency's centralized personnel plan which allocates support staff costs to National Guard grants and the agency's mail distribution program in addition to agreements within and outside the agency.		
Funds Expended	2,851,000	719,000
Year-End Fund Balance	856,400	161,900
Military Installation Fund (MAA1010/A.R.S. § 26-262)		Non-Appropriated
Source of Revenue: The FY 2015 General Appropriation Act provided a one-time deposit of \$2,500,000 into the fund. Currently, the fund's sole revenue source is the collection of interest from the balance in the fund.		
Purpose of Fund: Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. DEMA must utilize 80% of the monies to acquire private property, real estate, property rights and related infrastructure to preserve, support, or enhance a military installation. Up to 20% of this amount may be awarded to cities, towns, and counties for land acquisition purposes. The remaining 20% is awarded to cities, towns, and counties for military installation preservation and enhancement projects. In addition, \$90,000 is appropriated each Fiscal Year from the General Fund to the department for the costs associated with 1 FTE Position to administer the fund. Expenditures from this fund are not displayed below to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	2,263,200	336,900
Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)		Non-Appropriated
Source of Revenue: A portion of National Guard Member Special License Plate fees, funds generated from federally-defined recycling activities, monies from the disposal of unserviceable military property belonging to the state, or other non-state-appropriated monies.		
Purpose of Fund: To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
Funds Expended	16,200	15,000
Year-End Fund Balance	310,000	13,300

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
National Guard Cyber Response Revolving Fund (MAA2619/A.R.S. § 26-183)		Non-Appropriated
Source of Revenue: Legislative appropriations and monies received as reimbursement for costs incurred by the state while rendering aid for cyber-attack prevention, response, and support activities for the state and political subdivisions in the state.		
Purpose of Fund: Monies in the fund may be used for costs incurred by the state while assisting agencies and political subdivisions of the state or as directed by the Governor for the cyber support activities. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	300,000
National Guard Fund (MAA2140/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature and proceeds, deposited into a separate subaccount, from National Guard facilities that are utilized for commercial purposes.		
Purpose of Fund: For general operating expenses of the National Guard and maintenance and capital improvements to any National Guard facility.		
Funds Expended	174,600	300,000
Year-End Fund Balance	290,300	90,300
Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
Funds Expended	1,506,100	1,930,400
Year-End Fund Balance	2,604,400	2,604,400
State Armory Property Fund (MAA2146/A.R.S. § 26-231)		Non-Appropriated
Source of Revenue: Sale of surplus armory property.		
Purpose of Fund: For the construction and capital improvement of National Guard armories.		
Funds Expended	0	960,200
Year-End Fund Balance	960,200	0

Department of Environmental Quality

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	322.0	322.0	322.0
Personal Services	18,186,900	19,533,400	19,533,400
Employee Related Expenditures	6,565,400	7,126,800	7,126,800
Professional and Outside Services	1,603,700	2,682,300	2,682,300
Travel - In State	170,800	444,300	444,300
Travel - Out of State	0	82,200	82,200
Other Operating Expenditures	11,384,100	17,608,200	15,844,200
Equipment	198,300	108,400	108,400
OPERATING SUBTOTAL	38,109,200	47,585,600	45,821,600
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	23,463,500	26,219,500	26,219,500
Safe Drinking Water Program	1,779,400	1,814,300	1,814,300
WQARF Priority Site Remediation	15,000,000	15,000,000	15,000,000 ^{1/2/}
AGENCY TOTAL	78,352,100	90,619,400	88,855,400 ^{3/}
FUND SOURCES			
General Fund	15,000,000	15,000,000	15,000,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	5,021,800	5,382,800	5,382,800
Emergency Response Fund	130,100	132,800	132,800
Emissions Inspection Fund	25,629,000	30,293,600	30,293,600
Hazardous Waste Management Fund	1,610,500	1,748,300	1,748,300
Indirect Cost Recovery Fund	14,024,600	13,962,600	13,962,600 ^{4/}
Permit Administration Fund	4,456,400	7,166,500	7,166,500 ^{5/}
Recycling Fund	1,298,800	1,565,100	1,365,100
Safe Drinking Water Program Fund	1,779,400	2,214,300	1,814,300
Solid Waste Fee Fund	1,199,100	1,853,900	1,249,900
Underground Storage Tank Revolving Fund	0	148,800	148,800
Voluntary Vehicle Repair and Retrofit Program Fund	0	560,000	0
Water Quality Fee Fund	8,202,400	10,590,700	10,590,700
SUBTOTAL - Other Appropriated Funds	63,352,100	75,619,400	73,855,400
SUBTOTAL - Appropriated Funds	78,352,100	90,619,400	88,855,400
Other Non-Appropriated Funds	85,334,200	76,970,900	76,970,900
Federal Funds	16,664,500	17,334,800	17,334,800
TOTAL - ALL SOURCES	180,350,800	184,925,100	183,161,100

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 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 wastewater systems, monitors waters of the state, and provides hydrologic analysis to support hazardous site remediation.

FOOTNOTES

- 1/ A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it would be shown here as a General Fund expenditure.
- 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 2022-2023 report to the joint legislative budget committee on or before September 1, 2022. 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 2022-2023. In addition, the department and the advisory board shall prepare and submit to the joint legislative budget committee, on or before October 1, 2022, 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 2021-2022, indicate whether the current stage of remediation is anticipated to be completed in fiscal year 2022-2023 and indicate the anticipated stage of remediation at each listed site at the end of fiscal year 2022-2023, assuming fiscal year 2022-2023 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 2022-2023 are appropriated to the department. Before spending indirect cost recovery fund monies in excess of \$13,962,600 in fiscal year 2022-2023, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ All permit administration fund monies received by the department of environmental quality in excess of \$7,166,500 in fiscal year 2022-2023 are appropriated to the department. Before spending permit administration fund monies in excess of \$7,166,500 in fiscal year 2022-2023, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$45,821,600 and 322 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</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	1,365,100
Solid Waste Fee Fund	1,249,900
Underground Storage Tank Revolving Fund	148,800
Water Quality Fee Fund	10,590,700

FY 2023 adjustments are as follows:

Remove One-Time Waste Program Funding

The Baseline includes a decrease of \$(604,000) from the Solid Waste Fee Fund in FY 2023 to remove one-time funding for the Hazardous Waste Management program to address a deficit in the Hazardous Waste Management Fund.

Remove One-Time Surface Water Program Funding

The Baseline includes a decrease of \$(1,160,000) in FY 2023 to remove one-time funding 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)

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.

Emissions Control Contractor Payment

The Baseline includes \$26,219,500 from the Emissions Inspection Fund in FY 2023 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2022.

The Emissions Control Program is operated by a contractor in the Phoenix Metropolitan Area and the Tucson Metropolitan Area with the purpose of identifying polluting motor vehicles. The program is funded through test fees that are charged to motorists. Statute does not specify a fee level.

The VEI Program sources and uses are displayed in *Table 1* on the next page.

Table 1

Emissions Inspection Fund

	Actual	Estimated	Estimated
Revenues	FY 2021	FY 2022	FY 2023
Balance Forward	\$ 5,439,000	\$ 7,601,100	\$ 7,091,600
Fees	<u>28,947,100</u>	<u>29,778,800</u>	<u>29,778,800</u>
Total Revenues	\$34,386,100	\$37,379,900	\$36,870,400
Expenditures			
Contractor Payment	\$21,119,500	\$26,219,500 ^{1/}	\$26,219,500
Operating Expenses	<u>5,665,500</u>	<u>4,068,800</u>	<u>4,068,800</u>
Total Expenditures	\$26,785,000	\$30,288,300	\$30,288,300
Total Balance	\$ 7,601,100	\$ 7,091,600	\$ 6,582,100

^{1/} The FY 2022 budget included an increase of \$5,100,000 from the Emissions Inspection Fund in for increased contractor payments. After adjusting for a decrease of \$(1,400,000) from ADEQ's Operating Budget, the net increase to the department in FY 2022 was \$3,700,000.

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.

The Baseline continues an Environment Budget Reconciliation Bill provision requiring ADEQ to charge emissions inspection fees in FY 2023 that are no greater than those charged in FY 2022 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. ADEQ reports that it will begin rulemaking in FY 2022 to reduce fees in Area A and increase fees in Area B for no overall increase in fees.

Safe Drinking Water Program

The Baseline includes \$1,814,300 from the Safe Drinking Water Program Fund in FY 2023 for the Safe Drinking Water Program. This amount is unchanged from FY 2022.

The Safe Drinking Water Program Fund receives the first \$1,800,000 of Public Water System (PWS) tax revenues.

WQARF Priority Site Remediation

The Baseline includes \$15,000,000 from the General Fund in FY 2023 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount is unchanged from FY 2022.

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.

In FY 2021, the WQARF program received \$15,000,000 from the General Fund and \$2,428,500 from fee revenues pursuant to A.R.S. § 49-288 for a total of \$17,428,500.

As session law, the Baseline would continue notwithstanding the \$18,000,000 annual funding level for the Water Quality Assurance Revolving Fund (WQARF) and limiting the General Fund transfer to \$15,000,000.

Background – The WQARF program is similar to the federal Superfund program in that it is designed to monitor and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2023 for department administrative expenses and for sewage remediation.
- As session law, continue notwithstanding the \$18,000,000 annual funding level for the Water Quality Assurance Revolving Fund (WQARF) and limiting the General Fund transfer to \$15,000,000.
- As session law, charge fees that are not greater than the FY 2022 level of vehicle emissions inspection fees in FY 2023.

Auditor General Reports

Water Quality Protection Responsibilities

In September 2021, the Auditor General published an audit regarding the department's water quality protection responsibilities. The Auditor General found that ADEQ has not been conducting several water quality protection responsibilities, including:

- Developing all required aquifer water quality standards (AWQS).
- Conducted key groundwater monitoring responsibilities.
- Conducting required monitoring of agricultural pesticides in groundwater and surrounding soil.
- Reducing the total number of impaired surface waters in Arizona to address pollutants that affect the safe use of these waters.

As part of this audit, ADEQ reported that it does not have an authorized funding source to develop and update

AWQS or to monitor agricultural pesticides in groundwater and surrounding soil. The department plans to seek a statutory change to expand the allowable uses of the Water Quality Fee Fund to fund these responsibilities.

Additionally, ADEQ reported that it does not have adequate funding from the Water Quality Fee Fund to restart its ambient groundwater monitoring efforts.

The audit recommended that the department perform a workload analysis to assess the costs of developing and updating AWQS, conducting ambient groundwater monitoring, and conducting agricultural pesticide monitoring in groundwater and surrounding soil. It also recommended that ADEQ work with the Legislature to obtain additional resources for these water quality protection responsibilities, including seeking a statutory change to expand the authorized uses of the Water Quality Fee Fund and modifying fees that provide revenue to the fund.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from the \$1.50 fee assessed on motor vehicle registration, as well as gifts, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also, to provide funding annually to the Department of Administration state employee travel reduction program, the Department of Agriculture, and the Department of Transportation. (See individual agencies for further description.)		
Funds Expended	5,021,800	5,382,800
Year-End Fund Balance	4,766,700	8,012,400
Emergency Response Fund (EVA3031/A.R.S. § 49-132)		Appropriated
Source of Revenue: The fund receives 10% of the department's Hazardous Waste Management Fund's revenues.		
Purpose of Fund: To develop and administer a hazardous materials emergency management program, equip local emergency planning committees for the development of hazardous materials emergency response teams, and assist local agencies in providing adequate response to emergency situations. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	130,100	132,800
Year-End Fund Balance	0	0
Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)		Appropriated
Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for the state portion of catalytic converter program costs; and to pay for research studies of the feasibility and effectiveness of new emission control technologies.		
Funds Expended	25,629,000	30,293,600
Year-End Fund Balance	7,601,100	7,091,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Employee Recognition Fund (EVA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs.		
Funds Expended	2,600	1,800
Year-End Fund Balance	1,400	1,400
Federal Funds (EVA2000/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Federal grants related to water quality management, Underground Storage Tank enforcement provisions, air pollution control, research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	16,664,500	17,334,800
Year-End Fund Balance	0	0
Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)		Appropriated
Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program, and to provide administration and state matching funds for federal source reduction grants. A portion of the fund is transmitted to the Emergency Response Fund for staffing and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	1,610,500	1,748,300
Year-End Fund Balance	756,200	1,084,800
IGA and ISA Fund (EVA2500/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	5,434,200	4,834,200
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (EVA9000/A.R.S. § 49-115)		Appropriated
Source of Revenue: Monies are generated from assessments to the department's appropriated and non-appropriated funds, including federal grants.		
Purpose of Fund: To pay departmentwide administrative personnel and overhead costs that are not directly allocated to the budget of the contributing programs.		
Funds Expended	14,024,600	13,962,600
Year-End Fund Balance	4,348,300	5,720,700
Institutional and Engineering Control Fund (EVA2563/A.R.S. § 49-159)		Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
Funds Expended	30,800	31,500
Year-End Fund Balance	87,800	66,700
Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)		Non-Appropriated
Source of Revenue: Fees from public water systems that participate in the Monitoring Assistance program.		
Purpose of Fund: To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.		
Funds Expended	732,000	799,300
Year-End Fund Balance	509,200	389,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Permit Administration Fund (EVA2328/A.R.S. § 49-455)		Appropriated
<i>Source of Revenue:</i> Permit fees and interest.		
<i>Purpose of Fund:</i> To develop and administer permit programs and to conduct inspections.		
Funds Expended	4,456,400	7,166,500
Year-End Fund Balance	2,787,400	952,600
Recycling Fund (EVA2289/A.R.S. § 49-837)		Appropriated
<i>Source of Revenue:</i> Landfill disposal (tipping) fees and legislative appropriations.		
<i>Purpose of Fund:</i> For grants to local governments and others developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration.		
Funds Expended	1,298,800	1,565,100
Year-End Fund Balance	935,000	1,977,500
Safe Drinking Water Program Fund (EVA4150/A.R.S. § 49-360)		Appropriated
<i>Source of Revenue:</i> The first \$1,800,000 received from Public Water System (PWS) tax revenue.		
<i>Purpose of Fund:</i> To fund the Safe Drinking Water Program.		
Funds Expended	1,779,400	2,214,300
Year-End Fund Balance	930,900	516,600
Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)		Appropriated
<i>Source of Revenue:</i> Fees, donations, and legislative appropriations.		
<i>Purpose of Fund:</i> To pay solid waste program costs, including waste tire removal expenses, special waste facility staff education, special waste management compliance monitoring, and used oil handling education and enforcement.		
Funds Expended	1,199,100	1,853,900
Year-End Fund Balance	2,075,600	1,412,300
Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)		Non-Appropriated
<i>Source of Revenue:</i> Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
<i>Purpose of Fund:</i> For administration of court settlements, judgments, or consent decrees.		
Funds Expended	0	0
Year-End Fund Balance	513,900	513,900
Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)		Appropriated
<i>Source of Revenue:</i> A 1¢ per gallon excise tax on gasoline.		
<i>Purpose of Fund:</i> To provide partial coverage for permanent closures, leak prevention, and corrective action costs related to leaking underground storage tanks incurred by the department, owners, operators, or political subdivisions. The FY 2022 Budget Reconciliation Bill continues to allow DEQ to utilize up to \$6,531,000 from the Underground Storage Tank Revolving Fund for administrative expenses and for sewage remediation. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	148,800
Year-End Fund Balance	31,165,700	13,816,900
Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)		Non-Appropriated
<i>Source of Revenue:</i> A 1¢ per gallon excise tax on gasoline.		
<i>Purpose of Fund:</i> To provide partial coverage for permanent closures, leak prevention, and corrective action costs related to leaking underground storage tanks incurred by the department, owners, operators, or political subdivisions. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	60,961,700	50,813,500
Year-End Fund Balance	31,165,700	13,816,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		Non-Appropriated
Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
Funds Expended	294,800	542,700
Year-End Fund Balance	527,000	592,800
Voluntary Vehicle Repair and Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)		Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	560,000
Year-End Fund Balance	2,668,100	1,679,200
Voluntary Vehicle Repair and Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)		Non-Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	884,800	1,851,200
Year-End Fund Balance	2,668,100	1,679,200
Water Quality Assurance Revolving Fund (EVA2221/A.R.S. § 49-282)		Non-Appropriated
Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S. § 49-282, \$15,000,000 is to be transferred to the Water Quality Assurance Revolving Fund (WQARF) from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues the fund receives \$18,000,000 annually. This statutory transfer was suspended every year from FY 2011 through FY 2020, although the adjustment to reach \$18,000,000 remains suspended. These amounts are supplemented by approximately \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.		
Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is a transfer to the Department of Water Resources for well inspection and data management and a transfer to the Department of Health Services for a risk assessment. These transfers are not counted to avoid double counting. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the annual budget for WQARF.		
Funds Expended	16,993,300	18,096,700
Year-End Fund Balance	5,149,800	4,274,100
Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)		Appropriated
Source of Revenue: Legislative appropriations and fees received from several water quality protection programs.		
Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.		
Funds Expended	8,202,400	10,590,700
Year-End Fund Balance	3,096,200	(544,300)

Governor's Office of Equal Opportunity

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	95,000	127,900	127,900
Employee Related Expenditures	28,500	52,900	52,900
Travel - In State	100	1,200	1,200
Other Operating Expenditures	71,400	8,500	8,500
Equipment	0	800	800
AGENCY TOTAL	195,000	191,300	191,300^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Division Fund	195,000	191,300	191,300
SUBTOTAL - Other Appropriated Funds	195,000	191,300	191,300
SUBTOTAL - Appropriated Funds	195,000	191,300	191,300
TOTAL - ALL SOURCES	195,000	191,300	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 Baseline includes \$191,300 and 4 FTE Positions from the Personnel Division Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Personnel Division Fund (OEO1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.38% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To monitor equal opportunity plans submitted annually by each state agency and assist agencies in equal employment opportunity training and evaluation. To conduct research to improve, expand, or integrate state agencies' equal opportunity programs.		
Funds Expended	195,000	191,300
Year-End Fund Balance	70,200	70,200

State Board of Equalization

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	256,900	274,200	274,200
Employee Related Expenditures	86,600	79,100	79,100
Professional and Outside Services	15,900	35,000	35,000
Travel - In State	3,800	16,000	16,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	293,200	239,600	239,600
Equipment	0	15,000	15,000
AGENCY TOTAL	656,400	663,900	663,900^{1/}
FUND SOURCES			
General Fund	656,400	663,900	663,900
SUBTOTAL - Appropriated Funds	656,400	663,900	663,900
TOTAL - ALL SOURCES	656,400	663,900	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 Baseline includes \$663,900 and 7 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Board of Executive Clemency

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.5	14.5	14.5
Personal Services	609,000	638,200	638,200
Employee Related Expenditures	204,900	226,600	226,600
Professional and Outside Services	9,000	32,400	32,400
Travel - In State	0	13,600	13,600
Other Operating Expenditures	248,000	232,500	232,500
Equipment	1,400	10,000	10,000
AGENCY TOTAL	1,072,300	1,153,300	1,153,300 ^{1/2/}
FUND SOURCES			
General Fund	1,072,300	1,153,300	1,153,300
SUBTOTAL - Appropriated Funds	1,072,300	1,153,300	1,153,300
Other Non-Appropriated Funds	36,200	23,400	23,400
TOTAL - ALL SOURCES	1,108,500	1,176,700	1,176,700

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, 2022, 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 2021-2022. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$1,153,300 and 14.5 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Other Issues

Caseload Data

Pursuant to a footnote in the FY 2022 General Appropriation Act, the board submitted a report on its FY 2021 caseload. The board conducted 2,626 case hearings in FY 2021, as described below:

- Phases 1 and 2 Commutation (265): 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 (11): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (5): 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 (334): 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.

- Revocation (1,564): These hearings are conducted when an offender has violated the terms of community supervision.
- Probable Cause (447): These hearings can be requested by an inmate prior to revocation proceedings to determine if there is probable cause to believe that the defendant violated the terms of community supervision.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
IGA and ISA Fund (PPA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	36,200	23,400
Year-End Fund Balance	24,000	24,000

Arizona Exposition and State Fair Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	1,533,600	4,836,800	4,836,800
Employee Related Expenditures	585,000	870,000	870,000
Professional and Outside Services	190,500	350,400	350,400
Travel - In State	200	2,500	2,500
Travel - Out of State	0	10,000	10,000
Other Operating Expenditures	1,569,500	7,139,600	7,139,600
Equipment	500	88,200	88,200
AGENCY TOTAL	3,879,300	13,297,500	13,297,500^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Exposition and State Fair Fund	3,879,300	13,297,500	13,297,500
SUBTOTAL - Other Appropriated Funds	3,879,300	13,297,500	13,297,500
SUBTOTAL - Appropriated Funds	3,879,300	13,297,500	13,297,500
TOTAL - ALL SOURCES	3,879,300	13,297,500	13,297,500

AGENCY DESCRIPTION — The Arizona Exposition and State Fair Board is custodian of the 96-acre State Fairgrounds and Memorial Coliseum properties. The board directs and conducts the annual Arizona State Fair and leases the coliseum and fairgrounds facilities for special events, including the annual Arizona National Livestock Show.

FOOTNOTES

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

Operating Budget

The Baseline includes \$13,297,500 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)		Appropriated
Source of Revenue: Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.		
Purpose of Fund: For operating costs of the State Fair.		
Funds Expended	3,879,300	13,297,500
Year-End Fund Balance	3,230,600	4,828,200

Arizona Department of Forestry and Fire Management

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	210.0	213.0	213.0 ^{1/}
Personal Services	2,135,200	2,147,500	2,147,500
Employee Related Expenditures	828,800	966,400	966,400
Professional and Outside Services	69,600	69,600	69,600
Travel - In State	5,300	21,000	21,000
Travel - Out of State	100	200	200
Other Operating Expenditures	148,800	152,700	152,700
Equipment	15,900	36,400	36,400
OPERATING SUBTOTAL	3,203,700	3,393,800	3,393,800
SPECIAL LINE ITEMS			
Environmental County Grants	250,000	250,000	250,000
Fire Suppression	3,200,000	3,200,000	3,200,000 ^{2/}
Hazardous Vegetation Removal	533,500	3,000,000	3,000,000 ^{3/}
Inmate Firefighting Crews	699,900	784,400	784,400
Post-Release Firefighting Crews	961,400	1,151,000	1,151,000
Nonnative Vegetation Species Eradication	1,000,000	1,000,000	1,000,000 ^{4/}
Rural Fire District Reimbursement	0	2,500,000	0
State Fire Marshal	706,700	1,168,700	1,052,000
State Fire School	156,500	279,700	279,700
Wildfire Emergency Response	4,507,300	0	0
Wildfire Mitigation	0	0	38,211,200
AGENCY TOTAL	15,219,000	16,727,600	52,322,100 ^{5/}
FUND SOURCES			
General Fund	15,219,000	16,727,600	52,322,100
SUBTOTAL - Appropriated Funds	15,219,000	16,727,600	52,322,100
Other Non-Appropriated Funds	60,520,700	59,942,600	59,942,600
TOTAL - ALL SOURCES	75,739,700	76,670,200	112,264,700

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 2023.
- ^{2/} A.R.S. § 37-1305 annually appropriates \$3,000,000 from the General Fund to the Fire Suppression Revolving Fund. Because this authorization is in permanent statute, \$3,000,000 of the appropriated amount is not included in the General Appropriation Act.
- ^{3/} The appropriation for the hazardous vegetation removal line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2024. (General Appropriation Act footnote)
- ^{4/} The sum of \$1,000,000 is appropriated from the state General Fund in each of FY 2021, FY 2022, FY 2023, FY 2024, FY 2025, FY 2026, FY 2027, FY 2028, and FY 2029 to the Arizona Department of Forestry and Fire Management for deposit in the Nonnative Vegetation Species Eradication Fund established by A.R.S. § 37-1309 to assist in preventing wildland fire and flooding. (FY 2020 General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,393,800 and 43 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Environmental County Grants

The Baseline includes \$250,000 from the General Fund in FY 2023 for Environmental County Grants. This amount is unchanged from FY 2022.

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 Baseline includes \$3,200,000 from the General Fund in FY 2023 for Fire Suppression. This amount is unchanged from FY 2022.

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 Mitigation line item for additional monies supporting fire suppression in Arizona.*)

Hazardous Vegetation Removal

The Baseline includes \$3,000,000 from the General Fund in FY 2023 for a Hazardous Vegetation Removal program. This amount is unchanged from FY 2022.

This line item supports hazardous material removal programs that treat state and private lands through prescribed burning or thinning of flammable vegetation. This work can be conducted by DFFM crews or through fuel reduction grants to contractors.

Inmate Firefighting Crews

The Baseline includes \$784,400 and 13 FTE Positions from the General Fund in FY 2023 for Inmate Firefighting Crews. These amounts are unchanged from FY 2022.

These monies provide firefighting training for 12 inmate fire crews. The crews act as first responders and are used for fuel treatment and fire suppression.

Post-Release Firefighting Crews

The Baseline includes \$1,151,000 and 20 FTE Positions from the General Fund in FY 2023 for Post-Release Firefighting Crews. This amount is unchanged from FY 2022.

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 Baseline includes \$1,000,000 from the General Fund in FY 2023 for the Nonnative Vegetation Species Eradication line item. This amount is unchanged from FY 2022.

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 Baseline includes no funding in FY 2023 for Rural Fire District Reimbursement. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,500,000) from the General Fund in FY 2023 for removal of one-time funding for the Rural Fire District Reimbursement line item.

Funding for this line item goes toward processing and paying 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 otherwise receive payment for providing emergency medical services to persons injured or sick on federal lands.

State Fire Marshal

The Baseline includes \$1,052,000 and 14 FTE Positions from the General Fund in FY 2023 for the State Fire Marshal. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(116,700) from the General Fund in FY 2023 for removal of one-time equipment costs for the State Fire Marshal line item.

The Office of the State Fire Marshal enforces the state fire codes and provides training and education for fire personnel and the general public.

State Fire School

The Baseline includes \$279,700 and 1 FTE Position from the General Fund in FY 2023 for the State Fire School. These amounts are unchanged from FY 2022.

Monies in this line item primarily subsidize smaller rural volunteer fire departments attending Arizona State Fire School workshops which provide firefighting education. 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 Baseline includes no funding in FY 2023 for the Wildfire Emergency Response line item. This amount is unchanged from FY 2022.

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.

Through November 2021, DFFM reported spending \$21,809,980 of the appropriation, of which \$14,812,194 was expended in the fire suppression category. Capital and flooding mitigation projects make up the other 2 significant expenditure categories, with \$3,440,169 and \$3,536,622 in expenditures, respectively. The final \$20,995 in expenditures fall under financial assistance to landowners. Through November 2021, DFFM reported total encumbrances of \$33,758,445.

Wildfire Mitigation

The Baseline includes \$38,211,200 and 122 FTE Positions from the General Fund in FY 2023 for the Wildfire Mitigation line item. FY 2023 adjustments are as follows:

Continue 3-Year Funding Plan

The Baseline includes an increase of \$38,211,200 from the General Fund in FY 2023 for continuation of the 3-year funding plan as outlined in the FY 2022 budget.

Laws 2021, 1st Special Session, Chapter 1 appropriated \$24,541,800 and 122 FTE Positions in FY 2021 for wildfire mitigation available until June 30, 2022. The 3-year plan as part of the FY 2022 budget includes \$38,211,200 in FY 2023 and \$32,029,800 in FY 2024 to continue these efforts.

Monies in this line item are to be used for personnel, operating costs, equipment, and contracted services to mitigate future fires. In FY 2023, the line item includes:

- \$7,802,760 for 122 DFFM staff to oversee the work of 10 crews of 72 inmates working to remove hazardous vegetation.
- \$11,383,040 for inmate crews and corrections staff.
- \$8,734,200 for vehicles, Department of Transportation program costs, and other equipment and maintenance.
- \$5,780,000 for contracted personnel to support wildfire mitigation efforts.
- \$4,500,000 for external project grants.

Other Issues

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, DFFM's General Fund costs are projected to decrease by \$(6,181,400) in FY 2024 compared to FY 2023 and remain unchanged in FY 2025 from FY 2024 levels. These estimates are based on:

- A decrease of \$(1,960,000) in FY 2024 for removal of one-time equipment costs.

- A decrease of \$(1,031,400) in FY 2024 for removal of one-time ADC equipment and transportation costs.
- A reduction of \$(3,190,000) in FY 2024 for removal of one-time DFFM vehicle purchases.

Budget Stabilization Fund Use for Processing Wildland Fire Claims

A.R.S. § 35-144 authorizes DFFM to use up to \$20,000,000 in Budget Stabilization Fund (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.

As of November 2021, DFFM reports using all \$20,000,000 in BSF capacity for claims 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.)

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arson Detection Reward Fund (FFM2169/A.R.S. § 37-1387)		Non-Appropriated
Source of Revenue: Donations, court-imposed fines, and monies from forfeiture of bail posted for arson convictions.		
Purpose of Fund: To provide rewards for information leading to convictions of arson cases.		
Funds Expended	0	0
Year-End Fund Balance	104,500	109,400
Cooperative Forestry Fund (FFM2232/A.R.S. § 37-1306)		Non-Appropriated
Source of Revenue: Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
Purpose of Fund: To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
Funds Expended	6,534,300	6,534,300
Year-End Fund Balance	3,105,600	3,479,700
Fire Suppression Revolving Fund (FFM2360/A.R.S. § 37-1305)		Non-Appropriated
Source of Revenue: General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wild Land Fire Emergency Council, civil penalties related to the use of fireworks on state lands and other monies. If the unobligated balance of the fund exceeds \$2,000,000 at the end of any calendar year, the excess shall be transferred to the General Fund.		
Purpose of Fund: To cover the costs of fighting fires on public and private lands. May include expenditure of General Fund appropriations, which may cause double counting of appropriations.		
Funds Expended	51,177,800	51,606,400
Year-End Fund Balance	214,600	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
IGA and ISA Fund (FFM2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	1,840,600	793,800
Year-End Fund Balance	2,532,400	3,316,300
Indirect Cost Recovery Fund (FFM9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees from the Negotiated Indirect Cost Rate Agreement with the U.S. Forest Service.		
Purpose of Fund: To offset the costs of the department's overhead personnel.		
Funds Expended	968,000	1,008,100
Year-End Fund Balance	550,000	391,900
Nonnative Vegetation Species Eradication Fund (FFM2456/A.R.S. § 37-1309)		Non-Appropriated
Source of Revenue: Legislative appropriations. The FY 2020 General Appropriation Act appropriated \$1,000,000 from the General Fund to the department in each of FY 2020 through FY 2029 to deposit into the Nonnative Vegetation Species Eradication Fund.		
Purpose of Fund: To provide grants to other state agencies, cities, towns, counties, Indian tribes, other political subdivisions and nonprofit organizations for projects that will assist in fire and flood prevention, conservation of water, replacing nonnative vegetative species with native vegetative species and restoring native habitats. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	1,933,400	1,533,400
Trampoline Court Safety Fund (FFM2578/A.R.S. § 37-1422)		Non-Appropriated
Source of Revenue: Fees charged to owners of trampoline courts.		
Purpose of Fund: To implement and maintain the registry of trampoline courts operating in Arizona.		
Funds Expended	0	0
Year-End Fund Balance	9,100	9,800

State Board of Funeral Directors and Embalmers

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	192,300	202,400	202,400
Employee Related Expenditures	72,600	90,800	90,800
Professional and Outside Services	300	34,600	25,000
Travel - In State	2,400	5,000	5,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	94,800	65,000	65,000
AGENCY TOTAL	362,400	402,800	393,200^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	362,400	402,800	393,200
SUBTOTAL - Other Appropriated Funds	362,400	402,800	393,200
SUBTOTAL - Appropriated Funds	362,400	402,800	393,200
TOTAL - ALL SOURCES	362,400	402,800	393,200

AGENCY DESCRIPTION — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau.

FOOTNOTES

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

Operating Budget

The Baseline includes \$393,200 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

One-Time Technology Update

The Baseline includes a decrease of \$(9,600) from the Board of Funeral Directors' and Embalmers' Fund in FY 2023 for the elimination of funds for a one-time technology update.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of funeral directors and embalmers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.		
Funds Expended	362,400	402,800
Year-End Fund Balance	702,500	726,300

Arizona Game and Fish Department

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	14,705,700	17,606,600	17,606,600
Employee Related Expenditures	13,372,000	14,402,000	14,402,000
Professional and Outside Services	1,325,200	1,811,900	1,811,900
Travel - In State	122,600	183,700	183,700
Travel - Out of State	4,000	4,900	4,900
Other Operating Expenditures	9,559,100	8,629,600	8,629,600
Equipment	688,000	1,095,000	1,095,000
OPERATING SUBTOTAL	39,776,600	43,733,700	43,733,700
SPECIAL LINE ITEMS			
Pittman-Robertson/Dingell-Johnson Act	3,058,000	3,058,000	3,058,000
AGENCY TOTAL	42,834,600	46,791,700	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	37,456,400	40,461,500	40,461,500
Game, Non-Game, Fish and Endangered Species Fund	202,000	357,600	357,600
Watercraft Licensing Fund	4,158,800	4,955,200	4,955,200
Wildlife Endowment Fund	16,200	16,200	16,200
SUBTOTAL - Other Appropriated Funds	42,834,600	46,791,700	46,791,700
SUBTOTAL - Appropriated Funds	42,834,600	46,791,700	46,791,700
Other Non-Appropriated Funds	32,995,100	39,615,400	39,615,400
Federal Funds	37,460,900	51,150,000	51,150,000
TOTAL - ALL SOURCES	113,290,600	137,557,100	137,557,100

AGENCY DESCRIPTION — The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations.

FOOTNOTES

1/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$43,733,700 and 273.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
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

This amount is unchanged from FY 2022.

Pittman-Robertson/Dingell-Johnson Act

The Baseline includes \$3,058,000 from the Game and Fish Fund in FY 2023 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2022.

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Big Game Permit Fund (GFA3712/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: License fees for hunting permits.		
Purpose of Fund: Holding account for license fees from hunters who are unable to obtain big game hunting permits through the lottery system.		
Funds Expended	0	0
Year-End Fund Balance	356,900	356,900
Capital Improvement Fund (GFA2203/A.R.S. § 17-292)		Appropriated
Source of Revenue: Transfers from the Conservation Development Fund.		
Purpose of Fund: To acquire, construct, improve and renovate department facilities.		
Funds Expended	1,001,200	1,001,200
Year-End Fund Balance	1,800	1,800
Conservation Development Fund (GFA2062/A.R.S. § 17-282)		Non-Appropriated
Source of Revenue: A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
Purpose of Fund: To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
Funds Expended	1,009,700	1,009,700
Year-End Fund Balance	2,621,600	3,033,800
Federal Revolving Fund (GFA2028/A.R.S. § 17-406)		Non-Appropriated
Source of Revenue: Funds received from the federal government for deposit and appropriated state matching money.		
Purpose of Fund: For projects approved in compliance with the provisions of the restoration acts known as the Pittman-Robertson Act and the Dingell-Johnson/Wallop-Breaux Act and other wildlife projects in which the cost may be partially or wholly reimbursed from Federal Funds.		
Funds Expended	37,072,400	50,954,200
Year-End Fund Balance	5,733,300	0
Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)		Non-Appropriated
Source of Revenue: Annual appropriation of \$50,000 from retail sales taxes deposited to the General Fund and transferred to the fund pursuant to A.R.S. § 42-5029D4, revenues derived from the sale or lease of real property owned by the commission, and interest earnings as provided by A.R.S. § 17-273.		
Purpose of Fund: To award grants to assist existing government-owned shooting ranges in adapting to changes in the use of adjacent properties, including noise abatement, safety enhancement, range realignment, acquisition of land for buffer zones, or acquisition of State Trust Lands for locating or relocating government-owned shooting ranges.		
Funds Expended	19,500	8,200
Year-End Fund Balance	109,300	101,100
Game and Fish Fund (GFA2027/A.R.S. § 17-261)		Appropriated
Source of Revenue: Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
Purpose of Fund: To provide funding for general operation of the Game and Fish Department, to administer the Off-Highway Vehicle User Indicia program, and to match federal grants for fish and wildlife restoration.		
Funds Expended	37,456,400	40,461,500
Year-End Fund Balance	38,443,300	33,319,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Game and Fish In-Lieu Fee Program Restoration Endowment Trust Fund (GFA3167/A.R.S. § 17-265)		Non-Appropriated
Source of Revenue: Compensatory mitigation credit monies from permittee purchases; monies received from United States Army Corps of Engineers (USACE) for resolutions of a federal enforcement action of unauthorized activities not involving department staff.		
Purpose of Fund: To fulfill department duties as an In-Lieu Fee sponsor pursuant to the federal Clean Water Act. Permittees that cannot avoid environmental impact to wetlands and streams must purchase compensatory mitigation credits, the proceeds of which are used by the Game and Fish Department for environmental restoration projects authorized by the USACE.		
Funds Expended	388,500	195,800
Year-End Fund Balance	5,502,600	5,568,500
Game and Fish Publications Revolving Fund (GFA4007/A.R.S. § 17-269)		Non-Appropriated
Source of Revenue: Sales of agency publications, including Wildlife Views magazine and various field guides.		
Purpose of Fund: To finance the production of agency publications. Amounts in excess of \$80,000 revert to the Game and Fish Fund at fiscal year end. However, in some circumstances, the balance forward may appear to exceed \$80,000 without reversion due to unexpended obligations at fiscal year end that the agency counts against the ending balance.		
Funds Expended	220,600	183,300
Year-End Fund Balance	63,200	63,900
Game and Fish Special Stamp Collection Fund - For CA (GFA3709/A.R.S. § 17-343)		Non-Appropriated
Source of Revenue: Handling of licenses and special use permits on waters shared with California.		
Purpose of Fund: To remit proceeds to California on an annual basis pursuant to an agreement between AZGFD and the California Game and Fish Commission.		
Funds Expended	0	0
Year-End Fund Balance	41,600	41,600
Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Collections from local governments for the Urban Fishing program, transfers from the state Risk Management Fund, proceeds from the charitable auction of bighorn sheep tags, and private donations from private contributors.		
Purpose of Fund: This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
Funds Expended	3,425,800	2,550,800
Year-End Fund Balance	16,282,400	18,357,500
Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)		Appropriated
Source of Revenue: Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
Purpose of Fund: To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
Funds Expended	202,000	357,600
Year-End Fund Balance	841,500	737,000
Heritage Fund - Acquisition Fund (GFA2294/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 60% for the purposes of acquisition, identification, inventory, protection and management of property with sensitive habitat.		
Purpose of Fund: For purposes related to sensitive habitat protection. At least 20% of monies allocated for acquisition, identification, inventory, protection, and management of property with sensitive habitat are spent to acquire property with sensitive habitat used by endangered, threatened and candidate species.		
Funds Expended	314,500	3,940,000
Year-End Fund Balance	7,840,200	6,300,200

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Heritage Fund - Administration Fund (GFA2292/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Interest earnings are allocated by the Game and Fish Commission.		
Purpose of Fund: For administrative costs as determined by the Game and Fish Commission allocation of interest earnings.		
Funds Expended	129,600	186,600
Year-End Fund Balance	131,300	144,700
Heritage Fund - Environmental Education Fund (GFA2290/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 5% for environmental education.		
Purpose of Fund: For purposes related to environmental education.		
Funds Expended	506,800	564,800
Year-End Fund Balance	220,400	155,600
Heritage Fund - Habitat Evaluation or Habitat Protection Fund (GFA2291/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 15% for habitat protection and evaluation.		
Purpose of Fund: For purposes related to habitat protection.		
Funds Expended	1,490,600	1,641,900
Year-End Fund Balance	1,043,300	901,400
Heritage Fund - Identification, Inventory, Protection and Management (GFA2295/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 60% for the purposes of acquisition, identification, inventory, protection and management of property with sensitive habitat.		
Purpose of Fund: For purposes related to sensitive habitat protection. At least 20% of monies allocated for acquisition, identification, inventory, protection and management are spent to acquire property with sensitive habitat. No more than 20% may be used for purposes of operation and maintenance of acquired property.		
Funds Expended	3,713,800	4,909,500
Year-End Fund Balance	3,659,000	2,349,500
Heritage Fund - Public Access Fund (GFA2293/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 5% for public access.		
Purpose of Fund: For purposes related to public access expenses, including maintenance and operations.		
Funds Expended	611,300	572,800
Year-End Fund Balance	309,000	236,200
Heritage Fund - Urban Wildlife and Urban Life Habitat Fund (GFA2296/A.R.S. § 17-298)		Non-Appropriated
Source of Revenue: The Heritage Fund receives a total annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. Statute allocates 15% for urban wildlife.		
Purpose of Fund: For purposes related to urban wildlife and urban wildlife habitat programs.		
Funds Expended	1,479,000	2,214,900
Year-End Fund Balance	1,657,500	942,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
IGA and ISA Fund (GFA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	17,300	17,300
Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: This fund consists of revenue generated by billing federal aid for indirect costs.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	8,930,200	9,318,000
Year-End Fund Balance	2,207,200	1,441,900
Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Clearing account. In accordance with the Federal Sikes Act, 16 U.S.C. 670 et seq., monies are generated from the sale of a Kaibab habitat management stamp, which is required to take deer on the Kaibab Plateau.		
Purpose of Fund: To provide funding for habitat management.		
Funds Expended	0	0
Year-End Fund Balance	122,800	122,800
Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)		Appropriated
Source of Revenue: Fishing license fees.		
Purpose of Fund: To pay for recreation benefits in conjunction with fish and wildlife restoration projects; purchase engineering services, land, rights of way, water rights, and construction; and matching funds for Pittman-Robertson and Dingell-Johnson federal aid and other available funds from federal, state, county or municipal sources.		
Funds Expended	0	0
Year-End Fund Balance	34,300	34,300
Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Arizona Game and Fish Department receives 35% of off-highway vehicle user fees and annual collections from the Motor Vehicle Fuel Tax transfer to the State Parks Board, which is equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development and 5% are to be used by the State Land Department for costs associated with off-highway vehicle use for land within its jurisdiction. The remainder is transferred to the Arizona Game and Fish Department for informational and educational programs on off-highway vehicle recreation, law enforcement activities and administration of the Off-Highway Vehicle User Indicia program.		
Funds Expended	1,583,200	1,967,500
Year-End Fund Balance	1,663,800	1,631,700
Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)		Appropriated
Source of Revenue: Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
Purpose of Fund: To administer and enforce registration of watercraft and boating safety laws, and to provide any information and education programs relating to boating and boating safety.		
Funds Expended	4,158,800	4,955,200
Year-End Fund Balance	6,126,300	6,062,700

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Wildlife Conservation Enterprise Fund (GFA2029/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Project grants from state and local governments, private entities and federal entities.		
Purpose of Fund: For wildlife conservation and monitoring projects, primarily related to wildlife crossing and fencing along highway projects.		
Funds Expended	92,900	0
Year-End Fund Balance	349,300	349,300
Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)		Non-Appropriated
Source of Revenue: Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
Purpose of Fund: To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
Funds Expended	9,381,700	10,485,800
Year-End Fund Balance	5,927,400	3,000,100
Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)		Appropriated
Source of Revenue: Sales of benefactor and lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
Purpose of Fund: To provide funding for wildlife conservation and management.		
Funds Expended	16,200	16,200
Year-End Fund Balance	4,033,400	4,356,200
Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)		Appropriated
Source of Revenue: Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
Purpose of Fund: To provide funding for wildlife habitat restoration and improvement projects.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)		Non-Appropriated
Source of Revenue: Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
Purpose of Fund: To finance reward payments to persons providing information about illegal wildlife activities; to finance the department's "Operation Game Thief" program; and to promote awareness of the Wildlife Theft Prevention program.		
Funds Expended	85,900	61,600
Year-End Fund Balance	200,700	270,400

Department of Gaming

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8 ^{1/}
Personal Services	4,097,400	4,998,500	4,998,500
Employee Related Expenditures	1,516,000	1,738,000	1,738,000
Professional and Outside Services	724,800	1,000,000	1,000,000
Travel - In State	110,500	280,000	280,000
Travel - Out of State	1,300	55,000	55,000
Other Operating Expenditures	496,100	1,606,600	1,606,600
Equipment	188,000	295,000	295,000
OPERATING SUBTOTAL	7,134,100	9,973,100	9,973,100
SPECIAL LINE ITEMS			
Additional Operating Expenses	0	0	3,761,900 ^{2/}
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	2,211,500	2,104,900	2,104,900
County Fairs Livestock and Agriculture Promotion	2,509,500	5,759,500	4,029,500 ^{3/}
Division of Racing	1,534,200	2,261,100	2,261,100
Problem Gambling	1,619,500	2,484,000	3,320,000
Racetrack Purse and Maintenance and Operations Funding	0	5,000,000	5,000,000 ^{4/}
Racing Purse Enhancement	0	5,000,000	5,000,000 ^{5/}
AGENCY TOTAL	15,258,800	32,832,600	35,700,500 ^{6/7/}
FUND SOURCES			
General Fund	2,509,500	15,759,500	14,029,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	8,497,200	12,012,100	16,610,000
Fantasy Sports Contest Fund	0	145,000	145,000
Racing Regulation Fund	1,709,500	2,411,500	2,411,500
Racing Regulation Fund - Unarmed Combat Subaccount	74,700	99,600	99,600
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	2,167,900	2,104,900	2,104,900
SUBTOTAL - Other Appropriated Funds	12,749,300	17,073,100	21,671,000
SUBTOTAL - Appropriated Funds	15,258,800	32,832,600	35,700,500
Other Non-Appropriated Funds	864,200	1,520,400	1,520,400
TOTAL - ALL SOURCES	16,123,000	34,353,000	37,220,900

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is also responsible for certifying casino employees and vendors working with casinos. The department also regulates non-tribal gaming activities including the Division of Racing, fantasy sports contests, and event wagering.

FOOTNOTES

- 1/ Includes 73.5 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ **NEW** The department of gaming shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on or before October 1, 2022 on the expected amount and purpose of expenditures from the additional operating expenses line item for fiscal year 2022-2023. The report shall include the projected line item detail. (General Appropriation Act footnote)
- 3/ 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)

- 4/ 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)
- 5/ 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)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ **NEW** The department of gaming shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on or before August 1, 2022 on the expected amount and purpose of expenditures from the event wagering fund for fiscal year 2022-2023. The report shall include the projected line-item detail and the number of filled full-time equivalent positions. (General Appropriation Act footnote)

Administrative Expenses

The Baseline includes \$13,735,000 in FY 2023 for administrative expenses, which consists of \$13,590,000 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 2022, Gaming has the authority to spend \$9,828,100, based on the FY 2022 Arizona Benefits Fund Operating appropriation which used the 9% tribal gaming revenue forecast at the time of the enacted budget. In FY 2023, 9% of tribal gaming revenues are forecasted to be \$13,590,000, due to a significant increase in contributions resulting from the revised Tribal-State Gaming Compacts.

As a result, the Baseline increases Gaming's FY 2023 Arizona Benefits Fund expenditure authority by \$3,761,900 to a level of \$13,590,000. The department can expend the actual 9% level or the expenditure authority level, whichever is lower. Given that the 9% formula allocation leads to a significant increase in the department's administrative budget, the Baseline would allocate this \$3,761,900 FY 2023 increase to a separate line item for additional operating expenses. The Baseline would require the department to report on any new administrative spending from this line item.

Problem Gambling

The Baseline includes \$3,320,000 in FY 2023 for Problem Gambling, which consists of \$3,020,000 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 2022, Gaming has the authority to spend \$2,184,000, based on the FY 2022 Arizona Benefits Fund Problem Gaming appropriation which used the 2% tribal gaming revenue forecast at the time of the enacted budget. In FY 2023, 2% of tribal gaming revenues are forecasted to be \$3,020,000, due to a significant increase in contributions resulting from the revised Tribal-State Gaming Compacts.

As a result, the Baseline increases Gaming's FY 2023 Arizona Benefits Fund expenditure authority by \$836,000 to a level of \$3,020,000. The department can expend the actual 2% level or the expenditure authority level, whichever is lower. *(See Other Issues – Tribal Gaming Revenues section for additional details.)*

Event Wagering Administrative Costs

In addition to the administrative costs listed above that are subject to the legislative appropriation, the department may spend up to 10% of revenue from the non-appropriated Event Wagering Fund on the regulation of event wagering.

Given the Baseline revenue forecast for event wagering license and fee collections, Gaming is estimated to have the authority to spend \$2,821,400 in FY 2022 and \$1,962,100 in FY 2023 from the Event Wagering Fund. *(See Other Issues – Event Wagering/Fantasy Sports Forecast section for additional details.)*

Given that the department's FY 2023 budget request did not provide an expenditure plan for this new administrative spending allocation, the Baseline would include a new footnote requiring the department to

report on administrative spending from the Event Wagering Fund.

Operating Budget

The Baseline includes \$9,973,100 and 82.3 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
Arizona Benefits Fund	\$9,828,100
Fantasy Sports Contest Fund	145,000

These amounts are unchanged from FY 2022.

Additional Operating Expenses

The Baseline includes \$3,761,900 from the Arizona Benefits Fund in FY 2023 for additional operating expenses. FY 2023 adjustments are as follows:

Align Appropriation with 9% of Gaming Revenues

The Baseline includes an increase of \$3,761,900 from the Arizona Benefits Fund in FY 2023 to align the appropriation level for the department's administrative expenses with 9% of anticipated FY 2023 tribal gaming contributions.

The agency may use this additional appropriation for administrative costs of regulating gaming. In FY 2023, these resources will be allocated to the appropriate operating budget line items. *(See footnote on additional operating expenses reporting.)*

Arizona Breeders' Award

The Baseline includes \$250,000 from the Racing Regulation Fund in FY 2023 for the Arizona Breeders' Award. This amount is unchanged from FY 2022.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2022, this line item will fund awards equal to 25% of the purse won by the horse.

Casino Operations Certification

The Baseline includes \$2,104,900 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2023 for Casino Operations Certification. These amounts are unchanged from FY 2022.

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per

month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification Special Line Item.

County Fairs Livestock and Agriculture Promotion

The Baseline includes \$4,029,500 from the General Fund in FY 2023 for County Fairs Livestock and Agriculture Promotion. FY 2023 adjustments are as follows:

Increase Ongoing County Fair Racing Funding

The Baseline includes an increase of \$1,000,000 from the General Fund in FY 2023 to increase funding for county fair racing. The FY 2022 enacted budget's 3-year plan included a \$1,250,000 ongoing FY 2022 funding increase that becomes \$2,250,000 starting in FY 2023.

Remove One-Time County Fair Racing Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2023 to remove one-time funding for county fair racing. This amount was labeled as one-time funding in the FY 2022 budget.

Remove One-Time County Fair Promotion Funding

The Baseline includes a decrease of \$(730,000) from the General Fund in FY 2023 to remove one-time funding for County Fair promotion. The enacted FY 2020 budget's 3-year plan included this one-time funding during FY 2020 through FY 2022.

Monies in this line item are deposited in the County Fairs Livestock and Agriculture Promotion Fund in the Office of the Governor. The fund is used to promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center.

Division of Racing

The Baseline includes \$2,261,100 and 40.5 FTE Positions in FY 2023 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

These amounts are unchanged from FY 2022.

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 and nontraditional fighting contests within Arizona. The Baseline continues to include \$99,600 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2023 as part of the Division of Racing line item to provide funding for the Division of Boxing and Mixed Martial Arts.

Problem Gambling

The Baseline includes \$3,320,000 and 5 FTE Positions in FY 2023 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	3,020,000
State Lottery Fund	300,000

FY 2023 adjustments are as follows:

Align Appropriation with 2% of Gaming Revenues

The Baseline includes an increase of \$836,000 from the Arizona Benefits Fund in FY 2023 to align the appropriation level for the Problem Gambling line item with 2% of anticipated FY 2023 tribal gaming contributions.

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.

Racetrack Purse and Maintenance and Operations Funding

The Baseline includes \$5,000,000 from the General Fund in FY 2023 for a Racetrack Purse and Maintenance and Operations Fund line item. This amount is unchanged from FY 2022.

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 Baseline includes \$5,000,000 from the General Fund in FY 2023 for a Racing Purse Enhancement line item. This amount is unchanged from FY 2022.

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 Baseline would, as session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2023 only.

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 September 2021, there are 17 tribes operating a total of 24 Class III casinos in Arizona. There are also 6 additional tribes which do not have casinos but have slot machine rights that they may lease to tribes with casinos.

In 2002, 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.

In addition, Laws 2021, Chapter 234 expanded non-tribal gaming in the state and authorized event wagering, fantasy sports contests, and certain Lottery games. *(Please see the Department of Gaming and Lottery Commission sections of the FY 2022 Appropriations Report for more information).*

Event Wagering/Fantasy Sports Revenue Forecast

The Baseline includes a revenue forecast for event wagering, which includes the following assumptions:

- 8 non-tribal licensees and 10 tribal licensees each pay an initial license fee of \$750,000 and a \$150,000

annual renewal fee. This results in \$13.5 million for FY 2022 license revenue and \$2.7 million for FY 2023 license revenue.

- \$3.00 billion of estimated overall wagering activity in FY 2022. FY 2023 is projected to grow by 15%, resulting in \$3.45 billion of wagers.
- An assumed "hold" or net win percentage of 7.75% for operators.
- Further adjustments for subtracting allowable deductions for promotional bets (assumed to be 2.5% of wagers) and federal excise tax (0.25% of wagers).
- Apply a 9.8% weighted average privilege fee rate (assuming 90% mobile wagers taxed at the 10% rate, 10% retail wagers taxed at the 8% rate).
- FY 2022 revenues would total \$28.2 million (\$2.8 million for 10% administrative cost allocation and \$25.4 million transferred to the General Fund).
- FY 2023 revenues would total \$19.6 million (\$1.9 million for 10% administrative cost allocation and \$17.7 million transferred to the General Fund).

The Baseline also includes a revenue forecast for fantasy sports contests, which includes the following assumptions:

- 6 licensees each pay an initial license fee of \$2,000 and a \$1,000 annual renewal fee. This results in \$12,000 for FY 2022 license revenue and \$6,000 for FY 2023 license revenue.
- Fantasy sports contest operators would have net win of \$15.5 million in FY 2022. FY 2023 is projected to grow by 15%, resulting in \$17.8 million of net win.
- Applying the 5% fee rate to the net win amounts.
- FY 2022 revenues would total \$787,100 (\$78,700 for 10% administrative cost allocation and \$708,400 transferred to the General Fund).
- FY 2023 revenues would total \$897,400 (\$89,700 for 10% administrative cost allocation and \$807,700 transferred to the General Fund).

Tribal Gaming Revenues

In FY 2021, state tribal gaming revenues were \$97,098,800. The Baseline projects that total tribal gaming revenues will increase to a level of \$125,780,000 in FY 2022 but then increase to a level of \$151,000,000 in FY 2023. These revenue estimates are from the department's FY 2023 budget request. In the first quarter of FY 2022, tribal gaming contributions into the Arizona Benefits fund were \$40.7 million.

Table 2

Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

<u>Recipient</u>	<u>Proposition 202 Formula</u>	<u>FY 2021 Actuals ^{1/}</u>	<u>FY 2022 Projected ^{1/}</u>	<u>FY 2023 Projected</u>
State Government Distribution	88% of total	\$ 97,098,800	\$ 125,780,000 ^{2/}	\$ 151,000,000 ^{2/}
Local Government Distribution ^{3/}	12% of total	<u>13,291,200</u>	<u>17,151,800</u>	<u>20,590,900</u>
Total	100% of total	\$110,390,000	\$142,931,800	\$171,590,900
Allocation of State Government's Share				
<u>Department of Gaming</u>				
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,738,900	\$ 11,320,200 ^{4/}	\$ 13,590,000 ^{4/}
Department of Gaming Problem Gambling	2%	<u>1,942,000</u>	<u>2,515,600 ^{5/}</u>	<u>3,020,000 ^{5/}</u>
Subtotal-Department of Gaming		\$10,680,900	\$13,835,800	\$16,610,000
<u>Other Distributions</u>				
Instructional Improvement Fund (Department of Education)	56% of remainder	48,394,100	62,688,800	75,258,400
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	24,197,000	31,344,400	37,629,200
Arizona Wildlife Conservation Fund	8% of remainder	6,913,400	8,955,500	10,751,200
Tourism Fund	8% of remainder	<u>6,913,400</u>	<u>8,955,500</u>	<u>10,751,200</u>
Subtotal-Other Distributions		\$86,417,900	\$111,944,200	\$134,390,000
Total		\$97,098,800	\$125,780,000	\$151,000,000

- ^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.
- ^{2/} Based on an ADG projection, the Baseline projects a 29.5% increase in FY 2022 and a 20.1% increase in FY 2023 for tribal contributions to the Arizona Benefits Fund. The Baseline forecast reflects the revenue projections included in the ADG budget request, which includes 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 2022 appropriation includes \$9,828,100 and the FY 2023 appropriation includes \$13,590,000, 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 2022 appropriation includes \$2,184,000 and the FY 2023 appropriation includes \$3,020,000, 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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
2021 Compact Trust Fund (GMA2021/A.R.S. § 5-605)		Non-Appropriated
Source of Revenue: Contributions from certain Indian Tribes pursuant to the 2021 Tribal-State compact amendments. The department's FY 2023 budget request did not include revenue data for this fund.		
Purpose of Fund: To mitigate impacts to Indian tribes from gaming authorized by the 2021 Tribal-State compact amendments and provide economic benefits to beneficiary Indian tribes. The department's FY 2023 budget request did not include expenditure data for this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)		Appropriated
Source of Revenue: Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
Purpose of Fund: Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to the Arizona Department of Education, the Arizona Game and Fish Department, the Office of Tourism, and the Arizona Health Care Cost Containment System. (See individual agency pages for detailed information on each recipient.)		
Funds Expended	8,497,200	12,012,100
Year-End Fund Balance	6,436,300	5,586,300

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Breeders' Award Fund (GMA2206/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Legislative appropriations from the Racing Regulation Fund. Appropriated expenditures are not displayed to avoid double counting. The fund also receives revenue derived from the source market fees paid from advance deposit wagering on horse racing.		
Purpose of Fund: To give awards to the breeder of every winning horse foaled or whelped in this state. Of the amount allocated for purses, 5% is deposited in the fund.		
Funds Expended	792,600	1,444,800
Year-End Fund Balance	399,600	204,800
Event Wagering Fund (GMA2330/A.R.S. § 5-1318)		Non-Appropriated
Source of Revenue: The fund has 2 primary sources of revenue. The first is license fees collected from operators and various other licensees. The second is the privilege fees applied to adjusted gross event wagering revenues, which is 8% for retail location wagers and 10% for mobile wagers. The department's FY 2023 budget request did not include revenue data for this fund.		
Purpose of Fund: To fund the administrative costs associated with regulating event wagering in the state. The Department of Gaming retains 10% of event wagering revenues for administrative costs with the remaining 90% transferred to the General Fund. The department's FY 2023 budget request did not include expenditure data for this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Fantasy Sports Contest Fund (GMA2320/A.R.S. § 5-1212)		Appropriated
Source of Revenue: The fund has 2 primary sources of revenue. The first is license fees collected from operators and various other licensees. The second is the 5% privilege fee applied to fantasy sports contest adjusted revenues.		
Purpose of Fund: To fund the administrative costs associated with regulating Fantasy Sports Contests in the state. The Department of Gaming can retain up to 10% of fantasy sports contest revenues for administrative costs after which the remainder is transferred to the General Fund.		
Funds Expended	0	145,000
Year-End Fund Balance	0	(69,000)
IGA and ISA Fund (GMA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	15,100	15,100
Year-End Fund Balance	54,000	38,900
Racing Commission Bond Deposit Fund (GMA3720/A.R.S. § 5-107)		Non-Appropriated
Source of Revenue: There are no revenues in this fund. The fund holds bonds posted by commercial racing permit holders until the permittee withdraws their permit. The Division of Racing also deposits all racing and boxing applicant or licensee payments submitted in excess of the amount due into this fund.		
Purpose of Fund: To hold bonds posted by commercial racing permit holders until the permittee withdraws their permit. The Division of Racing requires racing permittees to post a bond with the Division of Racing each year, which is refunded when the permittee withdraws their permit. Forfeited bonds are deposited in the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	55,600	55,600
Racing Investigation Fund (GMA2369/A.R.S. § 41-705)		Non-Appropriated
Source of Revenue: Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Division of Racing. The fund is administered by the Department of Administration and disbursements are made pursuant to instructions from the Director of the Department of Gaming.		
Funds Expended	49,600	34,900
Year-End Fund Balance	29,800	14,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Racing Regulation Fund (GMA2556/A.R.S. § 5-113.01)		Appropriated
Source of Revenue: License fees and regulatory assessments established by the Arizona Division of Racing and the Boxing Commission, pari-mutuel taxes from wagering at horse racing facilities and donations or grants received by the department.		
Purpose of Fund: To support the mission of the Division of Racing. The fund contains a subaccount that supports the Division of Boxing and Mixed Martial Arts, please see the Racing Regulation Fund - Unarmed Combat Subaccount for additional information.		
Funds Expended	1,709,500	2,411,500
Year-End Fund Balance	2,310,200	1,831,500
Racing Regulation Fund - Unarmed Combat Subaccount (GMA2393/A.R.S. § 5-226)		Appropriated
Source of Revenue: Fees established by the Boxing Commission for unarmed combat events.		
Purpose of Fund: To pay for the administration and regulation of unarmed combat events hosted in Arizona.		
Funds Expended	74,700	99,600
Year-End Fund Balance	154,100	114,100
Retired Racehorse Adoption Fund (GMA2015/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
Purpose of Fund: To provide funding for grants to non-profit organizations for the promotion and adoption of retired racehorses.		
Funds Expended	6,900	25,600
Year-End Fund Balance	200	100
Rural County Fair Racing Fund (GMA2558/A.R.S. § 36-1947 [REPEALED])		Non-Appropriated
Source of Revenue: Laws 2018, Chapter 318 transfers \$200,000 from the Racing Regulation Fund to the Rural County Fair Racing Fund in FY 2019 to fund a matching grant pilot program. Chapter 318 repeals the Rural County Fair Racing Fund and the matching grant pilot program on June 30, 2020.		
Purpose of Fund: To provide matching grants of up to \$40,000 to support county fair horse racing. To be eligible for the grant counties must have a population of less than 800,000 and contribute at least 50% in matching grant funding.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Lottery Fund (GMA2122/A.R.S. § 5-571)		Appropriated
Source of Revenue: Funds transferred from the State Lottery Fund.		
Purpose of Fund: Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
Funds Expended	300,000	300,000
Year-End Fund Balance	200	200
Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)		Appropriated
Source of Revenue: The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
Purpose of Fund: Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
Funds Expended	2,167,900	2,104,900
Year-End Fund Balance	949,200	4,486,700

Office of the Governor

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	5,673,000	7,313,600	7,313,600 ^{1/2/}
SPECIAL LINE ITEMS			
Arizona Civics Corps	0	1,000,000	0
Foster Youth Education Success Fund Deposit	1,500,000	1,500,000	1,500,000
AGENCY TOTAL	7,173,000	9,813,600	8,813,600 ^{3/}
FUND SOURCES			
General Fund	7,173,000	9,813,600	8,813,600
SUBTOTAL - Appropriated Funds	7,173,000	9,813,600	8,813,600
Other Non-Appropriated Funds	7,101,000	3,651,600	3,651,600
Federal Funds	1,169,883,400	1,384,413,700	1,384,413,700
TOTAL - ALL SOURCES	1,184,157,400	1,397,878,900	1,396,878,900

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 2022-2023 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$7,313,600 from the General Fund in FY 2023 for the operating budget. This amount is unchanged from FY 2022.

Arizona Civics Corps

The Baseline includes no funding from the General Fund in FY 2023 for the Arizona Civics Corps. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to eliminate 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 Baseline includes \$1,500,000 from the General Fund in FY 2023 for the Foster Youth Education Success Fund Deposit. This amount is unchanged from FY 2022.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona’s foster care system.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Coronavirus Relief Fund (GVA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population. Expenditures from this fund may also be reported in individual agencies and would double-count these expenditures.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency commencing March 1, 2020.		
Funds Expended	1,063,967,300	110,629,700
Year-End Fund Balance	110,629,600	(100)
Coronavirus State and Local Fiscal Recovery Fund (DEA2985/U.S. P.L. 117-2)		Non-Appropriated
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	46,889,900	1,198,144,200
Year-End Fund Balance	2,157,889,700	3,164,525,100
County Fairs Livestock and Agriculture Promotion Fund (GVA2037/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations.		
Purpose of Fund: To promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center. The direct expenses, less receipts, of the annual Livestock Fair are paid from this fund. Net expenditures for the Livestock Fair are limited to 30% of all receipts deposited to this fund during the preceding fiscal year. All expenditures from this fund must be recommended by the Livestock and Agricultural Committee and approved by the Governor. Expenditures are not displayed to avoid double counting by the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	729,600	2,696,200
Crisis Contingency and Safety Net Fund (GVA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting by the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,779,400	(19,100)
Federal Grants (GVA2000/A.R.S. § 4-101.01)		Non-Appropriated
Source of Revenue: Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.		
Purpose of Fund: To provide separate accounting for the administration, supervision and distribution of federal grants made to the Office of the Governor, on behalf of the State of Arizona.		
Funds Expended	29,094,200	36,375,400
Year-End Fund Balance	100	0
Foster Youth Education Success Fund (GVA1400/A.R.S. § 41-108)		Non-Appropriated
Source of Revenue: General Fund appropriations. Public or private gifts, grants and donations.		
Purpose of Fund: To improve the educational outcomes of children in Arizona's foster care system. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	100	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Governor's Emergency Education Relief Fund (DTA2980/U.S. P.L. 116-136)		Non-Appropriated
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260). As of June 2020,		
Purpose of Fund: To provide emergency support through grants to local educational agencies, educational related entities, and institutes of higher education that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	29,932,000	39,264,400
Year-End Fund Balance	0	0
Governor's Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Public or private gifts, grants and donations. All donations, except those from established non-profit economic development organizations, are limited to \$5,000, per person, each fiscal year.		
Purpose of Fund: This fund was established by Executive Order 92-7, to promote the interests of the state and encourage public service to Arizona by its citizens. Expenditures may include promoting economic development in Arizona, recruiting new industries, appropriate memorabilia or gifts for dignitaries or citizen volunteers, and promoting good working relationships between the various branches of national, state, and local governments.		
Funds Expended	4,848,800	333,700
Year-End Fund Balance	26,100	(152,100)
IGA and ISA Fund (GVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	925,900	1,731,400
Year-End Fund Balance	2,399,700	1,918,300
Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	1,060,400	1,187,500
Year-End Fund Balance	8,117,800	8,302,600
Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)		Non-Appropriated
Source of Revenue: The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
Purpose of Fund: To be allocated by the Director of the Division for Children in the Governor's Office for programs to prevent child abuse in the state of Arizona. Not more than 3% of annual fund revenues shall be used to administer the fund.		
Funds Expended	265,900	399,000
Year-End Fund Balance	371,000	168,700

Governor's Office of Strategic Planning and Budgeting

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,326,900	1,589,600	1,589,600
Employee Related Expenditures	455,300	583,200	583,200
Professional and Outside Services	131,600	121,200	121,200
Travel - In State	0	800	800
Travel - Out of State	0	6,900	6,900
Other Operating Expenditures	285,500	382,800	382,800
Equipment	37,900	4,200	4,200
AGENCY TOTAL	2,237,200	2,688,700	2,688,700 ^{1/2/}
FUND SOURCES			
General Fund	2,237,200	2,688,700	2,688,700
SUBTOTAL - Appropriated Funds	2,237,200	2,688,700	2,688,700
TOTAL - ALL SOURCES	2,237,200	2,688,700	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 Baseline includes \$2,688,700 and 22 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Department of Health Services

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,125.0	1,135.5	1,135.5 ^{1/}
Personal Services	19,707,300	23,425,500	24,525,000
Employee Related Expenditures	7,828,500	9,553,000	10,008,800
Professional and Outside Services	1,067,400	1,213,100	1,222,600
Travel - In State	341,800	401,200	435,200
Travel - Out of State	0	81,500	86,500
Other Operating Expenditures	14,311,600	19,598,100	18,094,300
Equipment	709,800	477,100	522,100
OPERATING SUBTOTAL	43,966,400	54,749,500	54,894,500
SPECIAL LINE ITEMS			
Arizona State Hospital-Operating	65,659,200	64,188,000	64,188,000 ^{2/}
Arizona State Hospital-Restoration to Competency	820,000	900,000	900,000 ^{3/}
Arizona State Hospital-Sexually Violent Persons	9,931,100	9,736,100	9,736,100 ^{4/}
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	988,300	1,000,000	1,000,000
Alzheimer's Disease Research	1,125,000	3,625,000	3,625,000 ^{5/}
Biomedical Research Support	1,500,600	2,000,000	2,000,000 ^{6/}
Breast and Cervical Cancer and Bone Density Screening	900,400	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	407,400	590,700	590,700
Emergency Medical Services Local Allocation	347,200	0	0
Family Health Pilot Program	0	1,500,000	1,500,000 ^{7/}
Folic Acid Program	355,900	400,000	400,000
High Risk Perinatal Services	2,138,200	2,343,400	2,343,400
Homeless Pregnant Women Services	50,000	200,000	200,000 ^{8/}
Medical Student Loan Fund Deposit	0	2,000,000	0
Newborn Screening Program	6,613,200	13,074,900	12,132,300
Nonrenal Disease Management	132,700	198,000	198,000 ^{9/}
Nursing Care Special Projects	68,400	100,000	100,000
Poison Control Centers Funding	656,800	990,000	990,000
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Rural Prenatal Services	403,400	500,000	0
State Loan Repayment Program	926,200	0	0
Radiation Regulation	1,862,900	2,305,000	0
Nuclear Emergency Management Program	600,100	0	0
AGENCY TOTAL	139,894,600	162,358,200	156,755,600 ^{10/11/}
FUND SOURCES			
General Fund	93,627,700	103,419,200	99,759,200
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	2,364,100	2,883,600	2,883,600
ASH Land Earnings Fund	601,800	650,000	650,000
Child Fatality Review Fund	78,800	196,500	196,500
Disease Control Research Fund	988,300	1,000,000	1,000,000
Emergency Medical Services Operating Fund	4,075,600	3,831,300	3,831,300
Environmental Laboratory Licensure Revolving Fund	516,100	933,300	933,300
Federal Child Care and Development Fund Block Grant	878,000	1,884,100	884,100
Health Services Licensing Fund	12,695,200	15,570,600	15,570,600
Health Services Lottery Monies Fund	50,000	200,000	200,000
Indirect Cost Fund	10,561,000	11,302,100	11,302,100

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
Newborn Screening Program Fund	6,642,100	13,507,700	12,565,100
Nuclear Emergency Management Fund	600,100	0	0
Nursing Care Institution Resident Protection Revolving Fund	79,100	138,200	138,200
Prescription Drug Rebate Fund	0	2,500,000	2,500,000
Tobacco Tax and Health Care Fund - Health Research Account	2,500,600	0	0
Tobacco Tax and Health Care Fund - Medically Needy Account	580,900	700,000	700,000
Vital Records Electronic Systems Fund	3,055,200	3,641,600	3,641,600
SUBTOTAL - Other Appropriated Funds	46,266,900	58,939,000	56,996,400
SUBTOTAL - Appropriated Funds	139,894,600	162,358,200	156,755,600
Other Non-Appropriated Funds	94,434,000	90,508,800	92,596,000
Federal Funds	621,465,700	682,584,800	583,291,300
TOTAL - ALL SOURCES	855,794,300	935,451,800	832,642,900

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 24.1 OF FTE Positions funded from Special Line Items in FY 2023.
- 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, 2024. (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, 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 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)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$54,894,500 and 381.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$18,064,000
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	884,100

Health Services Licensing Fund	15,570,600
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 2023 adjustments are as follows:

Remove One-Time Caregiver Modules

The Baseline includes a decrease of \$(160,000) from the General Fund in FY 2023 to remove one-time funding for cognitive decline and caregiver modules for Arizona's Behavioral Risk Factor Surveillance Survey.

Remove One-Time IT Upgrades

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to remove one-time funding for 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.

Remove One-Time Licensing System Funding

The Baseline includes a decrease of \$(1,000,000) from the Federal CCDF Block Grant in FY 2023 to remove one-time funding for development costs of a child care services licensing system.

Consolidate Funding

The Baseline includes an increase of \$2,305,000 and 29 FTE Positions from the Health Services Licensing Fund in FY 2023 to consolidate the Radiation Regulation line item into the operating budget to simplify the budget display.

Arizona State Hospital

ASH - Operating

The Baseline includes \$64,188,000 and 616.5 FTE Positions in FY 2023 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

These amounts are unchanged from FY 2022.

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 2021, ASH had an average daily census of 98 patients in its civil commitment unit, 113 patients in its forensic unit, and 95 Sexually Violent Persons (SVPs), for a total of 306 patients.

ASH - Restoration to Competency

The Baseline includes \$900,000 from the ASH Fund in FY 2023 for ASH - Restoration to Competency. This amount is unchanged from FY 2022.

Background – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2021, there was an average daily census of 6 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

The FY 2023 Baseline continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

ASH - Sexually Violent Persons

The Baseline includes \$9,736,100 and 112.5 FTE Positions from the General Fund in FY 2023 for ASH - Sexually Violent Persons. These amounts are unchanged from FY 2022.

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 2021, ASH had an average daily census of 95 Sexually Violent Persons (SVPs).

Public Health/Family Health

Adult Cystic Fibrosis Care

The Baseline includes \$105,200 from the General Fund in FY 2023 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2022.

This line item provides contracted care and treatment services through Phoenix Children’s Hospital for 20 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The Baseline includes \$1,000,000 from the Disease Control Research Fund in FY 2023 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2022.

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 2,915 clients in FY 2021.

Alzheimer’s Disease Research

The Baseline includes \$3,625,000 in FY 2023 for Alzheimer’s Disease Research. This amount consists of:

General Fund	1,125,000
Prescription Drug Rebate Fund - State	2,500,000

These amounts are unchanged from FY 2022.

The FY 2022 budget included a one-time increase of \$2,500,000 from the Prescription Drug Rebate Fund - State for Alzheimer's Disease research funding. The 3-year budget plan also included \$2,500,000 in one-time funding in FY 2023. This funding will be removed in FY 2024.

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.

Biomedical Research Support

The Baseline includes \$2,000,000 from the General Fund in FY 2023 for Biomedical Research Support. This amount is unchanged from FY 2022.

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 distributes monies in this line item to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution. In addition to these monies, the budget includes \$3,000,000 from the General Fund to Northern Arizona University (NAU) for biotechnology. *(Please see the NAU narrative for more information.)*

Breast and Cervical Cancer and Bone Density Screening

The Baseline includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2023 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2022.

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.

County Tuberculosis Provider Care and Control

The Baseline includes \$590,700 from the General Fund in FY 2023 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2022.

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.

Family Health Pilot Program

The Baseline includes \$1,500,000 from the General Fund in FY 2023 for a Family Health Pilot Program. This amount is unchanged from FY 2022.

The FY 2022 budget included \$1,500,000 in initial funding from the General Fund for a Family Health Pilot Program. The 3-year budget plan also included \$1,500,000 in one-time funding in FY 2023. This funding will be removed in FY 2024.

The department is required 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.

Folic Acid Program

The Baseline includes \$400,000 from the TTHCF - Medically Needy Account in FY 2023 for the Folic Acid Program. This amount is unchanged from FY 2022.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2021, 32,499 women received folic acid education and multivitamins.

High Risk Perinatal Services

The Baseline includes \$2,343,400 from the General Fund in FY 2023 for High Risk Perinatal Services. This amount is unchanged from FY 2022.

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 Baseline includes \$200,000 from the Health Services Lottery Monies Fund in FY 2023 for Homeless Pregnant

Women Services. This amount is unchanged from FY 2022.

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 2023 Baseline 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 Baseline includes no funding from the General Fund in FY 2023 for a Medical Student Loan Fund Deposit. FY 2023 adjustments are as follows:

Remove One-Time Fund Deposit

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2023 to remove a one-time deposit to the Medical Student Loan Fund. The fund is used by the Board of Medical Student 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 Baseline includes \$12,132,300 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2023 for the Newborn Screening Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(942,600) from the Newborn Screening Program Fund in FY 2023 to remove one-time equipment and start-up costs associated with expanding the number of conditions on the state's newborn screening panel.

The FY 2022 Health Budget Reconciliation Bill (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.

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 2021, the program provided screening for 74,693 newborns. The program also provides follow-up counseling for the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing, but DHS may designate other laboratories as testing facilities for conditions or tests added to the screening program.

Nonrenal Disease Management

The Baseline includes \$198,000 from the General Fund in FY 2023 for Nonrenal Disease Management. This amount is unchanged from FY 2022.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

Nursing Care Special Projects

The Baseline includes \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2023 for special projects related to long-term care facilities. This amount is unchanged from FY 2022.

Background – The Nursing Care Institution Resident Protection Revolving Fund receives deposits from civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications. Historically, DHS' operating budget has included an ongoing appropriation of \$38,200 from this fund for emergency patient relocation and patient personal property replacement.

Poison Control Centers Funding

The Baseline includes \$990,000 from the General Fund in FY 2023 for Poison Control Centers. This amount is unchanged from FY 2022.

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 2021. 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 2021.

Renal Dental Care and Nutrition Supplements

The Baseline includes \$300,000 from the TTHCF - Medically Needy Account in FY 2023 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2022.

This line item provides pre-operative dental care and ongoing nutritional assistance for low-income renal disease patients. Funding in this line item treats kidney disease and associated kidney damage and provides transportation services for dialysis appointments.

Renal Transplant Drugs

The Baseline includes \$183,000 from the General Fund in FY 2023 for Renal Transplant Drugs. This amount is unchanged from FY 2022.

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 2021, 38 people received anti-rejection medication assistance.

Rural Prenatal Services

The Baseline includes no funding from the General Fund in FY 2023 for Rural Prenatal Services. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2023 to remove one-time funding for rural prenatal services. The funding provided 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 one-time in FY 2021 and FY 2022.

DHS used 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.

Bureau of Radiation Control

Radiation Regulation

The Baseline includes no funding in FY 2023 for Radiation Regulation. FY 2023 adjustments are as follows:

Consolidate Funding

The Baseline includes a decrease of \$(2,305,000) and (29) FTE Positions from the Health Services Licensing Fund in FY 2023 to consolidate the Radiation Regulation line item into the operating budget to simplify the budget display.

Radiation regulation includes oversight of the use, storage, and disposal of sources of radiation.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to exempt county expenditures on Restoration to Competency treatment at the Arizona State Hospital from county expenditure limitations.
- As session law, continue to notwithstand A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services. *(See Homeless Pregnant Women Services for more information.)*

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.

We estimate that excise tax collections will be approximately \$120,142,800 in FY 2022, increasing to \$132,157,000 in FY 2023 and \$145,372,700 in FY 2024. These estimates are based on recreational marijuana sales in the first quarter of FY 2022. Actual collections will ultimately depend on total sales generated at full implementation of the program.

Before any distributions are made from the fund, DHS, the Department of Revenue, the Supreme Court, the Department of Public Safety, and the State Treasurer receive monies based on self-determined "actual and

reasonable" costs associated with certain requirements of the initiative. Agencies have not yet determined how much will be used for administrative costs.

After state agency distributions, the remaining funds are distributed accordingly:

- 33.0% to community college districts, including:
- 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:
- 0.2% to the Attorney General for enforcement.

Since agencies have not yet determined FY 2023 administrative costs, we are not able to estimate how much will be distributed to each recipient.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Alzheimer’s Disease Research Fund (HSA2255/A.R.S. § 36-123.02)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited to the Alzheimer's Disease Research Fund.		
Purpose of Fund: To distribute monies to charitable organizations in Arizona that have been operating for at least 10 years and have member institutions working to end Alzheimer's Disease and educate Arizona residents about Alzheimer's Disease.		
Funds Expended	0	60,000
Year-End Fund Balance	5,400	5,400
Arizona State Hospital Charitable Trust Fund (HSA9985/A.R.S. § 36-218)		Non-Appropriated
Source of Revenue: Monies received from contracts and lease agreements on Arizona State Hospital property.		
Purpose of Fund: To benefit persons with mental illness in this state.		
Funds Expended	74,300	90,000
Year-End Fund Balance	50,300	50,300
Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)		Appropriated
Source of Revenue: State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Medicaid reimbursement for services provided at the Arizona State Hospital, county payments, and other monies collected for services to clients at the state hospital.		
Purpose of Fund: To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
Funds Expended	2,364,100	2,883,600
Year-End Fund Balance	4,783,100	4,988,000
ASH Land Earnings Fund (HSA3128/A.R.S. § 36-211)		Appropriated
Source of Revenue: Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.		
Purpose of Fund: For the benefit and support of the Arizona State Hospital.		
Funds Expended	601,800	650,000
Year-End Fund Balance	2,072,200	1,491,500
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund.		
Purpose of Fund: For breast and cervical cancer screening and diagnostic and outreach services.		
Funds Expended	33,300	555,000
Year-End Fund Balance	894,100	457,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)		Appropriated
Source of Revenue: A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$100,000. Any revenue collected in excess of \$100,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Child Safety.		
Purpose of Fund: To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.		
Funds Expended	78,800	196,500
Year-End Fund Balance	271,400	274,100
Congenital Heart Defect Special Plate Fund (HSA2258/A.R.S. § 36-123.03)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited to the Congenital Heart Defect Special Plate Fund.		
Purpose of Fund: Distribution to a foundation that supports a hospital with a focus on pediatric patient care and has a heart center.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Coronavirus Relief Fund (HSA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	250,126,700	99,293,500
Year-End Fund Balance	39,293,500	0
Crisis Contingency and Safety Net Fund (HSA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: Monies in the fund may only be used by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations.		
Funds Expended	0	0
Year-End Fund Balance	100,000	0
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To provide funding for AIDS Reporting and Surveillance. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	988,300	1,000,000
Year-End Fund Balance	3,733,600	2,039,100
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	2,244,400	3,644,500
Year-End Fund Balance	3,733,600	2,039,100

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Donations - DHS (HSA3010/2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations for various health related purposes.		
Purpose of Fund: For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.		
Funds Expended	4,860,000	2,000,000
Year-End Fund Balance	2,837,000	1,737,000
Donations - Statewide (HSA2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations from employee recognition events.		
Purpose of Fund: Employee recognition purposes.		
Funds Expended	2,500	0
Year-End Fund Balance	9,300	9,300
Drug Disposal Education and Awareness Fund (HSA2230/A.R.S. § 36-123.01)		Non-Appropriated
Source of Revenue: Donations and contributions from private persons and organizations.		
Purpose of Fund: To pay for the cost of administering an education and awareness program regarding the disposal of prescription drugs, including controlled substances, nonprescription drugs, needles, and sharps.		
Funds Expended	0	0
Year-End Fund Balance	10,000	10,000
Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)		Appropriated
Source of Revenue: The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To fund local and state emergency medical services systems.		
Funds Expended	4,075,600	3,831,300
Year-End Fund Balance	765,000	833,700
Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)		Appropriated
Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.		
Funds Expended	516,100	933,300
Year-End Fund Balance	800,800	657,500
Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: A portion of the Federal Child Care and Development Block Grant provides the Assurance and Licensure Division with monies for the licensure of child care facilities.		
Funds Expended	878,000	1,884,100
Year-End Fund Balance	(93,700)	28,700
Federal Funds (HSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and reimbursements from the federal government.		
Purpose of Fund: To provide health services in accordance with the terms of each specific grant.		
Funds Expended	371,339,000	583,291,300
Year-End Fund Balance	5,853,700	5,823,700

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Health Services Licensing Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)		Appropriated
Source of Revenue: Fees for health care institution licensing services, monies from the examination and licensing of hearing and speech professionals, and fees collected for regulation of individuals utilizing radiological materials.		
Purpose of Fund: To fund regulatory actions for health care institutions, hearing and speech professionals, and radiation regulation. A total of 90% of assurance and licensure fees are deposited into this fund with the remaining 10% deposited into the General Fund.		
Funds Expended	12,695,200	15,570,600
Year-End Fund Balance	5,299,800	1,367,400
Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)		Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund grants for homeless pregnant women services. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	50,000	200,000
Year-End Fund Balance	4,028,200	3,564,700
Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund teenage pregnancy prevention programs, the Health Start program, and the federal Women, Infants and Children (WIC) food program. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	6,617,400	8,143,900
Year-End Fund Balance	4,028,200	3,564,700
IGA and ISA Fund (HSA4500/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from intergovernmental agreements and interagency services agreements between the Department of Health Services and other state and local entities. The fund receives annual revenue from the Department of Economic Security (DES) to provide nutrition education in schools for grades 1-6 using funds from the Supplemental Nutrition Assistance Program (SNAP).		
Purpose of Fund: To fund services which DHS has agreed to perform in IGAs and ISAs with state and local public agencies.		
Funds Expended	7,276,600	8,186,800
Year-End Fund Balance	9,554,000	6,123,600
Indirect Cost Fund (HSA9001/A.R.S. § 36-108)		Appropriated
Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
Funds Expended	10,561,000	11,302,100
Year-End Fund Balance	5,278,000	939,000
Internal Services Fund (HSA4202/A.R.S. § 36-104)		Non-Appropriated
Source of Revenue: Charges from other DHS funds.		
Purpose of Fund: Revolving Fund used by DHS warehouse for the purchase of goods.		
Funds Expended	27,200	0
Year-End Fund Balance	3,000	3,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Justice Reinvestment Fund (HSA1121/A.R.S. § 36-2863)		Non-Appropriated
Source of Revenue: The fund receives 10% of revenues from the Smart and Safe Arizona Fund after state agencies pay administrative costs for implementing the provisions of Proposition 207, which legalized the adult use of recreational marijuana.		
Purpose of Fund: To pay administrative costs incurred by the State Treasurer and Arizona Department of Health Services (DHS). After administrative costs are paid, the remaining funds are distributed 35% to county public health departments, 35% to DHS for justice reinvestment program grants, and 30% to DHS for addressing public health issues.		
Funds Expended	0	1,920,000
Year-End Fund Balance	2,415,800	5,295,800
Laser Safety Fund (HSA2388/A.R.S. § 32-3234)		Non-Appropriated
Source of Revenue: Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
Purpose of Fund: To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health-related purposes.		
Funds Expended	64,800	52,000
Year-End Fund Balance	85,200	97,500
Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)		Non-Appropriated
Source of Revenue: The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
Purpose of Fund: To enforce provisions of Proposition 203 (Arizona Medical Marijuana Act) enacted in the 2010 General Election. The Arizona Medical Marijuana Act regulates dispensation, prescription, and use of medical marijuana, including an electronic registry of dispensary agents, patients and designated caregivers.		
Funds Expended	52,678,100	27,370,400
Year-End Fund Balance	56,403,300	11,510,300
Medical Student Loan Fund (HSA3306/A.R.S. § 15-1725)		Non-Appropriated
Source of Revenue: Monies from legislative appropriations, and loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing. All monies in the fund are to be used for the Primary Care Provider Loan Repayment Program.		
Purpose of Fund: To provide loans to defray the medical education expenses of Arizona resident students attending medical school, in return for a service commitment to the state.		
Funds Expended	79,400	2,110,000
Year-End Fund Balance	115,800	5,800
Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)		Appropriated
Source of Revenue: Fees paid to DHS for newborn screening services.		
Purpose of Fund: To provide monies for the centralized testing of all newborns in the state for a standard set of metabolic and congenital (environmental/inherited) disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.		
Funds Expended	6,642,100	13,507,700
Year-End Fund Balance	664,200	(5,757,000)
Nuclear Emergency Management Fund (HSA2138/A.R.S. § 26-306.02)		Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
Funds Expended	600,100	0
Year-End Fund Balance	548,900	518,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Nursing Care Institution Resident Protection Revolving Fund (HSA2329/A.R.S. § 36-431.02)		Appropriated
Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.		
Funds Expended	79,100	138,200
Year-End Fund Balance	2,406,800	2,400,700
Oral Health Fund (HSA3038/A.R.S. § 36-138)		Non-Appropriated
Source of Revenue: Monies received from AHCCCS contracts for dental services.		
Purpose of Fund: To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
Funds Expended	139,100	454,900
Year-End Fund Balance	708,900	404,000
Prescription Drug Rebate Fund (HSA2546/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Prescription drug rebate collections and interest from prescription drug rebate late payments.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Monies appropriated to DHS are used for Alzheimer's Disease Research.		
Funds Expended	0	2,500,000
Year-End Fund Balance	0	0
Public Health Emergencies Fund (HSA2775/A.R.S. § 36-122)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund public health emergency responses in the state following an emergency declaration by the Governor.		
Funds Expended	0	0
Year-End Fund Balance	41,000	41,000
Smart and Safe Arizona Fund (HSA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	1,482,100	5,000,000
Year-End Fund Balance	688,600	688,600
Smoke-Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)		Non-Appropriated
Source of Revenue: A 2¢ per pack tax on cigarettes. Any revenues not used by the department to enforce the smoking ban are deposited to the Tobacco Tax Products Fund to be used for education programs to reduce or eliminate tobacco use.		
Purpose of Fund: To enforce the provisions of Proposition 201 (Smoke Free Arizona Act) enacted in the 2006 General Election. The Smoke-Free Arizona Act banned smoking in public places except retail tobacco stores, veteran and fraternal clubs, hotel rooms designated as smoking rooms, and outdoor patios.		
Funds Expended	2,194,600	2,680,000
Year-End Fund Balance	1,154,200	779,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)		Non-Appropriated
Source of Revenue: The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund and 2¢ of each dollar in the Tobacco Products Tax Fund.		
Purpose of Fund: Monies are used for community-based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations. The monies from the Tobacco Products Tax Fund are used for the prevention and detection of the 4 leading causes of death.		
Funds Expended	11,070,200	19,800,000
Year-End Fund Balance	10,994,400	6,247,900
Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
Purpose of Fund: For Alzheimer's Disease Research and Biomedical Research Support. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	2,500,600	0
Year-End Fund Balance	1,866,900	1,249,100
Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Non-Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	5,590,000	8,328,500
Year-End Fund Balance	1,866,900	1,249,100
Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)		Appropriated
Source of Revenue: The account receives funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. All monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account.		
Purpose of Fund: To fund the Folic Acid Program and Renal Dental Care and Nutrition Supplements line items.		
Funds Expended	580,900	700,000
Year-End Fund Balance	355,800	355,800
Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)		Appropriated
Source of Revenue: Fees collected for searches, copies of records, applications to file delayed records, requests for supplementary birth certificates, following adoption, legitimation, paternity determination, surgical alterations, and chromosomal counts, or amendments to existing records. DHS is authorized by A.R.S. § 36-341 to set vital records fees for individuals and counties that access the vital records electronic system. Total revenues are limited to \$4,530,000. Of the first \$4,000,000, 85% will be required into the Vital Records Electronic Systems Fund and 15% will be deposited into the General Fund. For any revenue above \$4,000,000, 40% will be deposited into the Vital Records Electronic Systems Fund and 60% will be deposited into the General Fund.		
Purpose of Fund: To develop and operate a new vital records automated system.		
Funds Expended	3,055,200	3,641,600
Year-End Fund Balance	1,453,400	761,800
Workforce Data Repository Fund (HSA9999/A.R.S. § 36-172)		Non-Appropriated
Source of Revenue: Legislative appropriations, fees, grants, and donations.		
Purpose of Fund: To maintain a health professionals workforce data repository containing data transferred to the department from health regulatory boards.		
Funds Expended	0	112,800
Year-End Fund Balance	0	0

Arizona Historical Society

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9 ^{1/}
Personal Services	1,364,400	1,309,800	1,309,800
Employee Related Expenditures	552,500	526,500	526,500
Professional and Outside Services	100	0	0
Other Operating Expenditures	654,500	498,300	498,300
OPERATING SUBTOTAL	2,571,500	2,334,600	2,334,600
SPECIAL LINE ITEMS			
Field Services and Grants	65,800	62,500	62,500
Papago Park Museum	558,300	508,900	508,900
AGENCY TOTAL	3,195,600	2,906,000	2,906,000 ^{2/}
FUND SOURCES			
General Fund	3,195,600	2,906,000	2,906,000
SUBTOTAL - Appropriated Funds	3,195,600	2,906,000	2,906,000
Other Non-Appropriated Funds	277,200	1,207,900	1,207,900
Federal Funds	16,800	9,600	9,600
TOTAL - ALL SOURCES	3,489,600	4,123,500	4,123,500

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 2023.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,334,600 and 40.4 FTE Positions from the General Fund in FY 2023. These amounts are unchanged from FY 2022.

Field Services and Grants

The Baseline includes \$62,500 and 0.5 FTE Positions from the General Fund in FY 2023 for Field Services and Grants. These amounts are unchanged from FY 2022.

This line item funds contracts with certified county historical societies for services to be performed for the benefit of the state.

Papago Park Museum

The Baseline includes \$508,900 and 10 FTE Positions from the General Fund in FY 2023 for the Papago Park Museum. These amounts are unchanged from FY 2022.

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Crisis Contingency and Safety Net Fund (HIA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (HIA2000/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	16,800	9,600
Year-End Fund Balance	9,600	0
Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)		Non-Appropriated
Source of Revenue: Monies from the operation of gift shops, book shops, food service facilities, and charges for the use of or admission into any of the society's facilities.		
Purpose of Fund: For enhancing the programs of the society, or operating or improving its facilities.		
Funds Expended	69,600	576,500
Year-End Fund Balance	401,900	312,000
Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)		Non-Appropriated
Source of Revenue: Reproduction charges.		
Purpose of Fund: To preserve and restore historic photographs.		
Funds Expended	7,400	24,200
Year-End Fund Balance	49,900	60,700
Private Fund (HIA9447/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Revenues are generated through memberships, unrestricted donations, and program revenue. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: For operating expenses.		
Funds Expended	200,200	607,200
Year-End Fund Balance	3,135,800	2,913,200
Trust Fund (HIA9450/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Monies held in trust for specific purposes. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool. Only interest earnings are expended.		
Purpose of Fund: For operating expenses.		
Funds Expended	0	0
Year-End Fund Balance	147,200	147,400

Prescott Historical Society of Arizona

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	580,100	580,100	580,100
Employee Related Expenditures	233,300	233,000	233,000
Other Operating Expenditures	49,800	87,500	87,500
AGENCY TOTAL	863,200	900,600	900,600 ^{1/}
FUND SOURCES			
General Fund	863,200	900,600	900,600
SUBTOTAL - Appropriated Funds	863,200	900,600	900,600
Other Non-Appropriated Funds	601,900	628,900	628,900
TOTAL - ALL SOURCES	1,465,100	1,529,500	1,529,500

AGENCY DESCRIPTION — The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving, and publicly exhibiting archival and museum objects pertaining to the history, geological, and anthropological life of Arizona and the West.

FOOTNOTES

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

Operating Budget

The Baseline includes \$900,600 and 13 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)		Non-Appropriated
Source of Revenue: Monies received from admissions, donations, memberships, interest, gift shop and rent. Funds are outside the control of the State Treasurer and by statute are held in trust for the society's use by the Society Treasurer.		
Purpose of Fund: To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
Funds Expended	601,900	628,900
Year-End Fund Balance	1,162,300	1,158,300

Arizona Department of Homeland Security

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
FUND SOURCES			
Federal Funds	23,574,400	29,280,000	29,280,000
TOTAL - ALL SOURCES	23,574,400	29,280,000	29,280,000

AGENCY DESCRIPTION — The Arizona Department of Homeland Security distributes funding received from the U.S. Department of Homeland Security to state agencies and local governments to prevent and mitigate acts of terrorism and natural disasters. The department publishes the Arizona Homeland Security Strategy and provides planning assistance to aid in the development of regional response plans for natural disasters or terrorism incidents.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Federal Funds (HLA2000/A.R.S. § 41-4254)		Non-Appropriated
Source of Revenue: Grants received from the U.S. Department of Homeland Security.		
Purpose of Fund: To provide state agencies and local governments with funding to deter and mitigate acts of terrorism. Federal grant guidelines allow up to 5% of the grand total to be used for administrative costs.		
Funds Expended	23,574,400	29,280,000
Year-End Fund Balance	(200)	0

Board of Homeopathic and Integrated Medicine Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	19,400	22,000	22,000
Employee Related Expenditures	6,500	7,000	7,000
Travel - In State	0	1,000	1,000
Other Operating Expenditures	11,900	15,500	15,500
Equipment	0	500	500
AGENCY TOTAL	37,800	46,000	46,000^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	37,800	46,000	46,000
SUBTOTAL - Other Appropriated Funds	37,800	46,000	46,000
SUBTOTAL - Appropriated Funds	37,800	46,000	46,000
TOTAL - ALL SOURCES	37,800	46,000	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 Baseline includes \$46,000 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of homeopaths. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate homeopaths, and for board administration.		
Funds Expended	37,800	46,000
Year-End Fund Balance	60,600	62,100

Arizona Department of Housing

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	203,300	203,300	203,300
Employee Related Expenditures	75,600	79,300	79,300
Professional and Outside Services	1,700	1,700	1,700
Travel - In State	1,800	7,900	7,900
Other Operating Expenditures	49,600	30,000	30,000
Equipment	500	500	500
AGENCY TOTAL	332,500	322,700	322,700 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Housing Trust Fund	332,500	322,700	322,700
SUBTOTAL - Other Appropriated Funds	332,500	322,700	322,700
SUBTOTAL - Appropriated Funds	332,500	322,700	322,700
Other Non-Appropriated Funds	32,698,300	45,606,900	45,606,900
Federal Funds	93,639,800	228,958,100	228,958,100
TOTAL - ALL SOURCES	126,670,600	274,887,700	274,887,700

AGENCY DESCRIPTION — The department annually administers approximately \$137.9 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 Baseline includes \$322,700 and 3 FTE Positions from the Housing Trust Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
CDBG-CV CARES Act Fund (HDA2976/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the Federal COVID-19 response legislation for the Community Development Block Grant program.		
Purpose of Fund: To provide housing, permanent jobs, public services, or new or improved infrastructure to prevent, prepare for and respond to the COVID-19 pandemic.		
Funds Expended	33,000	0
Year-End Fund Balance	0	33,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Consumer Recovery Fund (HDA3090/A.R.S. § 41-4041)		Non-Appropriated
Source of Revenue: Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
Purpose of Fund: To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings.		
Funds Expended	0	0
Year-End Fund Balance	658,500	723,400
Crisis Contingency and Safety Net Fund (HDA3240/A.R.S. § 41-110)		Non-Appropriated
Source of Revenue: Legislative appropriations, public or private gifts, grants and donations.		
Purpose of Fund: Monies in the fund may only be distributed by the Governor for the following forms of economic assistance during a state of emergency: 1) housing assistance; 2) services for homeless persons; 3) economic assistance to small businesses with less than 50 employees, non-profit organizations, and health care providers; and 4) monies for food bank operations. Expenditures are not displayed to avoid double counting the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	82,600	2,807,800
DPS-FBI Fingerprint Fund (HDA2159/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Revenues include fees collected from fingerprint clearance cards.		
Purpose of Fund: Revenues are transferred to the Department of Public Safety (DPS) to process fingerprint clearance cards.		
Funds Expended	5,700	5,700
Year-End Fund Balance	1,900	2,300
Federal Funds (HDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Funds for affordable housing programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	93,606,800	129,655,100
Year-End Fund Balance	10,498,700	13,935,900
Federal Grant - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	0	0
Year-End Fund Balance	1,101,300	1,223,700
Homeowner's Assistance Fund (HDA2986/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Funds appropriated in the American Rescue Plan Act.		
Purpose of Fund: To assist homeowners experiencing financial hardship due to the Coronavirus. Funds may be used for assisted payments for mortgages, utilities, insurance and other specified purposes.		
Funds Expended	0	99,210,000
Year-End Fund Balance	19,698,400	10,488,400
Housing Choice Voucher Emergency Housing Fund (HDA3202/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Funds for housing assistance.		
Purpose of Fund: To provide rental assistance to individuals and families who are experiencing homelessness or are at risk of experiencing homelessness.		
Funds Expended	0	93,000
Year-End Fund Balance	98,900	110,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Housing Program Fund (HDA2200/A.R.S. § 41-3957)		Non-Appropriated
Source of Revenue: Fees received from the following programs: private activity bond (underwriting and hearings), low-income tax credit (application, monitoring and reservation fees), fees charged from conferences and workshops, fees from the Section 8 project-based contract administration program, administrative reimbursements from Federal Hardest Hit Funds, utility grants from Southwest Gas for the state's Weatherization Program, and services fees related to the Office of Manufactured Housing.		
Purpose of Fund: To pay the costs of administering the programs from which the deposits are received and for other department programs.		
Funds Expended	10,420,700	16,275,000
Year-End Fund Balance	19,709,700	13,621,600
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. A.R.S. § 33-751 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund.		
Purpose of Fund: The appropriated portion pays for administration expenses and may not exceed 10% of the Housing Trust monies. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	332,500	322,700
Year-End Fund Balance	44,650,200	44,650,200
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Non-Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. A.R.S. § 33-751 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund.		
Purpose of Fund: The non-appropriated portion of the fund is used for the operation, construction, or renovation of housing facilities for low-income households. The Legislature may transfer monies from the fund to the Housing Development Fund for use on housing projects around state prisons. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	18,213,800	21,735,200
Year-End Fund Balance	44,650,200	34,706,900
IGA and ISA Fund (HDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Reimbursements to the department from the Arizona Department of Economic Security for the administration of the Federal Low-Income Housing Energy Assistance Program (LIHEAP).		
Purpose of Fund: To enable the department to administer a portion of the LIHEAP which provides direct weatherization and energy improvements to homes owned by low-income homeowners.		
Funds Expended	3,980,300	7,516,000
Year-End Fund Balance	610,000	1,213,500
Manufactured Housing Cash Bond Fund (HDA3722/A.R.S. § 41-4029)		Non-Appropriated
Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.		
Purpose of Fund: To compensate consumers in cases where a licensee fails to perform sales or installation agreements or repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed.		
Funds Expended	0	0
Year-End Fund Balance	672,500	784,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Mobile Home Relocation Fund (HDA2237/A.R.S. § 33-1476.02)		Non-Appropriated
<p>Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest earnings. Once the fund balance reaches \$8,000,000, assessments will no longer be collected and the only revenue will be from interest. Assessment would resume when the fund balance at the end of a fiscal year is less than \$6,000,000.</p> <p>Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs.</p>		
Funds Expended	77,800	75,000
Year-End Fund Balance	7,657,200	7,622,800

Independent Redistricting Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	0.0
Personal Services	50,300	850,000	0
Employee Related Expenditures	11,600	375,000	0
Professional and Outside Services	436,400	5,310,000	0
Travel - In State	0	500,000	0
Travel - Out of State	0	100,000	0
Other Operating Expenditures	1,700	545,000	0
Equipment	0	220,000	0
AGENCY TOTAL	500,000	7,900,000 ^{1/}	0 ^{2/}
FUND SOURCES			
General Fund	500,000	7,900,000	0
SUBTOTAL - Appropriated Funds	500,000	7,900,000	0
TOTAL - ALL SOURCES	500,000	7,900,000	0

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 Baseline includes no funding in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(7,900,000) and (6) FTE Positions from the General Fund in FY 2023 for redistricting cycle funding.

The commission has resumed its constitutional duties in CY 2021, the start of the next 10-year redistricting cycle. The FY 2022 budget included \$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>
Subtotal	\$12,716,227
CY 2020 Redistricting Cycle Appropriations	
FY 2021 (Laws 2020, Ch. 58)	\$ 500,000
FY 2022 (Laws 2021, Ch. 408)	<u>7,900,000</u>
Subtotal	\$8,400,000

Industrial Commission of Arizona

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.6	236.6	236.6 ^{1/}
Personal Services	9,754,300	9,881,000	9,881,000
Employee Related Expenditures	3,614,300	3,622,700	3,622,700
Professional and Outside Services	1,657,600	1,364,900	1,364,900
Travel - In State	97,700	111,900	111,900
Travel - Out of State	0	35,600	35,600
Other Operating Expenditures	4,327,000	4,886,000	4,886,000
Equipment	147,400	219,900	219,900
OPERATING SUBTOTAL	19,598,300	20,122,000	20,122,000
SPECIAL LINE ITEMS			
Municipal Firefighter Reimbursement Administration	0	95,000	80,000 ^{2/}
AGENCY TOTAL	19,598,300	20,217,000	20,202,000 ^{3/}
FUND SOURCES			
General Fund	0	95,000	80,000
<u>Other Appropriated Funds</u>			
Administrative Fund	19,598,300	20,122,000	20,122,000
SUBTOTAL - Other Appropriated Funds	19,598,300	20,122,000	20,122,000
SUBTOTAL - Appropriated Funds	19,598,300	20,217,000	20,202,000
Other Non-Appropriated Funds	16,450,400	14,832,900	14,832,900
Federal Funds	3,607,300	3,175,200	3,175,200
TOTAL - ALL SOURCES	39,656,000	38,225,100	38,210,100

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 2023.
- 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 with Special Line Items by Agency.

Operating Budget

The Baseline includes \$20,122,000 and 235.6 FTE Positions from the Administrative Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Municipal Firefighter Reimbursement Administration

The Baseline includes \$80,000 and 1 FTE Position from the General Fund in FY 2023 for the Municipal Firefighter Reimbursement Administration line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(15,000) from the General Fund in FY 2023 for the elimination of one-time funding.

A.R.S. § 23-1702 and § 23-1703 require 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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Administrative Fund (ICA2177/A.R.S. § 23-1081)		Appropriated
Source of Revenue: Annual tax on workers' compensation premiums that cannot exceed 3%.		
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.		
Funds Expended	19,598,300	20,122,000
Year-End Fund Balance	6,594,000	4,176,000
Federal Grants (ICA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.		
Funds Expended	3,607,300	3,175,200
Year-End Fund Balance	214,800	376,400
Municipal Firefighters Cancer Reimbursement Fund (ICA2182/A.R.S § 23-1702)		Non-Appropriated
Source of Revenue: Fees collected from cities and towns that receive state shared revenues. Total fees collected may not exceed \$15,000,000.		
Purpose of Fund: To reimburse municipal payors for the compensation and benefits paid to firefighters and fire investigators for partial disability, lost earning capacity, total disability, medical fees, and death benefits.		
Funds Expended	0	0
Year-End Fund Balance	0	15,000,000
Proposition 206 Fair Wages and Healthy Families Fund (ICA2185/A.R.S § 23-364)		Non-Appropriated
Source of Revenue: Fees levied against violators of minimum wage and paid sick leave.		
Purpose of Fund: To enforce minimum wage and paid sick leave requirements.		
Funds Expended	0	25,000
Year-End Fund Balance	0	0
Revolving Fund (ICA2002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.		
Funds Expended	37,700	53,600
Year-End Fund Balance	256,100	288,800
Special Fund (ICA2180/A.R.S. § 23-1065)		Non-Appropriated
Source of Revenue: Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.		
Funds Expended	16,412,700	14,754,300
Year-End Fund Balance	1,248,600	1,915,800

Department of Insurance and Financial Institutions

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	152.4	151.4	151.4 ^{1/}
Personal Services	7,238,100	6,761,600	6,761,600
Employee Related Expenditures	2,662,100	2,491,800	2,491,800
Professional and Outside Services	422,900	155,600	155,600
Travel - In State	13,500	65,300	65,300
Travel - Out of State	0	7,000	7,000
Other Operating Expenditures	1,399,600	399,400	399,400
Equipment	68,800	39,200	39,200
OPERATING SUBTOTAL	11,805,000	9,919,900	9,919,900
SPECIAL LINE ITEMS			
Insurance Fraud Unit	0	1,800,500	1,800,500
Mental Health Omnibus	113,400 ^{2/}	0	0
Reimbursable Programs	0	50,000	50,000 ^{3/}
Local Grants	956,900	957,700	957,700 ^{4/}
Arizona Vehicle Theft Task Force	3,650,000	4,343,500	4,343,500 ^{4/}
ATA Operating Budget	645,100	659,300	659,300
AGENCY TOTAL	17,170,400	17,730,900	17,730,900 ^{4/}
FUND SOURCES			
General Fund	7,809,400	7,663,400	7,663,400 ^{1/}
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	5,252,000	6,010,500	6,010,500
Financial Services Fund	4,058,700	4,006,700	4,006,700
Revolving Fund	50,300	50,300	50,300
SUBTOTAL - Other Appropriated Funds	9,361,000	10,067,500	10,067,500
SUBTOTAL - Appropriated Funds	17,170,400	17,730,900	17,730,900
Other Non-Appropriated Funds	22,688,600	22,757,500	22,757,500
Federal Funds	46,700	116,300	116,300
TOTAL - ALL SOURCES	39,905,700	40,604,700	40,604,700

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 2023.
- 2/ The appropriation for the mental health omnibus line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. The agency plans on expending \$115,700 from this appropriation in FY 2022.
- 3/ The department of insurance and financial institutions shall submit a report to the joint legislative budget committee before spending any monies for the reimbursable programs line item. The department shall show sufficient monies collected to cover the expenses indicated in the report. (General Appropriation Act footnote)
- 4/ 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)

- 5/ 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)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ 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)

Operating Budget

The Baseline includes \$9,919,900 and 136.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$5,862,900
Financial Services Fund	4,006,700
Department Revolving Fund	50,300

These amounts are unchanged from FY 2022.

Insurance Fraud Unit

The Baseline includes \$1,800,500 and 9 FTE Positions from the General Fund in FY 2023 for the Insurance Fraud Unit. These amounts are unchanged from FY 2022.

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.

Reimbursable Programs

The Baseline includes \$50,000 from the ATA Fund in FY 2023 for Reimbursable Programs. This amount is unchanged from FY 2022.

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 Baseline includes \$957,800 from the ATA Fund in FY 2023 for Local Grants. This amount is unchanged from FY 2022.

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.

Arizona Vehicle Theft Task Force

The Baseline includes \$4,343,500 from the ATA Fund in FY 2023 for the Arizona Vehicle Theft Task Force. This amount is unchanged from FY 2022.

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.

ATA Operating Budget

The Baseline includes \$659,300 and 6 FTE Positions from the ATA Fund in FY 2023 for the Automobile Theft Authority Operating Budget. These amounts are unchanged from FY 2022.

Monies in this line item cover the operating expenditures of the Automobile Theft Authority, which works to combat auto theft-related crime.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)		Non-Appropriated
Source of Revenue: Assessments on property and casualty insurance, reimbursements from the sale of insolvent companies' assets by the department's Receivership Division, and investment income on the fund balance.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance and Financial Institutions. Within the fund there are 3 separate accounts: automobile insurance account, workers' compensation insurance account and another account, which includes all other types of property and casualty insurance other than automobile and workers' compensation.		
Funds Expended	10,425,000	10,425,000
Year-End Fund Balance	222,668,500	222,668,500
Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)		Non-Appropriated
Source of Revenue: Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
Purpose of Fund: To provide for the administrative costs associated with finding liability insurance for classes of risk that are unable to obtain liability coverage. Monies are also used to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.		
Funds Expended	4,900	0
Year-End Fund Balance	94,200	94,200
Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)		Appropriated
Source of Revenue: A semi-annual fee of \$0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds. In addition, 50% of civil penalties assessed against a scrap metal dealer who does not submit vehicle title information to the ADOT records system within 48 hours after the completion of a transaction.		
Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.		
Funds Expended	5,252,000	6,010,500
Year-End Fund Balance	7,718,200	8,739,900
Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)		Non-Appropriated
Source of Revenue: License and renewal fees collected from individual captive insurers and corporations applying to do business as a captive insurer. A captive insurer is an enterprise with the authority to function as an independent insurance company, but is organized by a parent company with the express intent to provide the parent company's insurance.		
Purpose of Fund: To provide funding for the promotion of the state's captive insurance industry and related administrative costs. Up to \$100,000 may be used annually to cover the department's administrative costs.		
Funds Expended	673,100	775,000
Year-End Fund Balance	619,900	622,700
Federal Funds (IDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from federal grants.		
Purpose of Fund: To provide State Appraiser Regulatory Agencies with funds to advance the appraiser regulatory field, including, but not limited to, developing and attending trainings, improving appraiser credentialing and investigation and complaint processes, and expanding credentialing opportunities in under-served markets and other activities.		
Funds Expended	46,700	116,300
Year-End Fund Balance	0	0
Financial Services Fund (BDA1998/A.R.S. § 6-991.21)		Appropriated
Source of Revenue: Loan originator licensing and renewal fees. Similar fees are also deposited in the Mortgage Recovery Fund.		
Purpose of Fund: To supervise and regulate loan originators and to be used for the general operating expenses of the department.		
Funds Expended	4,058,700	4,006,700
Year-End Fund Balance	16,577,100	22,285,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)		Non-Appropriated
Source of Revenue: Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
Purpose of Fund: To provide funds for the costs of financial analysts who conduct financial surveillance of domestic insurers in order to identify possible risks to financial stability.		
Funds Expended	350,000	350,000
Year-End Fund Balance	266,600	390,200
Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)		Non-Appropriated
Source of Revenue: One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
Purpose of Fund: To pay for start-up and ongoing costs related to selecting an independent review organization. The selected organization will conduct external independent reviews that involve issues of medical necessity.		
Funds Expended	202,400	202,400
Year-End Fund Balance	180,000	235,600
Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)		Non-Appropriated
Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
Purpose of Fund: To provide funds for contract examiners' per diem compensation and funds to reimburse contract examiners for travel and living expenses, as approved by the Director of the Department of Insurance and Financial Institutions. Monies are also used to cover the department's related administrative costs.		
Funds Expended	2,799,900	2,799,900
Year-End Fund Balance	2,016,300	2,176,300
Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)		Non-Appropriated
Source of Revenue: Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance and Financial Institutions.		
Funds Expended	7,933,000	7,933,000
Year-End Fund Balance	19,355,700	19,355,700
Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)		Non-Appropriated
Source of Revenue: Licensing and renewal fees paid by licensed loan originators. Similar fees also are deposited in the Financial Services Fund.		
Purpose of Fund: To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
Funds Expended	1,400	11,800
Year-End Fund Balance	2,979,400	3,405,900
Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)		Non-Appropriated
Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer authorized by A.R.S. § 20-213. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.		
Purpose of Fund: To support the department's Receivership Division, which administers the liquidation of insurance companies to ensure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.		
Funds Expended	127,200	127,200
Year-End Fund Balance	208,100	81,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)		Non-Appropriated
Source of Revenue: Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
Purpose of Fund: Provide funding for the administration of receiverships.		
Funds Expended	9,700	0
Year-End Fund Balance	1,008,100	1,008,100
Revolving Fund (BDA2126/A.R.S. § 6-135)		Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$200,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year. The Appropriated portion of the fund is used for an interagency service agreement with the Attorney General's office to help oversee real estate appraisers. (Please see the Non-Appropriated portion of the fund for additional information.)		
Funds Expended	50,300	50,300
Year-End Fund Balance	161,700	158,600
Revolving Fund (BDA2126/A.R.S. § 6-135)		Non-Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$200,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year. (Please see the Appropriated portion of the fund for additional information.)		
Funds Expended	162,000	133,200
Year-End Fund Balance	161,700	158,600
Settlement Fund (ATA1991/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenues from settlements issued by the courts.		
Purpose of Fund: To provide grants to law enforcement agencies for metal management training.		
Funds Expended	0	0
Year-End Fund Balance	1,400	1,400

Judiciary - Supreme Court

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	187.0	187.0 ^{1/}
Personal Services	7,500,700	7,406,000	7,406,000
Employee Related Expenditures	2,925,900	3,093,100	3,093,100
Professional and Outside Services	170,600	218,400	218,400
Travel - In State	179,600	149,900	149,900
Travel - Out of State	2,900	37,700	37,700
Other Operating Expenditures	4,325,300	4,823,500	4,823,500
OPERATING SUBTOTAL	15,105,000	15,728,600	15,728,600 ^{2/}
SPECIAL LINE ITEMS			
State Aid	3,645,800	5,679,000	5,679,000
County Reimbursements	183,000	187,900	187,900 ^{3/}
Automation	14,879,800	21,289,200	21,938,300 ^{4/5/}
State Foster Care Review Board	3,342,400	3,283,000	3,283,000
Court Appointed Special Advocate	3,518,200	3,987,300	3,987,300
Model Court	438,700	659,700	659,700
Domestic Relations	660,900	646,500	646,500
Judicial Nominations and Performance Review	537,600	543,900	543,900
Commission on Judicial Conduct	536,100	524,400	524,400
Courthouse Security	749,100	750,000	750,000
AGENCY TOTAL	43,596,600	53,279,500	53,928,600 ^{6/7/}
FUND SOURCES			
General Fund	21,317,700	22,234,700	22,883,800
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	354,500	494,300	494,300
Court Appointed Special Advocate Fund	3,597,100	4,068,000	4,068,000
Criminal Justice Enhancement Fund	3,101,700	4,407,800	4,407,800
Defensive Driving School Fund	3,188,600	4,233,500	4,233,500
Judicial Collection Enhancement Fund	10,173,600	14,895,800	14,895,800
State Aid to the Courts Fund	1,863,400	2,945,400	2,945,400
SUBTOTAL - Other Appropriated Funds	22,278,900	31,044,800	31,044,800
SUBTOTAL - Appropriated Funds	43,596,600	53,279,500	53,928,600
Other Non-Appropriated Funds	28,139,600	29,072,000	29,072,000
TOTAL - ALL SOURCES	71,736,200	82,351,500	83,000,600

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 2023.
- ^{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, 2022, 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/ Laws 2021, Chapter 432 appropriated \$500,000 from the General Fund for a new records sealing law. Because this appropriation is in separate legislation, this amount is not included in the General Appropriation Act.
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$15,728,600 and 108.7 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
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

These amounts are unchanged from FY 2022.

State Aid

The Baseline includes \$5,679,000 and 3.3 FTE Positions in FY 2023 for State Aid. These amounts consist of:

CJEF	2,733,600
State Aid to the Courts Fund	2,945,400

These amounts are unchanged from FY 2022.

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.

County Reimbursements

The Baseline includes \$187,900 from the General Fund in FY 2023 for County Reimbursements. This amount is unchanged from FY 2022.

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 Baseline continues this in FY 2023.

Automation

The Baseline includes \$21,938,300 and 15 FTE Positions in FY 2023 for Automation. These amounts consist of:

General Fund	5,171,900
Court Appointed Special Advocate (CASA) Fund	80,700
CJEF	1,666,500
Defensive Driving School Fund	3,518,300
JCEF	11,500,900

FY 2023 adjustments are as follows:

Appellate Case Management System

The Baseline includes an increase of \$59,100 from the General Fund in FY 2023 for Appellate Case Management System licensing and maintenance costs in accordance with the 3-year spending plan as enacted in the FY 2022 budget.

Digital Evidence Storage One-Time Funding

The Baseline includes an increase of \$90,000 from the General Fund in FY 2023 for digital evidence storage. This adjustment includes a decrease of \$(400,000) to remove funding designated as one-time in the FY 2022 budget and a one-time increase of \$490,000 in FY 2023 for these purposes.

Records Sealing One-Time Funding

The Baseline includes a one-time increase of \$500,000 from the General Fund in FY 2023 for costs to implement a new records sealing law. This amount was advance appropriated by Laws 2021, Chapter 432. As a result, this funding will not appear in the FY 2023 General Appropriation Act.

The funding will be used for automation changes for implementing the law, which may require contracting services, in addition to costs involved in updating documents and training staff on updated procedures.

The Automation line item provides funding for court automation projects throughout the state. Automation costs are to be solely funded from the Automation line item. As required by a General Appropriation Act footnote, any additional monies expended from other line items for automation projects are to be transferred to the Automation line item prior to expenditure.

State Foster Care Review Board

The Baseline includes \$3,283,000 and 40 FTE Positions from the General Fund in FY 2023 for the State Foster Care Review Board. These amounts are unchanged from FY 2022.

The State Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

Court Appointed Special Advocate

The Baseline includes \$3,987,300 and 5.5 FTE Positions from the Court Appointed Special Advocate (CASA) Fund in FY 2023 for CASA. These amounts are unchanged from FY 2022.

The CASA line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System.

Model Court

The Baseline includes \$659,700 and 1 FTE Position from the General Fund in FY 2023 for Model Court. These amounts are unchanged from FY 2022.

Monies in this line item fund a Dependency Alternative Program (DAP) coordinator in the AOC and the remaining monies are passed through to counties to improve processing of dependency cases. 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.

Domestic Relations

The Baseline includes \$646,500 and 4.9 FTE Positions from the General Fund in FY 2023 for Domestic Relations. These amounts are unchanged from FY 2022.

The Domestic Relations line item provides coordination and technical support for groups formed to develop and review policies and programs related to domestic relations and child support.

Judicial Nominations and Performance Review

The Baseline includes \$543,900 and 4.6 FTE Positions from the General Fund in FY 2023 for Judicial Nominations and Performance Review. These amounts are unchanged from FY 2022.

This line item funds administrative costs to oversee the nominations for the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa, Pima, Pinal, Coconino and Yavapai Counties, as well as evaluating the performance of all merit retention justices and judges. The results of the performance evaluations are provided to the voters before each retention election.

Commission on Judicial Conduct

The Baseline includes \$524,400 and 4 FTE Positions from the General Fund in FY 2023 for the Commission on Judicial Conduct. These amounts are unchanged from FY 2022.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Courthouse Security

The Baseline includes \$750,000 from JCEF in FY 2023 for Courthouse Security. This amount is unchanged from FY 2022.

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

Chapter 403, Section 24 to allow the Supreme Court to spend money from the funds on a new appellate case management system in FY 2023. The new system was originally scheduled to be ready at the end of FY 2022, but due to the impact of the COVID-19 pandemic on staffing and vendor issues, the go-live date was delayed to FY 2023.

Statutory Changes

The Baseline would, as session law, amend Laws 2018, Chapter 278, Section 17 as amended by Laws 2021,

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)		Non-Appropriated
Source of Revenue: The fund consists of 0.35% of notary bond fees, 0.35% of fee collections on civil filings in the Superior Court, and 2.42% of civil filings in Justice of the Peace Courts.		
Purpose of Fund: To supplement local courts' funding for alternative dispute resolution programs.		
Funds Expended	187,500	535,600
Year-End Fund Balance	591,800	365,900
Arizona Lengthy Trial and Digital Evidence Fund (SPA2382/A.R.S. § 21-222)		Non-Appropriated
Source of Revenue: The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
Purpose of Fund: To pay juror expenses in cases that last longer than 5 days. Monies in the fund are used to reimburse counties for these juror costs. Statute specifies that not more than 3% of the fund is to be used on administration of the fund.		
Funds Expended	654,000	813,900
Year-End Fund Balance	455,800	419,000
Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)		Non-Appropriated
Source of Revenue: Fees, costs and penalties relating to reporter certification.		
Purpose of Fund: For reporter certification.		
Funds Expended	136,600	146,400
Year-End Fund Balance	69,800	44,400
Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)		Appropriated
Source of Revenue: A portion of Superior Court fees; fees received by state and local registrars for certified copies of birth certificates; and fees collected through fiduciary registration with the Supreme Court.		
Purpose of Fund: To train and certify confidential intermediaries, who facilitate contact between adoptees/adoptive parents and birth parents while protecting court and agency records. Monies are also used to train and certify private fiduciaries, who serve as court appointed guardians or representatives, and to establish the Sibling Information Exchange Program, which facilitates contact between a former dependent child of biological parents, adoptive parents, guardians, and the child's sibling or siblings.		
Funds Expended	354,500	494,300
Year-End Fund Balance	813,800	821,500
Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524)		Appropriated
Source of Revenue: Revenues consist of 30% of the state lottery unclaimed prize monies.		
Purpose of Fund: For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
Funds Expended	3,597,100	4,068,000
Year-End Fund Balance	10,846,400	11,720,300

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 10.66% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.86% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.43% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	3,101,700	4,407,800
Year-End Fund Balance	2,320,700	1,134,700
Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)		Appropriated
Source of Revenue: A fee, not to exceed \$15, imposed on each person who attends a defensive driving school, and \$500 initial certification and \$50-\$250 recertification fees paid by defensive driving schools. The fees are set by the Supreme Court.		
Purpose of Fund: To monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses. The Administrative Office of the Courts (AOC) has also used these monies to fund court automation projects throughout the state.		
Funds Expended	3,188,600	4,233,500
Year-End Fund Balance	744,800	1,419,400
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads. Please see the Appropriated portion of the fund for additional information		
Funds Expended	387,500	711,500
Year-End Fund Balance	0	0
General Adjudication Personnel and Support Fund (SPA7777/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature.		
Purpose of Fund: For the Supreme Court to provide additional personnel for general adjudication, case management, and other support equipment and the Department of Water Resources for additional personnel, equipment, and services related to general adjudication. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	26,377,400	26,449,600
Year-End Fund Balance	18,002,000	14,714,400

/SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 18.74% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 15.74% to 17.27% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. Maricopa County retains any probation surcharge imposed in its county.		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services.		
Funds Expended	10,173,600	14,895,800
Year-End Fund Balance	3,501,700	3,845,300
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Peace Officer Training Equipment Fund (SPA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
Purpose of Fund: For the purchase of peace officer training equipment.		
Funds Expended	0	0
Year-End Fund Balance	1,073,300	1,073,300
Public Defender Training Fund (SPA3013/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
Purpose of Fund: For training of public defenders. Allocation of monies is made to each county Public Defender Office in proportion to the number of felony cases assigned to that office in the last fiscal year.		
Funds Expended	396,600	415,000
Year-End Fund Balance	2,900	2,900
State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)		Appropriated
Source of Revenue: Legislative appropriations, a portion of court filing fees, and a portion of fees, fines, penalties and forfeitures collected on criminal offenses and civil motor vehicle violations.		
Purpose of Fund: To provide state aid to the Superior Court, including the clerk of the Superior Court, and Justice Courts for the processing of criminal cases. Monies are distributed to each county based on a formula using Superior Court felony filings and county population.		
Funds Expended	1,863,400	2,945,400
Year-End Fund Balance	463,600	1,072,000

Judiciary - Court of Appeals

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
PROGRAM BUDGET			
Division I	11,825,800	11,622,300	11,622,300
Division II	5,284,000	5,168,500	5,168,500
AGENCY TOTAL	17,109,800	16,790,800	16,790,800
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	136.8	136.8	136.8 ^{1/}
Personal Services	11,080,700	10,826,500	10,826,500
Employee Related Expenditures	4,601,900	4,612,600	4,612,600
Professional and Outside Services	48,400	8,700	8,700
Travel - In State	125,600	171,200	171,200
Travel - Out of State	0	10,800	10,800
Other Operating Expenditures	1,158,200	1,161,000	1,161,000
Equipment	95,000	0	0
AGENCY TOTAL	17,109,800	16,790,800	16,790,800 ^{2/}
FUND SOURCES			
General Fund	17,109,800	16,790,800	16,790,800
SUBTOTAL - Appropriated Funds	17,109,800	16,790,800	16,790,800
TOTAL - ALL SOURCES	17,109,800	16,790,800	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 2022-2023, 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 Baseline includes \$16,790,800 and 136.8 FTE Positions from the General Fund in FY 2023 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. These amounts are unchanged from FY 2022.

Judiciary - Superior Court

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	235.5	238.5	238.5 ^{1/2/}
Personal Services	2,979,900	2,554,200	2,554,200
Employee Related Expenditures	1,020,300	917,800	917,800
Professional and Outside Services	8,200	59,900	59,900
Travel - In State	2,200	17,700	17,700
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	701,200	1,403,000	1,403,000
OPERATING SUBTOTAL	4,711,800	4,954,600	4,954,600 ^{3/}
SPECIAL LINE ITEMS			
Centralized Service Payments	3,193,100	4,135,000	4,135,000 ^{4/}
Judges Compensation	23,799,100	23,826,500	23,826,500 ^{5/}
Adult Standard Probation	18,043,100	21,824,200	21,824,200 ^{6/}
Adult Intensive Probation	10,708,400	12,892,100	12,892,100 ^{6/}
Community Punishment	1,101,200	2,310,300	2,310,300 ^{6/}
Interstate Compact	467,700	503,300	503,300 ^{6/}
Drug Court	1,033,100	1,080,000	1,080,000
Juvenile Standard Probation	3,524,700	3,705,600	3,705,600 ^{6/}
Juvenile Intensive Probation	5,635,500	5,969,300	5,969,300 ^{6/}
Juvenile Treatment Services	20,134,500	20,697,900	20,697,900 ^{6/7/}
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	8,559,700	8,918,600	8,918,600 ^{6/7/}
Juvenile Crime Reduction	766,500	3,313,500	3,313,500 ^{6/}
Special Water Master	243,200	497,200	497,200
General Adjudication Personnel and Support Fund Deposit	0	2,000,000	2,000,000
Probation Incentive Payments	0	1,000,000	1,000,000 ^{6/}
Probation Officer Vehicles	0	187,500	0
Court-Ordered Removals	315,000	315,000	315,000
AGENCY TOTAL	102,736,600	118,630,600	118,443,100 ^{8/-11/}
FUND SOURCES			
General Fund	97,976,700	106,655,000	106,467,500
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	1,618,400	5,456,200	5,456,200
Drug Treatment and Education Fund	500,200	504,200	504,200
Judicial Collection Enhancement Fund	2,641,300	6,015,200	6,015,200
SUBTOTAL - Other Appropriated Funds	4,759,900	11,975,600	11,975,600
SUBTOTAL - Appropriated Funds	102,736,600	118,630,600	118,443,100
Other Non-Appropriated Funds	4,028,900	4,356,700	4,356,700
Federal Funds	1,000,100	1,002,400	1,002,400
TOTAL - ALL SOURCES	107,765,600	123,989,700	123,802,200

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 2023.
- 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/ 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)
- 8/ 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)
- 9/ On or before November 1, 2022, 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 2021-2022 actual, fiscal year 2022-2023 estimated and fiscal year 2023-2024 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)
- 10/ On or before November 1, 2022, the administrative office of the courts shall submit a report for review by TO the joint legislative budget committee on the county-approved salary adjustments provided to probation officers since the last report on November 1, 2021. 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)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$4,954,600 and 55.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
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

These amounts are unchanged from FY 2022.

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.

Centralized Service Payments

The Baseline includes \$4,135,000 in FY 2023 for centralized service payments. This amount consists of:

General Fund	3,685,100
JCEF	449,900

These amounts are unchanged from FY 2022.

Background – In order to facilitate payment for services that are offered by all Superior Courts, AOC pays for various services centrally. These services include training, motor vehicle payments, Corrections Officer Retirement Plan Review Board funding, Literacy Education and Resource Network program funding (an online G.E.D. preparation program), research, operational reviews and GPS vendor payments.

Judges Compensation

The Baseline includes \$23,826,500 and 180 FTE Positions from the General Fund in FY 2023 for Judges Compensation. These amounts are unchanged from FY 2022.

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.

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.

As required by a General Appropriation Act footnote, the monies in the Probation, Drug Court, Juvenile Treatment Services, Juvenile Diversion Consequences, and Juvenile Crime Reduction line items shall be used only as pass-through monies to the counties for their probation programs and are not available for AOC expenses.

A General Appropriation Act footnote requires AOC to submit an annual report on county-approved salary adjustments provided to probation officers since the last report. The Baseline continues to require the report but removes the JLBC review requirement.

Adult Standard Probation

The Baseline includes \$21,824,200 in FY 2023 for Adult Standard Probation. This amount consists of:

General Fund	18,050,100
JCEF	3,774,100

These amounts are unchanged from FY 2022.

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).

Adult Intensive Probation

The Baseline includes \$12,892,100 in FY 2023 for Adult Intensive Probation. This amount consists of:

General Fund	11,356,900
JCEF	1,535,200

These amounts are unchanged from FY 2022.

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).

Community Punishment

The Baseline includes \$2,310,300 in FY 2023 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2022.

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.

Interstate Compact

The Baseline includes \$503,300 in FY 2023 for Interstate Compact. This amount consists of:

General Fund	410,500
JCEF	92,800

These amounts are unchanged from 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 October 2021, AOC reported 181 active probationers under supervision under the Interstate Compact line item.

Drug Court

The Baseline includes \$1,080,000 from the General Fund in FY 2023 for Drug Court programs. This amount is unchanged from 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.

These programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

Juvenile Standard Probation

The Baseline includes \$3,705,600 in FY 2023 for Juvenile Standard Probation. This amount consists of:

General Fund	3,555,600
JCEF	150,000

These amounts are unchanged from 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).

Juvenile Intensive Probation

The Baseline includes \$5,969,300 from the General Fund in FY 2023 for Juvenile Intensive Probation. This amount is unchanged from 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).

Juvenile Treatment Services

The Baseline includes \$20,697,900 from the General Fund in FY 2023 for Juvenile Treatment Services. This amount is unchanged from 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.

Juvenile Family Counseling

The Baseline includes \$500,000 from the General Fund in FY 2023 for Juvenile Family Counseling. This amount is unchanged from FY 2022.

Background – This line item provides funding to the Juvenile Division of the Superior Court for prevention of delinquency among juvenile offenders by strengthening family relationships. These monies are predominantly for non-adjudicated juveniles and their families and require a 25% county match.

Juvenile Diversion Consequences

The Baseline includes \$8,918,600 from the General Fund in FY 2023 for Juvenile Diversion Consequences. This amount is unchanged from FY 2022.

Background – This program diverts youth from formal court proceedings 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.

Juvenile Crime Reduction

The Baseline includes \$3,313,500 from CJEF in FY 2023 for Juvenile Crime Reduction. This amount is unchanged from FY 2022.

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.

Special Water Master

The Baseline includes \$497,200 and 3 FTE Positions from the General Fund in FY 2023 for the Special Water Master line item. These amounts are unchanged from FY 2022.

Background – This line item provides funding for the Special Water Master assigned by the court to the Little Colorado River and Gila River water rights adjudications. In FY 2021, 673 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 2021 Actual	FY 2022 Estimated ^{1/}	FY 2023 Estimated ^{1/}
Gila River			
Beginning Balance	\$197,600	\$211,600	\$242,700
Revenues ^{2/}	220,700	435,200	435,200
Expenditures	<u>206,700</u>	<u>404,100</u>	<u>421,200</u>
Ending Balance	\$211,600	\$242,700	\$256,700
Little Colorado River			
Beginning Balance	\$152,500	\$154,200	\$159,000
Revenues ^{2/}	38,200	76,100	76,100
Expenditures	<u>36,500</u>	<u>71,300</u>	<u>74,400</u>
Ending Balance	\$154,200	\$159,000	\$160,700

^{1/} As reported by the Administrative Office of the Courts and adjusted by the JLBC.

^{2/} Includes annual General Fund appropriation plus filing fees and interest.

General Adjudication Personnel and Support Fund Deposit

The Baseline includes \$2,000,000 from the General Fund in FY 2023 for a General Adjudication Personnel and Support Fund Deposit. This amount is unchanged from FY 2022.

The courts and the Department of Water Resources may use the General Adjudication Personnel and Support Fund 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 for review.

Probation Incentive Payments

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for probation incentive payments. This amount is unchanged from FY 2022.

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 Baseline includes no funding from the General Fund in FY 2023 for probation officer vehicles. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(187,500) from the General Fund in FY 2023 to remove one-time funding for 6 vehicles for the new Adult Intensive Probation officers.

These monies cover the one-time purchase costs of new vehicles for state-funded probation officers. Funding for the ongoing maintenance of these vehicles is added to the Centralized Service Payments line item.

Court-Ordered Removals

The Baseline includes \$315,000 from the General Fund in FY 2023 for Court-Ordered Removals. This amount is unchanged from FY 2022.

These monies help fund the costs associated with the Superior Court's processing and issuance of temporary orders of custody for juveniles removed from their home.

Other Issues

Probation Caseloads

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.

The Courts' caseload estimate also includes the pre-release population who are inmates that will be released directly into probation supervision within 90 days. This time is commonly known as a "probation tail."

Non-Maricopa County weighted probation caseloads from all categories decreased by (4.6)% from June 2020 to June 2021. The JLBC Staff estimates total FY 2022 and FY 2023 caseloads of 18,794 and 18,931 from all categories, respectively. This would represent growth of 2.0% in FY 2022 and 0.7% in FY 2023. (Please see Table 2).

Table 2

End of Year Non-Maricopa Probation Caseloads ^{1/}

Probation Category	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Adult Standard ^{2/}	16,215	16,325	15,860	16,177	16,339
Adult Intensive	1,255	1,293	1,275	1,326	1,366
Juvenile Standard	1,439	1,386	1,020	1,040	988
Juvenile Intensive	374	303	264	251	238
Total Caseload	19,283	19,307	18,419	18,794	18,931

^{1/} Numbers represent June probation caseloads. FY 2022 and FY 2023 represent JLBC Staff estimates.

^{2/} Does not include Interstate Compact participants.

SUMMARY OF FUNDS

Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)

Non-Appropriated

Source of Revenue: Discretionary fines imposed by the courts on drug offenders.

Purpose of Fund: To provide drug treatment services to adult probationers through the Community Punishment Program.

	FY 2021 Actual	FY 2022 Estimate
Funds Expended	60,200	52,000
Year-End Fund Balance	284,700	318,100

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 10.66% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.86% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.43% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	1,618,400	5,456,200
Year-End Fund Balance	4,473,100	3,028,600
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 42% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 10.66% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.86% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.43% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	4,473,100	3,028,600
Drug and Gang Enforcement Fund (SPA2074/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
Purpose of Fund: To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
Funds Expended	1,000,100	1,002,400
Year-End Fund Balance	2,300	254,100
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: The Community Punishment Program receives an annual appropriation from the fund. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	500,200	504,200
Year-End Fund Balance	3,501,600	4,501,600
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	2,803,500	3,554,900
Year-End Fund Balance	3,501,600	4,501,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
General Adjudication Personnel and Support Fund (SPA7777/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature.		
Purpose of Fund: For the Supreme Court to provide additional personnel for general adjudication, case management, and other support equipment and the Department of Water Resources for additional personnel, equipment, and services related to general adjudication. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	1,165,200	749,800
Year-End Fund Balance	(35,700)	234,000
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 18.74% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 15.74% to 17.27% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. Maricopa County retains any probation surcharge imposed in its county.		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services.		
Funds Expended	2,641,300	6,015,200
Year-End Fund Balance	2,125,400	1,972,100
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	8,990,500	7,178,400

Department of Juvenile Corrections

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	23,107,300	22,787,800	22,787,800
Employee Related Expenditures	14,396,300	16,929,700	16,929,700
Professional and Outside Services	1,146,900	862,000	862,000
Travel - In State	194,800	297,000	297,000
Travel - Out of State	1,100	14,800	14,800
Other Operating Expenditures	5,554,300	4,717,900	4,717,900
Equipment	460,900	9,300	9,300
AGENCY TOTAL	44,861,600	45,618,500	45,618,500 ^{1/2/}
FUND SOURCES			
General Fund	30,602,300	30,696,600	30,696,600
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	538,300	533,200	533,200
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900	8,450,900	8,450,900
State Charitable, Penal and Reformatory Institutions Land Fund	3,861,400	4,044,100	4,044,100
State Education Fund for Committed Youth	1,408,700	1,893,700	1,893,700
SUBTOTAL - Other Appropriated Funds	14,259,300	14,921,900	14,921,900
SUBTOTAL - Appropriated Funds	44,861,600	45,618,500	45,618,500
Other Non-Appropriated Funds	115,500	80,300	80,300
Federal Funds	1,185,300	986,500	986,500
TOTAL - ALL SOURCES	46,162,400	46,685,300	46,685,300

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 Baseline includes \$45,618,500 and 738.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

State Charitable, Penal and Reformatory Institutions Land Fund	4,044,100
State Education Fund for Committed Youth	1,893,700

These amounts are unchanged from FY 2023.

	FY 2023
General Fund	\$30,696,600
Criminal Justice Enhancement Fund (CJEF)	533,200
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900

Other Issues

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 did 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 Baseline continues to require Maricopa and Pima Counties to pay their proportional share in FY 2023.

(Please see the County Funding narrative for more information on state distributions to counties.)

Population Counts

Table 1 lists the DJC population by category since FY 2019. From FY 2019 to FY 2021, the housed population decreased from 198 to 182, or (8.1)%, while the parole population has increased.

During FY 2022, the housed population has decreased from 182 to 148, or (18.7)%. This decrease appears primarily due to reduced court activity during the

coronavirus pandemic. At the same time, the parole population decreased slightly.

Auditor General Reports

Use of Temporary Stabilization Units

In June 2021, the Auditor General published an audit regarding the department's use of temporary stabilization units (TSUs). TSUs are short-term isolation units used to stabilize and de-escalate youth behavior that represents a danger to themselves or others. The audit found that the department has not followed its policy and procedures for referring youth to TSUs, and that youth isolation can potentially have negative consequences and undermine the department's mission to rehabilitate youth. It recommends that DJC follow its policy and procedure requirements for referring youth to TSUs and ensure that TSU referrals comply with policy and procedure.

Youth Treatment Programming Evaluation

In October 2021, the Auditor General published an audit regarding the department's processes for evaluating the treatment programming it provides to youth. The audit recommended that the department:

- Ensure it delivers treatment interventions for youth with fidelity to the interventions' original research designs and correct any identified deficiencies by conducting ongoing monitoring.
- Implement its revised policy and procedures for using the Evidence-Based Correctional Program Checklist (CPC) to ensure it addresses all actionable CPC evaluation report recommendations, and further revise and implement these procedures to include requirements for addressing areas needing improvement.

DJC Census				
	FY 2019 Average Population	FY 2020 Average Population	FY 2021 Average Population	Population as of November 30, 2021
Housed Population				
Adobe Mountain	198	223	182	148
Parole Population				
Parole	36	41	62	45
Interstate Compact (Inside Arizona) ^{1/}	77	75	68	70
Total Parole Population	113	116	130	115
Total DJC Population	311	339	312	263

^{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 2021 and 0 parolees as of November 30, 2021.

- Develop and implement a plan to identify opportunities, methods, external assistance, and resources for developing additional outcome measures and conducting outcome evaluations of treatment programming; establish and track additional outcome measures and prioritize and conduct outcome evaluations, as appropriate.

The Auditor General believes the recommendation that DJC conduct outcome evaluations has potential budget implications on the department. DJC reported that designing and conducting outcome evaluations is complex and requires extensive planning to ensure appropriate data is available to produce valid information. Although the department did not identify a lack of resources for conducting outcome evaluations, the report found that this may require additional resources in the future.

Performance and Sunset Review Audit

In October 2021, the Auditor General also published a performance audit and sunset review to determine the extent to which the department has complied with statute and its policies in several areas, including supervision of youth on parole, monitoring youth placed in exclusion, measuring and reporting youth recidivism, and safeguarding its information technology (IT) systems and data. The report recommended that DJC:

- Continue to implement its revised youth work experience policies and written plan for implementing its newly developed IT security policies.
- Evaluate and revise its method for measuring and reporting recidivism to further align it with additional practices recommended by literature and modify and implement its policies regarding youth exclusion.
- Follow its time frames for reviewing and resolving youth grievances and develop and implement youth grievance supervisory review policies and procedures.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Receives 1.84% of state Criminal Justice Enhancement Fund (CJEF) revenues. CJEF consists of a 42% assessment added on to every fine, penalty and forfeiture collected by the courts for criminal offenses, and civil penalties imposed for traffic violations and motor vehicle violations.		
Purpose of Fund: For treatment and rehabilitation of youth who have committed drug-related offenses.		
Funds Expended	538,300	533,200
Year-End Fund Balance	913,000	923,300
Department of Juvenile Corrections Local Cost Sharing Fund (DJA3007/A.R.S. § 41-2833)		Appropriated
Source of Revenue: Maricopa and Pima Counties are required to pay a proportional share of \$8,450,900 based on their share of the state population according to the 2010 decennial census.		
Purpose of Fund: To fund the operational costs of DJC.		
Funds Expended	8,450,900	8,450,900
Year-End Fund Balance	118,700	118,700
DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)		Non-Appropriated
Source of Revenue: Federal, state, and local appropriations distributed by the director from the DJC Career Technical Education Fund, in addition to grants, gifts, and other donations from any public or private source.		
Purpose of Fund: For the payment of restitution and monetary assessments by youths who are ordered to make such payments but who are financially unable to pay. In a committed youth work program or a community work program, youth participate and receive payment through the Restitution Fund, a portion of which is distributed in the form of restitution payments to victims or the court.		
Funds Expended	3,100	0
Year-End Fund Balance	145,900	200,000
Employee Recognition Fund (DJA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	1,200	0
Year-End Fund Balance	800	2,800

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Federal Funds (DJA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Grants.		
Purpose of Fund: For the National School Breakfast and Lunch Program, Special Education, Career Technology Education, substance abuse, and other federal programs.		
Funds Expended	1,185,300	986,500
Year-End Fund Balance	192,400	195,300
Indirect Cost Recovery Fund (DJA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	0	0
Year-End Fund Balance	206,600	206,600
Instructional Improvement Fund (DJA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming received through the Arizona Department of Education (ADE). The ADE Instructional Improvement Fund receives 56% of total shared revenue, as authorized by Proposition 202 from the 2002 General Election. (See ADE section for more information.)		
Purpose of Fund: To fund teacher compensation increases, class size reduction, dropout prevention, and instructional improvement.		
Funds Expended	7,400	0
Year-End Fund Balance	0	0
Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)		Non-Appropriated
Source of Revenue: Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
Purpose of Fund: For additional supplies and department conferences, for purposes agreed upon by donors and the agency Director, or for special student activities.		
Funds Expended	12,700	0
Year-End Fund Balance	34,000	47,500
State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund. As approved by voters in May 2016, Proposition 123 increased the Treasurer's annual distribution rate from the Permanent Land Fund from 2.5% to 6.9% from FY 2016 to FY 2025.		
Purpose of Fund: To help defray costs of operating juvenile correctional facilities.		
Funds Expended	3,861,400	4,044,100
Year-End Fund Balance	3,988,700	851,700
State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)		Appropriated
Source of Revenue: The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
Purpose of Fund: To help provide for the education of committed youth.		
Funds Expended	1,408,700	1,893,700
Year-End Fund Balance	222,100	(560,700)

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)		Non-Appropriated
Source of Revenue: Classroom Site Fund monies received from the ADE, pursuant to A.R.S. § 15-977. The Classroom Site Fund receives monies from a 0.6% sales tax approved by the voters in the November 2000 General Election (Proposition 301).		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases and employment related expenses (20%); and class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	90,500	80,300
Year-End Fund Balance	407,200	465,900
Statewide Donations Fund (DJA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	600	0
Year-End Fund Balance	100	1,100

State Land Department

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	129.7	129.7	129.7
Personal Services	6,829,400	6,821,900	6,821,900
Employee Related Expenditures	2,618,900	2,676,400	2,676,400
Professional and Outside Services	3,468,500	4,479,400	4,479,400
Travel - In State	106,700	112,800	112,800
Travel - Out of State	0	2,600	2,600
Other Operating Expenditures	2,382,600	1,872,700	1,872,700
Equipment	55,700	68,000	68,000
OPERATING SUBTOTAL	15,461,800	16,033,800	16,033,800
SPECIAL LINE ITEMS			
CAP User Fees	1,700,000	1,700,000	1,603,800 ^{1/}
Due Diligence Fund Deposit	0	1,500,000	1,500,000
Due Diligence Program	467,100	5,000,000	5,000,000
Fire Suppression	800,000	800,000	800,000
Natural Resource Conservation Districts	581,600	650,000	650,000 ^{2/}
Streambed Navigability Litigation	0	220,000	220,000
AGENCY TOTAL	19,010,500	25,903,800	25,807,600 ^{3/}
FUND SOURCES			
General Fund	12,118,400	13,315,100	13,218,900
<u>Other Appropriated Funds</u>			
Due Diligence Fund	467,100	5,000,000	5,000,000
Environmental Special Plate Fund	192,200	260,600	260,600
Trust Land Management Fund	6,232,800	7,328,100	7,328,100
SUBTOTAL - Other Appropriated Funds	6,892,100	12,588,700	12,588,700
SUBTOTAL - Appropriated Funds	19,010,500	25,903,800	25,807,600
Other Non-Appropriated Funds	887,000	942,900	942,900
TOTAL - ALL SOURCES	19,897,500	26,846,700	26,750,500

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 \$1,603,800 for CAP user fees in fiscal year 2022-2023. For fiscal year 2022-2023, 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 2022-2023, \$30,000 shall be used to provide grants to natural resource conservation districts environmental education centers. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$16,033,800 and 129.7 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$9,505,100
Environmental Special Plate Fund	600
Trust Land Management Fund	6,528,100

These amounts are unchanged from FY 2022.

CAP User Fees

The Baseline includes \$1,603,800 from the General Fund in FY 2023 for Central Arizona Project (CAP) User Fees. FY 2023 adjustments are as follows:

CAP Rate Adjustment

The Baseline includes a decrease of \$(96,200) from the General Fund in FY 2023 to realign the funding level for CAP User Fees with the FY 2022 final CAP User Fee rates. This funding level is based on the final FY 2022 rate of \$50 per acre-foot on 32,076 acre-feet of water that the department will be billed for "capital charges" in FY 2022. This amount is \$(96,200) below the FY 2022 appropriation of \$1,700,000. The original FY 2022 appropriation reflected capital charges of \$53 per acre-foot, but CAP rates are not determined until June 15 of each year and the final rate for FY 2022 ended up being \$50 per acre-foot. As a result, the Baseline includes a \$(96,200) reduction of General Fund monies to the CAP User Fees line item in FY 2023 to realign CAP funding to the final FY 2022 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 Baseline includes \$1,500,000 from the General Fund in FY 2023 for the Due Diligence Fund Deposit line item. This amount is unchanged from FY 2022.

The FY 2022 budget included 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 Baseline includes \$5,000,000 from the Due Diligence Fund in FY 2023 to fund this line item. This amount is unchanged from FY 2022.

The State Land Department uses monies in this line item to fund due diligence studies on land that it prepares for auction. The purchasers of state trust land then reimburse the State Land Department for the cost of the studies.

Fire Suppression

The Baseline includes \$800,000 from the Trust Land Management Fund in FY 2023 for the Fire Suppression line item. This amount is unchanged from FY 2022.

In accordance with an interagency service agreement (ISA) between the State Land Department and the Arizona Department of Forestry and Fire Management, \$800,000 of fire suppression activity on state trust lands will be funded by the Trust Land Management Fund. *(Please see the Arizona Department of Forestry and Fire Management narrative for more information.)*

Natural Resource Conservation Districts

The Baseline includes \$650,000 in FY 2023 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 2022.

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 NRCD and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote continues to require that \$30,000 of the total appropriation for NRCDs be used to provide grants to NRCD environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by 30 NRCDs. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015.

Streambed Navigability Litigation

The Baseline includes \$220,000 from the General Fund in FY 2023 for Streambed Navigability Litigation. This amount is unchanged from FY 2022.

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.

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

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, State Land Department's General Fund costs are projected to decrease by \$(1,500,000) in FY 2024 compared to FY 2023, due to the \$1,500,000 for the Due Diligence Fund Deposit line item not being continued into FY 2024. The State Land Department's funding level would be unchanged for FY 2025.

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 \$228,349,600 in incremental land trust funds to K-12 schools in FY 2021 and \$237,569,400 in FY 2022. The 4.4% incremental funding increase will provide \$247,303,400 in incremental funds in FY 2023. *(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. See *Table 1*.

Table 1

State Land Trust: Non-K12 Beneficiaries' Revenues, Balances, and Appropriation Authority

<u>Beneficiary/Fund</u>	<u>FY 2015 Total Revenue</u> ^{1/}	<u>FY 2022 Ending Balance</u>	<u>FY 2023 Total Revenue</u> ^{2/}	<u>FY 2023 Appropriation</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 97,800	
Normal Schools ASU/NAU	296,600		599,200	
A & M Colleges	445,100		1,648,500	
School of Mines	499,800		1,325,000	
University Fund	2,175,400		2,573,500	
U of A Land - 1881	<u>1,659,400</u>		<u>8,170,700</u>	
Subtotal	\$ 5,160,100		\$14,414,700	
Schools for the Deaf and the Blind ^{4/}	\$ 424,400		\$ 763,800	
State Hospital	\$ 701,000	\$ 1,491,500	\$ 1,177,100	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 4,340,700	\$ 1,032,600	\$ 0
Corrections				
Penitentiaries	\$ 1,382,600	\$ 3,620,700	\$ 3,287,300	\$ 2,790,700
State Charitable (25%)	<u>1,452,500</u>	<u>2,609,500</u>	<u>3,832,600</u>	<u>2,663,700</u>
Subtotal	\$ 2,835,100	\$ 6,230,200	\$ 7,119,900	\$ 5,454,400
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 9,095,300	\$ 3,935,300	\$ 2,074,100
State Charitable (50%)	<u>2,905,000</u>	<u>\$16,797,600</u>	<u>7,665,200</u>	<u>4,969,100</u>
Subtotal	\$ 4,886,400	\$25,892,900	\$11,600,500	\$ 7,043,200
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 851,700	\$ 3,832,600	\$ 4,044,100
Non-K-12 Beneficiaries Total	\$15,845,800		\$39,941,200	

- ^{1/} Includes actual Treasurer's distributions and lease revenues. The FY 2015 revenues reflect the 2.5% Treasurer's distribution rate in effect prior to Proposition 123.
- ^{2/} Includes both Treasurer's distributions and lease revenues. The Treasurer's distributions are known numbers based on the funding formula. Projected FY 2023 lease revenues reflect actual FY 2021 amounts.
- ^{3/} University land trust funds are non-appropriated. As a result, budget appropriations and balance amounts are not included. (Please see ABOR section for more information.)
- ^{4/} Arizona State Schools for the Deaf and the Blind (ASDB) land trust monies are appropriated as part of the Schools for the Deaf and the Blind Fund, which also receives revenues from the Arizona Department of Education. The FY 2022 General Appropriation Act and FY 2023 Baseline allow monies in this fund to be expended in excess of the appropriated amount. As a result, FY 2022 ending balance and FY 2023 appropriation amounts are not included.
- ^{5/} The expenditure for the Legislative, Executive, and Judicial Buildings land trust monies requires a legislative appropriation. A.R.S § 35-142 requires land fund monies to be expended only as authorized, regulated, and controlled by the General Appropriation Act or other act of the Legislature. A.R.S § 35-154 also requires that no person shall incur, order, or vote for the incurrence of any obligation against the state or for any expenditure not authorized by an appropriation and an allotment.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)		Non-Appropriated
Source of Revenue: Reimbursements to the state for water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
Purpose of Fund: To make CAP water fee payments for urban state trust land. Monies remaining in the fund revert to the General Fund after the CAP subcontract obligations are met.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Due Diligence Fund (LDA2526/A.R.S. § 37-110)		Appropriated
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies. In addition, the FY 2022 budget allocated one-time deposits of \$1,500,000 from the General Fund to the Due Diligence Fund in FY 2022 and FY 2023.		
Purpose of Fund: To prepare land for sales, leases, rights-of-ways, or other use-permits. Any fund balance in excess of \$5,000,000 at any time during the fiscal year reverts to the General Fund. The FY 2022 Environment Budget Reconciliation Bill permanently increased this fund balance limit from \$500,000 to \$5,000,000.		
Funds Expended	467,100	5,000,000
Year-End Fund Balance	775,000	(2,525,000)
Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)		Appropriated
Source of Revenue: \$17 of the \$25 fee for environmental license plates.		
Purpose of Fund: To provide grants for environmental education projects. Funds Natural Resource Conservation Districts (NRCs) and the education centers they sponsor. An amount of \$5,000 is distributed to each NRC that sponsors an education center. Additionally, funds are distributed to NRCs and education centers based on appropriation.		
Funds Expended	192,200	260,600
Year-End Fund Balance	56,800	(31,200)
Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)		Non-Appropriated
Source of Revenue: Reimbursements from lessees and interest.		
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.		
Funds Expended	0	0
Year-End Fund Balance	46,900	47,400
IGA and ISA Fund (LDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	0	0
Year-End Fund Balance	24,000	24,000
Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)		Non-Appropriated
Source of Revenue: Revenue comes from other agencies that use State Land Department services or products and is used for services or products provided by other agencies.		
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.		
Funds Expended	0	0
Year-End Fund Balance	136,200	136,200
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The State Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.		
Purpose of Fund: To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
Funds Expended	252,500	319,500
Year-End Fund Balance	611,700	742,200

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)		Non-Appropriated
Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.		
Purpose of Fund: To offset the costs of GIS supplies and support.		
Funds Expended	104,500	98,600
Year-End Fund Balance	139,900	121,300
Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)		Non-Appropriated
Source of Revenue: Receipts from the sale or use of state streambed lands and resources, damages collected due to a federal violation of public trust by the conveyance of state streambeds, and designated donations.		
Purpose of Fund: To fund the acquisition of wetland areas in the state.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Land Department Fund (LDA2451/A.R.S. § 37-107)		Non-Appropriated
Source of Revenue: Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	530,000	524,800
Year-End Fund Balance	21,703,800	21,612,000
Statewide Employee Recognition Gifts/Donations Fund (LDA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: This fund receives monies through gifts and donations.		
Purpose of Fund: This fund is used to conduct employee recognition programs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Trust Land Management Fund (LDA3146/A.R.S. § 37-527)		Appropriated
Source of Revenue: Fees charged by the department. The total balance of the fund is capped at 2 times the trust land management budget for the following fiscal year.		
Purpose of Fund: To fund the management of the approximately 9 million acres of State Trust land throughout the state.		
Funds Expended	6,232,800	7,328,100
Year-End Fund Balance	20,238,000	24,817,600

Legislature - Auditor General

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	200.8	200.8	200.8
Personal Services	13,953,300	13,628,400	13,486,400
Employee Related Expenditures	4,854,500	4,752,900	4,679,900
Professional and Outside Services	228,800	931,500	931,500
Travel - In State	27,600	92,800	92,800
Travel - Out of State	0	5,500	5,500
Other Operating Expenditures	1,157,500	1,286,400	1,286,400
Equipment	5,400	26,000	26,000
AGENCY TOTAL	20,227,100	20,723,500	20,508,500 ^{1/2/}
FUND SOURCES			
General Fund	20,227,100	20,723,500	20,508,500
SUBTOTAL - Appropriated Funds	20,227,100	20,723,500	20,508,500
Other Non-Appropriated Funds	1,084,600	1,310,300	1,310,300
TOTAL - ALL SOURCES	21,311,700	22,033,800	21,818,800

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

Operating Budget

The Baseline includes \$20,508,500 and 200.8 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Adjust One-Time Audit for K-12 Federal Funds Oversight

The Baseline includes a decrease of \$(50,000) from the General Fund in FY 2023 to adjust one-time funding for K-12 Federal Funds oversight. The FY 2022 budget included \$250,000 in FY 2022 and \$200,000 in FY 2023 from the General Fund for compilation of 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. Pursuant to a General Appropriation Act footnote, the Auditor General is required to issue a report by January 1, 2022 and January 1, 2023.

Eliminate One-Time Audit of Non-Governmental Election Funding

The Baseline includes a decrease of \$(165,000) from the General Fund in FY 2023 to eliminate one-time funding for a financial audit of private, non-governmental grant monies for Arizona's 2020 elections and Maricopa County's procurement of voting systems. A General Appropriation Act footnote requires the Auditor General to conduct and report findings on or before March 31, 2022 to the Governor, President of the Senate, and Speaker of the House of Representatives.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)		Non-Appropriated
<p>Source of Revenue: Charges to state budget units, counties, community college districts or school districts for audits or accounting services performed by, or under the supervision of, the Auditor General. A majority of the amounts collected are for federal compliance audits required by the Single Audit Act, as such audited entities are reimbursed by the federal government.</p> <p>Purpose of Fund: To conduct audits required under federal law, special audits, or provide accounting services requested by state budget units, counties, community college districts or school districts. Monies in this fund may also be used to pay certified public accountants to conduct audits or provide accounting services.</p>		
Funds Expended	1,084,600	1,310,300
Year-End Fund Balance	2,104,200	2,104,200

Legislature - House of Representatives

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	15,930,400	21,429,300	16,429,300
AGENCY TOTAL	15,930,400	21,429,300	16,429,300 ^{1/2/3/}
FUND SOURCES			
General Fund	15,930,400	21,429,300	16,429,300
SUBTOTAL - Appropriated Funds	15,930,400	21,429,300	16,429,300
TOTAL - ALL SOURCES	15,930,400	21,429,300	16,429,300

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 \$16,429,300 for fiscal year 2022-2023 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$16,429,300 from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 for the elimination of one-time funding.

Legislature - Joint Legislative Budget Committee

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	2,019,200	1,898,400	1,898,400
Employee Related Expenditures	605,500	715,500	715,500
Professional and Outside Services	91,300	125,000	125,000
Travel - In State	0	500	500
Other Operating Expenditures	26,300	100,500	100,500
Equipment	2,600	2,000	2,000
AGENCY TOTAL	2,744,900	2,841,900	2,841,900 ^{1/2/}
FUND SOURCES			
General Fund	2,744,900	2,841,900	2,841,900
SUBTOTAL - Appropriated Funds	2,744,900	2,841,900	2,841,900
TOTAL - ALL SOURCES	2,744,900	2,841,900	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 Baseline includes \$2,841,900 and 29 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Legislature - Legislative Council

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	66.0	66.0 ^{1/}
Personal Services	3,126,700	3,260,400	3,260,400
Employee Related Expenditures	1,083,600	1,178,500	1,178,500
Professional and Outside Services	128,800	1,110,000	1,110,000
Travel - In State	0	12,000	12,000
Travel - Out of State	0	6,500	6,500
Other Operating Expenditures	1,256,300	880,600	880,600
Equipment	945,200	2,527,000	2,527,000
OPERATING SUBTOTAL	6,540,600	8,975,000	7,975,000
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	955,600	1,115,400	1,115,400 ^{2/}
AGENCY TOTAL	7,496,200	10,090,400	9,090,400 ^{3/4/5/}
FUND SOURCES			
General Fund	7,496,200	10,090,400	9,090,400
SUBTOTAL - Appropriated Funds	7,496,200	10,090,400	9,090,400
TOTAL - ALL SOURCES	7,496,200	10,090,400	9,090,400

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 2023.
- 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 Baseline includes \$7,975,000 and 56 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Eliminate One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2023 for the elimination of one-time funding for IT Positions.

Ombudsman-Citizens Aide Office

The Baseline includes \$1,115,400 and 10 FTE Positions from the General Fund in FY 2023 for the Ombudsman-Citizens Aide Office. These amounts are unchanged from FY 2022.

Legislature - Senate

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	11,538,500	17,969,100	12,969,100
AGENCY TOTAL	11,538,500	17,969,100	12,969,100 ^{1/2/3/}
FUND SOURCES			
General Fund	11,538,500	17,969,100	12,969,100
SUBTOTAL - Appropriated Funds	11,538,500	17,969,100	12,969,100
TOTAL - ALL SOURCES	11,538,500	17,969,100	12,969,100

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 \$12,969,100 for fiscal year 2022-2023 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$12,969,100 from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 for the elimination of one-time funding.

Department of Liquor Licenses and Control

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	45.2	51.2	51.2
Personal Services	1,419,600	1,760,200	1,760,200
Employee Related Expenditures	1,056,600	1,393,000	1,393,000
Professional and Outside Services	293,900	490,300	490,300
Travel - In State	58,900	85,300	85,300
Other Operating Expenditures	649,300	670,100	670,100
Equipment	14,700	57,400	57,400
AGENCY TOTAL	3,493,000	4,456,300	4,256,300 ^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	3,493,000	4,456,300	4,256,300
SUBTOTAL - Other Appropriated Funds	<u>3,493,000</u>	<u>4,456,300</u>	<u>4,256,300</u>
SUBTOTAL - Appropriated Funds	3,493,000	4,456,300	4,256,300
Other Non-Appropriated Funds	1,148,100	1,218,400	1,218,400
Federal Funds	233,400	112,600	112,600
TOTAL - ALL SOURCES	4,874,500	5,787,300	5,587,300

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

FOOTNOTES

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

Operating Budget

The Baseline includes \$4,256,300 and 51.2 FTE Positions from the Liquor Licenses Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(200,000) from the Liquor Licenses Fund in FY 2023 for the elimination of one-time automation costs for to-go cocktail licenses.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$30 surcharge on liquor licenses for bars, retail stores, and restaurants.		
Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	124,400	127,900
Year-End Fund Balance	162,900	234,100

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Direct Shipment License Issuance Fund (LLA3017/A.R.S. § 4-203.04B)		Non-Appropriated
<i>Source of Revenue:</i> Fees charged by the director for the issuance of a direct shipment license.		
<i>Purpose of Fund:</i> Administrative costs associated with the direct shipment license.		
Funds Expended	57,200	45,300
Year-End Fund Balance	238,500	229,300
Direct Shipment License Renewal Fund (LLA3018/A.R.S. § 4-203.04D)		Non-Appropriated
<i>Source of Revenue:</i> Fees charged by the director for the renewal of a direct shipment license.		
<i>Purpose of Fund:</i> Administrative costs associated with the direct shipment licensing, auditing, and enforcement.		
Funds Expended	0	0
Year-End Fund Balance	291,600	468,600
DPS-FBI Fingerprint Fund (LLA2159/A.R.S. § 4-112)		Non-Appropriated
<i>Source of Revenue:</i> Fingerprint fees collected as part of the application process.		
<i>Purpose of Fund:</i> Fingerprint fees are transferred to the Department of Public Safety.		
Funds Expended	0	0
Year-End Fund Balance	14,000	5,200
Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)		Non-Appropriated
<i>Source of Revenue:</i> A \$20 surcharge on hotel and restaurant liquor licenses and \$35 on all other licenses.		
<i>Purpose of Fund:</i> For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
Funds Expended	437,300	452,700
Year-End Fund Balance	190,400	148,500
Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)		Non-Appropriated
<i>Source of Revenue:</i> A \$35 surcharge on liquor license renewals.		
<i>Purpose of Fund:</i> To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
Funds Expended	510,200	453,300
Year-End Fund Balance	219,300	169,700
Federal Grants (LLA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal revenues received through the Governor's Office of Highway Safety.		
<i>Purpose of Fund:</i> To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
Funds Expended	233,400	112,600
Year-End Fund Balance	0	0
Growlers Fund (LLA1997/A.R.S. § 4-116.01)		Non-Appropriated
<i>Source of Revenue:</i> Fees received from growler permit applications.		
<i>Purpose of Fund:</i> To pay operating expenses for the Department of Liquor Licenses and Control.		
Funds Expended	7,800	62,700
Year-End Fund Balance	61,400	95,000
IGA and ISA Fund (LLA2500/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Monies received through intergovernmental and interagency agreements.		
<i>Purpose of Fund:</i> To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	7,300	0
Year-End Fund Balance	67,300	50,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)		Appropriated
Source of Revenue: A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. Any balance over \$700,000 shall revert to the General Fund at the end of each year.		
Funds Expended	3,493,000	4,456,300
Year-End Fund Balance	0	0
Sampling Privileges Fund (LLA1998/A.R.S. § 4-116.01)		Non-Appropriated
Source of Revenue: Fees received from sampling privilege permit applications.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control.		
Funds Expended	3,900	76,500
Year-End Fund Balance	61,400	88,500

Arizona State Lottery Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,845,000	4,812,000	4,812,000
Employee Related Expenditures	1,943,700	1,797,400	1,797,400
Professional and Outside Services	607,800	386,800	386,800
Travel - In State	141,900	271,600	271,600
Travel - Out of State	(4,300)	16,800	16,800
Other Operating Expenditures	1,620,100	2,093,300	2,093,300
Equipment	30,200	0	0
OPERATING SUBTOTAL	9,184,400	9,377,900	9,377,900
SPECIAL LINE ITEMS			
Advertising	13,839,100	15,500,000	15,500,000
Charitable Commissions ^{1/}	1,452,200	1,500,000	1,560,000 ^{2/}
Instant Tickets ^{3/}	36,304,900	37,146,700	38,638,200 ^{3/}
On-Line Vendor Fees ^{4/}	13,514,600	12,172,200	12,659,000 ^{4/}
Retailer Commissions ^{5/}	88,196,600	88,371,100	91,916,500 ^{5/}
AGENCY TOTAL	162,491,800	164,067,900	169,651,600 ^{6/}

FUND SOURCES

Other Appropriated Funds

State Lottery Fund	162,491,800	164,067,900	169,651,600
SUBTOTAL - Other Appropriated Funds	162,491,800	164,067,900	169,651,600
SUBTOTAL - Appropriated Funds	162,491,800	164,067,900	169,651,600
Other Non-Appropriated Funds	994,640,700	897,086,500	934,078,400
TOTAL - ALL SOURCES	1,157,132,500	1,061,154,400	1,103,730,000

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 \$1,560,000 in fiscal year 2022-2023. (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 \$38,638,200 in fiscal year 2022-2023. (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 \$12,659,000, or 4.256 percent of actual online ticket sales, in fiscal year 2022-2023. (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 \$91,916,500, in fiscal year 2022-2023. (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 Baseline includes \$9,377,900 and 98.8 FTE Positions from the State Lottery Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Advertising

The Baseline includes \$15,500,000 from the State Lottery Fund in FY 2023 for Advertising. This amount is unchanged from FY 2022.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The Baseline includes \$1,560,000 from the State Lottery Fund in FY 2023 for Charitable Commissions. FY 2023 adjustments are as follows:

Tab Ticket Increase

The Baseline includes an increase of \$60,000 from the State Lottery Fund in FY 2023 to realign spending with projected revenues.

Monies in this line item are used to compensate charities for selling lottery 'Tab Tickets.' Tab Tickets are games sold exclusively by charitable organizations, who receive a 20% commission for selling the games. The displayed amount is derived by applying the approved percentage, 20%, to the forecasted Tab Ticket sales. A.R.S. § 5-555 also allows the department to collect up to 35% of total Tab Ticket sales (which includes the 20% commission) for their operating budget, with the remainder distributed as prizes.

Instant Tickets

The Baseline includes \$38,638,200 from the State Lottery Fund in FY 2023 for Instant Tickets. FY 2023 adjustments are as follows:

Instant Ticket Sales Increase

The Baseline includes an increase of \$1,491,500 from the State Lottery Fund in FY 2023 for Instant Tickets due to higher projected sales.

Monies in this line item are used to pay for instant ticket printing and distribution costs. The amount displayed is derived by applying the approved spending percentage of 3.6% to the forecasted sales total.

On-Line Vendor Fees

The Baseline includes \$12,659,000 from the State Lottery Fund in FY 2023 for On-Line Vendor Fees. FY 2023 adjustments are as follows:

On-Line Sales Increase

The Baseline includes an increase of \$486,800 from the State Lottery Fund in FY 2023 for On-Line Vendor Fees due to higher projected sales.

Monies in this line item are used to pay the vendor that operates the on-line game computer system. The actual appropriation is equal to a percentage of on-line ticket sales specified in the Lottery's contractual agreement with the vendor, which is 4.256%.

Retailer Commissions

The Baseline includes \$91,916,500 from the State Lottery Fund in FY 2023 for Retailer Commissions. FY 2023 adjustments are as follows:

Retailer Commissions Increase

The Baseline includes an increase of \$3,545,400 from the State Lottery Fund in FY 2023 for Retailer Commissions due to higher projected sales. *(See Table 1 for more information.)*

Monies in this line item are used to compensate retailers for selling lottery tickets. A.R.S. § 5-555 specifies that compensation to retailers will be at least 5.5% but not more than 8% of non-charitable Tab Ticket sales. The actual appropriation is equal to 6.5% of these sales. Pursuant to statute, an additional 0.5% of total non-charitable Tab Ticket sales may be paid to retailers based on their attainment of specified sales and marketing objectives. Since 40% of retailers are estimated to meet these objectives, this would result in an additional 0.2% in retailer commissions and a total retail commission rate of 6.7%. The displayed amount is derived by applying the approved percentage to the forecasted sales total.

Other Issues

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. (See the FY 2022 Appropriation Report Lottery Commission section for more information).

Lottery Forecast and Distributions

The Baseline assumes an (8.4)% decrease in overall Lottery ticket sales in FY 2022, followed by a 4.0% increase in FY 2023. For FY 2022 and FY 2023, the Baseline assumes Lottery ticket sales of \$1,318,971,500 and \$1,371,887,360, respectively.

The FY 2022 forecasted sales and Special Line Items expenditures are revised from the amounts included as part of the FY 2022 Appropriations Report due to an updated FY 2022 sales forecast. These revised amounts are estimates based on the current sales forecast and the special line item percentages included in the FY 2022 General Appropriation Act footnotes. The final FY 2022 expenditures will be determined by the actual Lottery ticket sales during FY 2022.

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 2021 and the JLBC Staff projected distributions for FY 2022 and FY 2023. 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 included one-time funding of \$269,550,000 from the General Fund to pay off 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 2022 and FY 2023. (See FY 2021 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 2022 and FY 2023 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The full \$84,150,000 General Fund - Part 1 will be realized in FY 2022 and thereafter, as the state has retired the Lottery Revenue Bonds (whose debt service previously counted against this allocation).

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 2022 and FY 2023, 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 \$22,800,000 in FY 2022 and \$23,376,100 in FY 2023. 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 2022 and FY 2023.

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 2022 and FY 2023.

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 2022 and FY 2023, 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 2022 and FY 2023.

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 \$38,203,500 in FY 2021. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$37,780,000 in FY 2022 and \$37,798,700 in FY 2023 to make the expected 80% level of debt service payments. *(Please see the FY 2023 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 and the current level of ticket sales, the Lottery Commission's recent practice is to make a partial General Fund – Part 3 transfer (based on current year sales). Following a year-end audit, the Commission then transfers the remaining profits in a Deferred General Fund - Part 3 in the succeeding fiscal year.

The Baseline forecast assumes that for each forecast year's ticket sales (FY 2022 and FY 2023), the Lottery Commission will transfer 50% of the Part 3 profits in the current year and 50% of Part 3 profits in a deferred transfer during the next fiscal year.

Total Distributions to the General Fund

Total FY 2022 distributions to the General Fund consist of the FY 2022 General Fund Part 1, Part 2, and partial Part 3 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 partial Part 3 FY 2022 transfer of \$35,370,200 and a FY 2021 delayed transfer of \$87,400,000, total FY 2022 distributions to the General Fund are forecast to be \$222,410,200.

Total FY 2023 distributions to the General Fund are forecast to be \$175,241,500, which includes: a FY 2023 Part 1 transfer of \$84,150,000, a Part 2 FY 2023 transfer of \$15,490,000, and a partial Part 3 FY 2023 transfer of \$40,231,300 and a FY 2022 delayed transfer of \$35,370,200. *(See Table 1 for more information).*

Table 1

Forecast of Lottery Revenue Distribution
(\$ in Millions)

<u>Sales</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Instant Sales	\$1,121.8	\$1,033.0	\$1,074.5
On-Line Sales	<u>317.6</u>	<u>286.0</u>	<u>297.4</u>
Total Sales	\$1,439.4	\$1,319.0	\$1,371.9
<i>Less:</i>			
Operating Budget	\$ 162.5	\$ 164.1	\$ 169.7
Gaming Distribution	0.3	0.3	0.3
ICACEF/VREF Sales Transfer ^{1/}	0.6	0.6	0.6
Prizes ^{2/}	<u>994.4</u>	<u>897.1</u>	<u>934.0</u>
Net Profit ^{3/ 4/}	<u>\$281.6</u>	<u>\$256.9</u>	<u>\$267.3</u>
<u>Profit Transfers ^{5/}</u>			
Debt Service Fund	\$ 34.5	\$ 0.0	\$ 0.0
Maricopa County Mass Transit	11.5	11.5	11.5
General Fund - Part 1	49.6	84.2	84.2
Heritage	10.0	10.0	10.0
Health and Welfare Programs	22.2	22.8	23.4
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2	15.5	15.5	15.5
Arizona Commerce Authority	3.5	3.5	3.5
University Capital	38.2	37.8	37.8
Current Year General Fund - Part 3	8.2	35.3	40.2
Deferred General Fund - Part 3	<u>87.4</u>	<u>35.3</u>	<u>40.2</u>
Total Transfers	<u>\$281.6</u>	<u>\$256.9</u>	<u>\$267.3</u>
<u>General Fund</u>			
Delayed Prior Year Transfer ^{5/}	31.4	87.4	35.3
General Fund - Part 1	49.6	84.2	84.2
General Fund - Part 2	15.5	15.5	15.5
General Fund - Part 3	<u>8.2</u>	<u>35.3</u>	<u>40.2</u>
Total General Fund ^{6/}	<u>\$104.7</u>	<u>\$222.4</u>	<u>\$175.2</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 2021, \$601,000 was distributed to the ICACEF/VREF from the sale of tab tickets. An estimated \$579,900 and \$603,100 will be distributed in FY 2022 and FY 2023, 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 2021 was 19.61%. The estimated total profit margin is 19.55% in FY 2022 and 19.55% in FY 2023.

^{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 \$420,100 in FY 2022 and \$396,900 in FY 2023 of unclaimed prizes to ICACEF and VREF.

^{5/} Due to the timing of Lottery profit transfers, 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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
State Lottery Fund (LOA2122/A.R.S. § 5-571)		Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: To pay for all costs of the Arizona State Lottery Commission. After all Lottery Commission expenses are paid, including the prize monies displayed in the Non-Appropriated funds expended, Lottery profits are distributed to a number of different functions. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	162,491,800	164,067,900
Year-End Fund Balance	85,054,400	37,193,200
State Lottery Fund (LOA2122/A.R.S. § 5-571)		Non-Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: For payment of prizes to the holders of winning tickets from games administered by the Arizona State Lottery Commission. After all Lottery Commission expenses are paid, including prize monies, Lottery profits are distributed to a number of different functions. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	994,640,700	897,086,500
Year-End Fund Balance	85,054,400	37,193,200

Board of Massage Therapy

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	249,300	234,400	234,400
Employee Related Expenditures	104,000	106,400	106,400
Professional and Outside Services	19,000	30,800	30,800
Travel - In State	0	1,500	1,500
Other Operating Expenditures	90,300	100,600	100,600
Equipment	8,000	0	0
AGENCY TOTAL	470,600	473,700	473,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Massage Therapy Fund	470,600	473,700	473,700
SUBTOTAL - Other Appropriated Funds	470,600	473,700	473,700
SUBTOTAL - Appropriated Funds	470,600	473,700	473,700
TOTAL - ALL SOURCES	470,600	473,700	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 Baseline includes \$473,700 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Massage Therapy Fund (BMT2300/A.R.S. § 32-4205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of massage therapists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate massage therapists, and for board administration.		
Funds Expended	470,600	473,700
Year-End Fund Balance	1,373,900	1,273,700

Arizona Medical Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	61.5	61.5	61.5
Personal Services	3,046,000	3,289,700	3,289,700
Employee Related Expenditures	1,115,200	1,231,900	1,231,900
Professional and Outside Services	1,233,500	1,190,900	1,190,900
Travel - In State	300	13,000	13,000
Travel - Out of State	0	13,000	13,000
Other Operating Expenditures	1,087,100	1,547,600	1,547,600
Equipment	119,800	55,400	55,400
OPERATING SUBTOTAL	6,601,900	7,341,500	7,341,500 ^{1/}
SPECIAL LINE ITEMS			
Employee Performance Incentive Program	147,800	165,600	165,600
AGENCY TOTAL	6,749,700	7,507,100	7,507,100
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	6,749,700	7,507,100	7,507,100
SUBTOTAL - Other Appropriated Funds	6,749,700	7,507,100	7,507,100
SUBTOTAL - Appropriated Funds	6,749,700	7,507,100	7,507,100
TOTAL - ALL SOURCES	6,749,700	7,507,100	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 Baseline includes \$7,341,500 and 61.5 FTE Positions from the Arizona Medical Board Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Employee Performance Incentive Program

The Baseline includes \$165,600 from the Arizona Medical Board Fund in FY 2023 for the Employee Performance Incentive Program. This amount is unchanged from FY 2022.

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)		Appropriated
Source of Revenue: Monies collected by the Arizona Medical Board from the examination and licensing of physicians. The board retains 90% of these monies and deposits 10% into the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate physicians, and for board administration costs.		
Funds Expended	6,749,700	7,507,100
Year-End Fund Balance	9,846,400	10,644,800

State Mine Inspector

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	16.0	16.0
Personal Services	453,200	630,300	630,300
Employee Related Expenditures	227,600	322,700	322,700
Professional and Outside Services	6,600	28,700	28,700
Travel - In State	74,200	72,600	72,600
Travel - Out of State	0	8,700	8,700
Other Operating Expenditures	167,400	225,400	225,400
Equipment	36,000	6,200	6,200
OPERATING SUBTOTAL	965,000	1,294,600	1,294,600
SPECIAL LINE ITEMS			
Abandoned Mines	190,600	194,700	194,700
Aggregate Mining Land Reclamation	38,500	181,800	181,800 ^{1/}
AGENCY TOTAL	1,194,100	1,671,100	1,671,100 ^{2/}
FUND SOURCES			
General Fund	1,155,600	1,558,200	1,558,200
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	38,500	112,900	112,900
SUBTOTAL - Other Appropriated Funds	38,500	112,900	112,900
SUBTOTAL - Appropriated Funds	1,194,100	1,671,100	1,671,100
Federal Funds	725,500	482,400	482,400
TOTAL - ALL SOURCES	1,919,600	2,153,500	2,153,500

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 2022-2023 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 2022-2023, the state mine inspector shall report the intended use of the monies to the joint legislative budget committee and the governor's office of strategic planning and budgeting. (General Appropriation Act footnote)
- ^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$1,294,600 and 16 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Abandoned Mines

The Baseline includes \$194,700 from the General Fund in FY 2023 for the Abandoned Mines line item. This amount is unchanged from FY 2022.

This line item pays contractors to fill, plug, or fence abandoned mines. These monies are also used to pay administrative salaries and other costs. In addition to General Fund appropriations to the program, deposits can be made into the Abandoned Mines Safety Fund from sources such as intergovernmental agreements and donations.

Aggregate Mining Land Reclamation

The Baseline includes \$181,800 in FY 2023 for the Aggregate Mining Land Reclamation line item. This amount consists of:

	<u>FY 2023</u>
General Fund	\$68,900
Aggregate Mining Reclamation Fund	112,900

These amounts are unchanged from FY 2022.

Monies in this line item are used to review legally required plans to reclaim land damaged by aggregated mining and ensure compliance with those plans. Aggregate mining is a process whereby earth moving equipment is used to mine an area close to the surface for crushed rock or stone, granite, and sand. Aggregate Mining Reclamation Fund revenues come from fees paid by owners or operators of aggregate mining sites upon submitting a reclamation plan.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)		Non-Appropriated
<i>Source of Revenue:</i> Gifts, grants and contributions. The Legislature may appropriate matching monies.		
<i>Purpose of Fund:</i> To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
Funds Expended	0	0
Year-End Fund Balance	134,800	134,800
Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)		Appropriated
<i>Source of Revenue:</i> Fees collected from exploration and aggregate mining operations.		
<i>Purpose of Fund:</i> To review aggregate mining land reclamation plans and to enforce compliance with the plans.		
Funds Expended	38,500	112,900
Year-End Fund Balance	141,700	47,800
Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)		Non-Appropriated
<i>Source of Revenue:</i> Fees for education and training of mine employees required under federal regulation.		
<i>Purpose of Fund:</i> To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training.		
Funds Expended	37,300	37,500
Year-End Fund Balance	292,900	299,200
Federal Grants (MIA2000/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM).		
<i>Purpose of Fund:</i> To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training. The state provides a 20% in-kind match. The BLM grant is for an inventory of abandoned mines on BLM lands.		
Funds Expended	688,200	444,900
Year-End Fund Balance	(11,700)	(3,100)

Naturopathic Physicians Medical Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	61,600	62,900	62,900
Employee Related Expenditures	36,400	40,000	40,000
Professional and Outside Services	2,000	8,000	8,000
Other Operating Expenditures	80,300	82,300	82,300
AGENCY TOTAL	180,300	193,200	193,200 ^{1/}

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	180,300	193,200	193,200
SUBTOTAL - Other Appropriated Funds	180,300	193,200	193,200
SUBTOTAL - Appropriated Funds	180,300	193,200	193,200
TOTAL - ALL SOURCES	180,300	193,200	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 Baseline includes \$193,200 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of naturopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate naturopathic physicians, and naturopathic medical assistants and for board administration.		
Funds Expended	180,300	193,200
Year-End Fund Balance	1,625,800	1,787,000

Arizona Navigable Stream Adjudication Commission

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	73,500	73,500	73,500
Employee Related Expenditures	32,300	32,300	32,300
Professional and Outside Services	200,000	200,000	200,000
Other Operating Expenditures	23,500	23,500	23,500
AGENCY TOTAL	329,300	329,300	329,300 ^{1/}
FUND SOURCES			
General Fund	129,300	129,300	129,300
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	200,000	200,000	200,000
SUBTOTAL - Other Appropriated Funds	200,000	200,000	200,000
SUBTOTAL - Appropriated Funds	329,300	329,300	329,300
TOTAL - ALL SOURCES	329,300	329,300	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 Baseline includes \$329,300 and 2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$129,300
Arizona Water Banking Fund	200,000

These amounts are unchanged from FY 2022.

Other Issues

Statutory Changes

The Baseline would:

- 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. As of December 2021, cases regarding the navigability of the Gila, Salt, and Verde Rivers have been decided in favor of the Commission's findings of non-navigability, but they have all been appealed to the Arizona Court of Appeals. If they are ruled to have been navigable at the time of statehood, the watercourses are considered State Trust Land and any related proceeds from the waterbeds would be deposited in the Riparian Trust Fund, pursuant to A.R.S. § 37-1156. The monies in this fund are primarily used to acquire and maintain land adjacent to the waterbeds for conservation purposes. (Please see the ANSAC Program Summary located on the JLBC website for additional information on ANSAC related litigation.)

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Water Banking Fund (NSA2110/A.R.S. § 45-2425)		Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users (see Department of Water Resources narrative for more information).		
Purpose of Fund: To fund outside legal counsel and court reporters for court hearings.		
Funds Expended	200,000	200,000
Year-End Fund Balance	274,900	74,900

State Board of Nursing

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	48.5	52.0	52.0
Personal Services	2,687,900	2,975,400	2,975,400
Employee Related Expenditures	948,300	985,900	985,900
Professional and Outside Services	288,700	213,300	213,300
Travel - In State	700	4,700	4,700
Travel - Out of State	400	2,100	2,100
Other Operating Expenditures	407,800	475,100	475,100
Equipment	5,600	80,200	65,900
OPERATING SUBTOTAL	4,339,400	4,736,700	4,722,400 ^{1/}
SPECIAL LINE ITEMS			
Certified Nursing Assistant Credentialing Program	531,100	538,400	538,400
AGENCY TOTAL	4,870,500	5,275,100	5,260,800
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	4,870,500	5,275,100	5,260,800
SUBTOTAL - Other Appropriated Funds	4,870,500	5,275,100	5,260,800
SUBTOTAL - Appropriated Funds	4,870,500	5,275,100	5,260,800
Federal Funds	409,800	414,700	414,700
TOTAL - ALL SOURCES	5,280,300	5,689,800	5,675,500

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$4,722,400 and 52 FTE Positions from the Board of Nursing Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Remove One-Time Equipment Purchases

The Baseline includes a decrease of \$(14,300) from the Board of Nursing Fund in FY 2023 to remove funding for one-time equipment purchases.

Certified Nursing Assistant Credentialing Program

The Baseline includes \$538,400 from the Board of Nursing Fund in FY 2023 for the Certified Nursing Assistant (CNA) Credentialing Program line item. This amount is unchanged from FY 2022.

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.

Other Issues

Auditor General Report

In September 2021, the Auditor General published a Board of Nursing audit that included recommendations for improvements to the board's policies and procedures for processing, investigating and adjudicating complaints, remitting revenues to the General Fund, reviewing the appropriateness of its fees, and complying with open meeting laws.

Specifically, the audit found that the board did not resolve reviewed complaints within 180 days. The FY 2022 budget included \$356,400 and 3.5 FTE Positions to expand the board's investigations team. The audit recommended that the board assess whether the appropriation is sufficient to address untimely complaint resolution and request additional resources as needed.

In addition, the audit found that the board had not remitted all revenues owed to the state General Fund, including civil and administrative penalties, and that the board had been charging the maximum statutory amount for all its fees since 2002. The board has remitted all required revenues to the General Fund and will implement new policies and procedures for periodic review of its fees.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nurses. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nurses, and for board administration. Monies from the fund are also used to pay for the administrative and testing costs of the Nursing Aide Registration program. The program is mandated by the federal government and is funded through the Nursing Aide Training and Registration Fund, a non-appropriated subaccount of the Board of Nursing Fund.		
Funds Expended	4,870,500	5,275,100
Year-End Fund Balance	8,389,300	9,725,500
Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
Purpose of Fund: To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
Funds Expended	409,800	414,700
Year-End Fund Balance	417,200	414,900
Statewide Donations Fund (BNA2025/A.R.S. § 32-1606A11)		Non-Appropriated
Source of Revenue: Donations, gifts and private grants. Monies do not revert to the General Fund at the end of the fiscal year.		
Purpose of Fund: To assist in carrying out the purposes of the agency.		
Funds Expended	0	0
Year-End Fund Balance	24,500	24,500

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	7.0	7.0
Personal Services	272,400	299,300	299,300
Employee Related Expenditures	112,300	131,000	131,000
Professional and Outside Services	2,900	1,800	1,800
Travel - In State	1,200	5,000	5,000
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	73,600	73,500	73,500
Equipment	0	13,500	13,500
AGENCY TOTAL	462,400	526,100	526,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	462,400	526,100	526,100
SUBTOTAL - Other Appropriated Funds	462,400	526,100	526,100
SUBTOTAL - Appropriated Funds	462,400	526,100	526,100
TOTAL - ALL SOURCES	462,400	526,100	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 Baseline includes \$526,100 and 7 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Other Issues

Agency Termination Date

Laws 2021, Chapter 409 requires all new licenses and certifications issued after June 30, 2021 to be approved by both the board and the Department of Health Services (DHS). The bill continues the board through March 31, 2022 and establishes the Nursing Care Institution and Assisted Living Facility Study Committee to consider whether the board should be administered independently, or if the board's duties should be moved

to DHS or another successor after its termination date. The committee is required to submit a report of its funding to the Governor, Senate President, and Speaker of the House of Representatives by December 1, 2021.

Continuing the board or transferring its responsibilities to a successor agency would require additional legislation. The FY 2023 Baseline continues to include funding for the board pending legislation to determine who will administer the board's responsibilities. If the board is transferred to another agency, the legislation would transfer the board's resources accordingly. If the board continues independently, the FY 2023 General Appropriation Act would continue the board's standalone appropriation.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund (NCA2043/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nursing home administrators and assisted living facility managers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
Funds Expended	462,400	526,100
Year-End Fund Balance	526,400	530,200

Board of Occupational Therapy Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	104,800	96,800	96,800
Employee Related Expenditures	46,800	49,900	49,900
Professional and Outside Services	600	0	0
Travel - In State	100	1,300	1,300
Other Operating Expenditures	41,600	49,900	49,900
Equipment	0	2,000	2,000
AGENCY TOTAL	193,900	199,900	199,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	193,900	199,900	199,900
SUBTOTAL - Other Appropriated Funds	193,900	199,900	199,900
SUBTOTAL - Appropriated Funds	193,900	199,900	199,900
TOTAL - ALL SOURCES	193,900	199,900	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 Baseline includes \$199,900 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of occupational therapists and occupational therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
Funds Expended	193,900	199,900
Year-End Fund Balance	903,500	972,900

State Board of Dispensing Opticians

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	88,100	88,500	88,500
Employee Related Expenditures	27,700	28,000	28,000
Professional and Outside Services	1,400	1,000	1,000
Travel - In State	200	8,500	8,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	26,900	34,600	34,600
AGENCY TOTAL	144,300	162,600	162,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Dispensing Opticians Fund	144,300	162,600	162,600
SUBTOTAL - Other Appropriated Funds	144,300	162,600	162,600
SUBTOTAL - Appropriated Funds	144,300	162,600	162,600
TOTAL - ALL SOURCES	144,300	162,600	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 Baseline includes \$162,600 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of opticians and optical establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
Funds Expended	144,300	162,600
Year-End Fund Balance	362,300	370,700

State Board of Optometry

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	75,900	81,500	81,500
Employee Related Expenditures	48,500	81,500	81,500
Professional and Outside Services	1,000	16,300	16,300
Travel - In State	0	200	200
Travel - Out of State	0	6,000	6,000
Other Operating Expenditures	48,200	53,400	53,400
Equipment	5,500	3,000	3,000
AGENCY TOTAL	179,100	241,900	241,900 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Optometry Fund	179,100	241,900	241,900
SUBTOTAL - Other Appropriated Funds	179,100	241,900	241,900
SUBTOTAL - Appropriated Funds	179,100	241,900	241,900
TOTAL - ALL SOURCES	179,100	241,900	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 Baseline includes \$241,900 and 2 FTE Positions from the Board of Optometry Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of optometrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate optometrists, and for board administration.		
Funds Expended	179,100	241,900
Year-End Fund Balance	530,200	593,700

Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8.0	9.0	9.0
Personal Services	509,100	519,900	519,900
Employee Related Expenditures	167,200	223,800	223,800
Professional and Outside Services	119,800	158,700	158,700
Travel - In State	100	2,500	2,500
Travel - Out of State	300	5,500	5,500
Other Operating Expenditures	237,900	157,200	157,200
Equipment	3,600	0	0
AGENCY TOTAL	1,038,000	1,067,600	1,067,600 ^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	1,038,000	1,067,600	1,067,600
SUBTOTAL - Other Appropriated Funds	1,038,000	1,067,600	1,067,600
SUBTOTAL - Appropriated Funds	1,038,000	1,067,600	1,067,600
TOTAL - ALL SOURCES	1,038,000	1,067,600	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 Baseline includes \$1,067,600 and 9 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund (OSA2048/A.R.S. § 32-1805)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of osteopathic physicians. The board retains 90% of these monies and deposits 10% into the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
Funds Expended	1,038,000	1,067,600
Year-End Fund Balance	2,784,300	2,854,900

Arizona Parents Commission on Drug Education and Prevention

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	4,858,400	5,860,200	5,860,200
TOTAL - ALL SOURCES	4,858,400	5,860,200	5,860,200

AGENCY DESCRIPTION — The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The commission typically does not receive an appropriation from the Legislature.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Drug Treatment and Education Fund (PCA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty percent of the Judiciary Drug Treatment and Education Fund. The Judiciary Drug Treatment and Education Fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	4,858,400	5,860,200
Year-End Fund Balance	1,092,700	777,300

Arizona State Parks Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	163.0	163.0	163.0 ^{1/}
Personal Services	5,356,200	6,215,400	6,215,400
Employee Related Expenditures	2,889,400	3,812,400	3,812,400
Professional and Outside Services	153,700	150,000	150,000
Travel - In State	5,800	10,000	10,000
Other Operating Expenditures	5,237,100	6,272,800	5,156,800
Equipment	281,000	300,000	300,000
OPERATING SUBTOTAL	13,923,200	16,760,600	15,644,600 ^{2/}
SPECIAL LINE ITEMS			
Arizona State Parks Heritage Fund Deposit	0	5,000,000	0
Arizona Trail	0	250,000	0
Kartchner Caverns State Park	2,337,200	1,300,500	1,300,500
One-Time Cabin Debt Payoff	0	528,400	0
SPRF Deposit to State Parks Store Fund	0	1,000,000	0
State Lake Improvement Fund Deposit	0	4,000,000	4,000,000
State Parks Store	0	1,000,000	1,000,000
AGENCY TOTAL	16,260,400	29,839,500	21,945,100 ^{3/}
FUND SOURCES			
General Fund	0	9,000,000	4,000,000
<u>Other Appropriated Funds</u>			
Off-Highway Vehicle Recreation Fund	0	16,700	16,700
State Parks Revenue Fund	16,260,400	19,822,800	16,928,400
State Parks Store Fund	0	1,000,000	1,000,000
SUBTOTAL - Other Appropriated Funds	16,260,400	20,839,500	17,945,100
SUBTOTAL - Appropriated Funds	16,260,400	29,839,500	21,945,100
Other Non-Appropriated Funds	11,390,800	17,786,000	17,786,000
Federal Funds	2,968,400	5,842,000	5,842,000
TOTAL - ALL SOURCES	30,619,600	53,467,500	45,573,100

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 2023.
- 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/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$15,644,600 and 127.2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
State Parks Revenue Fund	\$15,627,900
Off-Highway Vehicle Recreation Fund	16,700

FY 2023 adjustments are as follows:

Remove One-Time Wastewater Funding

The Baseline includes a decrease of \$(1,116,000) from SPRF in FY 2023 for removal of one-time funding for wastewater system mitigation and assessments at various Arizona state parks.

Arizona State Parks Heritage Fund Deposit

The Baseline includes no funding in FY 2023 for the Arizona State Parks Heritage Fund Deposit line item. FY 2023 adjustments are as follows:

Remove General Fund Deposit

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 for removal of a deposit to the Arizona State Parks Heritage Fund.

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 Baseline includes no funding in FY 2023 for the Arizona Trail line item. FY 2023 adjustments are as follows:

Remove One-Time Maintenance Funding

The Baseline includes a decrease of \$(250,000) from SPRF in FY 2023 for removal of funding for maintenance of the Arizona Trail.

Monies in this line item will be used to maintain the Arizona Trail. The Arizona Trail is an 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 Baseline includes \$1,300,500 and 35.8 FTE Positions from SPRF in FY 2023 for Kartchner Caverns State Park. These amounts are unchanged from FY 2022.

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 Baseline includes no funding in FY 2023 for the One-Time Cabin Payoff line item. FY 2023 adjustments are as follows:

Remove One-Time Cabin Payoff Funding

The Baseline includes a decrease of \$(528,400) from SPRF in FY 2023 for removal of one-time funding 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 manufacturer 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 Baseline includes no funding in FY 2023 for the SPRF Deposit to State Parks Store Fund line item. FY 2023 adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(1,000,000) from SPRF in FY 2023 for removal of a one-time deposit to the agency's State Parks Store Fund.

State Lake Improvement Fund Deposit

The Baseline includes \$4,000,000 from the General Fund in FY 2023 for the State Lake Improvement Fund Deposit line item. This amount is unchanged from FY 2022.

The FY 2022 budget's 3-year spending plan provided \$4,000,000 in one-time spending in both FY 2022 and FY 2023, but would discontinue the funding in FY 2024.

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 Baseline includes \$1,000,000 from the State Parks Store Fund in FY 2023 for the State Parks Store line item. This amount is unchanged from FY 2022.

Monies in the State Parks Store line item will be used to operate and maintain state-owned giftshops.

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.)*

Other Issues

State Parks Operations

As of November 2021, 28 state parks are open to the public. Twenty-three parks are funded and operated by

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona State Parks' Heritage Fund (PRA3126/A.R.S. § 41-502)		Non-Appropriated
<i>Source of Revenue:</i> Legislative appropriations, grants and donations.		
<i>Purpose of Fund:</i> Monies in the Heritage Fund are to be used as follows: 50% on parks for outdoor recreation and open space development, restoration or renovation; 30% on historic preservation, administered through the State Historic Preservation Officer; 10% on nonmotorized trails; and 10% on outdoor and environmental education. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (PRA2000/A.R.S. § 41-511.04)		Non-Appropriated
<i>Source of Revenue:</i> Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
<i>Purpose of Fund:</i> To expand and maintain the National Register of Historic Places, and to identify, evaluate and protect other historic properties. Also, to implement the State Comprehensive Outdoor Recreation Plan.		
Funds Expended	2,968,400	5,842,000
Year-End Fund Balance	296,900	296,900
Land Conservation Fund - Administration Account - NA (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
<i>Source of Revenue:</i> Interest earnings from the Public Conservation Account, which received \$20,000,000 annually from the General Fund in FY 2001 through FY 2011, as approved by Arizona voters in November 1998. Unobligated amounts at the end of each fiscal year revert to the Public Conservation Account.		
<i>Purpose of Fund:</i> For operating expenses.		
Funds Expended	0	94,800
Year-End Fund Balance	94,800	0
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Appropriated
<i>Source of Revenue:</i> Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
<i>Purpose of Fund:</i> Appropriated monies are used to fund the Great Western Trail line item. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	0	16,700
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Non-Appropriated
<i>Source of Revenue:</i> Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
<i>Purpose of Fund:</i> To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development; the remainder is transferred to the Arizona Game and Fish Department for enforcement. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	493,200	2,927,600
Year-End Fund Balance	11,692,800	6,208,700

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Partnership Fund (PRA2448/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Revenues received from federal, state, and local government agencies through intergovernmental agreements; reimbursements from local and county recipients of federal Land and Water Conservation grants.		
Purpose of Fund: To provide trails stewardship with funds received from the USDA Forest Service and the Bureau of Land Management; to operate the multi-use water safety center at Lake Havasu State Park with funds received from the U.S. Coast Guard, Lake Havasu City, Mohave County, and the Arizona Game and Fish Department; and to administer federal Land and Water Conservation grants. Grant recipients must provide 10% of the grant amount to the Parks Board for administration.		
Funds Expended	2,779,200	2,684,000
Year-End Fund Balance	771,400	937,400
State Lake Improvement Fund (PRA2106/A.R.S. § 5-382)		Non-Appropriated
Source of Revenue: Primarily a transfer from the Highway User Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.		
Purpose of Fund: To fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites. Project grant requests are reviewed by the Arizona Outdoor Recreation Coordinating Commission and approved by the Arizona State Parks Board. Approved projects must be reviewed by the Joint Committee on Capital Review (JCCR). Please see the Appropriated portion of the fund for additional information. Funds Expended totals exclude capital spending.		
Funds Expended	8,101,800	11,000,000
Year-End Fund Balance	9,713,500	8,519,500
State Parks Fund (PRA3117/A.R.S. § 41-511.11)		Non-Appropriated
Source of Revenue: Private gifts, grants, and donations.		
Purpose of Fund: To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
Funds Expended	16,600	556,500
Year-End Fund Balance	563,700	58,200
State Parks Revenue Fund (PRA2202/A.R.S. § 41-511.21)		Appropriated
Source of Revenue: State parks user fees and concession sales; sales of park posters, postcards, books and souvenirs; donations and legislative appropriations.		
Purpose of Fund: To fund parks operations, acquisition and development. Capital projects that are funded using these monies are subject to JCCR review. Funds Expended totals exclude capital spending.		
Funds Expended	16,260,400	19,822,800
Year-End Fund Balance	33,192,500	31,948,200
State Parks Store Fund (PRA6401/A. R. S. § 41-511.24)		Appropriated
Source of Revenue: Monies deposited pursuant to the fee schedule set by the agency to charge customers for gift shop items. Any balances above \$1,250,000 at the end of each fiscal year will be transferred to the State Parks Revenue Fund.		
Purpose of Fund: To operate and maintain state-owned giftshops.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	1,000,000
Sustainable State Parks and Roads Fund (PRA3125/A.R.S. § 41-511.17 and A.R.S. § 43-622)		Non-Appropriated
Source of Revenue: Voluntary contributions from individual income taxpayers via a donation on the individual income tax return form.		
Purpose of Fund: To operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.		
Funds Expended	0	523,100
Year-End Fund Balance	523,100	97,000

State Personnel Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	60,300	104,500	104,500
Employee Related Expenditures	26,200	36,500	36,500
Professional and Outside Services	33,500	132,600	132,600
Travel - In State	0	600	600
Other Operating Expenditures	162,600	47,200	47,200
Equipment	300	5,000	5,000
AGENCY TOTAL	282,900	326,400	326,400 ^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	282,900	326,400	326,400
SUBTOTAL - Other Appropriated Funds	282,900	326,400	326,400
SUBTOTAL - Appropriated Funds	282,900	326,400	326,400
TOTAL - ALL SOURCES	282,900	326,400	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 Baseline includes \$326,400 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Personnel Board Subaccount of the Personnel Division Fund (PBA1107/A.R.S. § 41-750)		Appropriated
Source of Revenue: A 0.03% charge on the total payroll of each agency within the Arizona Department of Administration Personnel System. Only Personnel Division Fund monies in excess of \$500,000 revert to the State General Fund at the end of each fiscal year. The state comptroller pays any monies owed to the federal government from the Personnel Division Fund before calculating the reversion. Monies contributed by the Arizona State Retirement System and by the Public Safety Personnel Retirement System are separately accounted for, do not revert to the state General Fund, and are reverted to the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Elected Officials Retirement Plan or the Corrections Officer Retirement Plan, as applicable.		
Purpose of Fund: To fund Personnel Board operations.		
Funds Expended	282,900	326,400
Year-End Fund Balance	443,500	689,700

Arizona State Board of Pharmacy

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.4	25.4	25.4
Personal Services	1,415,700	1,762,800	1,762,800
Employee Related Expenditures	479,400	647,100	647,100
Professional and Outside Services	147,200	157,000	157,000
Travel - In State	37,200	65,200	65,200
Travel - Out of State	0	4,200	4,200
Other Operating Expenditures	350,400	364,300	364,300
Equipment	30,500	33,300	33,300
OPERATING SUBTOTAL	2,460,400	3,033,900	3,033,900 ^{1/}
SPECIAL LINE ITEMS			
Prescriber Report Card	50,000	50,000	50,000
AGENCY TOTAL	2,510,400	3,083,900	3,083,900
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Arizona State Board of Pharmacy Fund	2,510,400	3,083,900	3,083,900
SUBTOTAL - Other Appropriated Funds	2,510,400	3,083,900	3,083,900
SUBTOTAL - Appropriated Funds	2,510,400	3,083,900	3,083,900
Other Non-Appropriated Funds	1,919,800	0	0
TOTAL - ALL SOURCES	4,430,200	3,083,900	3,083,900

AGENCY DESCRIPTION — The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$3,033,900 and 25.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

Prescriber Report Card

The Baseline includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2023 for the Prescriber Report Card program. This amount is unchanged from FY 2022.

This line item funds the development of opioid prescriber report cards as part of the Controlled Substances Prescription Monitoring Program (CSPMP). The prescriber

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate pharmacies and pharmacists, and for board administration. Pursuant to A.R.S. § 32-1907 up to \$1,000,000 may be transferred to the Arizona Poison and Drug Information Center. Additionally, \$500,000 may be transferred to the Controlled Substance Prescription Monitoring Program Fund. These transfers are a “transfer out” and are not displayed in expenditures to avoid double counting.		
Funds Expended	2,510,400	3,083,900
Year-End Fund Balance	9,443,800	10,260,800
Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)		Non-Appropriated
Source of Revenue: Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Includes a distribution of CDC grant monies received through the Arizona Department of Health Services. Up to \$500,000 can be transferred from the Arizona State Board of Pharmacy Fund each year, according to A.R.S. § 32-1907. The transfer is not displayed in the Arizona State Board of Pharmacy Fund expenditures to avoid double counting.		
Purpose of Fund: For program expenses, which include automated tracking of controlled substances, assisting law enforcement in identifying illegal use of controlled substances, and providing information to patients, medical practitioners, and pharmacists.		
Funds Expended	1,919,800	0
Year-End Fund Balance	1,493,900	3,924,200
Federal Grants (PMA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Direct federal reimbursements and grants.		
Purpose of Fund: Reimbursements for services provided to the federal government.		
Funds Expended	0	0
Year-End Fund Balance	4,800	4,800

Board of Physical Therapy

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	245,700	200,800	200,800
Employee Related Expenditures	96,900	97,600	97,600
Professional and Outside Services	50,700	68,600	68,600
Travel - In State	100	2,100	2,100
Other Operating Expenditures	98,000	130,000	130,000
Equipment	2,000	5,000	5,000
AGENCY TOTAL	493,400	504,100	504,100 ^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	493,400	504,100	504,100
SUBTOTAL - Other Appropriated Funds	493,400	504,100	504,100
SUBTOTAL - Appropriated Funds	493,400	504,100	504,100
TOTAL - ALL SOURCES	493,400	504,100	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 Baseline includes \$504,100 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of physical therapists, and physical therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
Funds Expended	493,400	504,100
Year-End Fund Balance	1,698,600	2,556,100

Arizona Pioneers' Home

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	106.3	106.3	106.3
Personal Services	4,152,900	3,844,000	3,844,000
Employee Related Expenditures	1,874,500	2,189,000	2,189,000
Professional and Outside Services	56,300	95,800	95,800
Travel - In State	100	26,700	26,700
Other Operating Expenditures	501,700	867,600	867,600
Equipment	10,500	20,100	20,100
OPERATING SUBTOTAL	6,596,000	7,043,200	7,043,200
SPECIAL LINE ITEMS			
Prescription Drugs	193,200	0	0
AGENCY TOTAL	6,789,200	7,043,200	7,043,200 ^{1/2/}

FUND SOURCES

Other Appropriated Funds

Miners' Hospital for Miners with Disabilities Land Fund	2,137,500	2,074,100	2,074,100
State Charitable Fund	4,651,700	4,969,100	4,969,100
SUBTOTAL - Other Appropriated Funds	6,789,200	7,043,200	7,043,200
SUBTOTAL - Appropriated Funds	6,789,200	7,043,200	7,043,200
Other Non-Appropriated Funds	901,700	600,000	600,000
TOTAL - ALL SOURCES	7,690,900	7,643,200	7,643,200

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 Baseline includes \$7,043,200 and 106.3 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
Miners' Hospital for Miners with Disabilities Land Fund	\$2,074,100
State Charitable Fund	4,969,100
These amounts are unchanged from FY 2022.	

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
IGA and ISA Fund (PIA2500/A.R.S. § 41-921)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between the Arizona Pioneers' Home and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	630,000	600,000
Year-End Fund Balance	129,000	282,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Miners' Hospital for Miners with Disabilities Land Fund (PIA3130/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Miners' Hospital Fund as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
Funds Expended	2,137,500	2,074,100
Year-End Fund Balance	9,009,400	9,095,300
Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
Funds Expended	155,100	0
Year-End Fund Balance	600,000	600,000
Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Donations or contributions from private sources.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
Funds Expended	116,600	0
Year-End Fund Balance	37,900	41,000
State Charitable Fund (PIA3129/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings from the Pioneers' Home's share of the State Charitable, Penal and Reformatory Grant lands.		
Purpose of Fund: For the operation of the Pioneers' Home.		
Funds Expended	4,651,700	4,969,100
Year-End Fund Balance	13,678,600	16,797,600

State Board of Podiatry Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	74,700	78,000	78,000
Employee Related Expenditures	24,100	29,700	29,700
Professional and Outside Services	4,000	5,500	5,500
Travel - In State	2,300	2,200	2,200
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	40,100	51,300	51,300
AGENCY TOTAL	145,200	168,200	168,200 ^{1/}

FUND SOURCES

Other Appropriated Funds

Podiatry Fund	145,200	168,200	168,200
SUBTOTAL - Other Appropriated Funds	145,200	168,200	168,200
SUBTOTAL - Appropriated Funds	145,200	168,200	168,200
TOTAL - ALL SOURCES	145,200	168,200	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 Baseline includes \$168,200 and 1 FTE Position from the Podiatry Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Podiatry Fund (POA2055/A.R.S. § 32-806)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of podiatrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate podiatrists, and for board administration.		
Funds Expended	145,200	168,200
Year-End Fund Balance	185,600	181,200

Commission for Postsecondary Education

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	0.0
Personal Services	55,500	125,100	0
Employee Related Expenditures	11,000	48,000	0
Other Operating Expenditures	25,500	47,800	0
OPERATING SUBTOTAL	92,000	220,900	0
SPECIAL LINE ITEMS			
Arizona College and Career Guide	0	21,300	0
Arizona Minority Educational Policy Analysis Center	6,500	99,900	0
Arizona Teacher Student Loan Program	426,000	426,000	0
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	0
Twelve Plus Partnership	500	130,400	0
AGENCY TOTAL	2,844,500	3,218,000	0
FUND SOURCES			
General Fund	1,663,700	1,680,900	0
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,180,800	1,537,100	0
SUBTOTAL - Other Appropriated Funds	1,180,800	1,537,100	0
SUBTOTAL - Appropriated Funds	2,844,500	3,218,000	0
Other Non-Appropriated Funds	862,600	201,500	0
Federal Funds	134,500	289,800	0
TOTAL - ALL SOURCES	3,841,600	3,709,300	0

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. Beginning January 1, 2022, the responsibilities of the Commission for Postsecondary Education are transferred to the Arizona Board of Regents.

Laws 2021, Chapter 410 transfers the responsibilities of the Commission for Postsecondary Education (CPSE) to the Arizona Board of Regents (ABOR) effective January 1, 2022. The FY 2022 General Appropriation Act provided a full year's spending to CPSE. As a result, the FY 2022 column is displayed as the full appropriation. Beginning January 1, 2022, a portion of this funding became available to ABOR to administer CPSE's programs.

Operating Budget

The Baseline includes no funding in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Agency Transfer

The Baseline includes a decrease of \$(220,900) and (4.5) FTE Positions in FY 2023 for the transfer of agency responsibilities to ABOR. These amounts consist of:

	FY 2023
General Fund	\$(34,100)
Postsecondary Education Fund	(186,800)

Arizona College and Career Guide

The Baseline includes no funding in FY 2023 for the Arizona College and Career Guide line item. FY 2023 adjustments are as follows:

Agency Transfer

The Baseline includes a decrease of \$(21,300) from the Postsecondary Education Fund in FY 2023 for the transfer of responsibilities to ABOR. This line item will be transferred to the ABOR operating budget.

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.

Arizona Minority Educational Policy Analysis Center

The Baseline includes no funding in FY 2023 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) line item. FY 2023 adjustments are as follows:

Agency Transfer

The Baseline includes a decrease of \$(99,900) and a (0.2) FTE Position from the Postsecondary Education Fund in FY 2023 for the transfer of agency responsibilities to ABOR. This line item will be transferred to the ABOR operating budget.

AMEPAC promotes minority students’ access to Arizona’s postsecondary educational institutions.

Arizona Teacher Student Loan Program

The Baseline includes no funding in FY 2023 for the Arizona Teacher Student Loan Program (ATSLP). FY 2023 adjustments are as follows:

Agency Transfer

The Baseline includes a decrease of \$(426,000) from the General Fund in FY 2023 for the transfer of agency responsibilities to ABOR. This program will appear as a separate line item in the ABOR budget.

This program offers forgivable loans to resident students pursuing a teaching degree at postsecondary institutions 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.

Leveraging Educational Assistance Partnership

The Baseline includes no funding for the Leveraging Educational Assistance Partnership (LEAP) in FY 2023. FY 2023 adjustments are as follows:

Agency Transfer

The Baseline includes a decrease of \$(2,319,500) in FY 2023 for the transfer of agency responsibilities to ABOR. This amount consists of:

General Fund	(1,220,800)
Postsecondary Education Fund	(1,098,700)

This program will appear as a separate line item in the ABOR budget.

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 2020, awards were provided to 2,931 recipients at 36 different postsecondary institutions. Of the total funding distributed, 35% went to public universities, 50% to community colleges, and 15% to private institutions.

Twelve Plus Partnership

The Baseline includes no funding from the Postsecondary Education Fund in FY 2023 for the Twelve Plus Partnership (TPP). FY 2023 adjustments are as follows:

Agency Transfer

The Baseline includes a decrease of \$(130,400) and a (0.3) FTE Position from the Postsecondary Education Fund in FY 2023 for the transfer of agency responsibilities to ABOR. This line item will be transferred to the ABOR operating budget.

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Teacher Student Loan Program Fund (PEA2358/A.R.S. § 15-1784)		Non-Appropriated
Source of Revenue: Legislative appropriations and repayments of principal and interest of issued loans.		
Purpose of Fund: To provide up to 5-year loans to eligible in-state students pursuing a teaching degree or certificate in mathematics, science, and special education at a private school or university and who agree to a service commitment to teach in a public school. General Fund expenditures are not displayed to avoid double counting. Laws 2021, Chapter 410 transfers administration of this fund from the Commission for Postsecondary Education to the Arizona Board of Regents, effective January 1, 2022.		
Funds Expended	0	0
Year-End Fund Balance	808,700	0
Family College Savings Program Trust Fund (PEA3121/A.R.S. § 15-1873B)		Non-Appropriated
Source of Revenue: Fees paid by financial institutions which are contracted to serve as program managers of assets.		
Purpose of Fund: For operating expenses and administrative costs of the Arizona Family College Savings Program. This program enables parents to save for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Pursuant to Laws 2020, Chapter 88, this program transferred from the Commission for Postsecondary Education to the Treasurer's Office on October 1, 2020.		
Funds Expended	825,600	0
Year-End Fund Balance	0	0
Federal Grants (PEA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant revenue.		
Purpose of Fund: Federal grant revenues to be used by the commission as specified by the grant(s).		
Funds Expended	134,500	289,800
Year-End Fund Balance	96,800	0
Postsecondary Education Fund (PEA2405/A.R.S. § 15-1853)		Appropriated
Source of Revenue: Monies appropriated by the Legislature and monies received from state agencies and political subdivisions of the state.		
Purpose of Fund: For designated purposes. Laws 2021, Chapter 410 transfers administration of this fund from the Commission for Postsecondary Education to the Arizona Board of Regents, effective January 1, 2022.		
Funds Expended	1,180,800	1,537,100
Year-End Fund Balance	110,900	0
Private Donations Fund (PEA2402/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received from private gifts, grants and donations.		
Purpose of Fund: Monies are used in accordance with the requests of the donor. Other private monies are used to carry out the duties and responsibilities of the commission.		
Funds Expended	37,000	201,500
Year-End Fund Balance	70,100	0
Private Postsecondary Education Student Financial Assistance Fund (PEA2128/A.R.S. § 15-1854 [REPEALED])		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature. Program is not currently funded.		
Purpose of Fund: For tuition vouchers awarded to eligible graduates of Arizona community colleges enabling them to obtain a bachelor's degree at a private college or university in the state. Laws 2021, Chapter 410 repeals this fund. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	1,500	0

Arizona Power Authority

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	39,928,500	19,636,000	19,636,000
TOTAL - ALL SOURCES	39,928,500	19,636,000	19,636,000

AGENCY DESCRIPTION - The Arizona Power Authority (APA) manages Arizona's allocation of hydroelectric power from Hoover Dam for the benefit of the state. Within the scope of that management, APA cooperates with federal, state, and non-governmental agencies to address regulatory and environmental matters that impact electric and water uses of the Colorado River. In addition, the APA serves as an informational resource for its customers on electricity utilization. APA is not subject to appropriation.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Power Authority Fund (PAA9506/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: Energy sales to any of the authority's 39 customers.		
Purpose of Fund: To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
Funds Expended	20,554,800	40,000
Year-End Fund Balance	3,961,600	3,981,100
Hoover Uprating Fund (PAA1113/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: The sale of hydro-electricity from Hoover Dam to APA customers.		
Purpose of Fund: To purchase hydro-electricity from Hoover Dam for APA customers.		
Funds Expended	19,337,700	19,594,300
Year-End Fund Balance	0	0
Interest Income Fund (PAA1112/A.R.S. § 30-203)		Non-Appropriated
Source of Revenue: Interest income from investments with the Arizona State Treasurer.		
Purpose of Fund: To pay for the operating expenses of the Power Authority.		
Funds Expended	36,000	1,700
Year-End Fund Balance	0	0

State Board for Private Postsecondary Education

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	208,800	217,500	217,500
Employee Related Expenditures	82,200	89,800	89,800
Professional and Outside Services	19,700	26,000	26,000
Travel - In State	100	1,000	1,000
Travel - Out of State	600	6,000	6,000
Other Operating Expenditures	58,800	71,000	71,000
Equipment	2,200	2,200	2,200
AGENCY TOTAL	372,400	413,500	413,500^{1/}

FUND SOURCES

Other Appropriated Funds

Board for Private Postsecondary Education Fund	372,400	413,500	413,500
SUBTOTAL - Other Appropriated Funds	372,400	413,500	413,500
SUBTOTAL - Appropriated Funds	372,400	413,500	413,500
Other Non-Appropriated Funds	209,300	272,000	272,000
TOTAL - ALL SOURCES	581,700	685,500	685,500

AGENCY DESCRIPTION — The board licenses and regulates 217 private postsecondary education institutions that service approximately 265,544 students annually. The board processes license applications, determines compliance, investigates complaints and violations, and takes disciplinary action on all private postsecondary institutions that offer vocational and/or degree programs. However, the board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. In addition to regulatory duties, the board administers the Student Tuition Recovery Fund, which provides restitution to students financially injured by private postsecondary institutional closures.

FOOTNOTES

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

Operating Budget

The Baseline includes \$413,500 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of private postsecondary institutions. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
Funds Expended	372,400	413,500
Year-End Fund Balance	210,200	152,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)		Non-Appropriated
<p>Source of Revenue: Assessments on prepaid tuition paid by newly enrolled students at private postsecondary institutions. Pursuant to A.R.S. § 32-3072, if the fiscal year-end fund balance exceeds \$500,000, only newly or provisionally licensed institutions pay the assessment.</p> <p>Purpose of Fund: To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.</p>		
Funds Expended	209,300	272,000
Year-End Fund Balance	293,800	348,100

State Board of Psychologist Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.5	4.5
Personal Services	270,800	285,700	285,700
Employee Related Expenditures	111,700	115,300	115,300
Professional and Outside Services	33,200	45,000	45,000
Travel - In State	0	2,300	2,300
Travel - Out of State	0	18,300	18,300
Other Operating Expenditures	85,300	73,000	73,000
Equipment	800	11,200	11,200
AGENCY TOTAL	501,800	550,800	550,800^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Psychologist Examiners Fund	501,800	550,800	550,800
SUBTOTAL - Other Appropriated Funds	501,800	550,800	550,800
SUBTOTAL - Appropriated Funds	501,800	550,800	550,800
TOTAL - ALL SOURCES	501,800	550,800	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 Baseline includes \$550,800 and 4.5 FTE Positions from the Board of Psychologist Examiners Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of psychologists. A separate account has been established within the Board of Psychologist Examiners Fund consisting of licensing and other fees for behavior analysts. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
Funds Expended	501,800	550,800
Year-End Fund Balance	1,704,400	2,116,800

Department of Public Safety

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,014.7	2,046.7	2,043.7 ^{1/}
Personal Services	108,858,500	138,582,000	138,465,200
Employee Related Expenditures	104,069,300	122,965,900	122,844,600
Professional and Outside Services	2,571,900	2,632,400	2,632,400
Travel - In State	334,700	715,100	715,100
Travel - Out of State	146,400	610,300	610,300
Other Operating Expenditures	45,398,300	41,105,300	37,355,300
Equipment	18,938,500	17,060,000	10,155,600
OPERATING SUBTOTAL	280,317,600	323,671,000	312,778,500
SPECIAL LINE ITEMS			
ACTIC	1,222,500	1,450,000	1,450,000
Border Strike Task Force Local Support	1,010,000	1,261,700	1,261,700 ^{2/3/4/}
Border Strike Task Force Ongoing	8,206,000	9,028,800	9,028,800
Civil Air Patrol	150,000	150,000	150,000
DPS - Rapid DNA Testing Equipment	0	600,000	0
GIITEM	27,193,500	28,311,100	28,311,100 ^{5/6/}
GIITEM Subaccount	1,963,900	2,396,400	2,396,400
Microwave Backbone Statewide Communication System	0	48,200,000	0
Motor Vehicle Fuel	4,124,300	5,454,600	5,454,600
One-Time Active Shooter Equipment	0	2,912,900	0
One-Time AZPOST Support	0	1,196,300	0
Peace Officer Training Equipment	1,133,800	0	0
Pharmaceutical Diversion and Drug Theft Task Force	613,500	455,700	693,800
Public Safety Equipment	1,481,500	2,890,000	2,890,000
AGENCY TOTAL	327,416,600	427,978,500	364,414,900 ^{7/8/}
FUND SOURCES			
General Fund	88,012,400	291,650,400	287,300,400
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	200,775,400	86,217,900	27,004,300
Concealed Weapons Permit Fund	2,642,300	2,807,300	2,807,300
Criminal Justice Enhancement Fund	2,283,400	2,931,500	2,931,500
DPS Forensics Fund	17,284,000	22,528,600	22,528,600
Fingerprint Clearance Card Fund	1,431,500	1,581,100	1,581,100
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	2,992,000	2,396,400	2,396,400
Motor Vehicle Liability Insurance Enforcement Fund	1,302,700	1,254,100	1,254,100
Motorcycle Safety Fund	205,000	198,900	198,900
Parity Compensation Fund	4,175,500	4,000,300	4,000,300
Peace Officer Training Equipment Fund	1,133,800	0	0
Public Safety Equipment Fund	1,485,200	2,894,000	2,894,000
Risk Management Revolving Fund	1,408,600	1,351,000	1,351,000
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount	1,286,300	0	0
State Aid to Indigent Defense Fund	680,300	0	0
State Highway Fund	318,200	8,167,000	8,167,000
SUBTOTAL - Other Appropriated Funds	239,404,200	136,328,100	77,114,500
SUBTOTAL - Appropriated Funds	327,416,600	427,978,500	364,414,900

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
Other Non-Appropriated Funds	39,184,300	42,100,200	42,100,200
Federal Funds	78,555,300	74,976,000	74,976,000
TOTAL - ALL SOURCES	445,156,200	545,054,700	481,491,100

AGENCY DESCRIPTION — The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

FOOTNOTES

- 1/ Includes 173.8 GF FTE Positions and 3 OF FTE Positions funded from Special Line Items in FY 2023.
- 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, 2022, 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/ 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)
- 6/ 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 GIITEM mission or allocation of monies shall be approved by the joint legislative budget committee. The department shall submit an expenditure plan to the joint legislative budget committee for review before expending any monies not identified in the department's previous expenditure plans. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ Any monies remaining in the department of public safety joint account on June 30, 2023 revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$312,778,500 and 1,866.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$242,984,100
Arizona Highway Patrol Fund	25,104,900
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 2023 adjustments are as follows:

Remove One-Time Civil Asset Forfeiture Funding

The Baseline includes a decrease of \$(3,500,000) from the General Fund in FY 2023 to remove funding for the offset of 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 in FY 2022.

Remove One-Time K-9 Unit Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove funding for a newly-trained K-9 unit.

Remove One-Time Body Camera Funding

The Baseline includes a decrease of \$(6,904,400) from the Arizona Highway Patrol Fund in FY 2023 to remove funding for the purchase of body-worn cameras and accompanying equipment for the department's new body camera program.

Retirement Savings

The FY 2022 budget's 3-year spending plan included a FY 2021 supplemental of \$500,000,000 from the General Fund to Public Safety Personnel Retirement System (PSPRS) to reduce unfunded pension liability in the DPS PSPRS Employer Group. The budget assumed that ongoing General Fund spending would be reduced by \$(55,000,000) beginning in FY 2023 due to lower employer contributions. More recent estimates suggest the General Fund spending will be reduced by \$(46,082,600) beginning in FY 2023. These savings will be

allocated to the DPS budget in the FY 2023 General Appropriation Act.

Technical Adjustment

The Baseline includes a decrease of \$(238,100) in FY 2023 from the Arizona Highway Patrol Fund in the operating budget and a corresponding increase of \$238,100 in FY 2023 from the Arizona Highway Patrol Fund in the Pharmaceutical Diversion and Drug Theft Task Force line item for a technical adjustment.

ACTIC

The Baseline includes \$1,450,000 from the General Fund in FY 2023 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). This amount is unchanged from FY 2022.

Created in FY 2005, ACTIC is a joint effort between federal, state, and local law enforcement agencies to combat terrorism, gang violence, and other crimes through information sharing. The salaries of participants are funded by their respective agencies, but DPS pays for the operational costs of the 40,000 square foot building in which ACTIC is housed. These monies fund those costs.

Border Strike Task Force Local Support

The Baseline includes \$1,261,700 from the General Fund in FY 2023 for the costs of BSTF Local Support. This amount is unchanged from FY 2022.

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 Baseline includes \$9,028,800 and 37 FTE Positions from the General Fund in FY 2023 for the Border Strike Task Force (BSTF). This amount is unchanged from FY 2022.

The BSTF is a multi-agency law enforcement task force that targets drug and human trafficking organizations and activities along the Arizona-Mexico border.

Civil Air Patrol

The Baseline includes \$150,000 from the General Fund in FY 2023 for funding of the Civil Air Patrol (CAP). This amount is unchanged from FY 2022.

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 Baseline includes no funding in FY 2023 for the DPS - Rapid DNA Testing Equipment line item. FY 2023 adjustments are as follows:

Remove One-Time Rapid DNA Testing Funding

The Baseline includes a decrease of \$(600,000) and (3) FTE Positions from the General Fund in FY 2023 to remove funding for the 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 Baseline includes \$28,311,100 and 136.8 FTE Positions in FY 2023 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

These amounts are unchanged from FY 2022.

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 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.)* The Baseline continues these same allocations in FY 2023.

Prior to distribution every year, DPS must submit an expenditure plan to JLBC for review regarding any monies not identified in the previous expenditure plans. *(For more information, please see the State Immigration Enforcement Assistance to Local Governments program summary on the JLBC website.)*

GIITEM Subaccount

The Baseline includes \$2,396,400 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2023 for the GIITEM Subaccount, to be used for equipment and supplies for border security. This amount is unchanged from FY 2022.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$1,524,000 in FY 2023. 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 JLBC has given a favorable review of an FY 2022 GIITEM Subaccount expenditure plan. 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, \$350,000 for the Pima County Border Crimes Unit and \$1,050,000 for grants to county sheriffs for border security.

Microwave Backbone Statewide Communication System

The Baseline includes no funding in FY 2023 for the Microwave Backbone Statewide Communication System line item. FY 2023 adjustments are as follows:

Remove One-Time Microwave Backbone Funding

The Baseline includes a decrease of \$(48,200,000) from the Arizona Highway Patrol Fund in FY 2023 to remove funding for updates to the Microwave Backbone Statewide Communication 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. This appropriation will fund the construction of the remaining digital upgrades to the northern loop, which is slated for completion by the end of FY 2024.

Motor Vehicle Fuel

The Baseline includes \$5,454,600 in FY 2023 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 2022.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

One-Time Active Shooter Equipment

The Baseline includes no funding in FY 2023 for the One-Time Active Shooter Equipment line item. FY 2023 adjustments are as follows:

Remove One-Time Active Shooter Funding

The Baseline includes a decrease of \$(2,912,900) from the Arizona Highway Patrol Fund in FY 2023 to remove funding for One-Time Active Shooter Equipment.

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 Baseline includes no funding in FY 2023 for the One-Time AZPOST Support line item. FY 2023 adjustments are as follows:

Remove One-Time AZPOST Funding

The Baseline includes a decrease of \$(1,196,300) from the Arizona Highway Patrol Fund in FY 2023 to remove funding for One-Time AZPOST Support.

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 FY 2022 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 Baseline includes no funding in FY 2023 for Peace Officer Training Equipment. This amount is unchanged from FY 2022.

Laws 2018, Chapter 312 appropriated a one-time appropriation of \$3,073,000 from the Peace Officer Training Equipment Fund in FY 2019. The fund consists of a \$4 assessment on civil traffic violations, local motor vehicle citations, and criminal motor vehicle citations.

The \$3,073,000 amount includes the following non-lapsing allocations:

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 (one must be for the White Mountain Apache Police Department) and 3 virtual training simulators (Tucson Police Department, Pinal County Sheriff, Glendale Regional Training Academy);
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 FY 2022 budget extends this appropriation through FY 2022.

These funds are to be distributed in the above order as revenue is received in the fund, with the FY 2020 appropriation distributed after the \$20,000 appropriation to the Supreme Court is made.

Through FY 2021, DPS has expended \$1,931,100 from the Peace Officer Training Equipment Fund. These expenditures include the \$500,000 for employee overtime pay as well as \$1,431,100 for firing ranges and virtual training simulators.

Current revenue projections from the department estimate annual revenues of \$1,449,200, with an annual decline of (3)%. By the end of FY 2023, the fund is estimated to collect a total of approximately \$5,744,700 since its creation, compared to an appropriated spending amount of \$4,120,800 (\$3,073,000 in FY 2019 and \$1,047,800 in FY 2020). If the department expends the full FY 2019 and FY 2020 appropriations, this will leave an estimated fund balance of \$1,623,900 in FY 2023.

Once the FY 2019 and FY 2020 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.

Pharmaceutical Diversion and Drug Theft Task Force

The Baseline includes \$693,800 and 3 FTE Positions in FY 2023 for the Pharmaceutical Diversion and Drug Theft Task Force. These amounts consist of:

General Fund	129,700
Arizona Highway Patrol Fund	564,100

FY 2023 adjustments are as follows:

Technical Adjustment

The Baseline includes an increase of \$238,100 in FY 2023 from the Arizona Highway Patrol Fund in the Pharmaceutical Diversion and Drug Theft Task Force line item and a corresponding decrease of \$(238,100) in FY 2023 from the Arizona Highway Patrol Fund in the operating budget for a technical adjustment.

This line item funds a task force to combat the abuse and trafficking of prescription drugs and inappropriate prescriber behavior.

Public Safety Equipment

The Baseline includes \$2,890,000 from the Public Safety Equipment Fund in FY 2023 to equip DPS officers. This amount is unchanged from FY 2022.

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

Auditor General Recommendations

In October 2021, the Auditor General published a DPS performance audit on the department's central repository of criminal history records that included recommendations on statutorily-required offenses and hiring positions to fill the criminal history records unit. Specifically, the audit issued the following recommendations: 1) The Legislature should consider whether all offenses that would preclude issuing a person a fingerprint clearance card and other offenses need to be reported to the central repository, 2) DPS should include only statutorily-required offenses and disposition records in the central repository, and 3) DPS should continue its efforts to fill the 10 vacant FTE Positions in their Criminal History Records Unit.

The last recommendation was based on a backlog of approximately 56,200 records that need to be researched, corrected, and/or entered into the central repository. DPS stated that as of October 2021, the department currently has 13 vacant positions in the unit. They further estimate it would cost \$893,800 to fill these positions.

In response to the audit, the department concurred with the recommendations resulting from the audit.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Anti-Racketeering Revolving Fund (PSA3123/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Any monies obtained as a result of a Department of Public Safety (DPS) seizure and forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.		
Purpose of Fund: For the investigation and prosecution of any offense relating to racketeering. These funds may also be used for gang prevention programs, substance abuse prevention programs and substance abuse education programs.		
Funds Expended	2,017,700	1,742,100
Year-End Fund Balance	8,496,800	11,704,700
Arizona Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)		Appropriated
Source of Revenue: A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale or disposal of property held by the Highway Patrol. This fund also includes deposits of fees collected from towing impound hearings. In addition, the fund includes fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve and for the costs associated with impounding vehicles. Also, to fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. In the past, the fund has been used for IT projects.		
Funds Expended	200,775,400	86,217,900
Year-End Fund Balance	71,056,200	452,000
Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)		Non-Appropriated
Source of Revenue: Fees paid by fingerprint clearance card applicants.		
Purpose of Fund: To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.		
Funds Expended	657,400	840,000
Year-End Fund Balance	1,414,500	1,174,500
Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725)		Non-Appropriated
Source of Revenue: Penalties and fees collected for parking violations on state property.		
Purpose of Fund: For Capitol Police Department law enforcement purposes.		
Funds Expended	3,100	0
Year-End Fund Balance	20,900	21,900
Concealed Weapons Permit Fund (PSA2518/A.R.S. § 41-1722)		Appropriated
Source of Revenue: Fees for the application, renewal, and replacement of concealed weapons permits. These fees range from \$10 for a replacement permit to \$60 for a new permit.		
Purpose of Fund: Funds the costs associated with administering the concealed weapons permit process. In the past, the fund has been used for IT projects and DPS operating expenses.		
Funds Expended	2,642,300	2,807,300
Year-End Fund Balance	3,923,600	4,489,500
Coronavirus Relief Fund (PSA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	13,700,500	700,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Appropriated
Source of Revenue: An 85% allocation of an 8.56% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operational expenses of the Criminal Justice Information System and the Arizona Automated Fingerprint Identification System. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	2,283,400	2,931,500
Year-End Fund Balance	1,245,400	146,800
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: An 85% allocation of an 8.56% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For grants to local law enforcement agencies to help prevent residential and commercial burglaries, control street crime and street gangs, and locate missing children. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	1,245,400	146,800
DPS Administration Fund (PSA2322/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: State and local grants and donations.		
Purpose of Fund: For administering state and local grants such as Emergency Medical Services Communications, Arizona Criminal Justice Commission, Forensics, Fines Management and the DPS Criminal Justice Enhancement Fund project, as well as for operational costs of the Criminal Justice Information System.		
Funds Expended	2,956,000	2,062,200
Year-End Fund Balance	3,223,000	4,245,800
DPS Forensics Fund (PSA9990/A.R.S. § 41-1730)		Appropriated
Source of Revenue: A 19.09% allocation of the Criminal Justice Enhancement Fund, a 6% court surcharge for criminal offenses and civil traffic violations of motor vehicle statutes, and the first \$10.4 million of revenue generated from the defensive driving school fee.		
Purpose of Fund: 55% may be used by DPS to purchase and install fingerprint identification equipment; operate, maintain and administer the Arizona Automated Fingerprint Identification System; crime laboratory operations and enhanced services; educating and training forensic scientists; purchasing and maintaining scientific equipment for crime lab use; and implementing, operating and maintaining Arizona DNA Identification System. The remaining 45% shall be distributed to the Phoenix Police Department (22%), Tucson Police Department (12%), Mesa Police Department (7%), and Scottsdale Police Department (4%).		
Funds Expended	17,284,000	22,528,600
Year-End Fund Balance	6,111,900	883,500
DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)		Non-Appropriated
Source of Revenue: Fees collected from Private Investigator and Security Guard license applicants.		
Purpose of Fund: For the operational and equipment costs of regulating the private investigator and security guard industry.		
Funds Expended	1,377,000	1,448,400
Year-End Fund Balance	629,700	213,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)		Non-Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of either an extreme or aggravated driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater, while an aggravated DUI violation is defined as a DUI violation which occurs while an individual under the age of 15 is in the vehicle, while an individual's driver license is suspended or revoked, or a subsequent DUI violation that occurs within 7 years of the initial DUI violation.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and DPS receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification.		
Funds Expended	472,400	950,900
Year-End Fund Balance	1,755,900	2,105,000
Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)		Non-Appropriated
Source of Revenue: Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
Purpose of Fund: For a nonprofit corporation in the state that demonstrates a commitment to helping in the healing of family survivors of police officers who died in the line of duty in this state, to provide survivor victimization training to law enforcement personnel, and to educate the public on the need to support law enforcement personnel and the families of fallen officers.		
Funds Expended	172,000	239,000
Year-End Fund Balance	99,800	89,700
Federal Grants (PSA2000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To administer various federal awards including Federal Highway Administration grants, Homeland Security grants, the High Intensity Drug Trafficking Area program, the Motor Carrier Safety Assistance program, crime lab grants, and Department of Justice Victims of Crime Act monies.		
Funds Expended	64,854,800	74,276,000
Year-End Fund Balance	736,000	7,073,900
Fingerprint Clearance Card Fund (PSA2433/A.R.S § 41-1758.06)		Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: Appropriated revenues may be used for DPS crime lab expenses. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	1,431,500	1,581,100
Year-End Fund Balance	3,341,000	2,939,500
Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)		Non-Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Non-Appropriated revenues pay for the processing and issuance of fingerprint clearance cards. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	5,275,100	5,366,500
Year-End Fund Balance	3,341,000	2,939,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A \$4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To provide funding to county sheriffs and municipal police departments for law enforcement purposes relating to border security including border personnel. The fund is also used to cover costs related to increases in the employer contribution rate for the Public Safety Personnel Retirement System.		
Funds Expended	2,992,000	2,396,400
Year-End Fund Balance	3,023,500	3,601,600
IGA and ISA Fund (PSA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	11,595,500	13,062,500
Year-End Fund Balance	2,618,800	2,216,300
Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	3,173,800	3,379,900
Year-End Fund Balance	2,843,700	2,557,500
Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28; and monies received from private grants or donations.		
Purpose of Fund: DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	300	0
Year-End Fund Balance	26,200	26,200
Motor Vehicle Liability Insurance Enforcement Fund (PSA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the Arizona Department of Transportation (ADOT) pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: For ADOT to enforce mandatory motor vehicle liability insurance laws. The fund is also used for DPS operating expenses.		
Funds Expended	1,302,700	1,254,100
Year-End Fund Balance	306,800	0
Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)		Appropriated
Source of Revenue: Receives \$1 of each motorcycle registration fee.		
Purpose of Fund: To implement and support voluntary motorcycle safety, education and awareness programs.		
Funds Expended	205,000	198,900
Year-End Fund Balance	292,500	487,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)		Appropriated
Source of Revenue: Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
Purpose of Fund: To fund salary and benefit adjustments for law enforcement personnel.		
Funds Expended	4,175,500	4,000,300
Year-End Fund Balance	5,022,400	4,200,200
Peace Officer Training Equipment Fund (PSA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: Revenues from a \$4 fee for any criminal violation of motor vehicle statutes relating to the stopping, standing or operation of a vehicle, civil traffic violations, and local motor vehicle citations.		
Purpose of Fund: To fund the purchase of peace officer training equipment. Laws 2018, Chapter 312 initially allocates these monies to DPS for: \$500,000 to employee overtime pay, \$2,300,000 for virtual firing ranges and virtual training simulators, \$203,000 to maintain existing virtual training simulators, and \$50,000 to the Governor's Office of Highway Safety to provide public service announcements that educate drivers on how to act when stopped by a peace officer.		
Funds Expended	1,133,800	0
Year-End Fund Balance	1,044,900	1,409,700
Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)		Non-Appropriated
Source of Revenue: Receives 16.64% of CJEF. CJEF is composed of a 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.		
Purpose of Fund: For training costs, including the operation of the Arizona Law Enforcement Officers' Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Peace Officer Standards and Training Board.		
Funds Expended	5,274,400	6,095,200
Year-End Fund Balance	4,525,500	3,411,100
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Appropriated
Source of Revenue: Revenues from a \$4 criminal fee on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations per A.R.S. § 12-116.04 as well as an additional \$4 per citation issued by DPS.		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	1,485,200	2,894,000
Year-End Fund Balance	1,401,400	1,363,300
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Non-Appropriated
Source of Revenue: The first \$1,200,000 generated by additional assessments of up to \$1,500 to be paid by every offender convicted of driving or operating under the influence (DUI or OUI) offenses, except for boating-related offenses. The Treasurer is required to deposit any revenues in excess of \$1,200,000 directly into the General Fund.		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	1,028,200	1,200,000
Year-End Fund Balance	1,401,400	1,363,300
Records Processing Fund (PSA2278/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Fees charged to other agencies and local political subdivisions for costs of processing department reports and photographs of traffic accident scenes and processing criminal and non-criminal justice fingerprint cards through the federal government.		
Purpose of Fund: For fingerprint processing and department administrative costs.		
Funds Expended	4,176,500	4,728,500
Year-End Fund Balance	743,000	394,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Risk Management Revolving Fund (PSA4216/A.R.S. § 41-1713)		Appropriated
Source of Revenue: Transfer from the Arizona Department of Administration Risk Management Fund.		
Purpose of Fund: For the costs of a disaster recovery program for the DPS mainframe data center and the operational costs of the Capitol Police.		
Funds Expended	1,408,600	1,351,000
Year-End Fund Balance	19,000	19,000
Safety Enforcement and Transportation Infrastructure Fund - Department of Public Safety Subaccount (PSA2108/A.R.S. § 28-6547 [REPEALED])		Appropriated
Source of Revenue: Monies are transferred from the ADOT administered fund and includes fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings. The Department of Public Safety and Department of Transportation each have subaccounts within the Safety Enforcement and Transportation Infrastructure Fund and revenues are divided between the 2 subaccounts with the Department of Public Safety Subaccount receiving 45% of revenues and the Department of Transportation Subaccount receiving 55% of revenues to the fund.		
Purpose of Fund: To fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. The FY 2022 Transportation Budget Reconciliation Bill repealed this fund effective June 30, 2021. The remaining balance and future revenue from the DPS subaccount will be deposited into the Arizona Highway Patrol Fund. (See the Arizona Department of Transportation Summary of Funds section for other purposes of this fund.)		
Funds Expended	1,286,300	0
Year-End Fund Balance	257,100	54,600
Smart and Safe Arizona Fund (PSA1120/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General. DPS has expended \$6,500 from the fund in the first 2 months of FY 2022. The agency did not have an estimate of either their full year FY 2022 expenditures or their FY 2022 fund balance.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Aid to Indigent Defense Fund (PSA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid through the Arizona Criminal Justice Commission to county public defenders for the processing of criminal cases. The fund has been used for DPS operating costs but has been re-appropriated for public defender costs starting in FY 2022.		
Funds Expended	680,300	0
Year-End Fund Balance	249,700	249,700
State Highway Fund (PSA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.		
Purpose of Fund: To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
Funds Expended	318,200	8,167,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)		Non-Appropriated
Source of Revenue: A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
Purpose of Fund: To establish and maintain a public education campaign for highway work zone safety.		
Funds Expended	11,100	25,000
Year-End Fund Balance	25,900	19,800
Victims' Rights Enforcement Fund (PSA2519/A.R.S. § 41-1727)		Non-Appropriated
Source of Revenue: A \$2 surcharge on criminal offenses and civil traffic violations and up to \$100,000 annually from the revenues of lottery games that are sold from vending machines.		
Purpose of Fund: To provide grants to non-profit entities that can demonstrate a 5-year history of providing legal representation and social services to crime victims. Up to 5% of the revenues into the fund can be used for administrative costs of the fund.		
Funds Expended	993,800	960,000
Year-End Fund Balance	1,457,500	1,408,700

Public Safety Personnel Retirement System

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
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	500,000,000	0	0
Department of Corrections CORP Employer Group Deposit	500,000,000	0	0
AGENCY TOTAL	1,006,000,000	6,000,000	6,000,000
FUND SOURCES			
General Fund	1,006,000,000	6,000,000	6,000,000
SUBTOTAL - Appropriated Funds	1,006,000,000	6,000,000	6,000,000
Other Non-Appropriated Funds	18,746,400	25,626,200	25,626,200
TOTAL - ALL SOURCES	1,024,746,400	31,626,200	31,626,200

AGENCY DESCRIPTION — The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials Retirement Plan (EORP), which provide the same benefits to specified populations at the state and local level. PSPRS is not subject to appropriation. The EORP was closed to new enrollees as of January 1, 2014, at which time newly-elected officials are to be enrolled in the Elected Officials Defined Contribution Retirement System (EODC System).

FOOTNOTES

^{1/} The FY 2020 General Appropriation Act appropriated \$1,000,000 from the state General Fund in each of FY 2020, FY 2021, FY 2022, FY 2023, FY 2024, FY 2025 and FY 2026 to the Public Safety Personnel Retirement System to be deposited in the employer account of the Prescott Fire Department Group to offset increased pension liability.

EORP Fund Deposit

The Baseline includes \$5,000,000 from the General Fund in FY 2023 as part of the closure of the Elected Officials Retirement Plan (EORP). This amount is unchanged from FY 2022. (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 will not be included in the General Appropriation Act.

Prescott Fire Employer Group Deposit

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2022.

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 in the line item will not be 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.

See the Consolidated Retirement Report section for more information on PSPRS membership and actuarial data.

The original estimated liability resulting from the Yarnell Hill fire was \$5,200,000. As of June 2021, PSPRS re-estimated this liability to be \$11,162,000.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Disability Program Trust Fund (No Fund Number/A.R.S. § 38-870.02)		Non-Appropriated
Source of Revenue: Employee and employer contributions for certain Tier 3 PSPRS and CORP members, abandoned Disability Program monies, and interest earnings.		
Purpose of Fund: Paying benefits and administration costs for the Defined Contribution Retirement Plan Disability Program established under Tier 3 of PSPRS and CORP. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program Account (No Fund Number/A.R.S. § 38-643)		Non-Appropriated
Source of Revenue: Consists of employer contributions of \$50 per active employee participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year. Statute authorizes PSPRS to charge an employer premium of up to \$180 per active employee. Statute also authorizes Correctional Officers Retirement Plan (CORP) employer groups to opt-in to the plan.		
Purpose of Fund: The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters, peace officers, and correction officers for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS (or CORP). The plan benefits include an upfront cash payment upon diagnosis, along with coverage for various out-of-pocket medical expenses (after any primary insurance), with an overall maximum lifetime benefit limit of \$100,000. Insurance policy payouts are made from a separate fund. The plan is not a Worker's Compensation plan and does not satisfy any requirement for coverage by Worker's Compensation insurance. The displayed expenditures for this fund reflect PSPRS administrative expenses allocated to this fund. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses. The PSPRS estimate is adjusted to exclude \$1,500 of net fees applied to investments in FY 2021 and FY 2022.		
Funds Expended	93,300	133,000
Year-End Fund Balance	0	0
Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882; 38-840.02)		Non-Appropriated
Source of Revenue: Public Safety Personnel Retirement System Fund; Elected Officials Retirement Fund; Correctional Officer Retirement Fund; Elected Officials Defined Contribution Disability Program Trust Fund.		
Purpose of Fund: A 9-member governing board administers PSPRS, the Elected Officials Retirement Plan (EORP), the Elected Officials Defined Contribution Retirement System (EODC System), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute to spend monies from each fund to pay for necessary administration and investment expenses. The PSPRS estimate is adjusted to exclude \$63,495,200 of net fees applied to investments in FY 2021 and FY 2022.		
Funds Expended	18,653,100	25,493,200
Year-End Fund Balance	0	0
Retiree Pool Account (No Fund Number/A.R.S. § 38-846.05)		Non-Appropriated
Source of Revenue: PSPRS employee and employer contributions for members that were hired on or after July 1, 2017 if the employer has 250 or less active members. The account shall remain 100% funded. In any fiscal year that the account is not 100% funded as of June 30, the amount necessary to adjust the account up or down to 100% funded shall be transferred from or to the investment earnings of the fund before those earnings are distributed to each employer's account.		
Purpose of Fund: To share the actuarial liability costs for the employers of Tier 3 members (those hired on or after July 1, 2017) and are eligible for a normal retirement pension, a disability pension, or for survivors of Tier 3 members eligible for a death benefit pension. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

State Real Estate Department

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,403,600	1,625,100	1,625,100
Employee Related Expenditures	529,300	648,800	648,800
Professional and Outside Services	95,600	105,700	105,700
Travel - In State	10,300	18,500	18,500
Travel - Out of State	2,500	7,000	7,000
Other Operating Expenditures	304,300	367,000	367,000
Equipment	100	150,000	150,000
AGENCY TOTAL	2,345,700	2,922,100	2,922,100^{1/}
FUND SOURCES			
General Fund	2,345,700	2,922,100	2,922,100
SUBTOTAL - Appropriated Funds	2,345,700	2,922,100	2,922,100
Other Non-Appropriated Funds	42,400	215,300	215,300
TOTAL - ALL SOURCES	2,388,100	3,137,400	3,137,400

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.

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,922,100 and 37 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Other Issues

Auditor General Report

In April 2021, the Auditor General published a performance audit and sunset review for the Department of Real Estate that included recommendations for adjusting its fees to better match inspection costs and meet statutory requirements.

The department collects fees to cover the travel costs of onsite inspections. If an inspection was done virtually, department policy is to not charge a travel fee. As of March 2021, the audit found that the department had collected \$61,000 in travel fees from virtual inspections and deposited them into the General Fund. The Auditor

General recommended the department work with the Assistant Attorney General to determine how to address the fees collected from virtual inspections, which the department agreed to. This may result in a General Fund impact if the inspection fee revenue is refunded or otherwise moved from the General Fund.

Statute also requires the department to revise its fees each year so the total fee revenue it receives is between 95%-110% of its anticipated appropriated budget for the following fiscal year. If fee revenue exceeds 110%, the department must lower its fees proportionally. The audit found that despite reducing some of its fees, the department has not included revenue from its development fees in its analysis, which if included may demonstrate the need to further lower their fees. The Auditor General recommended the department consult with its Assistant Attorney General to determine if the revenue it receives from development fees should be included in its fee revenue calculation and analysis, which the department agreed to. If fees are reduced there may be a General Fund impact.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Condominium and Planned Community Hearing Office Fund (REA2537/A.R.S. § 32-2199.05)		Non-Appropriated
Source of Revenue: Filing fees (\$500 per complaint) and civil penalties arising from disputes between owners and condominium or planned community associations over violations of condominium or planned community documents or violations of regulatory statutes		
Purpose of Fund: To reimburse the costs of HOA Dispute Process hearings administered by the Office of Administrative Hearings in conducting hearings concerning disputes between owners and condominium or planned community associations. Remaining monies in the fund may be used by the department to offset the costs of administering cases between owners and condominium or planned community associations. Prior to FY 2017, the Department of Fire, Building and Life Safety operated the fund and oversaw the HOA adjudication process.		
Funds Expended	41,000	41,000
Year-End Fund Balance	6,000	3,500
Education Revolving Fund (REA4011/A.R.S. § 32-2107)		Non-Appropriated
Source of Revenue: Sale of the department's educational publications, primarily the Real Estate Lawbook.		
Purpose of Fund: To cover the department's costs of printing real estate regulation books and other public information publications, and to cover the department's costs for other educational efforts, including sponsoring and holding the educational seminars or workshops for educators and other licensees. All monies in excess of \$25,000 at the end of the fiscal year shall revert to the General Fund.		
Funds Expended	1,400	20,000
Year-End Fund Balance	19,400	7,800
Recovery Fund (REA3119/A.R.S. § 32-2186)		Non-Appropriated
Source of Revenue: A fee of \$20 for brokers and \$10 for salespersons, paid upon application for an original real estate or cemetery license. A surcharge on license renewals is assessed if the fund balance on June 30 of any year falls below \$600,000. The fund also consists of restitution paid by persons convicted of real estate fraud and ordered to repay a judgment awarded out of the Recovery Fund.		
Purpose of Fund: To compensate persons who have been defrauded in a real estate transaction and subsequently suffered monetary losses. Those persons may seek a court order for an award from the Recovery Fund if the person who committed the fraud has no assets. Monies also provide for the department's cost of administering the fund.		
Funds Expended	0	154,300
Year-End Fund Balance	1,037,000	961,700

Residential Utility Consumer Office

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	631,400	757,700	757,700
Employee Related Expenditures	217,700	257,300	257,300
Professional and Outside Services	0	2,400	2,400
Travel - In State	0	8,600	8,600
Travel - Out of State	0	7,000	7,000
Other Operating Expenditures	168,800	174,200	174,200
Equipment	1,300	0	0
OPERATING SUBTOTAL	1,019,200	1,207,200	1,207,200
SPECIAL LINE ITEMS			
Professional Witnesses	49,100	145,000	145,000 ^{1/}
AGENCY TOTAL	1,068,300	1,352,200	1,352,200 ^{2/}

FUND SOURCES

Other Appropriated Funds

Residential Utility Consumer Office Revolving Fund	1,068,300	1,352,200	1,352,200
SUBTOTAL - Other Appropriated Funds	1,068,300	1,352,200	1,352,200
SUBTOTAL - Appropriated Funds	1,068,300	1,352,200	1,352,200
TOTAL - ALL SOURCES	1,068,300	1,352,200	1,352,200

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 Baseline includes \$1,207,200 and 11 FTE Positions from the RUCO Revolving Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Professional Witnesses

The Baseline includes \$145,000 from the RUCO Revolving Fund in FY 2023 for Professional Witnesses. This amount is unchanged from FY 2022.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)		Appropriated
Source of Revenue: An assessment levied on public service corporations with annual residential revenues in excess of \$500,000, as defined by A.R.S. § 40-401.01.		
Purpose of Fund: To operate the Residential Utility Consumer Office.		
Funds Expended	1,068,300	1,352,200
Year-End Fund Balance	1,101,300	1,101,100

Board of Respiratory Care Examiners

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	189,900	179,500	179,500
Employee Related Expenditures	68,900	66,400	66,400
Professional and Outside Services	10,200	6,500	6,500
Travel - In State	600	1,500	1,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	52,900	68,200	68,200
Equipment	6,400	0	0
AGENCY TOTAL	328,900	324,100	324,100^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Respiratory Care Examiners Fund	328,900	324,100	324,100
SUBTOTAL - Other Appropriated Funds	328,900	324,100	324,100
SUBTOTAL - Appropriated Funds	328,900	324,100	324,100
TOTAL - ALL SOURCES	328,900	324,100	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 Baseline includes \$324,100 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of respiratory care practitioners. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
Funds Expended	328,900	324,100
Year-End Fund Balance	236,900	221,800

Arizona State Retirement System

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	240.9	240.9	240.9
Personal Services	12,618,100	13,025,000	13,025,000
Employee Related Expenditures	4,673,100	5,363,500	5,363,500
Professional and Outside Services	3,296,200	3,055,400	3,055,400
Travel - In State	4,900	30,000	30,000
Travel - Out of State	0	49,000	49,000
Other Operating Expenditures	2,530,000	3,136,000	3,136,000
Equipment	225,300	389,500	389,500
AGENCY TOTAL	23,347,600	25,048,400	25,048,400^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Long-Term Disability Trust Fund Administration Account	1,394,700	1,800,000	1,800,000
Arizona State Retirement System Administration Account	21,952,900	23,248,400	23,248,400
SUBTOTAL - Other Appropriated Funds	23,347,600	25,048,400	25,048,400
SUBTOTAL - Appropriated Funds	23,347,600	25,048,400	25,048,400
Other Non-Appropriated Funds	7,101,700	7,189,200	7,189,200
TOTAL - ALL SOURCES	30,449,300	32,237,600	32,237,600

AGENCY DESCRIPTION — The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and health insurance program administration.

FOOTNOTES

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

Operating Budget

The Baseline includes \$25,048,400 and 240.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
Arizona State Retirement System Administration Account	\$23,248,400
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

These amounts are unchanged from FY 2022.

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)		Non-Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval. The ASRS estimate has been adjusted to exclude \$259,658,600 and \$133,036,600 of net fees applied to investments in FY 2021 and FY 2022.		
Funds Expended	7,101,700	7,189,200
Year-End Fund Balance	0	0
Long-Term Disability Trust Fund Administration Account (RSA1408/A.R.S. § 38-797.02)		Appropriated
Source of Revenue: Long-Term Disability (LTD) Trust Fund.		
Purpose of Fund: To pay for the cost of administering the LTD program.		
Funds Expended	1,394,700	1,800,000
Year-End Fund Balance	0	0
Arizona State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)		Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.		
Funds Expended	21,952,900	23,248,400
Year-End Fund Balance	0	0

Department of Revenue

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	880.8	880.8	880.8 ^{1/}
Personal Services	29,433,200	30,112,200	30,112,200
Employee Related Expenditures	11,514,500	12,730,800	12,730,800
Professional and Outside Services	8,614,900	6,820,400	6,820,400
Travel - In State	51,900	69,000	69,000
Other Operating Expenditures	12,928,200	16,186,000	16,186,000
Equipment	420,500	294,600	294,600
OPERATING SUBTOTAL	62,963,200	66,213,000	66,213,000 ^{2/}
SPECIAL LINE ITEMS			
BRITS Operational Support	7,555,800	7,567,500	7,567,500
E-Commerce Compliance and Outreach	0	854,900	854,900
Income Tax Information Technology	0	466,300	0
Tax Fraud Prevention	3,149,100	3,150,000	3,150,000 ^{3/4/}
TPT Simplification	946,500	984,100	984,100
Unclaimed Property Administration and Audit	2,443,400	1,467,800	1,467,800 ^{5/}
AGENCY TOTAL	77,058,000	80,703,600	80,237,300 ^{6/7/}
FUND SOURCES			
General Fund	29,253,200	53,542,400	53,076,100
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	46,453,300	25,669,800	25,669,800
Liability Setoff Program Revolving Fund	714,300	806,900	806,900
Tobacco Tax and Health Care Fund	637,200	684,500	684,500
SUBTOTAL - Other Appropriated Funds	47,804,800	27,161,200	27,161,200
SUBTOTAL - Appropriated Funds	77,058,000	80,703,600	80,237,300
Other Non-Appropriated Funds	2,016,100	3,083,800	3,083,800
TOTAL - ALL SOURCES	79,074,100	83,787,400	83,321,100

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of individual and corporate income, sales, withholding, luxury, recreational marijuana and estate taxes. The department administers state property tax laws through the 15 county assessors.

FOOTNOTES

- 1/ Includes 70 GF FTE Positions funded from Special Line Items in FY 2023.
- 2/ The operating lump sum appropriation includes \$2,000,000 and 25 FTE positions for additional audit and collections staff. (General Appropriation Act footnote)
- 3/ The department may not transfer any monies to or from the tax fraud prevention line item without prior review by the joint legislative budget committee. (General Appropriation Act footnote)
- 4/ On or before November 1, 2022, the department shall report the results of private fraud prevention investigation services during fiscal year 2021-2022 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 2021-2022. (General Appropriation Act footnote)
- 5/ 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)
- 6/ The department shall report the department's general fund revenue enforcement goals for fiscal year 2022-2023 to the joint legislative budget committee on or before September 30, 2022. On or before September 30, 2023, 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 2022-2023. 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 2021-2022 and fiscal year 2022-2023, 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 2021-2022. (General Appropriation Act footnote)

7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$66,213,000 and 810.8 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2022
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

These amounts are unchanged from FY 2022.

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The Baseline includes \$7,567,500 and 51 FTE Positions in FY 2023 for operational support of BRITS. These amounts consist of:

General Fund	4,561,700
DOR Administrative Fund	3,005,800

These amounts are unchanged from FY 2022.

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 Baseline includes \$854,900 from the General Fund in FY 2023 for E-commerce compliance and outreach (ECCO) administrative costs. These amounts are unchanged from FY 2022.

This line item funds the costs of assisting out-of-state remote sellers and marketplace facilitators with paying transaction privilege tax (TPT) in Arizona. Since October 2019, out-of-state businesses that do not have a physical presence in the state are required to collect and remit TPT

if they meet certain economic nexus requirements and thresholds outlined in state law.

Income Tax Information Technology

The Baseline includes no funding from the General Fund in FY 2023 for Income Tax Information Technology (IT) costs. FY 2023 adjustments are as follows:

Remove One-Time Increase

The Baseline includes a decrease of \$(466,300) from the General Fund in FY 2023 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.

Pursuant to a General Appropriation Act footnote, the FY 2022 appropriation is scheduled to lapse on June 30, 2024.

Tax Fraud Prevention

The Baseline includes \$3,150,000 from the General Fund in FY 2023 for Tax Fraud Prevention. This amount is unchanged from FY 2022.

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 \$18.7 million in fraudulent returns in Individual Income Tax returns in FY 2021.

TPT Simplification

The Baseline includes \$984,100 and 19 FTE Positions from the General Fund in FY 2023 for TPT Simplification responsibilities. This amount is unchanged from FY 2022.

DOR is responsible for the audit and collection of TPT taxes for all municipalities. These monies allow DOR to

fund the staffing associated with these TPT oversight responsibilities.

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.

Unclaimed Property Administration and Audit

The Baseline includes \$1,467,800 from the DOR Administrative Fund in FY 2023 for Unclaimed Property Administration and Audit. This amount is unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Coronavirus Relief Fund (RVA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	0	0
Year-End Fund Balance	100	0
Department of Revenue Administrative Fund (RVA2463/A.R.S. § 42-1116.01)		Appropriated
Source of Revenue: The sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Each year, \$24,500,000 in unclaimed property proceeds are deposited into this fund. In addition, pursuant to A.R.S. § 42-5041, this fund receives cost assessments paid by local governments for DOR operating expenses.		
Purpose of Fund: To cover the Department of Revenue's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
Funds Expended	46,453,300	25,669,800
Year-End Fund Balance	7,674,200	6,504,400
Escheated Estates Fund (RVA3745/A.R.S. § 12-885)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of escheated estates. Property escheats, or reverts to the state, after 5 years when there is no will to transmit the property and there are no legal heirs to inherit it.		
Purpose of Fund: To deposit proceeds from the sale of escheated property and hold them in the fund for 12 months, from which payment of claims may be made, before being transferred to the Permanent State School Fund.		
Funds Expended	0	0
Year-End Fund Balance	193,100	193,100
Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Notwithstanding the title of this fund, it no longer includes the proceeds of escheated estates. Those funds are deposited to the department's Escheated Estates Fund.		
Purpose of Fund: To pay allowed claims. The department retains at least \$100,000 of the fund prior to year-end transfers while the state attempts to pay out claims. Once monies are determined to be "unreturnable" they are disbursed as follows: Monies associated with unclaimed utility deposits are transferred to the Utility Assistance Fund. Monies from unclaimed shares and dividends of Arizona corporations and unclaimed property in a self-storage unit are transferred to the Permanent State School Fund. Unclaimed victim restitution monies are transferred to the Arizona Criminal Justice Commission's Victim Compensation and Assistance Fund. A.R.S. § 44-313 requires that the first \$2,000,000 in unclaimed property proceeds be deposited into the Seriously Mentally Ill Housing Trust Fund, the next \$2,500,000 into the Housing Trust Fund, the next \$24,500,000 into the DOR Administrative Fund and all remaining monies be redirected to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,786,300	1,786,300

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
I Didn't Pay Enough Fund (RVA1031/A.R.S. § 43-211)		Non-Appropriated
Source of Revenue: Voluntary contributions from taxpayers.		
Purpose of Fund: Up to 10% of annual deposits may be used by DOR to administer the fund. Any unexpended monies revert to the General Fund at the close of the fiscal year.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (RVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Transfer of funds from Arizona Early Childhood Development and Health Board.		
Purpose of Fund: To assist the Revenue Tobacco unit in enforcement compliance.		
Funds Expended	1,955,800	2,907,800
Year-End Fund Balance	900,800	170,800
Liability Setoff Program Revolving Fund (RVA2179/A.R.S. § 42-1122)		Appropriated
Source of Revenue: Fees collected from agencies, political subdivisions or taxpayers utilizing the setoff procedure. The Department of Revenue withholds taxpayer refunds to satisfy debts owed by the taxpayers to certain state and local agencies, such as delinquent child support payments owed to the Department of Economic Security.		
Purpose of Fund: To cover the Department of Revenue's costs of administering the Liability Setoff program and for general operating expenditures.		
Funds Expended	714,300	806,900
Year-End Fund Balance	1,101,100	1,394,200
Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: Receipts from the sale of department tax-related publications.		
Purpose of Fund: To offset costs of publishing and distributing tax-related publications.		
Funds Expended	32,200	32,200
Year-End Fund Balance	20,500	20,500
Special Collections Fund (RVA2168/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: This fund consists of all monies received pursuant to contingent fee contracts to collect delinquent state taxes, penalties and interest due under A.R.S. Title 43 (taxation of income) and Title 42, Chapter 5, Article 1 (transaction privilege taxes).		
Purpose of Fund: To pay all fees and court costs provided for in contingent fee collection contracts authorized by A. R. S. § 42-1004B3. The remainder of the collected amounts is distributed to the state or political subdivisions according to the distribution proportions for the tax collected. Contingency fees paid to collectors are subtracted from gross collections and are not recorded as expenditures within the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	3,700	0
Year-End Fund Balance	1,100	1,100

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Tax Fraud Interdiction Fund (RVA3050/A.R.S. § 42-1116.02)		Appropriated
Source of Revenue: Fines up to \$100,000 for individuals and \$500,000 for corporations for the sale, use, purchase, development, possession, or licensing of any automated sales suppression device/service, zapper, or phantom-ware used to evade tax administration.		
Purpose of Fund: Of the monies in the fund, 50% are to be used by the department to detect tax fraud caused by automated sales suppression software/service, zappers or phantom-ware. The other 50% are transferred to the Attorney General's office for prosecution of the same tax fraud and other tax fraud violations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Tobacco Tax and Health Care Fund (RVA1309/A.R.S. § 36-771)		Appropriated
Source of Revenue: The fund consists of tobacco taxes retained by the department to administer the Tobacco Tax program.		
Purpose of Fund: To monitor and enforce tobacco tax laws.		
Funds Expended	637,200	684,500
Year-End Fund Balance	138,200	0
Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)		Non-Appropriated
Source of Revenue: Appropriation of \$2,000,000 from the General Fund.		
Purpose of Fund: To be distributed to Native American Veterans for state Individual Income Tax incorrectly withheld from military pay. DOR and the Department of Veterans' Services may use up to 5% of the \$2,000,000 transfer for administrative costs. Monies in the fund revert to the General Fund on June 30, 2021. As session law, the FY 2022 Revenue BRB delayed the reversion of Native American Veteran's Income Tax Settlement Fund monies from June 30, 2021 to June 30, 2023.		
Funds Expended	24,400	143,800
Year-End Fund Balance	1,592,700	1,456,800
Waste Tire Fund (RVA2356/A.R.S. § 44-1305)		Non-Appropriated
Source of Revenue: Collections from a fee on new tire purchases and penalties for violations.		
Purpose of Fund: Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of State - Secretary of State

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	143.1	143.1	143.1
Personal Services	6,076,100	5,892,900	5,892,900
Employee Related Expenditures	2,306,700	2,357,200	2,357,200
Professional and Outside Services	1,618,400	1,375,500	1,375,500
Travel - In State	900	6,900	6,900
Travel - Out of State	3,000	13,000	13,000
Other Operating Expenditures	3,626,600	3,678,900	3,678,900
Equipment	23,900	22,700	22,700
OPERATING SUBTOTAL	13,655,600	13,347,100	13,347,100 ^{1/2/3/}
SPECIAL LINE ITEMS			
Arizona Voter Information Database	0	192,500	192,500
Election Services	3,948,300	0	4,000,000 ^{4/}
HAVA – Other Help America Vote Act Projects	0 ^{5/}	0	0
HAVA – December 2019 Grant - County Allocation	0 ^{6/}	0	0
HAVA – December 2019 Grant - SOS Allocation	0 ^{6/}	0	0
Uniform State Laws Commission	63,600	99,000	99,000
Library Grants-in-Aid	525,200	651,400	651,400 ^{7/}
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	18,289,700	14,387,000	18,387,000 ^{8/}
FUND SOURCES			
General Fund	17,050,400	12,907,700	16,907,700
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	0	192,500	192,500
Records Services Fund	1,239,300	1,286,800	1,286,800
SUBTOTAL - Other Appropriated Funds	1,239,300	1,479,300	1,479,300
SUBTOTAL - Appropriated Funds	18,289,700	14,387,000	18,387,000
Other Non-Appropriated Funds	5,945,800	1,992,400	1,992,400
Federal Funds	5,248,600	6,139,600	6,139,600
TOTAL - ALL SOURCES	29,484,100	22,519,000	26,519,000

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 2022-2023 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- ^{2/} Included in the operating lump sum appropriation of \$13,347,100 for fiscal year 2022-2023 is \$1,286,800 from the records services fund. This appropriation may be used for the payment of obligations incurred in fiscal year 2021-2022. (General Appropriation Act footnote)
- ^{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. (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/ 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)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$13,347,100 and 143.1 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$12,060,300
Record Services Fund	1,286,800

These amounts are unchanged from FY 2022.

Access Voter Information Database

The Baseline includes \$192,500 from the Election Systems Improvement Fund in FY 2023 for the Access Voter Information Database line item. This amount is unchanged from FY 2022.

The state and the counties split operation and maintenance costs for the voter registration database, which is named Access Voter Information Database (AVID).

Election Services

The Baseline includes \$4,000,000 from the General Fund in FY 2023 for the Election Services line item. FY 2023 adjustments are as follows:

Election Year Funding

The Baseline includes an increase of \$4,000,000 from the General Fund in FY 2023 for funding of election costs.

In FY 2023, this line item includes funding for the Primary Election held on August 2, 2022 and the General Election on November 8, 2022. This FY 2023 funding level is

consistent with the 3-year spending plan associated with the enacted FY 2022 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 Baseline includes no funding from the Election Systems Improvement Fund in FY 2023 for this line item. This amount is unchanged from FY 2022.

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 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. The availability of these monies would lapse at the end of FY 2022.

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 subsequent federal legislation.

HAVA - December 2019 Grant - County Allocation

The Baseline includes no funding from the Election Systems Improvement Fund in FY 2023 for the HAVA - December 2019 Grant - County Allocation line item. This amount is unchanged from FY 2022.

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 Baseline includes no funding from the Election Systems Improvement Fund in FY 2023 for the HAVA - December 2019 Grant - SOS Allocation line item. This amount is unchanged from FY 2022.

The FY 2021 enacted budget included an FY 2020 supplemental that allocated \$1,338,100 of HAVA funding to SOS for election systems improvements. 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 for the December 2019 grant, giving the state access to the entire grant amount. Given that \$6,690,300 was appropriated as an FY 2020 supplemental (between the County Allocation and SOS Allocation line items), there is \$1,707,000 of unallocated funding from the December 2019 HAVA grant.

Uniform State Laws Commission

The Baseline includes \$99,000 from the General Fund in FY 2023 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2022.

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 Baseline includes \$651,400 from the General Fund in FY 2023 for Library Grants-in-Aid. This amount is unchanged from FY 2022.

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 Baseline includes \$97,000 from the General Fund in FY 2023 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2022.

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

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, SOS's General Fund costs would have a net increase of \$70,000 in FY 2024 above FY 2023: 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. The SOS funding level would be unchanged for FY 2025, as the \$4,000,000 of election funding would be retained for the 2024 Primary/General elections, and the \$70,000 electronic records appropriation is ongoing.

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)		Non-Appropriated
<i>Source of Revenue:</i> An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
<i>Purpose of Fund:</i> To administer the Address Confidentiality Program. This program allows the Secretary of State to establish an alternate public address to protect victims of domestic violence, stalking, and sexual offenses.		
Funds Expended	564,400	562,400
Year-End Fund Balance	255,300	200,000
Coronavirus Relief Fund (STA2975/A.R.S. § 35-142)		Non-Appropriated
<i>Source of Revenue:</i> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<i>Purpose of Fund:</i> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	700,300	0
Year-End Fund Balance	0	0
County Contributions to the Voter Registration System Fund (STA2367/A.R.S. § 16-168.01)		Non-Appropriated
<i>Source of Revenue:</i> Receives monies transferred from counties to the Secretary of State.		
<i>Purpose of Fund:</i> To develop and administer the statewide database of voter registration information.		
Funds Expended	0	58,900
Year-End Fund Balance	59,000	100
Data Processing Acquisition Fund (STA2265/A.R.S. § 18-441)		Non-Appropriated
<i>Source of Revenue:</i> A special recording fee on Uniform Commercial Code and other filings.		
<i>Purpose of Fund:</i> To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of \$250,000 at the close of the calendar year revert to the General Fund.		
Funds Expended	75,400	165,000
Year-End Fund Balance	149,600	79,600
Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)		Appropriated
<i>Source of Revenue:</i> Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations.		
<i>Purpose of Fund:</i> To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards.		
Funds Expended	0	192,500
Year-End Fund Balance	3,108,500	2,916,000
Election Training Fund (STA2521/A.R.S. § 16-407)		Non-Appropriated
<i>Source of Revenue:</i> Receives money from cities and towns whose employees take election training courses.		
<i>Purpose of Fund:</i> To provide election training to officials from cities and towns.		
Funds Expended	0	4,500
Year-End Fund Balance	3,800	2,300
Electronic Records Repository Fund (STA9999/A.R.S. § 41-151.26)		Appropriated
<i>Source of Revenue:</i> Monies received from legislative appropriations, gifts, nonfederal grants, fees, and donations.		
<i>Purpose of Fund:</i> To fund operating expenses for the state library's electronic records repository.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Federal Grants (LAA2000/A.R.S. § 41-151.06)		Non-Appropriated
Source of Revenue: Federal grants awarded to the state for library purposes.		
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	4,548,300	6,139,600
Year-End Fund Balance	34,000	210,600
IGA and ISA Fund (STA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Intergovernmental Agreements and Internal Service Agreements with other state agencies.		
Purpose of Fund: To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	4,825,700	905,000
Year-End Fund Balance	44,300	129,700
Museum Gift Shop Revolving Fund (LAA4008/A.R.S. § 41-151.24)		Non-Appropriated
Source of Revenue: Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
Purpose of Fund: To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.		
Funds Expended	13,400	0
Year-End Fund Balance	15,600	15,600
Notary Bond Fund (STA2387/A.R.S. § 41-314)		Non-Appropriated
Source of Revenue: The fund receives a portion of the fee collected from the processing of notary bonds.		
Purpose of Fund: To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	123,700	108,600
Year-End Fund Balance	119,300	82,700
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		Appropriated
Source of Revenue: Professional Employer Organization (PEO) registration and renewal fees.		
Purpose of Fund: To pay the costs of administering PEO registration and investigating any allegations of malfeasance. The FY 2014 Government Budget Reconciliation Bill delayed the implementation of the PEO registration program until the end of FY 2023.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Records Services Fund (LAA2431/A.R.S. § 41-151.12)		Appropriated
Source of Revenue: Fees collected from state agencies, political subdivisions, and other governmental units for records storage services.		
Purpose of Fund: To help defray costs of preserving and managing the state of Arizona's public records.		
Funds Expended	1,239,300	1,286,800
Year-End Fund Balance	634,800	656,000
Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)		Non-Appropriated
Source of Revenue: Filing fees paid by standing political committees.		
Purpose of Fund: To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	0	0
Year-End Fund Balance	79,000	79,000
State Library Fund (LAA2115/A.R.S. § 41-151.06)		Non-Appropriated
Source of Revenue: Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
Purpose of Fund: To improve statewide library service.		
Funds Expended	343,200	188,000
Year-End Fund Balance	810,600	622,600

State Board of Tax Appeals

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	180,700	179,000	179,000
Employee Related Expenditures	68,900	58,700	58,700
Travel - In State	100	400	400
Other Operating Expenditures	42,000	45,100	45,100
Equipment	0	100	100
AGENCY TOTAL	291,700	283,300	283,300 ^{1/}
FUND SOURCES			
General Fund	291,700	283,300	283,300
SUBTOTAL - Appropriated Funds	291,700	283,300	283,300
TOTAL - ALL SOURCES	291,700	283,300	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 Baseline includes \$283,300 and 4 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

State Board of Technical Registration

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	988,900	1,106,400	1,106,400
Employee Related Expenditures	410,500	465,200	465,200
Professional and Outside Services	73,900	191,600	191,600
Travel - In State	1,000	5,000	5,000
Travel - Out of State	(400)	17,200	17,200
Other Operating Expenditures	339,900	567,500	422,300
Equipment	20,300	0	0
AGENCY TOTAL	1,834,100	2,352,900	2,207,700 ^{1/}

FUND SOURCES

Other Appropriated Funds

Technical Registration Fund	1,834,100	2,352,900	2,207,700
SUBTOTAL - Other Appropriated Funds	1,834,100	2,352,900	2,207,700
SUBTOTAL - Appropriated Funds	1,834,100	2,352,900	2,207,700
Other Non-Appropriated Funds	51,500	0	0
TOTAL - ALL SOURCES	1,885,600	2,352,900	2,207,700

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, engineers, geologists, home inspectors, land surveyors, and landscape architects.

FOOTNOTES

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

Operating Budget

The Baseline includes \$2,207,700 and 25 FTE Positions from the Technical Registration Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(145,200) from the Technical Registration Fund in FY 2023 for the elimination of one-time funding for record digitization.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Technical Registration Board of Investigations Fund (TEA2072/A.R.S. § 32-128)		Non-Appropriated
Source of Revenue: Court assessments, fines, forfeitures and other penalties.		
Purpose of Fund: To fund the cost of disciplinary investigations relating to fraudulent or misrepresented certifications, gross negligence or other similar misconduct.		
Funds Expended	51,500	0
Year-End Fund Balance	40,800	60,700

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Technical Registration Fund (TEA2070/A.R.S. § 32-109)		Appropriated
<p>Source of Revenue: Monies collected by the board from examinations and licensing of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, landscape architects, and home inspectors. The board retains 90% of these monies and deposits 10% in the General Fund.</p> <p>Purpose of Fund: To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.</p>		
Funds Expended	1,834,100	2,352,900
Year-End Fund Balance	5,483,400	6,245,000

Office of Tourism

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,878,800	1,903,600	1,903,600
Employee Related Expenditures	689,800	564,000	564,000
Professional and Outside Services	1,748,900	2,249,100	2,249,100
Travel - In State	7,000	20,000	20,000
Travel - Out of State	1,700	114,700	114,700
Other Operating Expenditures	1,657,700	2,249,600	2,249,600
Equipment	61,300	30,500	30,500
OPERATING SUBTOTAL	6,045,200	7,131,500	7,131,500
SPECIAL LINE ITEMS			
Arizona Promotion	1,000,000	1,000,000	1,000,000
Southern Arizona Study Committee	0	250,000	0
Wine Promotion	100,000	100,000	100,000
AGENCY TOTAL	7,145,200	8,481,500	8,231,500 ^{1/}
FUND SOURCES			
General Fund	7,145,200	8,481,500	8,231,500
SUBTOTAL - Appropriated Funds	7,145,200	8,481,500	8,231,500
Other Non-Appropriated Funds	12,310,400	14,626,400	14,626,400
Federal Funds	3,993,500	0	0
TOTAL - ALL SOURCES	23,449,100	23,107,900	22,857,900

AGENCY DESCRIPTION — The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center. The agency receives a transfer from the Arizona Sports and Tourism Authority (AZSTA), a portion of tribal gaming contributions, and General Fund appropriations to the Tourism Fund.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$7,131,500 and 28 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Arizona Promotion

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for Arizona Promotion. This amount is unchanged from FY 2022.

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 Baseline includes no funding in FY 2023 for the Southern Arizona Study Committee line item. FY 2023 adjustments are as follows:

Remove One-Time Study Committee Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2023 for removal of one-time funding for a study committee evaluating the impact of creating a Southern Arizona regional sports authority.

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.

Wine Promotion

The Baseline includes \$100,000 from the General Fund in FY 2023 for Wine Promotion. This amount is unchanged from FY 2022.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry.

Other Issues

Funding Sources

The Office of Tourism receives funding from 3 primary sources: 1) a General Fund appropriation; 2) a transfer from AZSTA, generated from partial allocations of a bed tax and car rental tax in Maricopa County (A.R.S. § 5-835), to fund Maricopa County tourism promotion; and 3) a portion of tribal gaming contributions (A.R.S. § 5-601.02). 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), not-for-profit organizations, and government organizations engaged in year-round marketing and tourism promotion.

In FY 2019, the most recent fiscal year not impacted by the COVID-19 pandemic, AOT's overall funding amount totaled \$23,183,500. From FY 2019 to FY 2021, AOT's funding level increased by 3.6% to \$24,027,900, and the agency projects overall FY 2022 funding to be \$23,432,900, representing a (2.5)% decrease from the previous year. AOT projects overall funding to increase to a level of \$29,579,300 in FY 2023, representing a 26.2% increase over FY 2022 and a projected economic recovery for Arizona's tourism industry. The COVID-19 pandemic has significantly reduced agency revenues from bed tax and car rental tax allocations, but this has been about equally offset by a significant increase in tribal gaming revenues. (See Table 1 for additional details on agency revenue.)

Table 1

Office of Tourism Revenues ^{1/}

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$8,335,100	\$8,481,500	\$8,231,500
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	4,885,400	5,676,300 ^{2/}	9,847,800 ^{2/}
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>10,807,400</u>	<u>9,275,100 ^{2/}</u>	<u>11,500,000 ^{2/}</u>
Total		\$24,027,900	\$23,432,900	\$29,579,300

^{1/} The numbers displayed represent revenues to the agency and may not correspond directly to the agencies' actual expenditure or appropriation amounts.

^{2/} The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2022 and FY 2023 are estimates provided by the Office of Tourism in September 2021.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Coronavirus Relief Fund (TOA2975/A. R. S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	3,993,500	0
Year-End Fund Balance	6,500	6,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
IGA and ISA Fund (TOA2500/A. R. S. § 35-142)		Non-Appropriated
Source of Revenue: Various interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	6,700	0
Year-End Fund Balance	0	0
Tourism Fund (TOA2236/A.R.S. § 41-2306)		Non-Appropriated
Source of Revenue: The Tourism Fund receives a transfer from the Arizona Sports and Tourism Authority (AZSTA) to be used for tourism promotion in Maricopa County. This transfer is based on a partial allocation of a 1% increase in the bed tax and a 3.25% increase in the car rental tax. This transfer increases each year by 5%. The fund also receives a portion of tribal gaming contributions, pursuant to Proposition 202 from 2002. Finally, A.R.S. § 41-2306 allows the Tourism Fund to receive General Fund appropriations. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. A.R.S. § 41-2308 provides for an annual General Fund appropriation of \$1,500,000 to the State Treasurer to deposit into the Tourism Fund beginning in FY 2022 through FY 2051. The funding will be used to promote auto racing sporting events in Arizona.		
Purpose of Fund: To pay for all costs associated with Office of Tourism activities.		
Funds Expended	12,303,700	14,626,400
Year-End Fund Balance	9,739,900	9,739,900

Department of Transportation

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,554.0	4,554.0	4,554.0 ^{1/}
Personal Services	111,173,700	115,664,700	115,664,700
Employee Related Expenditures	48,653,800	52,551,300	52,551,300
Professional and Outside Services	10,724,800	12,327,300	12,327,300
Travel - In State	265,700	497,300	497,300
Travel - Out of State	1,500	158,900	158,900
Other Operating Expenditures	24,079,800	28,886,100	28,886,100
Equipment	4,802,200	3,686,500	3,686,500
OPERATING SUBTOTAL	199,701,500	213,772,100	213,772,100
SPECIAL LINE ITEMS			
Attorney General Legal Services	3,623,700	3,623,700	3,623,700 ^{2/}
Authorized Third Parties	1,802,100	2,104,400	2,104,400
Driver Safety and Livestock Control	740,100	800,000	800,000
Highway Damage Recovery Account	5,392,300	8,000,000	8,000,000
Highway Maintenance	122,816,600	150,220,100	150,220,100 ^{3/4/}
Preventive Surface Treatments	33,282,800	36,142,000	36,142,000 ^{5/}
State Fleet Operations	0	13,767,700	13,767,700
State Fleet Vehicle Replacement	0	4,500,000	4,500,000
Vehicle License Tax Deposit	0	3,300,000	0
Vehicles and Heavy Equipment Maintenance	18,583,700	19,285,200	19,285,200
Vehicles and Heavy Equipment Replacement	13,770,000	15,300,000	15,300,000 ^{6/}
AGENCY TOTAL	399,712,800	470,815,200	467,515,200 ^{7/-11/}
FUND SOURCES			
General Fund	0	3,300,000	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	229,600	324,500	324,500
Highway Damage Recovery Account	5,392,300	8,000,000	8,000,000
Highway User Revenue Fund	650,200	701,600	701,600
Ignition Interlock Device Fund	296,900	351,100	351,100
Motor Vehicle Liability Insurance Enforcement Fund	1,692,800	1,772,200	1,772,200
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	596,700	0	0
State Aviation Fund	1,768,400	2,014,200	2,014,200
State Fleet Operations Fund	0	13,767,700	13,767,700
State Highway Fund	369,132,400	414,704,100	414,704,100
State Vehicle Replacement Fund	0	4,500,000	4,500,000
Transportation Department Equipment Fund	18,583,700	19,285,200	19,285,200
Vehicle Inspection and Certificate of Title Enforcement Fund	1,369,800	2,094,600	2,094,600
SUBTOTAL - Other Appropriated Funds	399,712,800	467,515,200	467,515,200
SUBTOTAL - Appropriated Funds	399,712,800	470,815,200	467,515,200
Other Non-Appropriated Funds	34,606,600	25,825,400	25,825,400
Federal Funds	34,821,300	28,934,400	29,305,900
TOTAL - ALL SOURCES	469,140,700	525,575,000	522,646,500

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 2023.
- 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 2022-2023 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, 2023. (General Appropriation Act footnote)
- 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, 2023. (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 2022-2023 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, 2023 for fiscal year 2022-2023. (General Appropriation Act footnote)
- 9/ On or before February 1, 2023, 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 2022-2023, 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, 2022, 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 Baseline includes \$213,772,100 and 3,402 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
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

These amounts are unchanged from FY 2022.

Attorney General Legal Services

The Baseline includes \$3,623,700 from the State Highway Fund in FY 2023 for Attorney General Legal Services. This amount is unchanged from FY 2022.

This line item funds the department's interagency services agreement with the Attorney General for costs of providing legal services to the department, such as litigating cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

Authorized Third Parties

The Baseline includes \$2,104,400 and 20 FTE Positions in FY 2023 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

These amounts are unchanged from FY 2022.

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. In FY 2021, ATPs retained \$28,094,000 in fees that otherwise would have been deposited to the Highway User Revenue Fund (HURF) and \$43,873,000 in fees that otherwise would have been deposited to the State Highway Fund (SHF). *(Please see Table 6 in the ADOT Capital Outlay section for more detail.)*

Driver Safety and Livestock Control

The Baseline includes \$800,000 from the State Highway Fund in FY 2023 for Driver Safety and Livestock Control. This amount is unchanged from FY 2022.

This line item funds the annual maintenance and repair of statewide cattle guard grills. To prevent livestock movement from harming drivers and bicyclists, ADOT has installed over 12,800 cattle guard grills across the state. The grills are designed to discourage livestock passage while not impeding road users.

Highway Damage Recovery Account

The Baseline includes \$8,000,000 from the Highway Damage Recovery Account in FY 2023 for the Highway Damage Recovery Account. This amount is unchanged from FY 2022.

This line item funds the maintenance of the state highway system beyond that which is provided by the Highway Maintenance line item. The Highway Damage Recovery Account collects all monies received as reimbursements for highway damage caused by liable third parties; those monies are used for highway maintenance that would otherwise have been deferred.

Highway Maintenance

The Baseline includes \$150,220,100 and 932 FTE Positions from the State Highway Fund in FY 2023 for Highway Maintenance. These amounts are unchanged from FY 2022.

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 \$12,860,000 available in FY 2023 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Preventive Surface Treatments

The Baseline includes \$36,142,000 from the State Highway Fund in FY 2023 for Preventive Surface Treatments. This amount is unchanged from FY 2022.

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 Baseline includes \$13,767,700 from the State Fleet Operations Fund in FY 2023 for State Fleet Operations. This amount is unchanged from FY 2022.

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 on state fleet operations please see State Motor Vehicle Fleet*

Transfer in the Other Issues section of the FY 2022 Appropriations Report.)

State Fleet Vehicle Replacement

The Baseline includes \$4,500,000 from the State Vehicle Replacement Fund in FY 2023 for State Fleet Vehicle Replacement. This amount is unchanged from FY 2022.

The line item funds the replacement of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets.

Vehicle License Tax Deposit

The Baseline includes no funding in FY 2023 for the Vehicle License Tax Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Vehicle License Tax Deposit

The Baseline includes a decrease of \$(3,300,000) from the General Fund in FY 2023 to remove funding for a one-time Vehicle License Tax deposit.

A provision in the FY 2022 Transportation Budget Reconciliation Bill 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.

Vehicles and Heavy Equipment Maintenance

The Baseline includes \$19,285,200 and 200 FTE Positions from the Transportation Department Equipment Fund in FY 2023 for Vehicles and Heavy Equipment. These amounts are unchanged from FY 2022.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

Vehicle and Heavy Equipment Replacement

The Baseline includes \$15,300,000 from the State Highway Fund in FY 2023 for Vehicle Replacement. This amount is unchanged from FY 2022.

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 2021, ADOT has expended the entire \$12,523,500 of these funds.

Other Issues

Special Plates

For more information, please see the Special License Plates program summary on the JLBC website.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Abandoned Vehicle Administration Fund (DTA2150/A.R.S. § 28-4804)		Non-Appropriated
Source of Revenue: Abandoned vehicle fees, of which the amounts are determined by the ADOT Director. Currently, for vehicles on private or local land, the owner pays a fee of \$500 and for vehicles abandoned on state or federal land, the owner pays a fee of \$600.		
Purpose of Fund: The fund partially reimburses towing companies for abandoned vehicle removal. Chapter 249 modified the reimbursement to the towing company from a flat \$100 for fees from vehicles abandoned on state or federal land to a 20% reimbursement regardless of location. After that disbursement, to statutorily distribute remaining fee revenues to the State Highway Fund and General Fund, with a 90/10 split, respectively, for fees from vehicles abandoned on private or local land and a 60/40 split for fees from vehicles abandoned on state or federal land.		
Funds Expended	1,428,200	1,000,000
Year-End Fund Balance	213,700	239,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Air Quality Fund (DTA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: An annual \$1.50 air quality fee collected for each vehicle at the time of registration.		
Purpose of Fund: Implementation of programs that reduce emissions and improve air quality.		
Funds Expended	229,600	324,500
Year-End Fund Balance	157,000	158,500
Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)		Non-Appropriated
Source of Revenue: Sales of subscriptions, maps, pamphlets, and other materials, Arizona Highways special plate donations, and interest earnings. The fund can also consist of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. There are no current appropriations.		
Purpose of Fund: For production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Fund and expenditures are exempt from statutory allotment provisions.		
Funds Expended	4,810,300	4,830,900
Year-End Fund Balance	4,133,600	4,163,200
Cash Deposits Fund (DTA2266/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Deposits from individuals either bidding at auction on department property or renting department property.		
Purpose of Fund: To hold deposits from individuals bidding on excess land and property for sale at auction, which are either applied against their purchase price or are returned to the individual if their bid is unsuccessful. Also, to hold deposits from individuals who rent department property. Their money is either refunded at the end of their tenancy or is used to offset repairs, if needed.		
Funds Expended	0	0
Year-End Fund Balance	1,368,200	100
Coronavirus Relief Fund (DTA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	2,877,100	0
Year-End Fund Balance	0	0
Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)		Non-Appropriated
Source of Revenue: The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
Purpose of Fund: For "economic strength" highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board. These are projects that will retain or increase a significant number of jobs, lead to significant capital investment, or make a significant contribution to the economy of this state or within a local authority. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the General Fund. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	0	0
Year-End Fund Balance	3,677,700	3,690,600
Federal Grants (DTA2097/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Federal grants not part of the federal highway aid program.		
Purpose of Fund: For federal programs not part of the federal aid highway program including assistance to elderly and handicapped; rural public transit; technical studies; rail planning and rehabilitation; other planning; highway statistical reporting; fatal accident reporting; safety; commercial driver's license; library updates; and fuel tax evasion. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	30,839,200	29,305,900
Year-End Fund Balance	1,547,000	2,767,800

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Governor's Emergency Education Relief Fund (DTA2980/U.S. P.L. 116-136)		Non-Appropriated
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	1,105,000	(371,500)
Year-End Fund Balance	(186,300)	0
Highway Damage Recovery Account (DTA2044/A.R.S. § 28-6994)		Appropriated
Source of Revenue: Reimbursements for highway damage repair expenses paid by liable third parties.		
Purpose of Fund: For maintenance of state highways.		
Funds Expended	5,392,300	8,000,000
Year-End Fund Balance	234,200	(2,806,800)
Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations.		
Purpose of Fund: To create a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. The fund makes loans to ADOT, cities, and other entities to accelerate highway construction projects. The loans are repaid from future programmed funds for those projects. The fund may be used to pay costs to administer the fund and shall pay costs of an annual financial audit of the fund. In the past, the fund has been used for local highway construction.		
Funds Expended	0	0
Year-End Fund Balance	1,223,500	5,600
Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, interest earnings, and others.		
Purpose of Fund: For various highway related purposes in the state, including distributions to the State Highway Fund which is the primary source for the department's operating budget and to political subdivisions for highway purposes. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	650,200	701,600
Year-End Fund Balance	150,947,500	150,010,100
IGA and ISA Fund (DTA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements. Primarily for ISA with DEQ for administration of Underground Storage Tank funds but also for its equipment services interagency agreements.		
Funds Expended	11,154,700	1,354,400
Year-End Fund Balance	913,300	322,900
Ignition Interlock Device Fund (DTA2208/A.R.S. § 28-1469)		Appropriated
Source of Revenue: An ignition interlock installation fee charged by service providers and then remitted to ADOT.		
Purpose of Fund: To administer ADOT's Ignition Interlock Device program, including establishing compliance measures, audits and investigating complaints related to devices and providers.		
Funds Expended	296,900	351,100
Year-End Fund Balance	92,400	48,200

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Monies received from local jurisdictions.		
Purpose of Fund: To pay for locally sponsored secondary road construction projects. Any money left after the project is closed out is returned to the local entity. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	0	0
Year-End Fund Balance	11,094,700	11,306,000
Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)		Non-Appropriated
Source of Revenue: The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in Maricopa County, plus proceeds from the sale of bonds, rents, and interest earnings.		
Purpose of Fund: For bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system. Figures exclude expenditures for capital highway construction projects. (See the ADOT Capital Outlay Budget section for capital expenditures not shown here.)		
Funds Expended	12,628,200	13,374,000
Year-End Fund Balance	518,859,400	359,598,000
Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material; and monies received from private grants or donations.		
Purpose of Fund: To carry out the provisions of A.R.S. Title 28, Chapter 14 (motor carrier safety). DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	7,600	500
Year-End Fund Balance	500	1,800
Motor Vehicle Dealer Enforcement Fund (DTA2609/A.R.S. § 28-4504)		Appropriated
Source of Revenue: Civil penalties between \$1,000 and \$3,000 for licensed and unlicensed motor vehicle dealer violations. Any unexpended and unencumbered monies in the fund over \$250,000 are deposited to the State Highway Fund.		
Purpose of Fund: Established by Laws 2018, Chapter 308, the fund is used to enforce the provisions of A.R.S. Title 28, Chapter 10 (vehicle dealers, automotive recyclers and transporters).		
Funds Expended	0	0
Year-End Fund Balance	334,000	250,000
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: To enforce mandatory motor vehicle liability insurance laws.		
Funds Expended	1,692,800	1,772,200
Year-End Fund Balance	7,113,000	7,050,400
Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)		Non-Appropriated
Source of Revenue: Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
Purpose of Fund: To hold cash deposits from motor carrier and use fuel taxpayers who choose to make cash deposits instead of providing surety bonds to guarantee their fee payments. Any money remaining in a taxpayer's account would be returned to the taxpayer. To hold the county property tax portion of rent on department properties, which is forwarded to the appropriate county tax office. Also, to hold the privilege tax portion of rent on the department's commercial properties, which is forwarded to the Department of Revenue.		
Funds Expended	300	0
Year-End Fund Balance	473,100	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount (DTA2108/A.R.S. § 28-6547 [REPEALED])		Appropriated
Source of Revenue: Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To enforce vehicle safety requirements by DPS and ADOT, and maintain and construct transportation facilities within 25 miles of the Arizona-Mexico border. To improve vehicle congestion at Mexican border ports of entry, and obtain Federal Funds for Safety Enforcement and Transportation Infrastructure Fund (SETIF) purposes. Also, to maintain and construct transportation facilities in the Canada to Mexico (CANAMEX) trucking and trade corridor, which came about as a result of the North American Free Trade Agreement (NAFTA) between Canada, the United States and Mexico. In addition, ADOT may provide SETIF monies to the Arizona-Mexico Commission, Arizona Department of Homeland Security, and AIDA for certain SETIF-related purposes. A total of 55% of SETIF revenues is deposited into the ADOT subaccount and 45% in the DPS subaccount. The FY 2022 Transportation Budget Reconciliation Bill repeals this fund effective June 30, 2021. The remaining balance and future revenue from the ADOT subaccount will be deposited into the State Highway Fund.		
Funds Expended	596,700	0
Year-End Fund Balance	1,540,900	100
Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)		Non-Appropriated
Source of Revenue: The fund consists of monies received from agreements with public and private entities for services located in department offices or to advertise those entities' goods and services.		
Purpose of Fund: To partially offset the department's cost of providing a location or advertising. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	200	0
Year-End Fund Balance	75,100	75,100
Smart Highway Corridor Trust Fund (DTA5906/A.R.S. § 23-7387)		Non-Appropriated
Source of Revenue: Legislative appropriations, monies received from the sales or leases of right-of-way, telecommunication facilities and telecommunication services, and monies received from providers to reimburse costs for compensation claims.		
Purpose of Fund: To maintain, operate, and expand telecommunication facilities and telecommunication services within right-of-way that are managed by ADOT.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Aviation Fund (DTA2005/A.R.S. § 28-8202)		Appropriated
Source of Revenue: Flight property tax, aircraft registration fees, license taxes, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings.		
Purpose of Fund: For the administration of aviation laws, the operation and maintenance of state-owned airports, and capital projects at publicly-owned and operated airports of political subdivisions, which includes Indian reservations. Figures exclude expenditures for capital aviation construction projects.		
Funds Expended	1,768,400	2,014,200
Year-End Fund Balance	75,739,500	36,542,000
State Fleet Operations Fund (DTA9998/A.R.S § 28-475)		Appropriated
Source of Revenue: Fees received from agencies within the ADOT state fleet and from legislative appropriations.		
Purpose of Fund: To operate the ADOT state fleet.		
Funds Expended	0	13,767,700
Year-End Fund Balance	0	590,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
State Highway Fund (DTA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, donations, fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: For the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects. Also, to enforce vehicle safety requirements by DPS and ADOT. The expended funds only reflect operating expenses. (Please see the Highway User Revenue Fund Distribution chart in the ADOT Capital section for non-operating expenditures.)		
Funds Expended	369,132,400	414,704,100
Year-End Fund Balance	799,733,300	773,028,900
State Vehicle Replacement Fund (DTA9997/A.R.S. § 28-476)		Appropriated
Source of Revenue: Fees received from agencies within the ADOT state fleet, proceeds from the sale of surplus motor vehicles, and from legislative appropriations.		
Purpose of Fund: To replace vehicles within the ADOT state fleet.		
Funds Expended	0	4,500,000
Year-End Fund Balance	0	3,000,000
Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	9,600	13,000
Year-End Fund Balance	20,500	18,400
Statewide Special Plates Fund (DTA2650/A.R.S. § 35-131)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the special plate fees, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a statutorily designated entity.		
Funds Expended	4,567,500	5,252,600
Year-End Fund Balance	2,129,300	2,525,300
Transportation Department Equipment Fund (DTA2071/A.R.S. § 28-7006)		Appropriated
Source of Revenue: Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).		
Purpose of Fund: For maintenance, service or repair of equipment and consumable material including administrative expenses.		
Funds Expended	18,583,700	19,285,200
Year-End Fund Balance	1,662,600	77,500
Vehicle Inspection and Certificate of Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)		Appropriated
Source of Revenue: Fees of \$20 and \$50 for performing more detailed level 2 and level 3 inspections of vehicle identification numbers, before issuing restored salvage titles on repaired salvage and similar vehicles.		
Purpose of Fund: To defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues. A portion of the revenues are transferred to DPS for investigations concerning automobile theft.		
Funds Expended	1,369,800	2,094,600
Year-End Fund Balance	1,260,800	130,800

State Treasurer

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	31.4	35.4	35.4
Personal Services	2,284,600	2,398,900	2,398,900
Employee Related Expenditures	784,600	839,600	839,600
Professional and Outside Services	48,000	150,000	150,000
Travel - In State	900	5,000	5,000
Travel - Out of State	0	10,000	10,000
Other Operating Expenditures	310,600	465,300	465,300
Equipment	13,300	20,000	20,000
OPERATING SUBTOTAL	3,442,000	3,888,800	3,888,800
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	801,000	1,205,100	1,205,100
Law Enforcement/ Boating Safety Fund Grants	0	2,183,800	2,183,800
Rural County Interoperability Communication System	0	1,500,000	0
School Safety Program	0	2,500,000	0
Special Sporting Event	0	1,500,000	1,500,000 ^{1/}
AGENCY TOTAL	4,243,000	12,777,700	8,777,700 ^{2/3/}
FUND SOURCES			
General Fund	1,144,700	3,010,200	3,010,200
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	0	2,500,000	0
Law Enforcement and Boating Safety Fund	0	2,183,800	2,183,800
School Safety Interoperability Fund	0	1,500,000	0
State Treasurer's Operating Fund	3,098,300	3,583,700	3,583,700
SUBTOTAL - Other Appropriated Funds	3,098,300	9,767,500	5,767,500
SUBTOTAL - Appropriated Funds	4,243,000	12,777,700	8,777,700
Other Non-Appropriated Funds	3,795,200	4,386,500	4,386,500
TOTAL - ALL SOURCES	8,038,200	17,164,200	13,164,200

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/ 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.
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 3/ On or before June 30, 2023, 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 Baseline includes \$3,888,800 and 35.4 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
General Fund	\$305,100
State Treasurer’s Operating Fund	3,583,700

These amounts are unchanged from FY 2022.

Justice of the Peace Salaries

The Baseline includes \$1,205,100 from the General Fund in FY 2023 for Justice of the Peace (JP) salaries. This amount is unchanged from FY 2022.

A.R.S. § 22-117 requires the state to pay 19.25% of the salary for each Justice of the Peace, with the county paying the remainder. This provision does not apply to Maricopa County, which pays 100% of its JP costs. A.R.S. § 22-117 also limits the amount that the state can reimburse to the counties to the amount appropriated.

Justice of the Peace salaries are based on a proportion of the annual compensation for a Superior Court judge as determined by the guidelines for Judicial Productivity Credits (JPCs) outlined in statute. JPCs are calculated every year and are based on the total and type of cases that a Justice of the Peace hears and whether or not the Justice receives clerical help. An annual average JPC total is compared against the salary ranges in statute to determine an individual Justice’s compensation.

Law Enforcement/Boating Safety Fund Grants

The Baseline includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2023 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2022.

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 2021 and year-to-date FY 2022 allocations are included in *Table 1*. The FY 2021 distributions exceed the appropriated amount due to late distributions from FY 2020.

Table 1

Allocation of LEBSF Grants

<u>County</u>	<u>FY 2021</u>	<u>FY 2022 Thru Oct 26th</u>
Apache	\$ 112,400	\$ 31,400
Coconino	286,800	80,200
Gila	205,300	57,400
La Paz	414,800	116,100
Maricopa	480,200	134,400
Mohave	611,900	171,200
Navajo	36,900	10,300
Yuma	<u>203,300</u>	<u>56,900</u>
Total	\$2,351,600 ^{1/}	\$657,900

^{1/} Exceeds the FY 2021 appropriation due to late distributions from FY 2020

Rural County Interoperability Communication System

The Baseline includes no funding in FY 2023 for the Rural County Interoperability Communication System line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,500,000) from the School Safety Interoperability Fund in FY 2023 for the elimination of one-time funding for the Rural County Interoperability Communication System.

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 Baseline includes no funding in FY 2023 for the School Safety Program line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,500,000) from the Arizona Highway Patrol Fund in FY 2023 for the elimination of a one-time funding for a School Safety Program.

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 Baseline includes \$1,500,000 from the General Fund in FY 2023 for Special Sporting Event Promotion funding. This amount is unchanged from FY 2022.

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Fallen Firefighter Memorial Fund (TRA3033/A.R.S. § 41-1863)		Non-Appropriated
<i>Source of Revenue:</i> Private and public donations.		
<i>Purpose of Fund:</i> To establish the Arizona Fallen Firefighter Memorial in Wesley Bolin Plaza, as determined by the Arizona Fallen Firefighter Memorial Committee.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Highway Patrol Fund (TRA2032/A.R.S. 41-1752)		Appropriated
<i>Source of Revenue:</i> A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale or disposal of property held by the Highway Patrol. This fund also includes deposits of fees collected from towing impound hearings.		
<i>Purpose of Fund:</i> To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve and for the costs associated with impounding vehicles. In the past, the fund has been used for IT projects.		
Funds Expended	0	2,500,000
Year-End Fund Balance	0	0
Arizona Public School Credit Enhancement Fund (TRA2675/A.R.S. § 41-5854)		Non-Appropriated
<i>Source of Revenue:</i> Revenues include fees paid by participating schools, repayments of monies used to make payments of principal and interest on guaranteed financings, proceeds of program funding obligations, gifts, grants, and donations.		
<i>Purpose of Fund:</i> To make payments of principal or interest on guaranteed financings. (See "Arizona Public School Credit Enhancement Fund" in the Summary of Funds for the School Facilities Division for information on other uses of this fund.)		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
AZ529, Arizona's Education Savings Plan Trust Fund (TRA3122/A.R.S. § 15-1873B)		Non-Appropriated
Source of Revenue: Fees paid by financial institutions which are contracted to serve as program managers of assets.		
Purpose of Fund: For operating expenses and administrative costs of the Arizona Family College Savings Program. This program enables parents to save for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Laws 2021, Chapter 188 changed this fund's name from Family College Savings Program Trust Fund to AZ529, Arizona's Education Savings Plan.		
Funds Expended	269,600	751,500
Year-End Fund Balance	808,300	1,206,800
Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 13.34% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For distribution to counties for the training of detention officers and county jail operational enhancement.		
Funds Expended	3,494,700	3,494,700
Year-End Fund Balance	0	0
Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)		Appropriated
Source of Revenue: A portion of watercraft licensing taxes and fines for operating motorized watercraft while under the influence.		
Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. The Treasurer distributes grants based on a formula determined by the Arizona Game and Fish Commission.		
Funds Expended	0	2,183,800
Year-End Fund Balance	204,600	204,600
Peace Officer Training Equipment Fund (TRA8888/A.R.S. § 41-1731)		Appropriated
Source of Revenue: The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
Purpose of Fund: Established by Laws 2018, Chapter 312, the fund distributes monies to the Department of Public Safety and the Supreme Court. The State Treasurer administers the fund. (Please see the Department of Public Safety and Judiciary - Supreme Court Summary of Funds sections for more information.)		
Funds Expended	0	0
Year-End Fund Balance	0	0
Public Deposit Administration Fund (TRA2574/A.R.S. § 35-1212)		Non-Appropriated
Source of Revenue: Pro Rata fees assessed to participants in the Statewide Collateral Pool and interest.		
Purpose of Fund: Funds the administration of the Statewide Collateral Pool. The Statewide Collateral Pool serves as a centralized fund for collateral that banks hold against public deposits in the event of a default.		
Funds Expended	30,900	140,300
Year-End Fund Balance	498,700	483,400
School Safety Interoperability Fund (TRA6666/A.R.S. § 41-1733)		Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund school safety pilot programs which enable the deployment of a secure, multimedia data communications system to a user base consisting of public safety agencies and public schools.		
Funds Expended	0	1,500,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
State Treasurer Empowerment Scholarship Account Fund (TRA2571/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Pursuant to Laws 2020, Chapter 12, the fund's revenues consist of legislative appropriations. Prior to Chapter 12, monies were transferred from Basic State Aid.		
Purpose of Fund: Monies in the fund are used by the State Treasurer for the agency's costs of administering the Empowerment Scholarship Accounts program authorized by A.R.S. § 15-2402. However, with the enactment of Chapter 12, the Treasurer's Empowerment Scholarship Account administration costs are currently funded through a direct General Fund appropriation. The Arizona Department of Education (ADE) also transfers monies to the State Treasurer each quarter for funding Empowerment Scholarship Accounts for individual students. Those ADE monies are not displayed to avoid double counting of the General Fund (<i>also see "Department of Education Empowerment Scholarship Account Fund" in the Summary of Funds for ADE</i>).		
Funds Expended	0	0
Year-End Fund Balance	327,800	327,800
State Treasurer's Financial Literacy Fund (TRA2725/A.R.S. § 41-175)		Non-Appropriated
Source of Revenue: Legislative appropriations and contributions from any public or private source.		
Purpose of Fund: To be used by the State Treasurer to promote financial literacy in this state.		
Funds Expended	0	0
Year-End Fund Balance	0	5,000
State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316)		Appropriated
Source of Revenue: A portion of management fee collections not to exceed 0.06% from the earnings on investment pools other than permanent endowment funds. In addition, the fund receives a portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state (which used to be deposited into the Treasurer's Management Fund).		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	3,098,300	3,583,700
Year-End Fund Balance	1,172,700	1,172,700

Governor's Office on Tribal Relations

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	36,500	33,300	33,300
Employee Related Expenditures	12,400	13,600	13,600
Professional and Outside Services	1,000	0	0
Travel - In State	0	500	500
Other Operating Expenditures	14,800	16,100	16,100
AGENCY TOTAL	64,700	63,500	63,500^{1/}

FUND SOURCES

General Fund	64,700	63,500	63,500
SUBTOTAL - Appropriated Funds	64,700	63,500	63,500
Other Non-Appropriated Funds	15,600	8,500	8,500
TOTAL - ALL SOURCES	80,300	72,000	72,000

AGENCY DESCRIPTION — The agency assists and supports tribal nations and communities and enhances government-to-government relations between the 22 tribal nations in this state.

FOOTNOTES

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

Operating Budget

The Baseline includes \$63,500 and 3 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)		Non-Appropriated
Source of Revenue: Monies collected or received at Indian town halls as fees for administration.		
Purpose of Fund: To defray administrative costs related to Indian town halls.		
Funds Expended	0	0
Year-End Fund Balance	2,400	2,400
Statewide Donations Fund (IAA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from booth space at Indian Nations and Tribes Legislative Day. Additional funds are obtained from outside sources such as the 22 tribes and nations of Arizona, as well as private corporations.		
Purpose of Fund: To pay for expenses incurred for Indian Nations and Tribes Legislative Day. The Governor's Office of Tribal Relations is required by statute to facilitate this day on the first Wednesday of each regular legislative session.		
Funds Expended	15,600	8,500
Year-End Fund Balance	9,200	19,200

Arizona Board of Regents

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	30.9
Personal Services	1,608,700	1,438,400	1,438,400
Employee Related Expenditures	669,400	560,300	560,300
Professional and Outside Services	58,300	60,500	60,500
Other Operating Expenditures	129,100	360,700	833,200
Equipment	19,800	1,400	1,400
OPERATING SUBTOTAL	2,485,300	2,421,300	2,893,800
SPECIAL LINE ITEMS			
Adaptive Athletics	160,000	160,000	160,000 ^{1/}
Arizona Promise Program	0	7,500,000	7,500,000
Arizona Teachers Academy	14,485,200	15,000,000	15,000,000
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Teacher Student Loan Program	0	0	426,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Leveraging Education Assistance Partnership	0	0	2,319,500 ^{2/}
Washington D.C. Internships	300,000	300,000	300,000 ^{3/}
Western Interstate Commission Office	153,000	153,000	153,000
WICHE Student Subsidies	4,072,000	4,078,000	4,078,000
AGENCY TOTAL	21,959,200	29,916,000	33,134,000 ^{4/5/6/}
FUND SOURCES			
General Fund	21,959,200	29,916,000	31,596,900
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	0	0	1,537,100
SUBTOTAL - Other Appropriated Funds	0	0	1,537,100
SUBTOTAL - Appropriated Funds	21,959,200	29,916,000	33,134,000
Other Non-Appropriated Funds	10,219,100	44,542,600	44,542,600
Federal Funds	0	0	186,200
TOTAL - ALL SOURCES	32,178,300	74,458,600	77,862,800

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/} 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 Arizona board of regents shall be paid

from institutional matching monies and may not exceed twelve percent of the monies in fiscal year 2022-2023. (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, 2023 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 Baseline includes \$2,893,800 and 30.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$2,455,400
Postsecondary Education Fund	438,400

FY 2023 adjustments are as follows:

Agency Transfer

The Baseline includes an increase of \$472,500 and 5 FTE Positions in FY 2023 for the transfer of agency responsibilities from the Commission for Postsecondary Education (CPSE) to the Arizona Board of Regents (ABOR). These amounts consist of:

General Fund	34,100
Postsecondary Education Fund	438,400

Laws 2021, Chapter 410 transfers the responsibilities of CPSE to ABOR effective January 1, 2022. The amount transferred to the ABOR operating budget reflects CPSE's

FY 2022 appropriations for its operating budget, the Arizona College and Career Guide line item, Arizona Minority Educational Policy Analysis Center line item, and the Twelve Plus Partnership line item. *(Please see the Commission for Postsecondary Education section and ABOR – Other Issues section for additional information.)*

Adaptive Athletics

The Baseline includes \$160,000 from the General Fund in FY 2023 for Adaptive Athletics. This amount is unchanged from FY 2022.

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 Baseline includes \$7,500,000 from the General Fund in FY 2023 for the Arizona Promise Program. This amount is unchanged from FY 2022.

The Arizona Promise Program provides financial assistance to full-time university students who qualify for in-state tuition, graduated from an Arizona high school with a minimum 2.5 cumulative grade point average, and meet the eligibility requirements for federal Pell Grants. 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 Baseline includes \$15,000,000 from the General Fund in FY 2023 for the Arizona Teachers Academy. This amount is unchanged from FY 2022.

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.

The academy also receives monies from the Student Support Safety Fund established by Proposition 208. 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.

Monies for the academy are deposited to the Arizona Teachers Academy Fund and up to 3% of the monies may be used for marketing and administration expenses. ABOR provides centralized administrative processes for the academy, including distributing appropriated monies to eligible postsecondary institutions.

Proposition 208 allows awards up to the actual cost of tuition and fees after all other aid is received for both resident and non-resident students.

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. In FY 2021, 3,051 students were enrolled in the academy, of which 1,934 are undergraduate students, 545 are graduate students, 407 are community college post-baccalaureate students, 165 are teachers seeking a national board certification.

Arizona Teachers Incentive Program

The Baseline includes \$90,000 from the General Fund in FY 2023 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2022.

Laws 1990, Chapter 340 mandates 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.

Arizona Teacher Student Loan Program

The Baseline includes \$426,000 from the General Fund in FY 2023 for the Arizona Teacher Student Loan Program (ATSLP). FY 2023 adjustments are as follows:

Agency Transfer

The Baseline includes an increase of \$426,000 from the General Fund in FY 2023 for the transfer of agency responsibilities from CPSE to ABOR. *(Please see the Commission for Postsecondary Education section and ABOR – Other Issues section for additional information.)*

ATSLP offers forgivable loans to resident students pursuing a teaching degree at a private postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. Students in the program are required to teach for 1 year for each year that they receive the loan, plus 1 additional year. Teachers must practice in rural, low-income, or tribal schools.

Arizona Transfer Articulation Support System

The Baseline includes \$213,700 from the General Fund in FY 2023 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2022.

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. 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.

Leveraging Education Assistance Partnership

The Baseline includes an increase of \$2,319,500 from the General Fund in FY 2023 for the Leveraging Education Assistance Partnership (LEAP). This amount consists of:

General Fund	1,220,800
Postsecondary Education Fund	1,098,700

FY 2023 adjustments are as follows:

Agency Transfer

The Baseline includes an increase of \$2,319,500 in FY 2023 for the transfer of agency responsibilities from CPSE to ABOR. This amount consists of:

General Fund	1,220,800
Postsecondary Education Fund	1,098,700

(Please see the Commission for Postsecondary Education section and ABOR – Other Issues section for additional information.)

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).

Washington, D.C. Internships

The Baseline includes \$300,000 from the General Fund in FY 2023 for Washington, D.C. Internships. This amount is unchanged from FY 2022.

ABOR distributes monies in this line item in equal amounts to each of the 3 state universities to provide internships in partnership with a third-party organization. These monies fund approximately 40 student internships each year.

Western Interstate Commission Office

The Baseline includes \$153,000 from the General Fund in FY 2023 for the Western Interstate Commission Office. This amount is unchanged from FY 2022.

Monies in this line item pay the state’s share of administrative expenditures for the Western Interstate Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742. The WICHE central office sets the administrative fee.

WICHE Student Subsidies

The Baseline includes \$4,078,000 from the General Fund in FY 2023 for WICHE student subsidies. This amount is unchanged from FY 2022.

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.

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
- Commission for Postsecondary Education Transfer
- Arizona Financial Aid Trust
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- Tuition Distribution
- American Rescue Plan Act - Maintenance of Effort
- Auditor General Report
- University System Summary Tables

Statutory Changes

The Baseline would, as session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into the Arizona Financial Aid Trust (AFAT).

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, universitywide General Fund costs are projected to increase by \$89,100 in FY 2024 above FY 2023, and increase by \$156,100 in FY 2025 above FY 2024. These estimates are based on:

- A \$(500,000) decrease in FY 2024 to remove one-time funding for the UA Agriculture Workforce Development Program.
- Increases of \$10,300 in FY 2024 and decreases of \$(434,300) in FY 2025 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$578,800 and \$590,400 in FY 2024 and FY 2025, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation. *(Please see the 2017 University Infrastructure Funding section for more information.)*

Commission for Postsecondary Education Transfer

Laws 2021, Chapter 410 repeals CPSE and transfers its responsibilities to ABOR beginning January 1, 2022. While the FY 2022 General Appropriation Act appropriated monies to CPSE separately, Chapter 410 transfers all duties and unexpended monies to ABOR on the effective date. To simplify the budget display, the FY 2022 column of this budget does not reflect the transfer. *(Please see the Commission for Postsecondary Education section for more information.)*

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 \$84-\$112 in FY 2023 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 2023 Baseline continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2023. The Baseline also maintains each university's FY 2023 allocation of General Fund AFAT appropriations at their FY 2022 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2021, the state's match would be \$45,316,000, or an increase of \$35,274,800 over the \$10,041,200 appropriation in FY 2023.

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, pursuant to A.R.S. § 15-1670, universities deposit 20% of cumulative net income from the sale or transfer of intellectual property exceeding \$1,000,000 to AFAT.

In FY 2021, AFAT disbursed \$28,285,400. *(Please see Table 3 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. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects.

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. The appropriations are displayed in each individual university section. *(Please see Table 1 for more information.)*

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 appropriations are displayed in each individual university section.

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.

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.

Table 1

University Research Infrastructure Appropriations ^{1/}

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
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	13,428,800	4,889,300	14,255,800	32,573,900

^{1/} Research infrastructure General Fund appropriations as specified in A.R.S. § 15-1670, as amended by the FY 2017 Higher Education BRB.

ABOR's June 2021 tuition revenue report projected FY 2022 gross tuition and fees to be \$3.58 billion systemwide.

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 July 2021, the universities projected \$981.2 million in tuition waivers and awards in FY 2022, for a total net tuition of \$2.59 billion. Please see the July 15, 2021 Joint Legislative Budget Committee agenda for additional information on university tuition revenue projections.

American Rescue Plan Act – Maintenance of Effort

The American Rescue Plan (ARP) Act distributed \$341,098,371 from the Higher Education Emergency Relief Fund to the state's public universities and requires that 50% of the monies received be distributed to students as emergency financial aid grants. ARP also sets FY 2023 maintenance of effort (MOE) requirements for the state's receipt of Federal Funds from the Elementary and Secondary School Emergency Relief Fund (ESSER). Specifically, ARP requires states to maintain a proportional level of higher education support relative to the state's average overall spending for FY 2017, FY 2018, and FY 2019. If the MOE requirement is not met, the U.S. Department of Education states that it may recover the distributed funds or withhold additional distributions. The Executive is ultimately responsible for submitting the calculation to the federal government.

Auditor General Report

In June 2021, the Auditor General published an ABOR performance audit that included recommendations to improve oversight of agreements between the universities and university-affiliated organizations such as their foundations.

Based on findings that the universities lacked current agreements with affiliated organizations and did not consistently document transactions, the audit recommended ABOR revise its policies to require written agreements and documented exchanges between the universities and affiliated organizations, and that the board implement a process for ensuring the universities comply with transparency requirements.

In addition, the audit recommended that ABOR revise its policies to set expectations for information the universities should receive from affiliated organizations and implement a process to regularly obtain information from the universities on the activities of affiliated organizations and associated risks and liabilities.

University System Summary Tables

The University Summary Tables address the following:

- Total Spending Authority
- Financial Aid
- Enrollment

Total Spending Authority

In total, the universities' total projected spending authority in FY 2023 is \$7.8 billion, including \$834.9 million from the General Fund and \$3.58 billion of tuition/fee collections. *Table 2* summarizes the FY 2023

expenditure authority amounts for the Arizona University System.

Financial Aid

The Arizona University System distributed \$3.1 billion in financial aid in FY 2021. Of the total financial aid distributions, the federal government financed \$1.2 billion and university institutional sources provided \$1.3 billion. The latter includes \$1.0 billion of foregone tuition collections in the form of waivers and awards. (Please see Table 3 for details.)

Enrollment

Between fall 2020 and fall 2021, university enrollment increased from 192,079 FTE to 197,120, or 2.6%, as displayed in Table 4. ASU and UA enrollment increased 3.9% and 3.1%, respectively. This growth was largely due to increased enrollment in online programs. NAU enrollment decreased (3.5%), which included declines across nearly all geographic sites.

Table 2

FY 2023 Summary of Spending Authority

	Appropriated Funds			Non-Appropriated Funds		Total ^{2/}
	General Fund	Collections Fund	Other Funds	Federal Funds	Other Funds ^{1/}	
ABOR	\$ 31,596,900	\$ 0	\$1,537,100	\$ 186,200	\$ 44,542,600	\$ 77,862,800
ASU	363,441,500	597,718,800	0	534,638,800	2,543,695,900	4,039,495,000
NAU	126,552,800	134,983,300	0	136,247,600	353,401,000	751,184,700
UA-Main	236,364,500	304,589,000	0	225,133,800	1,431,692,100	2,197,779,400
UA-HSC	<u>76,897,700</u>	<u>56,363,300</u>	<u>0</u>	<u>191,643,000</u>	<u>373,452,800</u>	<u>698,356,800</u>
Total	\$834,853,400	\$1,093,654,400	\$1,537,100	\$1,087,849,400	\$4,746,784,400	\$7,764,678,700

^{1/} 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 \$2,486,230,900 based on FY 2022 amounts. This amount excludes FY 2023 enrollment growth and tuition rate changes.

^{2/} Total universitywide funding includes gross tuition revenues.

Table 3

FY 2021 Financial Aid Distribution by Source (\$ in Thousands) ^{1/}

	Federal	State ^{2/}	Institutional ^{3/}	Private/Other ^{4/}	Total
Grants	\$369,431.2	15,060.0	\$1,037,767.1	\$265,287.3	\$1,687,545.6
Loans	856,085.9	166.9	0.0	339,589.4	1,195,842.2
Employment	<u>13,940.2</u>	<u>0.0</u>	<u>210,311.2</u>	<u>0.0</u>	<u>224,251.4</u>
Total	\$1,239,457.3	\$15,226.9	\$1,248,078.3	\$604,876.7	\$3,107,639.2

^{1/} Information from ABOR FY 2021 Financial Aid Report.

^{2/} State sources of aid include revenues from the Commission for Postsecondary Education.

^{3/} Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

^{4/} Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

Table 4
Arizona University System 45th Day Enrollment ^{1/}

	<u>Fall 2020</u>	<u>Fall 2021</u>	<u>Fall 2020 to Fall 2021</u>
ASU-Tempe	55,804	57,835	3.6%
ASU-DPC	12,414	12,765	2.8%
ASU-East	5,227	5,497	5.2%
ASU-West	5,716	5,477	(4.2)%
ASU-Online ^{2/}	37,796	39,929	5.6%
ASU-Other	<u>535</u>	<u>575</u>	<u>7.5%</u>
<i>Subtotal</i>	<i>117,492</i>	<i>122,078</i>	<i>3.9%</i>
NAU-Flagstaff	21,610	21,028	(2.7)%
NAU-Online ^{2/}	3,213	2,973	(7.5)%
NAU-Other	<u>3,162</u>	<u>2,995</u>	<u>(5.3)%</u>
<i>Subtotal</i>	<i>27,985</i>	<i>26,996</i>	<i>(3.5)%</i>
UA-Tucson	40,034	40,579	1.4%
UA-PHX Biomedical	1,239	1,418	14.4%
UA-Online ^{2/}	4,176	4,847	16.1%
UA-Other	<u>1,153</u>	<u>1,202</u>	<u>4.2%</u>
<i>Subtotal</i>	<i>46,602</i>	<i>48,046</i>	<i>3.1%</i>
Total	192,079	197,120	2.6%

^{1/} FTE counts as reported by ABOR and the universities include both graduate and undergraduate students.
^{2/} Online enrollment represents students enrolled in online-only programs.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-572)		Non-Appropriated
Source of Revenue: Lottery proceeds.		
Purpose of Fund: To provide funding for the 5 Arizona Area Health Education Centers, which work to improve healthcare access for rural and underserved communities. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Promise Program Fund (BRA9999/A.R.S. § 15-1701)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To reimburse postsecondary institutions for Arizona Promise Program awards, pay the costs of administering the program, and for marketing and promotion expenses (which are capped at 3% of monies in the fund each fiscal year). Expenditures are not displayed to avoid double counting with the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Teacher Student Loan Program Fund (BRA2358/A.R.S. § 15-1784)		Non-Appropriated
Source of Revenue: Legislative appropriations and repayments of principal and interest of issued loans.		
Purpose of Fund: To provide up to 5-year loans to eligible in-state students pursuing a teaching degree or certificate in mathematics, science, and special education at a private school or university and who agree to a service commitment to teach in a public school. General Fund expenditures are not displayed to avoid double counting. Laws 2021, Chapter 410 transfers administration of this fund from the Commission for Postsecondary Education to the Arizona Board of Regents, effective January 1, 2022.		
Funds Expended	0	0
Year-End Fund Balance	0	905,300
Arizona Teachers Academy Fund (BRA9900/A.R.S. § 15-1655)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To reimburse postsecondary institutions for Arizona Teachers Academy scholarships, induction services for academy graduates, and marketing and promotion costs of the academy (which are capped at 3% of monies in the fund each fiscal year). Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
Funds Expended	0	0
Year-End Fund Balance	15,048,000	850,800
Federal Funds (BRA2000/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Grants from the United States Department of Education.		
Purpose of Fund: To support services in accordance with the terms of each specific grant.		
Funds Expended	0	0
Year-End Fund Balance	0	96,800
Postsecondary Education Fund (BRA2405/A.R.S. § 15-1853)		Appropriated
Source of Revenue: Monies appropriated by the Legislature and monies received from state agencies and political subdivisions of the state.		
Purpose of Fund: For designated purposes. Laws 2021, Chapter 410 transfers administration of this fund from the Commission for Postsecondary Education to the Arizona Board of Regents, effective January 1, 2022.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Private Donations Fund (BRA2402/A.R.S. §35-142)		Non-Appropriated
Source of Revenue: Monies received from private gifts, grants and donations.		
Purpose of Fund: Monies are used in accordance with the requests of the donor.		
Funds Expended	0	0
Year-End Fund Balance	0	90,600
Regents Local Fund (BRA1/A.R.S. § 15-1626)		Non-Appropriated
Source of Revenue: Contributions of retained monies from the 3 universities.		
Purpose of Fund: To supplement the ABOR operating budget.		
Funds Expended	5,290,600	6,781,400
Year-End Fund Balance	27,256,600	15,465,800

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax allocated pursuant to A.R.S. § 42-5029 and § 42-5029.02. The education sales tax established by Laws 2018, Chapter 74 replaced the Proposition 301 sales tax beginning in FY 2022.		
Purpose of Fund: To provide grants for university technology and research initiatives, with preference given to federal or private partnerships, as well as to programs for non-traditional students; also, for up to 20% of fund monies, to support capital projects, including debt service, relating to technology and research. The displayed expenditures represent only that portion of tax receipts utilized by ABOR. The board transfers all other receipts to university Restricted Funds, which reflect those monies.		
Funds Expended	4,928,500	37,761,200
Year-End Fund Balance	0	0
Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)		Non-Appropriated
Source of Revenue: Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively.		
Purpose of Fund: To operate agricultural and mechanical colleges, to support university Reserve Officers' Training Corps programs, to match private funds attracting distinguished faculty, and to operate teacher training programs, respectively. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona State University

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7,727.6	8,171.0	8,171.0 ^{1/}
Personal Services	528,723,700	546,217,600	546,217,600
Employee Related Expenditures	145,914,600	151,998,100	151,998,100
Professional and Outside Services	40,314,900	26,156,900	26,156,900
Travel - In State	11,300	70,000	70,000
Travel - Out of State	65,400	533,900	533,900
Other Operating Expenditures	67,627,700	110,041,200	91,209,900
Equipment	1,715,600	1,188,600	1,188,600
OPERATING SUBTOTAL	784,373,200	836,206,300	817,375,000
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	13,458,700	13,451,900	13,462,100 ^{2/}
2017 Capital Infrastructure Funding	12,381,200	12,533,500	12,784,200 ^{3/}
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,731,700	3,723,500	3,723,500
Eastern Europe Cultural Collaborative	0	250,000	0
Political History and Leadership Program	0	250,000	0
Downtown Phoenix Campus	104,874,100	104,815,500	104,815,500
School of Civic and Economic Thought and Leadership	3,024,700	5,764,200	3,014,200 ^{4/}
TRIF - Lease Purchase Payment	3,459,200	0	0
AGENCY TOTAL	931,288,600	982,980,700	961,160,300 ^{5/6/7/}
FUND SOURCES			
General Fund	324,717,400	385,261,900	363,441,500 ^{8/9/10/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	3,459,200	0	0
University Collections Fund	603,112,000	597,718,800	597,718,800 ^{11/}
SUBTOTAL - Other Appropriated Funds	606,571,200	597,718,800	597,718,800
SUBTOTAL - Appropriated Funds	931,288,600	982,980,700 ^{12/}	961,160,300
Other Non-Appropriated Funds	2,192,958,800	2,394,541,500	2,543,695,900
Federal Funds	580,777,200	534,638,800	534,638,800
TOTAL - ALL SOURCES	3,705,024,600	3,912,161,000	4,039,495,000

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 580.1 GF and 598 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ A.R.S. § 15-1670 appropriates \$13,462,100 to ASU from the General Fund in FY 2023 to finance lease-purchase payments for research infrastructure projects.
- 3/ A.R.S. § 15-1671 appropriates \$12,784,200 to ASU from the General Fund in FY 2023 for capital infrastructure projects.
- 4/ The appropriated amount for the school of civic and economic thought and leadership line item shall be used to operate a single stand-alone academic entity within Arizona state university. The appropriated amount may not supplant any existing state funding or private or external donations to the existing centers or to the school. The appropriated monies and all private and external donations to the school, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the school and may not be used for indirect costs of the university. On or before October 1, 2022, the school shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee that includes at least the following information for the school:

1. The total amount of funding received from all sources.
2. A description of faculty positions and courses offered.
3. The total undergraduate and graduate student enrollment.
4. Significant community events, initiatives or publications.

The chairpersons of the senate education committee and the house of representatives education committee may request the director of the school to appear before the committees to report on the school's annual achievements. (General Appropriation Act footnote)

- 5/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 6/ The appropriated monies may not be used by the Arizona state university college of law legal clinic for any lawsuits involving inmates of the state department of corrections in which this state is the adverse party. (General Appropriation Act footnote)
- 7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 9/ The FY 2023 General Fund Baseline is \$363,441,500. This amount would \$337,195,200 in ASU's individual section of the FY 2023 General Appropriation Act, \$13,462,100 in A.R.S. § 15-1670 lease-purchase appropriations, and \$12,784,200 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 10/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 11/ Any unencumbered balances remaining in the university collections fund on June 30, 2022 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 spent for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)
- 12/ 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

The Baseline includes \$817,375,000 and 6,992.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$275,821,400
University Collections Fund	541,553,600

FY 2023 adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(18,831,300) from the General Fund in FY 2023 to remove one-time operating funding.

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 Baseline includes \$13,462,100 from the General Fund in FY 2023 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2023 adjustments are as follows:

Refinance Adjustment

The Baseline includes an increase of \$10,200 from the General Fund in FY 2023 to adjust the Certificates of Participation (COPs) payment.

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 2023 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 ABOR section for more information.)*

2017 Capital Infrastructure Funding

The Baseline includes \$12,784,200 from the General Fund in FY 2023 for the 2017 Capital Infrastructure Funding line item. FY 2023 adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$250,700 from the General Fund in FY 2023 for a 2.0% increase in capital infrastructure funding.

A.R.S. § 15-1671 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 quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year (in the example of FY 2023, from the second quarter of CY 2020 to the second quarter of CY 2021). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The Baseline includes \$5,985,800 from the General Fund in FY 2023 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2022. *(Please see the ABOR section for more information.)*

Biomedical Informatics

The Baseline includes \$3,723,500 and 20.4 FTE Positions in FY 2023 for the Biomedical Informatics Department. These amounts consist of:

General Fund	1,879,100
University Collections Fund	1,844,400

These amounts are unchanged from FY 2022.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data.

Eastern Europe Cultural Collaborative

The Baseline includes no funding from the General Fund in FY 2023 for the Eastern Europe Cultural Collaborative. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove one-time funding for the Eastern Europe Cultural Collaborative. The FY 2022 budget required these 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 Baseline includes no funding from the General Fund in FY 2023 for the Political History and Leadership Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove one-time funding for expansion of the Political History and Leadership Program within the ASU School of Historical, Philosophical and Religious Studies. The FY 2022 budget required that the monies be used at the sole discretion and approval of the program's lead.

Downtown Phoenix Campus

The Baseline includes \$104,815,500 and 1,134.4 FTE Positions in FY 2023 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	50,494,700
University Collections Fund	54,320,800

These amounts are unchanged from FY 2022.

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 Baseline includes \$3,014,200 and 23.3 FTE Positions from the General Fund in FY 2023 for the School of Civic and Economic Thought and Leadership (SCETL) line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,750,000) from the General Fund in FY 2023 to remove one-time funding for SCETL.

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.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- University Collections and FTE Positions Adjustments

Summary

ASU's FY 2023 General Fund Baseline is \$363,441,500. Of this amount:

- \$337,195,200 is included in ASU's individual section of the FY 2023 General Appropriation Act.
- \$13,462,100 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$12,784,200 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ASU's General Fund costs are projected to increase by \$261,800 in FY 2024 above FY 2023, and increase by \$251,900 in FY 2025 above FY 2024.

These estimates are based on:

- A \$6,100 increase in FY 2024 and \$(8,900) decrease in FY 2025 to adjust for university debt service costs.
- Increases of \$255,700 in FY 2024 and \$260,800 in FY 2024 to increase the university's annual Capital Infrastructure Funding appropriation.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2022 General Appropriation Act appropriated \$599,978,900 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 2022 to the Joint Legislative Budget Committee in June 2021, and ASU incorporated the adjusted FY 2022 amounts as part of their FY 2023 budget submission. Accordingly, the estimated FY 2022 amount has been adjusted by \$(2,260,100) to \$597,718,800.

The FY 2022 FTE Position count has also been adjusted. The FY 2022 General Appropriation Act originally appropriated 7,727.6 FTE Positions in FY 2022 for ASU. The General Fund accounted for 2,550 FTE Positions and the University Collections Fund accounted for the remaining 5,177.6 FTE Positions. The estimated number of FY 2022 FTE Positions has been adjusted by 443.4 to 8,171. The General Fund accounts for 3,044.2 FTE Positions and the University Collections Fund accounts for the remaining 5,126.8 FTE Positions.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	114,845,700	159,849,900
Year-End Fund Balance	16,475,200	6,011,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Capital Infrastructure Fund - ASU (UNI3001/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. ASU received a General Fund appropriation of \$11,927,400 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are repaid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	108,125,900	278,749,900
Year-End Fund Balance	177,889,100	157,164,200
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	1,466,160,300	1,602,860,400
Year-End Fund Balance	423,500,300	487,869,800
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	243,978,200	243,978,200
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	534,764,800	473,903,900
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	46,012,400	60,734,900
Year-End Fund Balance	35,840,000	39,109,200
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	25,909,900	24,807,200
Year-End Fund Balance	20,132,000	21,430,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	2,778,500	0
Year-End Fund Balance	11,219,200	11,219,200
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	463,516,100	317,117,800
Year-End Fund Balance	71,023,900	63,894,100
Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)		Appropriated
Source of Revenue: A portion of the 0.6% education sales tax allocated pursuant to A.R.S. § 42-5029 and § 42-5029.02. The education sales tax established by Laws 2018, Chapter 74 replaced the Proposition 301 sales tax beginning in FY 2022.		
Purpose of Fund: To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	3,459,200	0
Year-End Fund Balance	0	0
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	11,622,400	11,156,300
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	603,112,000	597,718,800
Year-End Fund Balance	0	0

Northern Arizona University

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,325.7	2,619.3	2,619.3 ^{1/}
Personal Services	143,432,700	147,524,600	147,524,600
Employee Related Expenditures	47,949,500	49,027,000	49,027,000
Professional and Outside Services	9,810,800	14,841,400	14,841,400
Travel - In State	28,800	398,000	398,000
Travel - Out of State	9,200	600	600
Other Operating Expenditures	27,571,100	38,326,100	29,319,800
Equipment	155,500	83,000	83,000
OPERATING SUBTOTAL	228,957,600	250,200,700	241,194,400
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	4,879,500	5,039,800	5,301,500 ^{2/}
2017 Capital Infrastructure Funding	4,692,900	4,750,600	4,845,600 ^{3/}
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research	3,000,000	3,000,000	3,000,000 ^{4/}
Economic Policy Institute	500,300	750,300	500,300 ^{5/}
NAU - Yuma	3,076,600	3,075,600	3,075,600
Teacher Training	2,293,000	2,292,700	2,292,700 ^{6/}
AGENCY TOTAL	248,725,900	270,435,700	261,536,100 ^{7/8/}
FUND SOURCES			
General Fund	109,804,600	135,452,400	126,552,800 ^{9/10/11/}
<u>Other Appropriated Funds</u>			
University Collections Fund	138,921,300	134,983,300	134,983,300 ^{12/}
SUBTOTAL - Other Appropriated Funds	138,921,300	134,983,300	134,983,300
SUBTOTAL - Appropriated Funds	248,725,900	270,435,700 ^{13/}	261,536,100
Other Non-Appropriated Funds	304,132,400	324,920,700	353,401,000
Federal Funds	129,194,200	134,986,900	136,247,600
TOTAL - ALL SOURCES	682,052,500	730,343,300	751,184,700

AGENCY DESCRIPTION — Established in 1899, Northern Arizona University (NAU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). The university's primary focus is undergraduate residential education.

FOOTNOTES

- 1/ Includes 37.8 GF FTE Positions funded from Special Line Items in FY 2023.
- 2/ A.R.S. § 15-1670 appropriates \$5,301,500 to NAU from the General Fund in FY 2023 to finance lease-purchase payments for research infrastructure projects.
- 3/ A.R.S. § 15-1671 appropriates \$4,845,600 to NAU from the General Fund in FY 2023 for capital infrastructure projects.
- 4/ The biomedical research funding shall be distributed to a nonprofit medical research foundation in this state that collaborates with universities, hospitals 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, 2023. 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)
- 5/ The appropriated amount for the economic policy institute line item may not supplant any existing state funding or private or external donations to the institute or to the university. The appropriated monies and all private and external donations to the institute, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the institute and may not be used for indirect costs of the university. On or before October 1, 2022, the institute shall submit to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee a report that includes at least the following information for the institute:
1. The total amount of funding received from all sources.
 2. A description of the faculty positions and courses offered.
 3. The total undergraduate and graduate student participation.
 4. Significant community events, initiatives or publications.
- The chairpersons of the senate education committee and the house of representatives education committee may request the director of the institute to appear before the committees to report on the institute's annual achievements. (General Appropriation Act footnote)
- 6/ The appropriated amount for the teacher training line item shall be distributed to the Arizona K-12 center for program implementation and mentor training for the Arizona mentor teacher program prescribed by the state board of education. (General Appropriation Act footnote)
- 7/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 10/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 11/ The FY 2023 General Fund Baseline is \$126,552,800. This amount would include \$116,405,700 in NAU's individual section of the FY 2023 General Appropriation Act, \$5,301,500 in A.R.S. § 15-1670 lease-purchase appropriations, and \$4,845,600 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 12/ Any unencumbered balances remaining in the university collections fund on June 30, 2022 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 spent for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)
- 13/ 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 Baseline includes \$241,194,400 and 2,581.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$106,211,100
University Collections Fund	134,983,300

FY 2023 adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(9,006,300) from the General Fund in FY 2023 to remove one-time operating funding.

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 Baseline includes \$5,301,500 from the General Fund in FY 2023 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2023 adjustments are as follows:

Refinance Adjustment

The Baseline includes an increase of \$261,700 from the General Fund in FY 2023 to adjust the Certificates of Participation (COPs) payment.

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 2023 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 ABOR section for more information.)

2017 Capital Infrastructure Funding

The Baseline includes \$4,845,600 from the General Fund in FY 2023 for the 2017 Capital Infrastructure Funding line item. FY 2023 adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$95,000 from the General Fund in FY 2023 for a 2.0% increase in capital infrastructure funding.

A.R.S. § 15-1671 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 2023 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 quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year (in the example of FY 2023, from the second quarter of CY 2020 to the second quarter of CY 2021). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The Baseline includes \$1,326,000 from the General Fund in FY 2023 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2022. *(Please see the ABOR section for more information.)*

Biomedical Research

The Baseline includes \$3,000,000 from the General Fund in FY 2023 for the Biomedical Research line item. This amount is unchanged from FY 2022.

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.)*

Economic Policy Institute

The Baseline includes \$500,300 from the General Fund in FY 2023 for the Economic Policy Institute line item. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove one-time funding for the Economic Policy Institute.

The funding for the Economic Policy Institute is used to support the institute's mission of rural economic development, financial literacy, and entrepreneurialism.

NAU - Yuma

The Baseline includes \$3,075,600 and 37.8 FTE Positions from the General Fund in FY 2023 for NAU-Yuma. These amounts are unchanged from FY 2022.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

Teacher Training

The Baseline includes \$2,292,700 from the General Fund in FY 2023 for Teacher Training. This amount is unchanged from FY 2022.

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
- University Collections and FTE Positions Adjustments

Summary

NAU's FY 2023 General Fund Baseline is \$126,552,800. Of this amount:

- \$116,405,700 would be included in NAU's individual section of the FY 2023 General Appropriation Act.
- \$5,301,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,845,600 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, NAU's General Fund costs are projected to increase by \$98,300 in FY 2024 above FY 2023 and decrease by \$(318,500) in FY 2025 below FY 2024.

These estimates are based on:

- An increase of \$1,400 in FY 2024 and a decrease of \$(417,400) in FY 2025 to adjust for university debt service costs.
- Increases of \$96,900 in FY 2024 and \$98,900 in FY 2025 to increase the university's annual Capital Infrastructure Funding appropriation.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2022 General Appropriation Act appropriated \$139,466,800 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 2022 to the Joint Legislative Budget Committee in June 2021, and NAU incorporated the adjusted FY 2022 amounts as part of their FY 2023 budget submission. Accordingly, the estimated FY 2022 amount has been adjusted downward by \$(4,483,500) to \$134,983,300.

The FY 2022 FTE Position count has also been adjusted. The FY 2022 General Appropriation Act originally appropriated 2,653.5 FTE Positions in FY 2022 for NAU. The General Fund accounted for 1,064.1 FTE Positions and the University Collections Fund accounted for the remaining 1,589.4 FTE Positions. The estimated number of FY 2022 FTE Positions has been adjusted downward by (34.2) to 2,619.3. The General Fund accounts for 1,226.6 FTE Positions and the University Collections Fund accounts for the remaining 1,392.7 FTE Positions.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	76,744,000	97,362,800
Year-End Fund Balance	37,828,100	37,850,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Capital Infrastructure Fund - NAU (UNI3002/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. NAU received a General Fund appropriation of \$4,520,900 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are paid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. <i>(Please see the Capital Outlay ABOR Building System narrative for more information).</i> Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	44,617,900	35,564,900
Year-End Fund Balance	43,840,500	64,113,300
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	124,250,500	128,308,900
Year-End Fund Balance	27,222,800	23,821,900
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	33,557,300	46,960,400
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	122,016,800	123,236,900
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	7,177,400	11,750,000
Year-End Fund Balance	21,836,300	25,341,300
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	7,827,200	12,857,900
Year-End Fund Balance	21,836,500	25,336,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Federal student loan program awards and interest collected on outstanding federal student loans.		
<i>Purpose of Fund:</i> To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	365,700	100,000
Year-End Fund Balance	769,600	699,600
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
<i>Purpose of Fund:</i> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	40,268,400	40,671,100
Year-End Fund Balance	15,176,200	15,176,000
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
<i>Source of Revenue:</i> University system revenues.		
<i>Purpose of Fund:</i> To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (<i>Please see the Capital Outlay ABOR Building System narrative for more information</i>).		
Funds Expended	10,058,700	10,055,100
Year-End Fund Balance	0	0
University Collections Fund (NAA1421/A.R.S. § 15-1626)		Appropriated
<i>Source of Revenue:</i> Tuition and registration fees.		
<i>Purpose of Fund:</i> To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	138,921,300	134,983,300
Year-End Fund Balance	0	0

University of Arizona - Main Campus

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,767.2	5,975.5	5,975.5 ^{1/}
Personal Services	307,463,100	303,304,400	303,304,400
Employee Related Expenditures	102,783,100	101,288,000	101,288,000
Professional and Outside Services	9,671,600	10,089,800	10,089,800
Travel - In State	11,200	39,900	39,900
Travel - Out of State	39,500	438,000	438,000
Other Operating Expenditures	61,056,800	43,331,900	30,231,900
Equipment	2,762,900	7,000	7,000
OPERATING SUBTOTAL	483,788,200	458,499,000	445,399,000
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	14,251,500	14,248,900	14,252,500 ^{2/}
2017 Capital Infrastructure Funding	10,953,200	11,087,900	11,309,700 ^{3/}
Agriculture	41,325,300	37,317,700	37,317,700
Arizona Cooperative Extension	14,676,400	15,077,000	15,077,000
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	948,500	1,148,500	1,148,500 ^{4/}
Center for the Philosophy of Freedom	2,556,800	3,763,700	2,513,700 ^{5/}
Kazakhstan Studies Program	0	250,000	0
Mining, Mineral and Natural Resources Educational Museum	428,800	428,800	428,800
Natural Resource Users Law and Policy Center	0	500,000	500,000 ^{6/}
School of Mining	0	4,000,000	4,000,000
Sierra Vista Campus	4,361,500	6,277,200	6,277,200
AGENCY TOTAL	576,019,600	555,328,100	540,953,500 ^{7/8/}
FUND SOURCES			
General Fund	207,722,200	250,739,100	236,364,500 ^{9/10/11/}
<u>Other Appropriated Funds</u>			
University Collections Fund	368,297,400	304,589,000	304,589,000 ^{12/}
SUBTOTAL - Other Appropriated Funds	368,297,400	304,589,000	304,589,000
SUBTOTAL - Appropriated Funds	576,019,600	555,328,100 ^{13/}	540,953,500
Other Non-Appropriated Funds	1,202,283,400	1,431,692,100	1,431,692,100
Federal Funds	219,410,400	225,133,800	225,133,800
TOTAL - ALL SOURCES	1,997,713,400	2,212,154,000	2,197,779,400

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 1,297.8 GF and 302.9 OF FTE Positions funded from Special Line Items in FY 2023.
- ^{2/} A.R.S. § 15-1670 appropriates \$14,252,500 to UA-Main from the General Fund in FY 2023 to finance lease-purchase payments for research infrastructure projects.
- ^{3/} A.R.S. § 15-1671 appropriates \$11,309,700 to UA-Main from the General Fund in FY 2023 for capital infrastructure projects.
- ^{4/} 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)

- 5/ 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, 2022, 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)
- 6/ 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)
- 7/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 10/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 11/ The FY 2023 General Fund Baseline is \$236,364,500. This amount includes \$210,802,300 in UA - Main's individual section of the FY 2023 General Appropriation Act, \$14,252,500 in A.R.S. § 15-1670 lease-purchase appropriations, and \$11,309,700 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 12/ Any unencumbered balances remaining in the university collections fund on June 30, 2022 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 spent for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)
- 13/ 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 Baseline includes \$445,399,000 and 4,374.8 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$152,999,300
University Collections Fund	292,399,700

FY 2023 adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(9,600,000) from the General Fund in FY 2023 to remove one-time operating funding.

Remove One-Time Wind Tunnel Funding

The Baseline includes a decrease of \$(3,500,000) from the General Fund in FY 2023 to remove one-time funding for materials, labor and installation costs related to the research, development and infrastructure upgrades of a hypersonic wind tunnel.

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 Baseline includes \$14,252,500 from the General Fund in FY 2023 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2023 adjustments are as follows:

Refinance Adjustment

The Baseline includes an increase of \$3,600 from the General Fund in FY 2023 to adjust the Certificates of Participation (COPs) payment.

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 2023 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 ABOR section for more information.)

2017 Capital Infrastructure Funding

The Baseline includes \$11,309,700 from the General Fund in FY 2023 for the 2017 Capital Infrastructure Funding line item. FY 2023 adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$221,800 from the General Fund in FY 2023 for a 2.0% increase in Capital Infrastructure Funding.

A.R.S. § 15-1671 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 2023 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 quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year (in the example of FY 2023, from the second quarter of CY 2020 to the second quarter of CY 2021). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Agriculture

The Baseline includes \$37,317,700 and 1,100.6 FTE Positions in FY 2023 for the Agriculture Programs. These amounts consist of:

General Fund	28,642,300
University Collections Fund	8,675,400

These amounts are unchanged from FY 2022.

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The Baseline includes \$15,077,000 and 350.4 FTE Positions from the General Fund in FY 2023 for the Arizona Cooperative Extension. These amounts are unchanged from FY 2022.

The FY 2022 budget included a one-time increase of \$500,000 from the General Fund in FY 2022 to provide funding for the Agriculture Workforce Development Program. The 3-year budget plan also included \$500,000 in one-time funding in FY 2023. This funding will be removed in FY 2024.

Laws 2021, Chapter 410 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.

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

Arizona Financial Aid Trust

The Baseline includes \$2,729,400 from the General Fund in FY 2023 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2022. *(Please see the ABOR section for more information).*

Arizona Geological Survey

The Baseline includes \$1,148,500 from the General Fund in FY 2023 for the Arizona Geological Survey. These amounts are unchanged from FY 2022.

The Geological Survey investigates Arizona's geology and provides technical advice and assistance to state and local government agencies, industry and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona.

Center for the Philosophy of Freedom

The Baseline includes \$2,513,700 and 41.2 FTE Positions from the General Fund in FY 2023 for the Center for the Philosophy of Freedom (CPF). FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,250,000) from the General Fund in FY 2023 to remove one-time CPF funding.

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 Baseline includes no funding from the General Fund in FY 2023 for the Kazakhstan Studies Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove one-time funding for the Kazakhstan Studies Program. The FY 2022 budget required the monies to be used to facilitate academic exchanges between university students and academic institutions in Kazakhstan.

Mining, Mineral and Natural Resources Educational Museum

The Baseline includes \$428,800 and 1 FTE Position from the General Fund in FY 2023 for the Mining, Mineral, and Natural Resources Educational Museum. These amounts are unchanged from FY 2022.

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 Baseline includes \$500,000 and 5.4 FTE Positions from the General Fund in FY 2023 for the Natural Resource Users Law and Policy Center. These amounts are unchanged from FY 2022.

This line item funds pro bono assistance to claimants who are small landowners in the general stream adjudication of water rights. 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.

School of Mining

The Baseline includes \$4,000,000 and 18.2 FTE Positions from the General Fund in FY 2023 for the School of Mining. These amounts are unchanged from FY 2022.

This line item provides operating funding for the UA School of Mining.

Sierra Vista Campus

The Baseline includes \$6,277,200 and 83.9 FTE Positions in FY 2023 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,763,300
University Collections Fund	3,513,900

These amounts are unchanged from FY 2022.

UA - Sierra Vista offers upper-division undergraduate programs for community college transfer students. While ABOR authorized this UA branch campus for Sierra Vista in 1995, the Legislature has not formally established the campus in statute.

Other Issues

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- University Collections and FTE Positions Adjustments

Summary

UA - Main's FY 2023 General Fund Baseline is \$236,364,500. Of this amount:

- \$210,802,300 would be included in UA - Main's individual section of the FY 2023 General Appropriation Act.
- \$14,252,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$11,309,700 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, UA - Main's General Fund costs are projected to decrease by \$(271,000) in FY 2024 below FY 2023, and increase by \$222,700 in FY 2025 above FY 2024.

These estimates are based on:

- A \$(500,000) decrease in FY 2024 to remove one-time funding for the Agriculture Workforce Development Program.
- A \$2,800 increase in FY 2024 and a \$(8,000) decrease in FY 2025 to adjust for university debt service costs.
- Increases of \$226,200 in FY 2024 and \$230,700 in FY 2025 to increase the university's annual Capital Infrastructure Funding.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2022 General Appropriation Act appropriated \$317,757,200 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 2022 to the Joint Legislative Budget Committee in June 2021, and UA incorporated the adjusted FY 2022 amounts as part of their FY 2023 budget submission. Accordingly, the estimated FY 2022 amount has been adjusted downward by \$(13,168,200) to \$304,589,000.

The FY 2022 FTE Position count has also been adjusted. The FY 2022 General Appropriation Act originally appropriated 5,769.2 FTE Positions in FY 2022 for UA - Main. The General Fund accounted for 2,619.8 FTE Positions and the University Collections Fund accounted for the remaining 3,149.4 FTE Positions. The estimated number of FY 2022 FTE Positions has been adjusted by 206.3 to 5,975.5. The General Fund accounts for 2,884.4 FTE Positions and the University Collections Fund accounts for the remaining 3,091.1 FTE Positions.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	175,300,200	276,758,200
Year-End Fund Balance	46,702,700	39,371,700
Capital Infrastructure Fund - UA (UNI3003/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: General Fund appropriations and university local funds. UA received a General Fund appropriation of \$10,551,700 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
Purpose of Fund: To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are repaid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<i>Purpose of Fund:</i> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	192,316,100	266,972,600
Year-End Fund Balance	291,935,400	297,669,200
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Retained tuition and fees.		
<i>Purpose of Fund:</i> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	437,799,500	538,346,200
Year-End Fund Balance	203,471,500	207,541,000
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
<i>Purpose of Fund:</i> To support endowment operations and compensate designated beneficiaries.		
Funds Expended	21,837,600	22,274,300
Year-End Fund Balance	179,129,000	180,065,000
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
<i>Source of Revenue:</i> Federal grants and contracts.		
<i>Purpose of Fund:</i> To support specific operating and research purposes as identified by the federal government.		
Funds Expended	168,596,300	173,578,100
Year-End Fund Balance	19,139,200	17,804,200
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote federally-sponsored research.		
Funds Expended	49,725,400	50,719,900
Year-End Fund Balance	0	0
Geological Survey Fund (UNI3030/A.R.S. § 27-107)		Non-Appropriated
<i>Source of Revenue:</i> Indirect cost recovery funds, and other state and local grants, fees, contracts, agreements, MOUs and other university funds.		
<i>Purpose of Fund:</i> To investigate and describe Arizona's geologic setting and to finance map publication and production expenses.		
Funds Expended	141,800	99,000
Year-End Fund Balance	518,400	531,400
Geological Survey Fund - Federal Grants (UNI3031/A.R.S. § 27-107)		Non-Appropriated
<i>Source of Revenue:</i> Federal grants and contracts.		
<i>Purpose of Fund:</i> To carry out federal grants and contracts awarded to the Arizona Geological Survey.		
Funds Expended	1,088,700	835,800
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Geological Survey Fund - Mining, Mineral and Natural Resources Educational Museum		Non-Appropriated
Account (UNI9999/A.R.S. § 27-107)		
Source of Revenue: Ongoing revenues from the Arizona Centennial Special Fund established by A.R.S. § 28-2448 are deposited in this account of the Geological Survey Fund. Donations or other financial contributions can be deposited into this account.		
Purpose of Fund: Monies in this account are to be used exclusively for the restoration, maintenance, and operations of the Mining, Mineral, and Natural Resources Educational Museum.		
Funds Expended	8,500	22,100
Year-End Fund Balance	2,277,100	2,425,000
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	10,624,500	10,837,000
Year-End Fund Balance	0	0
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	1,053,500	1,066,000
Year-End Fund Balance	27,291,500	26,225,500
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	337,168,400	289,303,100
Year-End Fund Balance	74,618,900	73,842,500
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	26,033,300	26,013,600
Year-End Fund Balance	0	0
University Collections Fund (UAA1402/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	368,297,400	304,589,000
Year-End Fund Balance	0	0

University of Arizona - Health Sciences Center

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,308.8	1,268.7	1,268.7 ^{1/}
Personal Services	47,011,600	56,320,500	56,320,500
Employee Related Expenditures	14,784,700	17,707,500	17,707,500
Professional and Outside Services	675,100	568,500	568,500
Travel - In State	2,800	21,000	21,000
Travel - Out of State	3,400	67,400	67,400
Other Operating Expenditures	4,556,300	11,770,800	11,770,800
Equipment	243,200	0	0
OPERATING SUBTOTAL	67,277,100	86,455,700	86,455,700 ^{2/}
SPECIAL LINE ITEMS			
Clinical Rural Rotation	353,600	353,600	353,600
Clinical Teaching Support	8,587,000	8,587,000	8,587,000
Liver Research Institute	440,400	440,400	440,400
Phoenix Medical Campus	35,343,300	35,754,300	35,754,300
Telemedicine Network	1,670,000	1,670,000	1,670,000
AGENCY TOTAL	113,671,400	133,261,000	133,261,000 ^{3/4/}

FUND SOURCES			
General Fund	76,897,700	76,897,700	76,897,700 ^{5/6/}
<u>Other Appropriated Funds</u>			
University Collections Fund	36,773,700	56,363,300	56,363,300 ^{7/}
SUBTOTAL - Other Appropriated Funds	36,773,700	56,363,300	56,363,300
SUBTOTAL - Appropriated Funds	113,671,400	133,261,000 ^{8/}	133,261,000
Other Non-Appropriated Funds	328,851,500	373,452,800	373,452,800
Federal Funds	187,494,600	191,643,000	191,643,000
TOTAL - ALL SOURCES	630,017,500	698,356,800	698,356,800

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 409.4 GF and 95.1 OF FTE Positions funded from Special Line Items in FY 2023.
- 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/ Any unencumbered balances remaining in the university collections fund on June 30, 2022 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 spent for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

8/ 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 Baseline includes \$86,455,700 and 764.2 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$42,576,900
University Collections Fund	43,878,800

These amounts are unchanged from FY 2022.

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 Baseline includes \$353,600 and 5.9 FTE Positions from the General Fund in FY 2023 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2022.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

Clinical Teaching Support

The Baseline includes \$8,587,000 and 205.2 FTE Positions from the General Fund in FY 2023 for Clinical Teaching Support. These amounts are unchanged from FY 2022.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions.

Liver Research Institute

The Baseline includes \$440,400 and 6.3 FTE Positions from the General Fund in FY 2023 for the Liver Research Institute. These amounts are unchanged from FY 2022.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The Baseline includes \$35,754,300 and 272.4 FTE Positions in FY 2023 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,269,800
University Collections Fund	12,484,500

These amounts are unchanged from FY 2022.

Telemedicine Network

The Baseline includes \$1,670,000 and 14.7 FTE Positions from the General Fund in FY 2023 for the Telemedicine Network. These amounts are unchanged from FY 2022.

Telemedicine is the use of computers, video imaging, broadband Internet, and other telecommunication technologies to diagnose and treat patients in rural communities.

Other Issues

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2022 General Appropriation Act appropriated \$56,863,400 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 2022 to the Joint Legislative Budget Committee in June 2021, and UA incorporated the adjusted FY 2022 amounts as part of their FY 2023 budget submission. Accordingly, the estimated FY 2022 amount has been adjusted downward by \$(500,100) to \$56,363,300.

The FY 2022 FTE Position count has also been adjusted. The FY 2022 General Appropriations Act originally appropriated 1,308.8 FTE Positions in FY 2022 for the UA - HSC. The General Fund accounted for 784.1 FTE Positions and the University Collections Fund accounted for the remaining 524.7 FTE Positions. The estimated number of FY 2022 FTE Positions has been adjusted by (40.1) to 1,268.7. The General Fund accounts for 785.7 FTE Positions and the University Collections Fund accounts for the remaining 483 FTE Positions.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	1,463,500	982,800
Year-End Fund Balance	419,300	423,900
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	201,415,000	215,545,400
Year-End Fund Balance	99,962,500	101,961,900
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
Funds Expended	26,624,800	34,775,900
Year-End Fund Balance	15,290,600	15,596,400
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	19,252,800	19,637,900
Year-End Fund Balance	177,708,100	181,624,400
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	142,120,500	145,361,400
Year-End Fund Balance	31,210,600	30,664,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote federally-sponsored research.		
Funds Expended	45,374,100	46,281,600
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Non-federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote non-federally-sponsored research.		
Funds Expended	6,078,100	6,199,700
Year-End Fund Balance	0	0
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Federal student loan program awards and interest collected on outstanding federal student loans.		
<i>Purpose of Fund:</i> To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
Funds Expended	0	0
Year-End Fund Balance	3,988,600	5,913,500
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
<i>Source of Revenue:</i> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
<i>Purpose of Fund:</i> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	74,017,300	96,311,100
Year-End Fund Balance	53,409,000	56,382,000
University Collections Fund (UAA1403/A.R.S. § 15-1626)		Appropriated
<i>Source of Revenue:</i> Tuition and registration fees.		
<i>Purpose of Fund:</i> To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	36,773,700	56,363,300
Year-End Fund Balance	0	0

Department of Veterans' Services

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	760.3	772.3	772.3 ^{1/}
Personal Services	1,415,000	1,197,500	1,197,500
Employee Related Expenditures	500,900	459,300	459,300
Professional and Outside Services	6,000	5,900	5,900
Travel - In State	14,600	14,400	14,400
Travel - Out of State	1,100	1,100	1,100
Other Operating Expenditures	391,000	629,200	629,200
Equipment	72,700	56,600	56,600
OPERATING SUBTOTAL	2,401,300	2,364,000	2,364,000
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	955,900	941,600	941,600
Arizona State Veterans' Homes	35,994,700	50,519,000	50,519,000
Hyperbaric Oxygen Therapy Reimbursement	0	0	25,000 ^{2/}
Veterans' Benefit Counseling	2,542,600	3,643,800	3,601,800
Veterans' Support Services	931,400	1,226,100	1,226,100 ^{3/}
Veterans' Suicide Prevention	0	0	0 ^{4/}
Veterans' Trauma Treatment Services	0	450,000	450,000 ^{5/}
AGENCY TOTAL	42,825,900	59,144,500	59,127,500 ^{6/}
FUND SOURCES			
General Fund	6,831,200	8,625,500	8,583,500
<u>Other Appropriated Funds</u>			
Hyperbaric Oxygen Therapy for Military Veterans Fund	0	0	25,000
State Homes for Veterans' Trust Fund	35,994,700	50,519,000	50,519,000
SUBTOTAL - Other Appropriated Funds	35,994,700	50,519,100	50,544,000
SUBTOTAL - Appropriated Funds	42,825,900	59,144,500	59,127,500
Other Non-Appropriated Funds	4,391,700	2,950,400	2,950,400
Federal Funds	12,732,700	21,641,800	21,641,800
TOTAL - ALL SOURCES	59,950,300	83,736,700	83,719,700

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 2023.
- 2/ Laws 2018, Chapter 98 established the Hyperbaric Oxygen Therapy for Military Veterans Fund and made an initial deposit of \$25,000 from the General Fund. Chapter 98 advanced appropriated \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023 for reimbursement.
- 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)
- 4/ Laws 2021, Chapter 408 appropriated \$100,000 from the Veterans' Income Tax Settlement Fund in FY 2021 for veteran suicide prevention. The appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2023. At the time of this publication, the appropriation had not been spent.

- 5/ 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)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,364,000 and 46.8 FTE Positions from the General Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

Arizona State Veterans' Cemeteries

The Baseline includes \$941,600 and 12.5 FTE Positions from the General Fund in FY 2023 for the Arizona State Veterans' Cemeteries. These amounts are unchanged from FY 2022.

Monies in this line item are used to partially offset the operating and maintenance costs for the 3 veteran cemeteries in Sierra Vista, Marana, and Bellmont. The department also receives interment fees from the federal government, which are deposited into the non-appropriated Arizona State Veterans' Cemetery Trust Fund.

Arizona State Veterans' Homes

The Baseline includes \$50,519,000 and 644 FTE Positions from the State Homes for Veterans' Trust Fund in FY 2023 for the Arizona State Veterans' Homes. These amounts are unchanged from FY 2022.

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.

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. Additional homes in Flagstaff and Yuma are currently under construction.

Hyperbaric Oxygen Therapy Reimbursement

The Baseline includes \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund in FY 2023 for

Hyperbaric Oxygen Therapy Reimbursement. FY 2023 adjustments are as follows:

General Fund Reimbursement

The Baseline includes an increase of \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund in FY 2023 for deposit to the General Fund.

Laws 2018, Chapter 98 created the Hyperbaric Oxygen Therapy for Military Veterans Fund and made an initial deposit of \$25,000 from the General Fund. The bill required 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.

Chapter 98 advanced appropriated \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023. As a result, this funding will not appear in the FY 2023 General Appropriation Act.

Veterans' Benefit Counseling

The Baseline includes \$3,601,800 and 69 FTE Positions from the General Fund in FY 2023 for Veterans' Benefit Counseling. FY 2023 adjustments are as follows:

Remove One-Time Equipment Funding

The Baseline includes a decrease of \$(42,000) from the General Fund in FY 2023 to remove one-time equipment funding associated with hiring additional benefit counselors.

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 Baseline includes \$1,226,100 from the General Fund in FY 2023 for Veterans' Support Services. These amounts are unchanged from FY 2022.

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. Prior to spending the appropriation, the department is required to submit an expenditure report to JLBC that includes the status of non-state matching grant monies.

Veterans' Trauma Treatment Services

The Baseline includes \$450,000 from the General Fund in FY 2023 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2022.

Monies appropriated for this line item shall be used to provide grants to contractors as defined in A.R.S. § 36-2901, that provide trauma treatment services training to any of the following health professionals licensed pursuant to Title 32, Arizona Revised Statutes: Physicians, Registered Nurse Practitioners, Physician Assistants, Psychologists, and Behavioral Health Professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner, or behavioral health professional licensed pursuant to Title 32, Arizona Revised Statutes, for independent practice.

Other Issues

Northwestern Veterans' Home

The FY 2022 budget included \$25,000,000 from the General Fund 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. As of the quarterly meeting in October 2021, the department has not selected a location.

Auditor General Report

In August 2021, the Auditor General published a Department of Veterans' Services and Veterans Services Advisory Commission performance audit and sunset review that included recommendations for improving the department's policies and procedures.

Based on findings that the department did not comply with statutory requirements for awarding and monitoring grants from the Veterans' Donations Fund, the audit recommended that the department work to ensure grantees provide required deliverables and return unexpended monies at the end of grant projects.

The audit also found that ADVS did not collect \$45,000 in owed revenue from a contractor for veterans' benefits services. The Auditor General recommends that ADVS collect their owed revenue, review the ongoing need for the contract, and establish a process for collecting future payments.

In addition, the audit found that the department had not spent \$43,000 in Gold Start Family license plate fee revenues for maintenance of the Enduring Freedom Memorial pursuant to A.R.S. § 41-1363 and made other recommendations for compliance with requirements for IT security procedures, open meeting laws, conflict-of-interest procedures, and resolving Veterans' Homes resident grievances.

In its response to the audit, ADVS agreed with the findings and plans to implement all recommendations.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona State Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)		Non-Appropriated
Source of Revenue: Monies, grants, gifts, and contributions from any public or private source.		
Purpose of Fund: To manage and maintain 3 Arizona veterans' cemeteries located in Sierra Vista, Marana, and Flagstaff.		
Funds Expended	695,500	485,000
Year-End Fund Balance	1,976,400	2,276,200

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Coronavirus Relief Fund (VSA2975/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
Purpose of Fund: Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
Funds Expended	471,100	5,348,800
Year-End Fund Balance	5,348,800	0
Federal Funds (VSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: U.S. Department of Veterans' Affairs and Department of Defense Grants.		
Purpose of Fund: To supervise and qualify educational and training programs which receive Federal Government Issued (GI) Bill monies, provide assistance for military personnel transitioning to a career as a public school teacher, and to construct veterans' homes facilities in Yuma and Flagstaff.		
Funds Expended	12,261,600	16,293,000
Year-End Fund Balance	13,115,200	1,000,200
Hyperbaric Oxygen Therapy for Military Veterans Fund (VSA3219/A.R.S. § 41-610.01)		Appropriated
Source of Revenue: Donations, grants and bequests.		
Purpose of Fund: Laws 2018, Chapter 98 advanced appropriated \$25,000 from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023. Please see the non-appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	25,000	25,000
Hyperbaric Oxygen Therapy for Military Veterans Fund (VSA3219/A.R.S. § 41-610.01)		Non-Appropriated
Source of Revenue: Donations, grants and bequests.		
Purpose of Fund: To provide financial assistance to veterans for hyperbaric oxygen therapy. Please see the appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	25,000	25,000
Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)		Non-Appropriated
Source of Revenue: Donations, bequests, or other contributions from public or private sources. This fund is established through December 31, 2026; any funds remaining unencumbered as of that date are transferred to the Veterans' Donation Fund.		
Purpose of Fund: To provide financial assistance to family members of veterans who became deceased, wounded or injured, or became seriously ill and been deployed from an Arizona military base, claimed this state as the service member's home of record, or were a member of the Arizona National Guard at the time of deployment. Laws 2018, Chapter 258 established the Pre-9/11 and Post-9/11 subaccounts of the fund to provide assistance based on member's service dates.		
Funds Expended	434,200	1,100,000
Year-End Fund Balance	7,402,500	7,381,500
State Homes for Veterans Trust Fund (VSA2355/A.R.S. § 41-608.01)		Appropriated
Source of Revenue: Charges for services, fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.		
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.		
Funds Expended	35,994,700	50,519,000
Year-End Fund Balance	18,507,200	4,851,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	400	400
Year-End Fund Balance	400	1,000
Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)		Non-Appropriated
Source of Revenue: Donations from private individuals, corporations and organizations. Donations are made by designating a portion of one's tax refund, purchasing a license plate, or other means. Sales from the Veterans, Freedom, Gold Star, Flying Cross, Women Veteran, and Military Scholarship license plates go into this fund. Of the \$25 license plate fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Veterans' Donation Fund.		
Purpose of Fund: To benefit veterans within the state of Arizona. Separate subaccounts of this fund are used for 1) the construction and maintenance of the Enduring Freedom Memorial, 2) grants to benefit women veterans in Arizona including providing shelter to homeless women veterans and 3) higher education scholarships for veterans and their dependents.		
Funds Expended	3,261,600	1,365,000
Year-End Fund Balance	4,379,900	5,925,600
Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)		Non-Appropriated
Source of Revenue: Appropriation of \$2,000,000 from the General Fund.		
Purpose of Fund: To be distributed to Native American Veterans for state Individual Income Tax incorrectly withheld from military pay. DOR and the Department of Veterans' Services may use up to 5% of the \$2,000,000 transfer for administrative costs. Monies in the fund revert to the General Fund on June 30, 2021. As session law, the FY 2022 Revenue BRB delayed the reversion of Native American Veteran's Income Tax Settlement Fund monies from June 30, 2021 to June 30, 2023.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona State Veterinary Medical Examining Board

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	269,800	360,200	360,200
Employee Related Expenditures	81,500	114,400	114,400
Professional and Outside Services	42,900	32,200	32,200
Travel - In State	800	6,500	6,500
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	122,100	84,000	84,000
Equipment	8,700	3,000	3,000
AGENCY TOTAL	525,800	601,800	601,800^{1/}

FUND SOURCES

Other Appropriated Funds

Veterinary Medical Examining Board Fund	525,800	601,800	601,800
SUBTOTAL - Other Appropriated Funds	525,800	601,800	601,800
SUBTOTAL - Appropriated Funds	525,800	601,800	601,800
TOTAL - ALL SOURCES	525,800	601,800	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 Baseline includes \$601,800 and 6 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2023 for the operating budget. These amounts are unchanged from FY 2022.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of veterinarians, veterinary technicians, and veterinary premises. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
Funds Expended	525,800	601,800
Year-End Fund Balance	2,142,100	1,703,300

Water Infrastructure Finance Authority

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
SPECIAL LINE ITEMS			
Small Drinking Water Systems Fund Deposit	0	1,000,000	0
Water Projects Assistance Grants	0	5,000,000 ^{1/}	0
Water Supply Development Revolving Fund Deposit	40,000,000	6,000,000	0
AGENCY TOTAL	40,000,000	12,000,000	0 ^{2/}
FUND SOURCES			
General Fund	40,000,000	12,000,000	0
SUBTOTAL - Appropriated Funds	40,000,000	12,000,000	0
Other Non-Appropriated Funds	190,894,400	107,272,900	107,272,900
Federal Funds	30,650,000	32,039,500	32,039,500
TOTAL - ALL SOURCES	261,544,400	151,312,400	139,312,400

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/} 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)
- ^{2/} General Appropriation Act funds are appropriated by Special Line Items by Agency.

Small Drinking Water Systems Fund Deposit

The Baseline includes no funding from the General Fund in FY 2023 for the Small Drinking Water Systems Fund Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to remove funding for the one-time deposit to the Small Drinking Water Systems Fund.

The fund provides grants to small drinking water systems to repair, replace, or upgrade water infrastructure. Eligible infrastructure projects must be used to deliver drinking water to 10,000 or fewer people. An FY 2022 General Appropriation Act footnote requires WIFA to report the previous fiscal year's Small Drinking Water Systems Fund expenditures to JLBC by December 31 of 2021, 2022, and 2023.

Water Projects Assistance Grants

The Baseline includes no funding from the General Fund in FY 2023 for Water Projects Assistance Grants. FY 2023 adjustments are as follows:

Remove Water Projects Assistance Grants

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 to remove funding for one-time grants to support water projects.

Pursuant to FY 2022 General Appropriations Act footnotes, these monies are to be 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. The monies are non-lapsing and WIFA is required to develop a grant program for the allocations and to distribute to qualified entities by June 30, 2022.

Monies in this line item are for 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.

Water Supply Development Revolving Fund Deposit

The Baseline includes no funding from the General Fund in FY 2023 for the Water Supply Development Revolving Fund Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Deposit

The Baseline includes a decrease of \$(6,000,000) from the General Fund in FY 2023 to remove funding for the one-time deposit to the Water Supply Development Revolving Fund.

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. The fund may also be used for water studies.

The FY 2022 budget also included a General Fund deposit of \$40,000,000 to the Water Supply Development Revolving Fund as a FY 2021 supplemental. An FY 2022 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.

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.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Clean Water Annual Debt Service Interest Fund (FAA4313/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Interest from issued loans.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	8,349,900	8,349,900
Year-End Fund Balance	18,041,500	13,331,200
Clean Water Annual Debt Service Principal Fund (FAA4312/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Repayment on the principal of issued loans.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	79,202,500	28,708,600
Year-End Fund Balance	60,159,000	66,024,700
Clean Water Debt Service Reserve - Clean Water Fund (FAA4315/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Upfront payment from loan recipients with lower credit scores.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	0	1,869,100
Year-End Fund Balance	3,783,300	1,880,200
Clean Water Federal Loan Fund (FAA4310/A.R.S. § 49-1221)		Non-Appropriated
<i>Source of Revenue:</i> Federal monies.		
<i>Purpose of Fund:</i> To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	6,671,000	6,671,000
Year-End Fund Balance	(12,600)	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Clean Water Fee Program Income Fund (FAA4309/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Administrative fee from the issuance of a loan.		
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	4,569,500	2,241,400
Year-End Fund Balance	4,482,800	2,241,400
Clean Water Fees Non Program Income Fund (FAA4317/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Loan principal and interest from non-qualify pledged and non-qualifying loans.		
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	127,800	2,757,900
Year-End Fund Balance	5,515,800	2,757,900
Clean Water Financial Assistance Fund (FAA4319/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Loan principal and interest from non-qualify pledged and non-qualifying loans.		
Purpose of Fund: To generate the state match required by the Clean Water Act, provide financial assistance to political subdivisions, Indian tribes and eligible drinking water facilities for constructing, acquiring or improving wastewater treatment facilities, and drinking water facilities.		
Funds Expended	99,993,300	0
Year-End Fund Balance	14,473,400	17,804,000
Clean Water State Loan Fund (FAA4311/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Revenue generated from bond sales.		
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivision and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Drinking Water Annual Debt Service Interest Fund (FAA4333/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Interest from issued loans.		
Purpose of Fund: To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	5,094,200	0
Year-End Fund Balance	9,312,800	12,751,500
Drinking Water Annual Debt Service Principal Fund (FAA4332/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Repayment on the principal of issued loans.		
Purpose of Fund: To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	19,656,000	10,250,000
Year-End Fund Balance	31,523,000	43,610,700
Drinking Water Debt Service Reserve Fund (FAA4320/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Upfront payment from loan recipients with lower credit scores.		
Purpose of Fund: To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	2,511,400	2,603,800

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Drinking Water Federal Loan Fund (FAA4335/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Federal monies.		
Purpose of Fund: To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	23,827,700	24,756,800
Year-End Fund Balance	0	0
Drinking Water Fees Non Program Fund (FAA4322/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Loan principal and interest from non-qualify pledged and non-qualifying loans.		
Purpose of Fund: To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	676,200	656,800
Year-End Fund Balance	8,751,300	11,664,400
Drinking Water Fees Program Income Fund (FAA4336/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Administrative fee from the issuance of a loan.		
Purpose of Fund: To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	2,700,200	90,900
Year-End Fund Balance	429,200	338,300
Drinking Water Financial Assistance Fund (FAA4324/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Loan principal and interest from non-qualify pledged and non-qualifying loans.		
Purpose of Fund: To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	(29,500,000)	32,323,500
Year-End Fund Balance	64,647,000	32,323,500
Drinking Water State Loan Fund (FAA4331/A.R.S. § 49-1261)		Non-Appropriated
Source of Revenue: Revenue generated from bond sales.		
Purpose of Fund: To make loans for drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Greater Arizona Development Authority Revolving Fund (WFA2311/A.R.S. § 41-2254)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
Purpose of Fund: To help rural communities meet their infrastructure needs. The Greater Arizona Development Authority (GADA) may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with \$20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for GADA's operating costs, as well as technical and financial assistance to communities.		
Funds Expended	24,800	24,800
Year-End Fund Balance	12,835,400	12,812,700

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Small and Disadvantaged Communities Drinking Water Assistance Fund (FAA2230/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal monies.		
Purpose of Fund: To assist small and disadvantaged communities to comply with the Safe Drinking Water Act (SDWA).		
Funds Expended	151,300	611,700
Year-End Fund Balance	0	0
Small Drinking Water Systems Fund (FAA2225/A.R.S. § 49-355)		Non-Appropriated
Source of Revenue: Legislative appropriations and interest. The FY 2020 budget included a one-time deposit of \$500,000 from the General Fund. The FY 2022 budget included a one-time deposit of \$1,000,000 from the General Fund.		
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair. Laws 2017, Chapter 213 changed the name of the fund to be the Small Drinking Water Systems Fund, expanded the eligible pool of grant recipients, and expanded the use of the funds to non-emergency grants. These expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Funds Expended	0	0
Year-End Fund Balance	380,600	692,300
Water Supply Development Revolving Fund (WFA2336/A.R.S. § 49-1271)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest. The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) made a one-time General Fund appropriation to the fund in FY 2015, but this was ex-appropriated by the FY 2016 General Appropriation Act (Laws 2015, Chapter 8). The FY 2022 General Appropriation Act made a one-time FY 2021 supplemental deposit of \$40,000,000 from the General Fund for water supply projects outside of the Active Management Areas, and also included an additional one-time deposit of \$6,000,000 from the General Fund in FY 2022.		
Purpose of Fund: To be used to provide financial assistance to construct water supply projects for water providers in Arizona, particularly in rural areas, lacking sufficient water supplies to meet their long-term water demands. Financial assistance for water supply development projects as defined in statute includes support for the planning or design of projects, direct loans for projects, or using funds as security for bonded projects.		
Funds Expended	0	20,000,000
Year-End Fund Balance	40,000,000	26,000,000

Department of Water Resources

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	145.0	145.0	145.0 ^{1/}
Personal Services	6,030,400	7,389,700	7,389,700
Employee Related Expenditures	2,254,400	2,998,100	2,998,100
Professional and Outside Services	116,700	172,500	172,500
Travel - In State	53,800	88,000	88,000
Travel - Out of State	1,700	5,200	5,200
Other Operating Expenditures	1,863,400	2,283,500	2,283,500
Equipment	76,000	136,000	136,000
OPERATING SUBTOTAL	10,396,400	13,073,000	13,073,000
SPECIAL LINE ITEMS			
Agua Fria Flood Insurance Study	0	350,000	0
Adjudication Support	1,811,900	1,757,300	1,757,300 ^{2/}
Assured and Adequate Water Supply Administration	2,011,100	2,006,400	2,006,400 ^{3/}
Automated Groundwater Monitoring	301,200	410,400	410,400
Arizona Water Protection Fund Deposit	250,000	1,250,000	250,000
Colorado River Legal Expenses	215,500	500,000	500,000 ^{4/5/}
Conservation and Drought Program	412,100	414,600	414,600
Rural Water Studies	1,163,100	1,169,300	1,169,300 ^{6/}
AGENCY TOTAL	16,561,300	20,931,000	19,581,000 ^{7/}
FUND SOURCES			
General Fund	14,467,700	18,424,400	17,074,400
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	1,120,800	1,219,100	1,219,100
Assured and Adequate Water Supply Administration Fund	213,100	268,100	268,100
Water Resources Fund	759,700	1,019,400	1,019,400
SUBTOTAL - Other Appropriated Funds	2,093,600	2,506,600	2,506,600
SUBTOTAL - Appropriated Funds	16,561,300	20,931,000	19,581,000
Other Non-Appropriated Funds	10,469,600	11,166,700	8,597,100
Federal Funds	379,200	379,500	379,500
TOTAL - ALL SOURCES	27,410,100	32,477,200	28,557,600

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 2023.
- 2/ 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)
- 3/ 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)
- 4/ The department of water resources may not transfer any monies from the Colorado River legal expenses line item without prior review by the joint legislative budget committee. (General Appropriation Act footnote)

- 5/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 6/ The legislature intends that monies in the rural water studies line item be spent only to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside this state's active management areas and not be made available for other department operating expenditures. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$13,073,000 and 85 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$11,334,500
Water Banking Fund	1,219,100
Water Resources Fund	519,400

These amounts are unchanged from FY 2022.

Agua Fria Flood Insurance Study

The Baseline includes no funding from the General Fund in FY 2023 for an Agua Fria Flood Insurance Study. FY 2023 adjustments are as follows:

Remove One-Time Study Funding

The Baseline includes a decrease of \$(350,000) from the General Fund in FY 2023 to remove one-time funding 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 Baseline includes \$1,757,300 and 21 FTE Positions from the General Fund in FY 2023 for Adjudication Support. These amounts are unchanged from FY 2022.

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. Additional funding for legal-related water adjudication issues is included in the Supreme Court and

the University of Arizona budgets. *(For additional details, please see the respective agencies.)*

Assured and Adequate Water Supply Administration

The Baseline includes \$2,006,400 and 21 FTE Positions in FY 2023 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	1,738,300
AAWS Administration Fund	268,100

These amounts are unchanged from FY 2022.

Within the state's 5 Active Management Areas (AMAs), all new subdivisions must either obtain a Certificate of Assured Water Supply from the Department of Water Resources or obtain a commitment of water service from a municipal provider designated as having an Assured Water Supply. An applicant for a Certificate of Assured Water Supply or a Designation of Assured Water Supply must demonstrate the availability of water for the next 100 years.

New developers outside the 5 AMAs may obtain a commitment of water service from a municipal water provider designated as having an Adequate Water Supply or developers must obtain from the department a report of the water available to the new subdivision for 100 years before any lots may be sold. In most areas outside the AMAs, if the water supply report determined the water supply to be inadequate, lots may still be sold, but buyers must be notified of the determination. In certain areas outside the AMAs, lots may not be sold unless the water supply is determined to be adequate for 100 years.

Automated Groundwater Monitoring

The Baseline includes \$410,400 and 2 FTE Positions from the General Fund in FY 2023 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2022.

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 department's water management programs.

Arizona Water Protection Fund Deposit

The Baseline includes \$250,000 from the General Fund in FY 2023 for the Arizona Water Protection Fund Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Fund Deposit

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2023 to remove funding for a one-time deposit to the Arizona Water Protection Fund.

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 grants and determines annual recipients.

Colorado River Legal Expenses

The Baseline includes \$500,000 from the Water Resources Fund in FY 2023 for Colorado River Legal Expenses. This amount is unchanged from FY 2022.

This line item is for the Department of Water Resources to use for legal expenses related to the Colorado River. For example, there is current litigation involving the Navajo Nation's claims to water from the Lower Colorado River. (See the FY 2022 Appropriations Report for more historical information).

Conservation and Drought Program

The Baseline includes \$414,600 and 5 FTE Positions from the General Fund in FY 2023 for the Conservation and Drought Program. These amounts are unchanged from FY 2022.

This line item funds assistance to local communities to assess conservation needs and assists rural communities in the development of conservation programs.

The line item also funds 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 Baseline includes \$1,169,300 and 11 FTE Positions from the General Fund in FY 2023 for Rural Water Studies. These amounts are unchanged from FY 2022.

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.

These studies are administered, in most cases, through partnerships with local resource agency officials and stakeholders. 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: Upper San Pedro Partnership (Web-Based Hydrologic Data Portal) and the United States Geological Survey (Arizona Water Use Program, Middle Verde Groundwater Monitoring program, C-Aquifer Groundwater Monitoring program, and groundwater monitoring for Santa Cruz model).

Other Issues

Statutory Changes

The Baseline would, as session law, continue to allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2023.

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. Subsequently, the Drought Contingency Plan (DCP) signed in May 2019 by all the relevant states and federal government institutes more immediate reductions at amounts higher than the 2007 agreement to preserve water in Lake Mead, as well as including incentives for additional water conservation by the parties. The DCP agreement expires in 2026.

Under the DCP, Arizona agreed to reduce their water deliveries by 512,000 acre feet if the water level in Lake Mead is less than 1,075 feet (Tier 1 shortage), 592,000 acre feet if less than 1,050 feet (Tier 2 shortage), 640,000 acre feet if less than 1,045 feet (Tier 2b shortage), and 720,000 acre feet if less than 1,025 feet (Tier 3 shortage).

In August 2021, the Department of the Interior announced that the January 1 projected level of Lake Mead is at 1,065.85 feet above sea level and declared the first-ever Tier 1 shortage. For Arizona, the Tier 1 shortage will reduce Arizona supply of water by 512,000 acre feet in 2022. This reduces the Central Arizona Project water supply by 30%, and Arizona's Colorado River water supply by 18%, and the state's total water supply by 8%. Arizona appropriated monies in FY 2020 to help mitigate potential reductions under the Drought Contingency Plan and prior to that appropriated monies to keep water in Lake Mead. (For further details, please see the Other Issues section in the Department of Water Resources narrative in the FY 2018, FY 2020, and FY 2022 Appropriations reports). As part of the DCP agreement, Arizona continues to work

with other states to address actions they can take to protect against the elevation in the lake declining below 1,020 feet and to prepare for the post-2026 agreement for the Lower Colorado Basin.

During fall 2021, the Executive allocated \$30,000,000 from the American Rescue Plan Act (ARPA) for paying certain users to forego water deliveries from the Colorado River and Lake Mead. In addition, \$20,000,000 of ARPA monies were made available to qualified irrigation districts for agricultural water infrastructure projects, given that certain agricultural water users were impacted by the reduced Colorado River allocations under DCP.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona System Conservation Fund (WCA9900/A.R.S. § 45-118)		Non-Appropriated
Source of Revenue: Legislative appropriations and grants and contributions from private and public entities.		
Purpose of Fund: Reduce Colorado River water use by funding conservation measures, water diversions, and forgoing water deliveries. Expenditures are not displayed to avoid double counting of General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	18,860,400	8,790,400
Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users.		
Purpose of Fund: The appropriated expenditures from the fund are used for DWR operational costs. Please see the non-appropriated portion of the fund for more information.		
Funds Expended	1,120,800	1,219,100
Year-End Fund Balance	2,373,600	616,400
Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Non-Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Revenue also comes from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own subaccount within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances.		
Purpose of Fund: To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA. Please see the appropriated portion of the fund for additional information.		
Funds Expended	6,018,700	6,860,700
Year-End Fund Balance	2,373,600	616,400
Arizona Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water and legislative appropriations.		
Purpose of Fund: To provide grants for projects that protect water quality and quantity, as well as to maintain, enhance, and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid. Recent budget legislation has allowed the Water Protection Fund Commission to spend monies on administrative functions out of the unobligated fund balance.		
Funds Expended	1,909,900	1,260,800
Year-End Fund Balance	1,942,200	1,943,700

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Water Quality Fund (WCA2304/A.R.S. § 45-618)		Non-Appropriated
Source of Revenue: From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.		
Funds Expended	238,100	234,600
Year-End Fund Balance	321,000	227,900
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		Appropriated
Source of Revenue: Fees for applications relating to adequate and assured water supply regulations for newly- created subdivisions.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring compliance with assured and adequate water supply regulations.		
Funds Expended	213,100	268,100
Year-End Fund Balance	590,100	479,000
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
Purpose of Fund: Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. By law, each AMA has its own subaccount within the fund. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
Funds Expended	973,200	947,500
Year-End Fund Balance	3,597,400	3,293,800
Colorado River Water Use Fee Clearing Account (WCA2538/A.R.S. § 45-333)		Non-Appropriated
Source of Revenue: Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
Purpose of Fund: Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	30,300	30,300
Year-End Fund Balance	0	0
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, dam safety inspection fees, and filing fees.		
Purpose of Fund: Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
Funds Expended	0	300,000
Year-End Fund Balance	6,459,800	6,789,800
Employee Recognition Fund (WCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from a public entity, a private entity, or any person.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	600	1,000
Year-End Fund Balance	500	500
Federal Grants (WCA2000/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants from the federal government.		
Purpose of Fund: To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	379,200	379,500
Year-End Fund Balance	533,700	563,000

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
Funds Expended	1,200	87,000
Year-End Fund Balance	366,300	306,000
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		Non-Appropriated
Source of Revenue: Court fees paid by water claimants and from legislative appropriations.		
Purpose of Fund: To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
Funds Expended	13,100	13,000
Year-End Fund Balance	35,800	38,900
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		Non-Appropriated
Source of Revenue: Cost allocation transfers of federal and other non-appropriated funds.		
Purpose of Fund: To provide various indirect administrative services, including security and cashing.		
Funds Expended	333,500	343,000
Year-End Fund Balance	1,679,200	1,682,800
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collections from other state and local agencies.		
Purpose of Fund: To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	221,600	320,600
Year-End Fund Balance	547,300	322,700
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		Non-Appropriated
Source of Revenue: From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To produce and distribute department publications, as well as to copy department records.		
Funds Expended	0	0
Year-End Fund Balance	2,300	2,400
Publication and Mailing Fund (WCA2410/A.R.S. § 45-116)		Non-Appropriated
Source of Revenue: From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	0	0
Year-End Fund Balance	7,100	7,200
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own subaccount within the fund.		
Funds Expended	0	0
Year-End Fund Balance	148,500	148,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with the duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	0	0
Year-End Fund Balance	177,500	177,500
Temporary Groundwater and Irrigation Efficiency Projects Fund (WCA9901/A.R.S. § 45-615.01)		Non-Appropriated
Source of Revenue: General Fund monies, groundwater withdrawal fees collected in the Pinal active management area, grants from federal agencies, and monies deposited in the fund by qualified irrigation districts in the Phoenix active management area, the Pinal active management area and the Harquahala irrigation non-expansion area. The FY 2020 General Appropriation Act requires DWR to reimburse the General Fund for its initial \$20,000,000 one-time deposit to the fund on or before December 31, 2021, using monies repaid by qualified irrigation districts.		
Purpose of Fund: Funding projects for the construction and rehabilitation of wells and related infrastructure for the withdrawal and efficient delivery of groundwater by qualified irrigation districts in the Phoenix active management area, the Pinal active management area, and the Harquahala irrigation non-expansion area. Expenditures are not displayed to avoid double counting of General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	26,900,100	4,886,500
Water Resources Fund (WCA2398/A.R.S. § 45-117)		Appropriated
Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by ADWR to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund. Recent budget legislation allows the director to maintain prior year fees and requires that these revenues be deposited into the fund with the intent that the fee increases do not exceed \$100,200.		
Purpose of Fund: Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities including management of the state's water supplies, enforcing groundwater laws, and representing the state's water rights.		
Funds Expended	759,700	1,019,400
Year-End Fund Balance	5,589,100	5,520,900
Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)		Non-Appropriated
Source of Revenue: Well-drilling filing and permit fees.		
Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
Funds Expended	729,400	768,200
Year-End Fund Balance	1,631,100	1,637,900

CAPITAL OUTLAY ESTIMATES

**Capital Outlay
Summary**

FY 2023
BASELINE

BUILDING RENEWAL

ADOA Building System	25,500,300
ADOT Building System	15,710,400
ABOR Building System	0
SUBTOTAL	41,210,700

INDIVIDUAL PROJECTS

ADOA Building System	0
ADOT Building System	497,473,000
ABOR Building System	0
SUBTOTAL	497,473,000

LOCAL ASSISTANCE

Phoenix Convention Center	24,999,400
Rio Nuevo District	16,000,000
SUBTOTAL	40,999,400

TOTALS

ADOA Building System	25,500,300
ADOT Building System	513,183,400
ABOR Building System	0
Other Funding (Lease-Purchase/Local Assistance)	40,999,400
TOTAL - ALL PROJECTS	579,683,100

FUND SOURCES

General Fund	40,999,400
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	18,000,000
Department of Corrections Building Renewal Fund	5,864,300
Game and Fish Fund	1,459,600
State Lottery Fund	176,400
State Aviation Fund	27,410,400
State Highway Fund	485,773,000
SUBTOTAL - Other Appropriated Funds	538,683,700
SUBTOTAL - Appropriated Funds	579,683,100
Other Non-Appropriated Funds	509,377,000
Federal Funds	1,125,248,000
TOTAL - ALL SOURCES	2,214,308,100

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 local distributions for the Phoenix Convention Center and the Rio Nuevo District. Capital appropriations are typically made through the Capital Outlay Bill but may be made through other bills as well.

The following amounts are one-time appropriations:

(See the individual building systems' sections for more information.)

Summary

The Baseline includes a total of \$579,683,100 from Appropriated Funds in FY 2023. Of the total, \$40,999,400 is from the General Fund and \$538,683,700 is from Other Appropriated Funds. The Baseline consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Local Assistance.

Local Assistance

The Baseline includes \$40,999,400 from the General Fund in FY 2023 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.)*

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by ADOA (or individual agencies within the ADOA Building System that have their own funding source for building renewal), ADOT, and ABOR.

The Baseline includes total funding of \$41,210,700 in FY 2023 for Building Renewal, which consists of Other Appropriated Funds. These amounts include:

	FY 2023
Arizona Department of Administration	\$18,000,000
Capital Outlay Stabilization Fund	
@ 30.1% (excludes ADC,	
Game and Fish, Lottery buildings)	
Department of Corrections	
ADC Building	5,864,300
Renewal Fund @ 18.0%	
Game and Fish Department	
Game and Fish Fund @ 100%	1,459,600
State Lottery Commission	
State Lottery Fund @ 100%	<u>176,400</u>
Subtotal - ADOA	\$25,500,300
Arizona Department of Transportation	
State Highway Fund @ 84.9%	\$15,400,000
State Aviation Fund @ 66.4%	<u>310,400</u>
Subtotal - ADOT	\$15,710,400

(See the individual building systems' section for more information.)

Individual Projects

The Baseline includes total funding of \$497,473,000 in FY 2023 for individual capital projects, which consists of \$497,473,000 from Other Appropriated Funds.

Capital Outlay

Arizona Department of Administration Building System

FY 2023
BASELINE

BUILDING RENEWAL

Department of Administration ^{1/2/3/}	18,000,000
Department of Corrections ^{4/}	5,864,300
Game and Fish Department ^{5/}	1,459,600
Arizona State Lottery Commission	176,400
ALL PROJECTS ^{D/}	25,500,300

FUND SOURCES

Other Appropriated Funds

Capital Outlay Stabilization Fund	18,000,000
Department of Corrections Building Renewal Fund	5,864,300
Game and Fish Fund	1,459,600
State Lottery Fund	176,400
SUBTOTAL - Other Appropriated Funds	25,500,300
SUBTOTAL - Appropriated Funds	25,500,300

TOTAL - ALL SOURCES ^{6/7/D/8/}

25,500,300

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 2023 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 2022-2023 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/ On or before November 30, 2022 and May 31, 2023, 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)
- 4/ On or before November 30, 2022 and May 31, 2023, 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)
- 5/ On or before November 30, 2022 and May 31, 2023, 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)
- D/ 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) This deletion will return the lapsing policy to the existing permanent law provision.

- 6/ 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)
- 7/ 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)
- D/ 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) This deletion removes the unnecessary footnote that restates the permanent law JCCR review requirements.
- 8/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency. (Capital Outlay Appropriation Act footnote)

The following amounts are one-time appropriations:

Building Renewal

The Baseline includes \$25,500,300 from Other Appropriated Funds in FY 2023 for Building Renewal within the ADOA Building System. These amounts consist of:

- \$18,000,000 to ADOA from the Capital Outlay Stabilization Fund (COSF). This amount funds 30.1% of the ADOA building renewal formula. The FY 2022 appropriation of \$18,000,000 from COSF and \$6,200,000 from the General Fund represented 49.2% of the ADOA formula.
- \$5,864,300 to the Arizona Department of Corrections (ADC), from the ADC Building Renewal Fund, which funds 18.0% of the ADC building renewal formula. The FY 2022 appropriation of \$28,070,200 which consisted of \$22,205,800 from the General Fund and \$5,864,300 from the ADC Building Renewal Fund represented 100% of the ADC formula.
- \$1,459,600 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 2022 appropriation of \$1,215,800 from the Game and Fish Fund also represented 100% of the Game and Fish formula.
- \$176,400 to the Arizona State Lottery Commission from the State Lottery Fund, which funds 100% of the Lottery building renewal formula. The FY 2022 appropriation of \$152,800 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.

Other Issues

Footnote Changes

The Baseline deletes a standard Capital Outlay Bill footnote requiring that unused building renewal or capital appropriations revert after 2 fiscal years (which allowed expenditures for the budget year and one additional year). As a result, building renewal and capital appropriations would be subject to A.R.S § 35-190D which states these appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, unless the appropriation is available during the entire fiscal year without an expenditure from or encumbrance on the appropriation.

In addition, the Baseline deletes a standard Capital Outlay Bill footnote requiring the JCCR to review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. A.R.S § 41-1252 already requires review of all building renewal appropriations, capital appropriations and capital projects that have an estimated total cost of more than \$250,000.

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.

The FY 2023 Baseline does not adjust agency budgets for any changes in space or rental charges. The current rental charges are as follows: Office - \$17.87 per sq. ft./Storage - \$6.43 per sq. ft. (See Summary of Rent Charges)

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 2021, and provides estimates for FY 2022 and FY 2023.

Table 1

COSF Revenues and Expenditures
(in millions)

	FY 2021	FY 2022	FY 2023
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Beginning Balance	\$22.6	\$21.9	\$ 4.1
Revenue	<u>32.0</u>	<u>32.0</u>	<u>32.4</u>
Total Available	\$54.6	\$53.9	\$36.5
Expenditures			
COSF Operating	\$16.1	\$18.3	\$18.3
Capital Projects			
FY '20 Building	11.8	0.6	0.0
FY '21 Building	4.1	12.9	0.0
FY '22 Building	0.0	18.0	0.0
FY '23 Building	0.0	0.0	18.0
Admin.	<u>0.7</u>	<u>0.0</u>	<u>0.0</u>
Total Expenditures	\$32.7	\$49.8	\$36.3
Ending Balance	\$21.9	\$ 4.1	\$ 0.2

1/ Since ADOA building renewal appropriations do not lapse for 2 years, monies appropriated in FY 2022 and FY 2023 may also be spent in the following fiscal year. The FY 2022 budget extended the FY 2020 appropriation for a total of 3 years through FY 2022.

Capital Outlay
Arizona Department of Transportation Building System

FY 2023
 BASELINE

BUILDING RENEWAL	
ADOT Building Renewal ^{1/2/}	15,710,400
SUBTOTAL	15,710,400
INDIVIDUAL PROJECTS	
Airport Planning and Development ^{3/4/5/}	27,100,000
Controlled Access Highways ^{3/6/}	137,671,000
Debt Service ^{3/6/}	138,482,000
Statewide Highway Construction ^{3/6/}	194,220,000
SUBTOTAL	497,473,000
TOTAL - ALL PROJECTS ^{7/8/9/10/11/}	513,183,400

FUND SOURCES

Other Appropriated Funds

State Aviation Fund	27,410,400
State Highway Fund	485,773,000
SUBTOTAL - Other Appropriated Funds	513,183,400
SUBTOTAL - Appropriated Funds	513,183,400

Other Non-Appropriated Funds	509,377,000
Federal Funds	1,125,248,000
TOTAL - ALL SOURCES	2,147,808,400

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 2022-2023 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/ On or before November 30, 2022 and May 31, 2023, 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)
- 3/ 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)
- 4/ The sum of \$27,100,000 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2022-2023 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 2022-2023 for the purposes provided in this subsection. (Capital Outlay Appropriation Act footnote)
- 5/ On or before December 31, 2022, 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)
- 6/ The sum of \$470,373,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2022-2023 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)

- 7/ On or before November 1, 2022, 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)
- 8/ On or before November 1, 2022, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2023-2024 and the estimated debt service payment amount for each of fiscal years 2023-2024, 2024-2025, 2025-2026 and 2026-2027 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 2021-2022 appropriations report. (Capital Outlay Appropriation Act footnote)
- 9/ On or before November 1, 2022, the department of transportation shall report capital outlay information for fiscal years 2021-2022, 2022-2023 and 2023-2024 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 2021-2022 appropriations report. (Capital Outlay Appropriation Act footnote)
- 10/ Unless otherwise specified, the monies appropriated in this act may not be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 11/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Fund.

The following reflects one-time appropriations:

Building Renewal

Building Renewal

The Baseline includes \$15,710,400 in FY 2023 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 84.9% funding of the FY 2023 highway building renewal formula and 66.4% funding of the FY 2023 aviation building renewal formula. The FY 2022 budget appropriated \$15,400,000 from the SHF and \$310,400 from the SAF, which represented 99.9% funding of the FY 2022 highway building renewal formula and 100% funding of the FY 2022 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. The Baseline does not include funding for any FY 2023 nonhighway individual capital projects.

Individual Projects

Airport Planning and Development

The Baseline includes \$27,100,000 from the State Aviation Fund (SAF) in FY 2023 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 2022-2026 Airport Capital Improvement Program (ACIP). ADOT develops an annual Five-Year ACIP to program airport planning and development monies, subject to the approval of the State Transportation Board. By aligning the airport planning and development appropriation with the programmed amount, the appropriation reflects the amount ADOT plans to award.

Controlled Access Highways

The Baseline includes an estimated urban freeway controlled access funding level of \$137,671,000 from SHF in FY 2023. The Maricopa Association of Governments

(MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%. These amounts are deposited into 4 subaccounts of the SHF: the MAG 12.6% account, MAG 2.6% account, PAG 12.6% account, and PAG 2.6% account. The 12.6% accounts refer to the statutory HURF distribution and the 2.6% accounts refer to the State Transportation Board policy amount. ADOT spends these amounts as programmed by MAG and PAG.

Debt Service

The Baseline includes \$138,482,000 from SHF in FY 2023 for the appropriated portion of the debt service on bonds. ADOT has approximately \$1,353,110,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2023 debt service payments. *(Please see Table 5 for more information on debt service.)*

Statewide Highway Construction

The Baseline includes \$194,220,000 from SHF in FY 2023 for controlled access, debt service on bonds, and new construction. Only a small portion of the state's total \$1,993,200,000 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 2023 Baseline appropriates any additional monies in SHF above the appropriation to ADOT for highway construction.

Expenditure of highway construction funding is determined by the State Transportation Board, which approves a 5-Year Program developed by ADOT.

Highway construction monies represent the amount that is available for the discretionary SHF to fund the State Transportation Board's 5-Year Program after all other allocations have been made. *(Please see the Summary of Highway Construction section and Table 6 for more information.)*

Table 1 shows the allocation of the highway construction budget prior to 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 \$343,796,000 from the balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2023. The Statewide Transportation Acceleration Account (STAN) is estimated to have a depleted balance.

Table 1

State Highway Fund	
FY 2023 Highway Construction & Debt Service	
	<u>Capital Outlay Bill</u>
Controlled Access	\$137,671,000
Debt Service	138,482,000
Highway Construction	<u>194,220,000</u>
Total	\$470,373,000

Other Issues

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 \$1,082,672,000 in FY 2021 to \$1,477,802,000 in FY 2022 and \$1,634,625,000 in FY 2023.

Table 2

Non-Appropriated Capital Fund Expenditures			
(\$ in Thousands)			
	FY 2021	FY 2022	FY 2023
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$5,288	\$8,352	\$11,524
Highway Federal Grants	<u>733,962</u>	<u>855,644</u>	<u>1,113,724</u>
Subtotal - Federal Funds	\$739,250	\$863,996	\$1,125,248
Bond Proceeds	\$7,598	\$3,601	\$0
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	3,063	3,970	4,327
Maricopa Regional Area Road Fund	331,761	605,235	504,050
Subtotal - Other Non-Appropriated Funds	\$343,422	\$613,806	\$509,377
Total	\$1,082,672	\$1,477,802	\$1,634,625

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2023 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 2.

Summary of Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the board on June 21, 2021 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 \$1,004,407,000 for FY 2023. *(Please see Table 3 for additional details.)*

Table 3

**State Highway Fund
Highway Construction Projects Beginning in FY 2023
(\$ in Thousands)**

	FY 2023 ^{1/}
Construction	\$11,300
Urban Controlled Access ^{2/}	439,430
Pavement Preservation Maintenance	462,264
Other ^{3/}	<u>91,413</u>
Total	\$1,004,407

^{1/} Data from ADOT's 2022-2026 5-Year Transportation Facilities Construction Program, representing the total cost of multi-year projects beginning in FY 2023.

^{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 2023 Baseline includes \$470,373,000 for highway construction, including \$194,220,000 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 2021 through FY 2023 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 2023 by category of construction. Table 5 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2021, Table 5 shows that total cash highway construction expenditures were \$1,027,700,000 while \$313,200,000 was spent on debt service. In FY 2022, total estimated cash highway construction expenditures are \$1,496,100,000 with total debt service of \$312,700,000. In FY 2023, total estimated cash highway construction expenditures are \$1,681,300,000 with total debt service of \$311,900,000.

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 \$122,816,600 in FY 2021, \$150,220,100 in FY 2022, and \$150,220,100 in FY 2023. Of the \$311,900,000 total FY 2023 debt service amount in Table 5, only \$138,500,000 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 2021 through FY 2023. The line in Table 6 showing net SHF Available for Statewide Highway Construction, which totals \$194,220,000 for FY 2023, 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 2021 HURF collections of \$1,627,170,000 were 9.9% above FY 2020 collections. As of November 2021, FY 2022 HURF year-to-date collections were 5.0% higher than the prior year collections.

VLT is the largest source of HURF collections, accounting for 34% of HURF revenue in FY 2021, a percentage which has been increasing in recent years. From FY 2017 to FY 2021, the gas tax share of total collections has decreased by (5.3)% while VLT's share has increased by 4.1%.

The gas tax comprises the second largest source of HURF collections at 31%. The average price per gallon of regular gasoline in Arizona is \$3.54 in November 2021, or \$1.30 per gallon higher than a year ago, according to the American Automobile Association.

ADOT forecasts HURF collections 10 years out each summer using a model based on the state's nominal personal income, population, non-farm employment, fleet fuel efficiency and nominal gas price.

Table 4

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	<u>42.8%</u>
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.

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 2021 Actual</u>	<u>FY 2022 Estimate</u>	<u>FY 2023 Estimate</u>
State Highway Fund (SHF)			
Appropriated			
HURF - Statewide Debt Service	\$ 109.5	\$ 108.9	\$ 119.0
HURF - MAG Debt Service	30.5	30.9	19.5
MAG/PAG 15.2% Controlled Access - Construction	13.9	103.0	103.3
Net SHF Funds Available for Statewide Highway	170.0	168.7	194.2
Total SHF - Appropriated	\$ 323.9	\$ 411.5	\$ 436.0
Non-Appropriated			
SHF Highway Construction ^{1/}	\$ -	\$ -	\$ -
Total SHF - Non-Appropriated	\$ -	\$ -	\$ -
Total SHF Highway Construction Expenditures	\$ 323.9	\$ 411.5	\$ 436.0
Federal Aid			
Total Federal Aid Highway Construction Expenditures	\$ 734.0	\$ 855.6	\$ 1,113.7
Maricopa Regional Area Road Fund			
Highway Construction Expenditures	\$ 129.0	\$ 391.2	\$ 295.8
MRARF Debt Service	143.3	142.9	143.4
Total Maricopa Regional Area Road Fund Highway	\$ 272.3	\$ 534.1	\$ 439.2
Bond Proceeds			
HURF - Highway Construction Expenditures	\$ 0	\$ 0.1	\$ 0
MRARF - Highway Construction Expenditures	0	0	0
GAN - Highway Construction Expenditures	7.6	3.5	0
Total Bond Proceeds Highway Construction	\$ 7.6	\$ 3.6	\$ 0
Local Agency Deposits Fund			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	3.1	4.0	4.3
Total Local Agency Deposits Fund Highway	\$ 3.1	\$ 4.0	\$ 4.3
Total Highway Construction Expenditures	\$ 1,340.9	\$ 1,808.8	\$ 1,993.2
Total Debt Service			
SHF	\$ 139.9	\$ 139.8	\$ 138.5
Federal Aid	30.0	30.0	30.0
MRARF	143.3	142.9	143.4
Total Debt Service	\$ 313.2	\$ 312.7	\$ 311.9 ^{2/}
Total Cash Highway Construction Expenditures			
SHF	\$ 184.0	\$ 271.6	\$ 297.5
Federal Aid	704.0	825.7	1,083.7
MRARF	129.0	391.2	295.8
Bond Proceeds	7.6	3.6	0
Local Agency Deposits Fund	3.1	4.0	4.3
Total Cash Highway Construction Expenditures	\$ 1,027.7	\$ 1,496.1	\$ 1,681.3
Total Highway Construction Expenditures	\$ 1,340.9	\$ 1,808.8	\$ 1,993.2

^{1/} Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

^{2/} Information provided by the department. Includes \$138,482,000 for HURF bonds (\$118,974,000 for statewide program and \$19,508,000 MAG program); \$29,985,000 for Grant Anticipation Notes; and \$143,389,000 for MRARF bonds.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2021 <u>Actual</u>	FY 2022 <u>Estimate</u>	FY 2023 <u>Estimate</u>
Total HURF Collections Before Authorized Third-Party (ATP) Expenses	\$1,655,264	\$1,804,032	\$1,866,161
Less: ServiceArizona ATP Fee Retention	8,520	8,903	9,304
Brick and Mortar ATP Fee Retention	5,508	5,756	6,015
ServiceArizona ATP Credit Card Fee Reimbursements	12,323	12,693	13,328
Brick and Mortar ATP Credit Card Fee Reimbursements	<u>1,743</u>	<u>1,830</u>	<u>1,922</u>
Total HURF Collections	\$1,627,170	\$1,774,850	\$1,835,592
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	680	702	702
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	<u>10,862</u>	<u>11,603</u>	<u>11,936</u>
Net HURF Collections	\$1,614,628	\$1,761,545	\$1,821,954
Less: Cities ^{2/}	492,462	537,271	555,697
Counties ^{2/}	306,779	334,694	346,171
VLT Transfer to General Fund ^{3/}	23,343	0	0
VLT Transfer to Parity Compensation Fund ^{4/}	4,126	4,328	4,555
VLT Transfer to General Fund (5-Year VLT) ^{5/}	3,948	3,400	3,550
VLT Transfer to General Fund (Abandoned Vehicle) ^{6/}	5,990	6,100	6,250
Controlled Access ^{7/}	<u>121,801</u>	<u>133,114</u>	<u>137,671</u>
Net SHF (Discretionary)	\$ 656,179	\$ 742,638	\$ 768,060
Plus: Other Income ^{8/}	84,837	70,876	65,051
Less: Operating Budget	369,132	414,704	414,704
Dept of Public Safety Transfer from Highway Fund	318	8,167	8,167
Capital Outlay	0	6,900	0
Building Renewal	13,000	15,400	15,400
ServiceArizona ATP VLT Retention ^{9/}	22,420	21,917	23,066
Brick and Mortar ATP VLT Retention ^{9/}	21,453	20,971	22,072
HURF Exchange Program ^{10/}	4,748	17,000	17,000
Debt Service ^{11/}	<u>139,921</u>	<u>139,787</u>	<u>138,482</u>
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{12/}	\$ 170,024	\$ 168,668	\$ 194,220
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	298,718	343,155	343,796
STAN Account Beginning Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total SHF Available for Statewide Highway Construction	\$ 468,742	\$ 511,823	\$ 538,016

^{1/} Provides monies for economic strength highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board.

^{2/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{3/} 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 discontinued this policy due to the repeal of the Highway Safety Fee at the end of FY 2021.

^{4/} A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{5/} 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.

^{6/} 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.

^{7/} 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.

^{8/} Includes transfers from the MAG 12.6% subaccount to the SHF for debt service on HURF bonds, miscellaneous receipts, rental income, sale of capital assets, underground storage tank deposits, investment income, grants from Governor's Office of Highway Safety, retained MVD fees, oversize permits, abandoned vehicle fees, and an FY 2021 budget transfer from the Arizona Highway Patrol Fund to the SHF.

^{9/} Statutory payments to third parties from VLT collected by third parties. Non-VLT fees to ATPs are listed at the top of the chart.

^{10/} Local entities can exchange federal aid monies for State Highway Fund monies.

^{11/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{12/} 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 2023
BASELINE

BUILDING RENEWAL

Arizona Board of Regents

TOTAL - ALL PROJECTS

0

0^{1/2}

FUND SOURCES

General Fund

TOTAL - ALL SOURCES

0

0

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by ABOR on behalf of the universities.

FOOTNOTES

- 1/ A.R.S. § 15-1670 appropriates \$33,016,100 to the universities from the General Fund in FY 2023 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$28,939,500 to the universities from the General Fund in FY 2023 for capital infrastructure projects.

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 2023, ABOR reports funding 100% of the building renewal formula would be \$201,446,500. The Baseline includes no funding for Building Renewal in the ABOR Building System.

ASU (all campuses)	\$179,707,800
NAU	39,367,900
UA (all campuses)	<u>134,955,600</u>
Total	\$354,031,300

In addition to University system revenues being allocated for FY 2023 debt service payments, \$37,798,800 would be paid by Lottery monies, \$33,016,100 would be paid by the General Fund for 2003 research infrastructure projects, and \$13,531,400 would be paid by the General Fund for 2017 Capital Infrastructure Funding projects.

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.)*

Summary of University Debt

ABOR estimates that as of the end of FY 2023, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$3,954,078,800, of which \$3,584,195,000 is for outstanding bonds and \$369,883,800 is for lease-purchase projects. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,107,818,000
NAU	417,960,000
UA (all campuses)	<u>1,428,300,800</u>
Total	\$3,954,078,800

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2023 will be \$354,031,300. The debt service payments made by each of the universities would be as follows:

State Bonding Programs

University Lottery Bonds

One component of the \$3,584,195,000 bond 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. Debt service payments for SPEED bonds will total \$47,248,500 in FY 2023, of which 80% will be paid by Lottery monies and 20% with university system revenues.

2017 Capital Infrastructure Appropriations

Another component of the \$3,584,195,000 bond 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 2023 Baseline assumes a 2.0% increase from FY 2022, resulting in a total FY 2023 appropriation of \$28,939,500. Debt service payments will total \$27,062,700 in FY 2023, of which 50% will be paid by the General Fund and 50% will be paid with university system revenues.

For additional information on state bonding programs for universities, please see the *Lottery Bonds and Capital Infrastructure Funding Program Summary* on the JLBC website.

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 2025. 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% (5.5% with SPEED) in FY 2024
- NAU: 5.3% (7.0% with SPEED) in FY 2025
- UA: 5.6% (6.7% 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 \$2,723,500,000 in additional debt beyond the planned projects based on these debt service ratios.

Capital Outlay

Debt and Lease-Purchase Financing

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 2023, the outstanding balance of lease-purchase agreements is expected to be \$849.3 million.

Table 1 provides information related to current state lease-purchase agreements.

Bonding Summary

The Arizona Board of Regents, on behalf of the Universities and the Arizona Department of Transportation have issued bonds to renovate, acquire, and construct facilities, as well as to purchase equipment.

At the end of FY 2023, the outstanding balance of bond financing is expected to be \$4.67 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) 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, 2022 debt report would typically provide debt information on the prior fiscal year (FY 2021), the FY 2022 budget included \$977.1 million of funding for debt payoff, which would not be reflected in the FY 2021 data. To provide a more accurate display of the state's current outstanding debt, the January 31, 2022 report will include information from *Table 1*, which shows debt payments and year-end balances for the upcoming fiscal year (FY 2023).

Table 1

Lease-Purchase and Bonding Summary

	Overall Balance	^{1/} GF Balance	Overall FY 23 Payment	^{2/} FY 23 GF Payment	Retirement FY
Lease-Purchase Summary					
<u>ADOA Building System</u>					
2013 A Issuance					
PLTO Refinance - DHS Building	\$ 12,215,000	\$ 7,329,000	\$ 2,329,500	\$ 1,397,700	FY 29
2013 B Issuance					
Refinance - 2002A Health Lab ^{3/}	\$ -	\$ -	\$ 2,049,900	\$ -	FY 23
2015 Issuance					
Refinance - 2008A ADC and DHS	\$ 63,695,000	\$ 63,695,000	\$ 18,864,000	\$ 18,864,000	FY 28
2015 A Issuance					
PLTO Refinance - Capitol Mall	\$ 24,755,000	\$ 9,902,000	\$ 6,217,600	\$ 2,487,000	FY 28
2017 Issuance					
ADC 4000 Prison Beds, Wastewater and DHS Forensic Lab	\$ 3,995,000	\$ 3,995,000	\$ 75,000	\$ 75,000	FY 28
<i>Subtotal - ADOA</i>	\$ 104,660,000	\$ 84,921,000	\$ 29,536,000	\$ 22,823,700	
<u>School Facilities Board</u>					
Federal Bonds	\$ 25,144,400	\$ 25,144,400	\$ 9,938,100 ^{3/}	\$ 9,938,100 ^{3/}	FY 28
<u>ABOR Building System</u>					
Arizona State University	\$ 188,688,000	\$ 94,170,000	\$ 26,059,900	\$ 13,462,100	FY 39
Northern Arizona University	33,070,000	33,070,000	5,301,500	5,301,500	FY 31
University of Arizona	148,125,800	93,085,000	31,529,600	14,252,500	FY 72
<i>Subtotal - ABOR</i>	\$ 369,883,800	\$ 220,325,000	\$ 62,891,000	\$ 33,016,100	
Phoenix Convention Center ^{4/}	\$ 349,610,000	\$ 349,610,000	\$ 24,999,400	\$ 24,999,400	FY 44
<i>TOTAL - Lease-Purchase</i>	\$ 849,298,200	\$ 680,000,400	\$ 127,364,500	\$ 90,777,300	
<u>Bonding Summary</u>					
Department of Transportation ^{5/}	\$ 1,085,355,000	\$ -	\$ 168,467,000	\$ -	FY 14 - 38
<u>ABOR Building System</u>					
Arizona State University	\$ 1,429,300,000	\$ -	\$ 124,367,400	\$ -	FY 55
Northern Arizona University	289,590,000	-	24,012,300	-	FY 44
University of Arizona	785,215,000	-	68,449,400	-	FY 48
University Lottery Bond (SPEED)	485,075,000 ^{6/}	-	47,248,500	-	FY 48
University Infrastructure (2017) ^{7/}	595,015,000	-	27,062,700	13,531,400	FY 44
<i>Subtotal - ABOR</i>	\$ 3,584,195,000	\$ -	\$ 291,140,300	\$ 13,531,400	
<i>TOTAL - Bonding</i>	\$ 4,669,550,000	\$ -	\$ 459,607,300	\$ 13,531,400	
TOTAL - Lease-Purchase & Bonding	\$ 5,518,848,200	\$ 680,000,400	\$ 586,971,800	\$ 104,308,700	

^{1/} Represents principal balances as of June 30, 2023. 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 23 GF Payment" column.

^{3/} This type of financing originally entitled the state to a federal interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. Taking into account prior federal budget reductions, in FY 2023 this subsidy is expected to be \$3,729,900 of the \$9,938,100 payment.

^{4/} The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. Monies are given to the city to pay this portion of the lease-purchase payment. Laws 2015, Chapter 10 made a technical change to conform the debt service distribution in A.R.S. § 42-5030 to the distributions contained in A.R.S. § 9-602, which were modified by Laws 2011, Chapter 28 to conform to the actual debt service payments.

^{5/} Includes \$943,450,000 for Highway User Revenue Fund bonds and \$141,905,000 for Grant Anticipation Notes.

^{6/} Represents outstanding balance as of the end of FY 2023 from projects counted under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED. SPEED was originally authorized by Laws 2008, Chapter 287. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)

^{7/} The universities will receive \$28,939,500 from the General Fund in FY 2023 for the 2017 Capital Infrastructure Funding program. As of December 2021, JCCR has reviewed a total of 16 projects for the program, of which 9 are funded by system revenue bonds and 7 are cash-funded. The General Fund is expected to pay \$13,531,400 in FY 2023 for debt service.

LEASE-PURCHASE APPROPRIATIONS 1/ Department of Administration Building System

BUDGET UNITS	Fiscal Year 2022 - Appropriations Report				Fiscal Year 2023 - Baseline				Difference FY 2023 - FY 2022			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$121,800		\$121,800		\$125,900		\$125,900		\$4,100		\$4,100
Administration, Arizona Department of	\$628,600	1,619,800	\$169,200	2,417,600	\$223,500	575,900	\$60,200	859,600	(\$405,100)	(1,043,900)	(\$109,000)	(1,558,000)
Deaf and the Hard of Hearing, Commission for the		233,700		233,700		241,600		241,600		7,900		7,900
Education, Department of					406,700	113,000	610,000	1,129,700	406,700	113,000	610,000	1,129,700
Equalization, State Board of	95,300			95,300	98,500			98,500	3,200			3,200
Gaming, Department of						421,000		421,000		421,000		421,000
Insurance & Financial Institutions, Department of	588,200	112,000		700,200	359,400	68,500		427,900	(228,800)	(43,500)		(272,300)
Juvenile Corrections, Department of					297,700			297,700	297,700			297,700
Real Estate Department, State	189,300			189,300	195,400			195,400	6,100			6,100
Tax Appeals, State Board of	36,700			36,700	37,900			37,900	1,200			1,200
Subtotal - ADOA Building	\$1,538,100	\$2,087,300	\$169,200	\$3,794,600	\$1,619,100	\$1,545,900	\$670,200	\$3,835,200	\$81,000	(\$541,400)	\$501,000	\$40,600
Corrections, Arizona Department of												
4,000 Public Prison Beds	\$15,339,900			\$15,339,900	\$15,344,100			\$15,344,100	\$4,200			\$4,200
Water and Wastewater Projects	628,100			628,100	\$626,900			626,900	(1,200)			(1,200)
Subtotal - AZ Department of Corrections	\$15,968,000	\$0	\$0	\$15,968,000	\$15,971,000	\$0	\$0	\$15,971,000	\$3,000	\$0	\$0	\$3,000
Department of Environmental Quality Building												
Agriculture, Department of					\$308,500		\$273,600	\$582,100	\$308,500		\$273,600	\$582,100
Automobile Theft Authority		\$48,900		\$48,900						(\$48,900)		(48,900)
Citizens Clean Elections Commission							95,900	95,900			95,900	95,900
Criminal Justice Commission, Arizona		11,400	\$178,800	190,200		\$11,900	186,000	197,900		500	7,200	7,700
Environmental Quality, Department of		3,405,100		3,405,100		1,942,000		1,942,000		(1,463,100)		(1,463,100)
Forestry and Fire Management, AZ Department of	\$235,200		35,100	270,300	240,600		35,900	276,500	5,400		800	6,200
Gaming, Department of		591,200		591,200						(591,200)		(591,200)
Housing, AZ Department of	69,900	23,300	372,900	466,100	35,300	11,800	188,500	235,600	(34,600)	(11,500)	(184,400)	(230,500)
Independent Redistricting Commission								40,900	40,900			40,900
State Land Department						899,800		899,800	899,800			899,800
Arizona State Parks Board							328,000	328,000			328,000	328,000
Pharmacy, Arizona State Board of							130,900	130,900		130,900		130,900
Residential Utility Consumer Office		113,900		113,900		118,600		118,600		4,700		4,700
Technical Registration, State Board of		186,000		186,000		214,800		214,800		28,800		28,800
Tourism, Office of					224,700			224,700	224,700			224,700
Water Resources, Department of	1,032,800			1,032,800	1,084,000			1,084,000	\$51,200			51,200
Subtotal - ADEQ Building	\$1,337,900	\$4,379,800	\$586,800	\$6,304,500	\$2,833,800	\$2,430,000	\$1,107,900	\$6,371,700	\$1,495,900	(\$1,949,800)	\$521,100	\$67,200
Health Services, Department of												
Health Services Building - Refinance	\$2,283,600	\$1,522,400		\$3,806,000	\$2,364,400	\$1,576,300		\$3,940,700	\$80,800	\$53,900		\$134,700
Health Lab - Refinance		2,057,400		2,057,400		2,049,900		2,049,900		(7,500)		(7,500)
Arizona State Hospital Forensic Unit	2,971,000			2,971,000	2,973,000			2,973,000	2,000			2,000
Subtotal - Department of Health Services	\$5,254,600	\$3,579,800	\$0	\$8,834,400	\$5,337,400	\$3,626,200	\$0	\$8,963,600	\$82,800	\$46,400	\$0	\$129,200
GRAND TOTAL	\$24,098,600	\$10,046,900	\$756,000	\$34,901,500	\$25,761,300	\$7,602,100	\$1,778,100	\$35,141,500	\$1,662,700	(\$2,444,800)	\$1,022,100	\$240,000

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.

Capital Outlay
Local Assistance

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
DISTRIBUTIONS			
Phoenix Convention Center	23,997,900	24,498,500	24,999,400 ^{1/}
Rio Nuevo District	9,525,700	16,000,000	16,000,000 ^{2/}
TOTAL - ALL DISTRIBUTIONS	33,523,600	40,498,500	40,999,400 ^{3/}
FUND SOURCES			
General Fund	33,523,600	40,498,500	40,999,400
TOTAL - ALL SOURCES	33,523,600	40,498,500	40,999,400

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, \$24,999,400 of state general fund revenue is allocated in fiscal year 2022-2023 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 2022-2023. 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 Baseline includes \$24,999,400 from the General Fund in FY 2023 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. FY 2023 adjustments are as follows:

Distribution Increase

The Baseline includes an increase of \$500,900 from the General Fund in FY 2023 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 to \$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 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 \$30,693,900 through CY 2020 (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
2020	\$7.2	\$24.0	\$(16.8)	\$30.7
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.

Rio Nuevo District

The Baseline includes \$16,000,000 from the General Fund in FY 2023 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 2022.

The FY 2022 General Appropriation Act displays a \$16,000,000 estimated distribution in FY 2022. This amount was effectively based on the FY 2020 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 2022 General Appropriation Act, actual FY 2021 information became available, and the FY 2021 actual distribution was \$9,525,700. Given the recent trends of overall Sales Tax growth, the original FY 2022 estimate of \$16,000,000 has been retained for both FY 2022 and FY 2023 in the Baseline.

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 Rio Nuevo TPT payments).

Table 3
State TPT Payments to the Rio Nuevo District

Fiscal Year	Distributions
FY 2021	\$9,525,698
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	5,081,197
Total	\$205,937,896

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.

REVENUE FORECAST

GENERAL FUND REVENUE

FY 2022

FY 2022 Baseline General Fund revenues are projected to be \$15.57 billion. This is an increase of \$2.54 billion over the original revenue estimate included in the FY 2022 budget enacted in June 2021. As shown in *Table 1* below, the \$2.54 billion increase is the result of two forecast revisions: (1) October 4-sector forecast, which added \$2.13 billion to the enacted revenue estimate and (2) January 4-sector forecast, which added an additional \$401.5 million to the October forecast revision.

Table 1

FY 2022 Revenue Forecast (\$ in Millions)

Enacted FY 2022 Revenue Forecast	\$ 13,029.0
October Revision to Enacted Forecast	\$ 2,134.7
January Revision to October Forecast	\$ 401.5
Revised FY 2022 Revenue Forecast	\$ 15,565.2

Relative to the original FY 2022 revenue estimate adopted in June 2021, the \$2.54 billion increase under the January Baseline forecast is due to:

- An increase of \$2.08 billion in net revenues due to significantly stronger revenue growth than originally projected.
- A \$452.9 million increase in the balance forward from FY 2021. The original budget assumed an ending balance of \$441.7 million for FY 2021 while the actual balance carried forward was \$894.6 million.

Current year ongoing revenue estimates are based on the consensus forecasting process (*see FY 2023 and Beyond section below*). “Base Revenues” reflect the underlying growth in the economy and do not include one-time adjustments, Urban Revenue Sharing, or new tax law changes. *Table 2* shows the base revenue growth rates in FY 2022 through FY 2025 for the “Big 4” General Fund revenue sources (sales, individual income, corporate income, and insurance premium tax) provided by each of the components comprising the 4-sector consensus forecast.

Based on the January 4-sector forecast, “Big 4” General Fund base revenue is projected to grow by 7.7% in FY 2022. After adjusting for small revenue categories, the base revenue growth rate is 8.4%.

As a result of an Executive Order issued in March 2020, the state income tax filing due date was moved from April 15 to July 15, 2020. This had the effect of deferring an estimated \$553 million in tax payments from FY 2020 to FY 2021. After adjusting for the artificially inflated FY 2021 revenue base due to the deferral, the FY 2022 base revenue forecast is 12.6%.

After adjusting for the impact of the deferral, the year-to-date growth rate through December was 18.7%. To meet the January Baseline forecast, base revenues would have to grow by 7.5% over the remaining 6 months of FY 2022.

After including Urban Revenue Sharing, tax law changes, one-time revenues, and the carry-forward balance, overall revenues are projected to increase by 7.4% in FY 2022, to a total of \$15.57 billion, as shown in *Table 1*.

Beyond updating the base revenue forecast for the January Baseline, the JLBC Staff has also updated its FY 2022 – FY 2025 estimates of revenue and tax policy changes enacted as part of the FY 2022 budget. The impact of the enacted tax legislation on General Fund revenue collections in FY 2022 through FY 2025 is discussed in the *Revenue Adjustments* section. The individual revenue detail for FY 2022 under the January Baseline forecast is displayed in *Table 5* at the end of this section.

FY 2023 and Beyond

The FY 2023 Baseline projects total net revenue of \$15.9 billion, which is 2.1%, or \$332 million, above the amount in FY 2022. Base revenue, which as noted above excludes Urban Revenue Sharing, tax law changes, one-time revenues, and the beginning balance, is projected to grow by 3.1% under the January Baseline forecast.

The FY 2023 Baseline also incorporates revenue planning estimates for FY 2024 and FY 2025, which are shown in *Table 6*. Under the January Baseline, base revenue would increase by 4.6% in FY 2024 and 4.7% in FY 2025.

The Baseline estimated growth rates for the “Big 4” revenue categories of sales, individual income, corporate income, and insurance premium taxes are initially developed and revised using a 4-sector averaging process. This process is based on averaging the results of the following 4 forecasts:

Table 2

**4-Sector Estimates
Forecast Percentages (FY 2022 - FY 2025)
Base Revenue ^{1/}**

	FY 2022					FY 2023				
	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax	11.2%	11.5%	12.8%	11.7%	11.8%	6.0%	2.2%	4.3%	3.5%	4.0%
Individual Income Tax	5.3%	0.3%	2.1%	3.0%	2.7%	5.6%	3.3%	4.4%	3.5%	4.2%
Corporate Income Tax	15.8%	16.8%	17.5%	18.0%	17.0%	2.2%	0.6%	3.5%	3.0%	2.3%
Insurance Premium Tax	7.0%	5.8%	6.3%	7.0%	6.5%	3.9%	2.5%	3.1%	2.6%	3.0%
Overall ^{2/}	9.3%	7.2%	8.6%	8.6%	8.4%	4.6%	1.8%	3.4%	2.6%	3.1%
	FY 2024					FY 2025				
	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax	5.8%	3.9%	5.0%	4.0%	4.7%	5.5%	4.1%	4.8%	4.0%	4.6%
Individual Income Tax	5.4%	4.4%	5.4%	4.3%	4.9%	5.1%	4.6%	5.3%	4.2%	4.8%
Corporate Income Tax	3.7%	3.3%	4.3%	3.4%	3.7%	4.9%	6.2%	7.0%	4.5%	5.7%
Insurance Premium Tax	4.4%	1.4%	1.9%	3.3%	2.7%	3.5%	2.8%	3.1%	3.6%	3.3%
Overall ^{2/}	5.4%	4.0%	5.0%	4.1%	4.6%	5.1%	4.4%	5.0%	4.1%	4.7%

^{1/} Prior to any tax law or other revenue changes.

^{2/} The growth rates for each sector represent the weighted average of Big-4 revenue estimates plus JLBC Staff estimates of other revenue categories.

- Finance Advisory Committee panel forecast of January 2021. Consisting of 12 public and private sector economists, this independent panel usually 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 more cautious forecast model, and
- JLBC Staff projections.

The growth rates from each sector of the forecast for FY 2022 through FY 2025 are displayed in *Table 2*.

Risks to the Revenue Forecast

There are several factors that pose risks to the forecast, including uncertainties regarding the extent to which the Omicron variant of the coronavirus will affect consumer spending. If the spread of the Omicron variant results in a rapid rise in COVID-19 cases and hospitalizations, it could make households more cautious as they increasingly refrain from socially-dense consumer activities. This would likely have a negative impact on consumer spending. Other factors that could adversely affect the forecast is a worsening of ongoing supply-chain issues, which could lead to a prolonged delay in the production and shipment of durable goods.

There are also considerable uncertainties regarding how long the currently high rate of inflation will persist and how quickly consumers will spend down the excess savings that they accumulated in 2020 and 2021 due to various federal stimulus programs. If prices are rising faster than wages for a prolonged period, the purchasing

	<u>FY 2022</u>	<u>%</u>	<u>FY 2023</u>	<u>%</u>
Base Revenue ^{1/}	\$16,162.9	8.4%	\$16,660.9	3.1%
Income Tax Rate Reduction			(1,273.7)	
Other Enacted Reductions	<u>(51.0)</u>		<u>(42.6)</u>	
Net Revenue	16,111.9	8.1%	15,344.6	-4.8%
Urban Revenue Sharing	(756.4)		(1,107.0)	
One-Time Financing Sources:				
Balance Forward	894.6		2,103.2	
Water Infrastructure Repayment	20.0		0.0	
4.5% Max IIT Rate	(939.1)		(684.5)	
Alternative Tax Rate (SB 1783)	<u>234.1</u>		<u>241.3</u>	
Subtotal	209.6		1,660.0	
Total Revenue	<u>\$15,565.2</u>	7.4%	<u>\$15,897.6</u>	2.1%

^{1/} Base revenue represents ongoing General Fund revenue prior to tax law changes.

power of households would erode, which could dampen consumer spending. Moreover, once the excess savings are fully spent down, the timing of which remains uncertain, consumers may curb their spending on goods and services.

Revenue Adjustments

Table 3 provides an overview of ongoing base revenue and total revenue growth for FY 2022 and FY 2023. Ongoing base revenue represents General Fund revenue excluding the impact of tax legislation enacted as part of the FY 2022 budget, Urban Revenue Sharing, and one-time financing sources. As shown in Table 3, under the January Baseline, ongoing base revenue is projected to grow by 8.4% in FY 2022 and 3.1% in FY 2023. Total revenue, which represents all General Fund revenue sources net of tax reductions, and including the beginning balance, is estimated to increase by 7.4% in FY 2022 and 2.1% in FY 2023.

Budget Legislation

Each year there are statutory tax law and other revenue changes that affect the state's net revenue collections. These may include tax rate or tax exemption changes, state conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

As a part of the FY 2022 budget adopted in June 2021, the Legislature enacted numerous tax reductions as well as other statutory changes with revenue impact. Besides updating the base revenue forecast for the January Baseline, the JLBC Staff has also updated the FY 2022 – FY 2025 estimates of the tax policy and statutory changes enacted in 2021. A summary of the updated impact of the 2021 tax policy changes are displayed in Table 4.

Tax Rate Reductions – Laws 2021, Chapter 412, the Tax Omnibus bill, reduced the current 4 individual income tax brackets to 2 starting in Tax Year (TY) 2022/FY 2023. Subsequent to the passage of the bill, voters signed sufficient petitions to refer this measure to the 2022 General Election. This referral is one of several factors that could affect the availability of General Fund resources. The FY 2023 Baseline is premised on a "maximum commitment scenario" that is based on outcomes that use the most resources. This approach will prevent us from overstating the level of available resources. This scenario is a means of budgeting prudently and is not a prediction of the results of the referendum. As a result, we have presented our revenue estimates assuming that Chapter 412 is ultimately approved by voters. In that circumstance, the rates will be 2.55% for taxable income up to \$27,272 in a single household and \$54,544 in a married filing jointly household. The rate will become 2.98% above those thresholds. Based on the updated January Baseline

forecast, we estimate that this tax reduction will reduce General Fund revenue by \$(1.27) billion in FY 2023.

Further rate reductions are contingent upon FY 2022 and FY 2023 General Fund revenues exceeding the enacted budget forecast and reaching certain "trigger" levels, as provided by A.R.S. § 43-243. The TY 2023 rates will be determined in September 2022 and the TY 2024 rates in September 2023. Excluding the beginning balance, the "trigger" target is set at \$12.78 billion in FY 2022 and \$12.98 billion in FY 2023 and each year thereafter.

Based on the January Baseline forecast, we currently project that the state will exceed both trigger targets and we have incorporated the additional rate reductions into our estimates. The FY 2022 January Baseline forecast is \$14.67 billion compared to the \$12.78 billion trigger. The FY 2023 forecast is \$13.79 billion compared to the \$12.98 billion trigger.

Under the triggers, the rates will be reduced to 2.53%/2.75% in TY 2023/FY 2024 and a single rate of 2.5%, beginning in TY 2024/FY 2025. The FY 2024 reductions will cost an additional \$(309) million and the FY 2025 reductions will result in a further additional cost of \$(360) million in FY 2025.

Compared to our base revenue forecast, the total revenue rate reduction will be an estimated \$(1.27) billion in FY 2023, \$(1.64) billion in FY 2024 and \$(2.08) billion in FY 2025.

4.5% Maximum Income Tax Rate - Pursuant to Laws 2021, Chapter 411 (Revenue Budget Reconciliation Bill) 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%. The combined regular/Proposition 208 rate for these households would otherwise be 8.0% in TY 2021.

Proposition 208 will receive the proceeds from the 3.5% surcharge. The remaining 1% will be deposited in the General Fund. Based on the January Baseline forecast, this provision is estimated to reduce General Fund revenues by \$(939) million in FY 2022. As shown in *Table 4*, the impact is less in future years and reaches \$(570) million by FY 2025. The cost declines as the top combined regular/Proposition 208 rate falls from 8.0% in FY 2022 to 6.0% in FY 2025.

There is pending Proposition 208 litigation that would affect the Maximum Income Tax rate. In *Fann v. Arizona*, the Arizona Supreme Court has ruled that the surcharge is unconstitutional if it causes the K-12 Aggregate

Expenditure Limit to be exceeded. A trial court has yet to make that determination.

If Proposition 208 is ultimately ruled invalid, then the General Fund would not incur the cost of the 4.5% maximum tax rate as outlined above.

Under the "maximum commitment scenario" described above, we have presented our revenue estimates assuming that Proposition 208 remains in effect and have included the costs for the Maximum Income Tax rate policy.

Alternative Income Tax Rate (SB 1783) - 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% Proposition surcharge. Instead, SB 1783 alternative income tax collections will be deposited into the General Fund.

The SB 1783 alternative tax rate is 3.5% in TY 2021 and 3.0% in TY 2022. The rate will be further reduced to 2.8% in TY 2023 and TY 2024 and 2.5% in TY 2025.

The shift of taxable income from the regular income tax to the alternative income tax results in a General Fund savings relative to the 4.5% maximum tax rate. SB 1783 reduces the cost of the 4.5% maximum regular rate as income is diverted to the alternative rate. Under the January Baseline forecast, this savings is estimated to be \$234 million in TY 2021/FY 2022, \$241 million in TY 2022/FY 2023, \$228 million in TY 2023/FY 2024, and \$239 million in TY 2024/FY 2025.

The outcome of the Proposition 208 litigation as well as the 2022 ballot initiative to repeal the rate reductions under Laws 2021, Chapter 412 would also affect the ultimate dollar impact of this policy.

Other Tax Impacts – In the 2021 session, the Legislature approved several smaller tax provisions, which are estimated to reduce revenue by \$(51) million in FY 2022, \$(43) million in FY 2023, \$(47) million in FY 2024, and \$(52) million in FY 2025. The main reduction is exempting all veterans' pension payments from state individual income tax. *Table 4* displays the estimated impact of the smaller tax provisions in FY 2022 through FY 2025. A detailed description of the provisions listed in *Table 4* can be found on pages 449 to 452 in the *FY 2022 Appropriations Report*.

Table 4

Estimated Tax Reductions under JLBC Baseline Forecast
(\$ in Millions)

2021 Legislation / Description of Provision	FY 2022	FY 2023	FY 2024	FY 2025
Laws 2021, Ch. 412 – Income Tax Rate Reduction				
- Reduces rates to 2.55%/2.98%		\$(1,273.7)	\$(1,336.0)	\$(1,400.3)
- Reduces rates to 2.53%/2.75%			(308.8)	(323.7)
- Reduces to single rate of 2.50%				(360.0)
- Total Rate Reduction		(1,273.7)	(1,644.8)	(2,084.0)
Laws 2021, Ch. 411 – 4.5% Maximum IIT Rate				
Imposes a maximum combined (regular plus Prop. 208) individual income tax rate of 4.5% on taxable income above \$250K/\$500K	(939.1)	(684.5)	(634.6)	(570.1)
Laws 2021, Ch. 436 – Alternative Tax Rate (SB 1783)				
Imposes alternative tax rate phased down from 3.5% in TY 2021 to 2.5% in TY 2025 on income as defined in SB 1783	234.1	241.3	227.8	238.7
Laws 2021, Ch. 412 – Other Tax Omnibus Provisions				
- Provides full military pension exemption	(48.3)	(37.9)	(36.8)	(35.7)
- Increases std. deduction for charitable contributions	0.0	(2.0)	(3.9)	(5.8)
- Increases corporate displaced/disabled STO credit cap	(1.0)	(1.0)	(1.0)	(1.0)
- Creates new healthy forest production tax credit	(0.4)	(0.4)	(0.4)	(0.4)
- Expands eligibility for students receiving STO scholarships	(0.4)	(0.4)	(0.4)	(0.4)
- Allows deduction for "Contribution in Aid of Construction"	<u>(0.4)</u>	<u>(0.4)</u>	<u>(0.4)</u>	<u>(0.4)</u>
- Total – Other Tax Omnibus Provisions	(50.5)	(42.1)	(42.9)	(43.7)
Laws 2021, Ch. 430				
Creates a new affordable housing tax credit			(4.0)	(8.0)
Laws 2021, Ch. 408				
Reduces State Treasurer transfer to General Fund	(0.2)	(0.2)	(0.2)	(0.2)
Laws 2021, Ch. 409				
Reduces DHS transfer to General Fund	(0.3)	(0.3)	(0.3)	(0.3)
Total Enacted Reductions	\$(756.0)	\$(1,759.5)	\$(2,099.0)	\$(2,467.6)

The combined net revenue impact of all tax provisions enacted in 2021 is \$(756) million in FY 2022, \$(1.76) billion in FY 2023, \$(2.10) billion in FY 2024 and \$(2.47) billion in FY 2025, as shown in *Table 4*.

Urban Revenue Sharing

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns within the state. The amount that is currently distributed to cities and towns is 15% of net individual and corporate income tax collections from 2 years prior. Laws 2021, Chapter 412 increases the URS distribution from 15% to 18%, beginning in FY 2024.

As indicated in *Table 5*, total URS distributions will increase from \$756 million in FY 2022 to \$1.11 billion in FY

2023. This URS increase will result in General Fund revenue loss of \$(351) million in FY 2023 relative to FY 2022. (Due to the deferral of income tax collections from FY 2020 to FY 2021, URS distributions will be lower than normal in FY 2022 and higher than normal in FY 2023.) As shown in *Table 6*, URS distributions are estimated to be \$1.25 billion in FY 2024 and \$1.12 billion in FY 2025, which will result in a net General Fund revenue loss of \$(143) million in FY 2024, followed by a net revenue gain of \$126 million in FY 2025.

One-Time Financing

As shown in *Table 5*, the budget adopted in June 2021 includes the following one-time financing sources:

FY 2022

DWR Infrastructure Repayment

The FY 2020 General Appropriation Act (Laws 2019, Chapter 263) appropriated \$20.0 million from the General Fund to the Department of Water Resources' (DWR) Temporary Groundwater and Irrigation Efficiency Projects Fund to construct, rehabilitate and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater by qualified irrigation districts. The appropriated monies were required to be reimbursed to the General Fund on or before December 31, 2021.

Balance Forward

The FY 2021 General Fund ending balance carried forward into FY 2022 was \$894.6 million.

FY 2023

Balance Forward

The FY 2022 General Fund ending balance carried into FY 2023 is projected to be \$2.1 billion under the January Baseline forecast. This balance estimate is after allocating \$939 million for the Proposition 208 reserve. (See discussion below.)

FY 2024

Balance Forward

The Baseline assumes that the FY 2023 cash balance will be allocated as part of the FY 2023 budget process. Therefore, the FY 2023 General Fund ending balance carried into FY 2024 is assumed to be \$0 million, as shown in Table 6.

FY 2025

The Baseline assumes no one-time revenue sources in FY 2025.

Proposition 208 Reserve

Proposition 208 adds a 3.5% income tax surcharge for single households with more than \$250,000 in income and married households with more than \$500,000 starting in TY 2021. While the status of the surcharge is being litigated, these taxpayers may have decided to pay the higher surcharge in case the legal challenges are not successful.

Taxpayers may have either increased their withholding or their estimated payments. Until taxpayers file their returns in April 2022, however, there appears to be no mechanism to determine the level of these payments. As a result, Proposition 208-related withholding or payments are part of the General Fund balance.

If the surcharge is upheld in court, any Proposition 208 revenue would be transferred to the Proposition 208 fund in the summer of 2022. If the surcharge is not upheld, the state would refund any of these advance payments.

The Baseline sets aside \$939 million of the General Fund balance until this issue is resolved. This dollar amount represents the updated estimate of Proposition 208 collections. This projection is higher than the 2021 Regular Session estimate of \$836 million due to growth in Individual Income Tax liability over the last year.

Table 5

GENERAL FUND REVENUE - FY 2021 - FY 2023

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2021	% CHANGE PRIOR YR	FORECAST FY 2022	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2023	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	6,244,726.0	15.8%	6,981,536.9	11.8%	736,810.9	7,261,347.7	4.0%	279,810.7
Income - Individual	6,532,702.9	44.2%	6,659,388.8	1.9%	126,685.9	5,676,490.4	-14.8%	(982,898.4)
- Corporate	847,020.8	65.5%	988,924.4	16.8%	141,903.6	1,012,049.9	2.3%	23,125.5
Property	22,380.0	-7.3%	25,647.9	14.6%	3,267.8	24,552.5	-4.3%	(1,095.3)
Luxury - Tobacco	22,581.1	8.2%	22,306.0	-1.2%	(275.1)	22,085.4	-1.0%	(220.5)
- Liquor	44,938.5	23.9%	45,231.4	0.7%	292.8	46,755.3	3.4%	1,523.9
Insurance Premium	616,251.4	15.2%	656,487.5	6.5%	40,236.1	676,360.9	3.0%	19,873.4
Other Taxes	15,304.9	6.2%	15,534.4	1.5%	229.6	16,000.5	3.0%	466.0
Subtotal - Taxes	14,345,905.7	29.6%	15,395,057.3	7.3%	1,049,151.6	14,735,642.6	-4.3%	(659,414.7)
Other Non-Tax Revenues:								
Lottery	104,740.4	1.1%	222,410.2	112.3%	117,669.8	175,241.5	-21.2%	(47,168.7)
Gaming Revenue	0.0	N/A	26,101.3	N/A	26,101.3	18,467.0	-29.2%	(7,634.3)
Licenses, Fees and Permits	39,411.1	13.3%	39,010.5	-1.0%	(400.6)	40,050.0	2.7%	1,039.5
Interest	888.9	-97.7%	39,414.5	4334.3%	38,525.6	25,000.0	-36.6%	(14,414.5)
Sales and Services	26,049.0	16.2%	27,038.9	3.8%	989.9	27,985.3	3.5%	946.4
Other Miscellaneous	147,902.4	17.4%	152,554.8	3.1%	4,652.4	155,661.7	2.0%	3,106.9
Transfers and Reimbursements	131,146.9	12.6%	111,827.5	-14.7%	(19,319.4)	74,851.4	-33.1%	(36,976.1)
Public Safety Transfers	23,343.2	0.0%	0.0	-100.0%	(23,343.2)	0.0	N/A	0.0
Disproportionate Share Revenue	84,858.6	-0.1%	98,514.8	16.1%	13,656.2	91,649.6	-7.0%	(6,865.2)
Subtotal - Other Non-Tax	558,340.5	1.3%	716,872.4	28.4%	158,531.9	608,906	-15.1%	(107,966.0)
Net Ongoing Revenue	14,904,246.2	28.3%	16,111,929.7	8.1%	1,207,683.5	15,344,549.0	-4.8%	(767,380.8)
Urban Revenue Sharing (URS)	(828,492.9)	N/A	(756,388.3)	N/A	72,104.6	(1,106,958.6)	N/A	(350,570.3)
Net Ongoing Revenue w/ URS	14,075,753.3	29.4%	15,355,541.4	9.1%	1,279,788.1	14,237,590.3	-7.3%	(1,117,951.1)
One-Time Financing Sources:								
Prescription Drug Rebate Fund Transfer	16,700.0	-75.8%	0.0	-100.0%	(16,700.0)	0.0	N/A	0.0
DPS Highway Patrol Fund Transfer	24,205.7	N/A	0.0	-100.0%	(24,205.7)	0.0	N/A	0.0
Water Infrastructure Repayment	0.0	N/A	20,000.0	N/A	20,000.0	0.0	-100.0%	(20,000.0)
4.5% Maximum Tax Rate	0.0	N/A	(939,076.4)	N/A	(939,076.4)	(684,506.3)	N/A	254,570.1
SB 1783 Alternative Income Tax	0.0	N/A	234,098.3	N/A	234,098.3	241,305.8	3.1%	7,207.4
Subtotal - One-Time Financing Sources	40,905.7	-55.0%	(684,978.1)	N/A	(725,883.8)	(443,200.6)	N/A	241,777.5
Subtotal - Revenues	14,116,659.0	28.7%	14,670,563.3	3.9%	553,904.3	13,794,389.8	-6.0%	(876,173.6)
Balance Forward	372,457.0	-61.1%	894,636.0	140.2%	522,179.0	2,103,233.6	135.1%	1,208,597.6
Total - Resources	14,489,116.0	21.5%	15,565,199.3	7.4%	1,076,083.3	15,897,623.4	2.1%	332,424.0

Table 6

GENERAL FUND REVENUE - FY 2024 - FY 2025

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2024	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2025	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	7,600,604.8	4.7%	339,257.1	7,950,991.5	4.6%	350,386.7
Income - Individual	5,642,328.0	-0.6%	(34,162.4)	5,219,701.8	-7.5%	(422,626.2)
- Corporate	1,049,276.6	3.7%	37,226.7	1,108,801.0	5.7%	59,524.4
Property	24,156.7	-1.6%	(395.8)	23,858.5	-1.2%	(298.2)
Luxury - Tobacco	22,097.8	0.1%	12.4	22,386.1	1.3%	288.3
- Liquor	48,268.9	3.2%	1,513.6	49,739.7	3.0%	1,470.8
Insurance Premium	694,943.9	2.7%	18,582.9	717,633.2	3.3%	22,689.3
Other Taxes	16,544.5	3.4%	544.0	17,123.5	3.5%	579.1
Subtotal - Taxes	15,098,221.2	2.5%	362,578.6	15,110,235.2	0.1%	12,014.0
Other Non-Tax Revenues:						
Lottery	185,177.4	5.7%	9,935.9	195,754.6	5.7%	10,577.2
Gaming Revenue	20,110.2	8.9%	1,643.2	21,421.2	6.5%	1,311.0
Licenses, Fees and Permits	41,512.9	3.7%	1,463.0	43,071.1	3.8%	1,558.1
Interest	27,500.0	10.0%	2,500.0	30,000.0	9.1%	2,500.0
Sales and Services	28,964.7	3.5%	979.5	29,978.5	3.5%	1,013.8
Other Miscellaneous	160,154.1	2.9%	4,492.4	164,810.5	2.9%	4,656.4
Transfers and Reimbursements	78,090.0	4.3%	3,238.6	81,545.1	4.4%	3,455.1
Public Safety Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Disproportionate Share Revenue	95,474.3	4.2%	3,824.7	95,644.9	0.2%	170.6
Subtotal - Other Non-Tax	636,983.7	4.6%	28,077.3	662,225.8	4.0%	25,242.1
Net Ongoing Revenue	15,735,204.9	2.5%	390,655.9	15,772,461.1	0.2%	37,256.2
Urban Revenue Sharing (URS)	(1,249,800.3)	N/A	(142,841.8)	(1,124,161.2)	N/A	125,639.2
Net Ongoing Revenue w/ URS	14,485,404.7	1.7%	247,814.1	14,648,299.8	1.1%	162,895.4
One-Time Financing Sources:						
Prescription Drug Rebate 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	N/A	0.0	0.0	N/A	0.0
4.5% Maximum Tax Rate	(634,570.9)	N/A	49,935.4	0.0	N/A	634,570.9
SB 1783 Alternative Income Tax	227,792.8	-5.6%	(13,512.9)	0.0	-100.0%	(227,792.8)
Subtotal - One-Time Financing Sources	(406,778.1)	N/A	36,422.5	0.0	N/A	406,778.1
Subtotal - Revenues	14,078,626.6	2.1%	284,236.6	14,648,299.8	4.0%	569,673.5
Balance Forward	-	-100.0%	(2,103,233.6)	-	N/A	0.0
Total - Resources	14,078,626.6	-11.4%	(1,818,997.0)	14,648,299.8	4.0%	569,673.5

BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the “Rainy Day Fund.”

The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of real adjusted state personal income, its trend growth rate over the past 7 years, and the calculated appropriation to or transfer from the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has rarely been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- The deposit into or withdrawal from the BSF for a given fiscal year is determined by comparing the annual growth rate of real adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to its 7-year trend growth rate.
 - Real adjusted personal income in the BSF formula is defined as Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
 - Trend growth rate is defined as the average annual growth rate of real adjusted personal income for the most recent 7 calendar years.
- If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF.
 - If the annual growth rate of real adjusted personal income is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. This 2% floor avoids withdrawing monies from the BSF when economic conditions are slowing but there is not a recession.
 - By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
 - 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 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 of \$(255.7) million in FY 2021. The Legislature, however, 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 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 2021. Chapter 58 required the BSF to be fully reimbursed by September 1, 2021. DES withdrew these monies and reimbursed them prior to September 1, 2021.

FY 2022

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real adjusted personal income will increase by 2.20% in CY 2021. Since this is below the estimated trend growth rate of 3.29%, but above 2.0%, the formula is projected to

recommend no deposits or withdrawals in FY 2022. (For more details, see Table 1.)

Statutory Changes

The Baseline would, as session law, continue to notwithstand the requirements for any deposit to or withdrawals from the Budget Stabilization Fund through FY 2025.

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.

FY 2023

EBR currently projects that Arizona real adjusted personal income will increase by 3.52% in CY 2022. Since this is 0.41% above the estimated trend growth rate of 3.11%, the formula is projected to recommend a deposit of \$60.1 million in FY 2023. (For more details, see Table 1.)

Budget Stabilization Fund ^{1/}			
(\$ in Thousands)			
	Actual FY 2021	Estimate FY 2022	Estimate FY 2023
General Fund Revenues			
Adjusted Revenues	\$14,075,753.3	\$14,650,563.3	\$13,794,389.9
Statutory Limit of Revenues	10.0%	10.0%	10.0%
Maximum Balance	1,407,575.3	1,465,056.3	1,379,439.0
Arizona Personal Income in Prior CY			
Real Adjusted Annual Income Growth	1.19%	2.20%	3.52%
7-Year Average Income Growth	<u>3.54%</u>	<u>3.29%</u>	<u>3.11%</u>
Annual Difference	(2.35)%	(1.09)%	0.41%
BSF Transactions			
Beginning BSF Balance	978,531.3	974,797.8	979,797.8
BSF Formula Recommendation	(255,670.3)	0.0	60,067.3
Actual Transfer In			
General Fund Appropriation	0.0	0.0	0.0
Actual Transfer Out			
State Forester Claims ^{2/}	(11,269.1)	0.0	0.0
DES Reimbursement Grants ^{3/4/}	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	(11,269.1)	0.0	0.0
Balance	967,262.2	974,797.8	979,797.8
Interest Earnings & Equity Gains/Losses ^{5/}	7,535.6	5,000.0	5,000.0
Ending BSF Balance	\$974,797.8	\$979,797.8	\$984,797.8
Percent of Revenues	6.9%	6.7%	7.1%
^{1/} BSF history prior to FY 2021 can be found on the JLBC website. ^{2/} Laws 2019, Chapter 269 authorizes BSF monies to be used by the State Forester to pay certain wildland fire suppression claims, not to exceed \$20.0 million. The monies must be reimbursed to the State Treasurer within 45 days of a federal agency's payment on the claim. ^{3/} Laws 2020, Chapter 58 authorized DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2021. Chapter 58 required the BSF to be fully reimbursed by September 1, 2021. These monies were spent and repaid by September 1, 2021. ^{4/} 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. ^{5/} Interest earnings for FY 2022 and FY 2023 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 2023 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 2023 is estimated to be \$268.2 million and the Total State Funds cost is \$663.5 million. *(Please see Table 1 for the total costs.)*

Employer contribution rates 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.

ASRS

The General Fund cost associated with ASRS in FY 2023 is estimated to be \$85.6 million and the Total State Funds cost is \$390.2 million.

At its November 2021 meeting, the ASRS Board of Trustees decreased the pension contribution rate to 12.03% of Personal Services in FY 2023. *(See Table 2).* The FY 2022 rate was 12.22%.

Table 1			
Arizona Public Retirement FY 2023 System Employer Cost			
	FY 2023 Total Cost 1/		
	General Fund	All Other Funds 2/	Total
Arizona State Retirement System	\$ 85,607,400	\$ 304,599,300	\$ 390,206,700
Public Safety Personnel Retirement System	59,709,700	35,551,300	95,261,000
Corrections Officer Retirement Plan	85,719,200	4,069,400	89,788,600
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	16,297,900	329,200	16,627,100
University Optional Retirement Plan	20,902,300	50,710,300	71,612,600
Grand Total	\$ 268,236,500	\$ 395,259,500	\$ 663,496,000

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2023 Baseline change in Personal Services costs. These estimates are based on Tier 1 and Tier 2 employer contribution rates, and do not include the impact of Tier 3 employer contribution rates.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

The employer contribution rate for disability insurance decreased from 0.19% to 0.14%, for a total overall employer contribution rate of 12.17% (compared to 12.41% 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 2023 is estimated to be \$59.7 million and the Total State Funds cost is \$95.3 million.

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 \$85.7 million in FY 2023 and the Total State Funds cost is \$89.8 million.

EORP and EODCRS System

The General Fund cost associated with EORP and the EODCRS in FY 2023 is estimated to be \$16.3 million and the Total State Funds cost is \$16.6 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.

UORP

The General Fund cost associated with UORP in FY 2023 is estimated to be \$20.9 million and the Total State Funds cost is \$71.6 million.

While some university employees are members of ASRS, others participate in the optional retirement plan. In this latter plan, employees and their employers each contribute 7% of the employee's gross earnings, which is then invested by the employee. These contribution rates are fixed in statute and do not change in FY 2023.

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 2004	5.20
FY 1984	7.00	FY 2005	5.20
FY 1985	6.27	FY 2006	6.90
FY 1986	5.67	FY 2007	8.60
FY 1987	5.53	FY 2008	9.10
FY 1988	4.00	FY 2009	8.95
FY 1989	2/	FY 2010	9.00
FY 1990	2/	FY 2011	9.60
FY 1991	2/	FY 2012	10.50
FY 1992	2/	FY 2013	10.90
FY 1993	2/	FY 2014	11.30
FY 1994	2/	FY 2015	11.48
FY 1995	2/	FY 2016	11.35
FY 1996	3.36	FY 2017	11.34
FY 1997	3.20	FY 2018	11.34
FY 1998	3.05	FY 2019	11.64
FY 1999	2.85	FY 2020	11.94
FY 2000	2.17	FY 2021	12.04
FY 2001	2.17	FY 2022	12.22
FY 2002	2.00	FY 2023	12.03
FY 2003	2.00		

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.

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 market value of assets relative to the amount of liabilities, of each plan is:

- 80.0% for ASRS;
- 59.3% for PSPRS;
- 73.9% for CORP; and
- 36.2% for EORP.

The above percentages exclude the retiree health portion of the pension plan.

Retirement System	Employer				Employee		
	FY 2022		FY 2023		FY 2023		
	Tier 1 and 2	Tier 3 ^{1/}	Tier 1 and 2	Tier 3 ^{1/}	Tier 1	Tier 2	Tier 3 ^{1/}
<i>Public Safety Personnel Ret. System</i>							
Liquor License Investigators	108.44	103.00	115.93	110.35	7.65	11.65	9.94
Department of Public Safety ^{2/}	106.95	104.22	66.73	63.74	2.65	6.65	5.55
Northern Arizona University Police	48.68	48.57	57.37	57.26	7.65	11.65	9.94
University of Arizona Police	49.16	45.87	50.23	46.72	7.65	11.65	9.94
Arizona State University Police	46.67	42.74	50.71	47.02	7.65	11.65	9.94
Game and Fish Department	131.05	127.47	136.73	133.44	7.65	11.65	9.94
Attorney General Investigators	59.29	51.87	50.30	42.83	7.65	11.65	9.94
DEMA Firefighters	46.90	43.26	45.56	41.74	7.65	11.65	9.94
Parks Police	118.02	111.62	122.19	116.59	7.65	11.65	9.94
<i>Corrections Officer Ret. Plan</i>							
Corrections Officer - ADC	30.88	31.22	18.79	19.43	8.41	8.41	7.49
Corrections Officer - DJC	46.55	47.42	52.69	53.67	8.41	8.41	7.49
DPS Dispatchers ^{3/}	71.44	73.13	79.64	81.86	7.96	7.96	7.49
Probation Officers	35.97	36.66	37.06	37.97	8.41	8.41	7.49

^{1/} FY 2022 and FY 2023 rates for Tier 3 for PSPRS 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.

	ASRS	PSPRS	CORP	EORP
FY 2022 Contribution Rate	12.41%	56.20%	31.43%	61.31%
Asset (Gain)/Loss	-0.19%	-0.14%	-0.31%	-0.13%
Payroll	0.00%	0.75%	1.63%	5.60%
Liability Experience	N/A	0.21%	-0.65%	-1.19%
Disability Rate Change	-0.05%	0.00%	0.00%	0.00%
Assumption Changes	N/A	1.43%	0.52%	3.17%
Additional Contributions	0.00%	-4.65%	-7.80%	0.00%
Amortization Change	N/A	0.00%	0.00%	0.00%
Other	<u>0.00%</u>	<u>0.34%</u>	<u>0.65%</u>	<u>1.66%</u>
FY 2023 Contribution Rate	12.17%	54.14%	25.47%	70.42%
Net Change	-0.24%	-2.06%	-5.96%	9.11%

^{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. EORP data is displayed as calculated in the actuarial valuation, the actual FY 2022 EORP contribution rate approved by the PSPRS Board was 61.43%.

Membership	ASRS			PSPRS			CORP			EORP		
	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023
Active (working and contributing)	210,135	207,913	18,667	18,366	10,936	9,863	457	373				
State Active Members	27,400	N/A	1,404	1,353	5,063	4,534	N/A	N/A				
Other Active Members ^{1/}	182,735	N/A	17,263	17,013	4,997	5,329	N/A	N/A				
Inactive	244,592	253,152	2,366	2,612	3,604	3,726	175	177				
Retired Members, Disabled and Survivor Beneficiaries	155,924	160,215	15,869	14,564	6,049	6,417	1,254	1,315				
Deferred Retirement Option Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A				
Total	610,651	621,280	36,902	35,542	20,589	20,006	1,886	1,865				
Funding Status (dollar values in millions) ^{2/}	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021
Market Value of Assets	\$40,872	\$50,300	\$8,058	\$11,445	\$2,071	\$3,216	\$287	\$346				
Total Actuarial Liability	\$58,266	\$62,860	\$18,512	\$19,306	\$4,225	\$4,351	\$961	\$955				
Unfunded Actuarial Liability ^{3/}	\$15,559	\$12,560	\$10,454	\$7,861	\$2,154	\$1,135	\$674	\$609				
Funded Status ^{3/}	72.3%	80.0%	43.5%	59.3%	49.0%	73.9%	29.9%	36.2%				
N/A=Not Available												

^{1/} Includes city, county, political subdivision, higher education and other education active members.

^{2/} Represents aggregate information for PSPRS and CORP Tier 1 and 2 pension benefits. 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.

^{3/} Calculated on market, not actuarial, value of assets. Excludes the funded status of the retiree health portion of the plan.

State Retirement Plan Summary										
Hire Date	PSPRS			CORP			EORP		ASRS	
	Tier 1 Before 1/1/12	Tier 2 1/1/12 thru 7/1/17	Tier 3/DC After 7/1/17	Tier 1 Before 1/1/12	Tier 2 1/1/12 thru 7/1/18	Tier 3/DC 1/ After 7/1/18	Tier 1 Before 1/1/12	Tier 2 1/1/12 thru 1/1/14	DC Plan After 1/1/14	DB Plan 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		None	62		Years of Service and Age must equal 80
Minimum Years of Service	20 years; 62 or older	15 years	15 years		25 years		20 years	10 years		
Multipplier	<20 years: -4.00% 20 to <25 years: 2.00% 25+ years: 2.50%	62.5%+ <25 years: -4.00% 25+ years: 2.50%	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%	Not Applicable	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	Not Applicable	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
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)		50/50
Assumed Rate of Return	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%	61.43% to employer account

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.

TECHNICAL BUDGET ASSUMPTIONS

TECHNICAL BUDGET ASSUMPTIONS

Baseline

This book reflects General Fund baseline revenue and spending estimates. The revenue projections are based on a consensus economic forecast while the spending estimates represent currently-funded formula requirements and other obligations. The Baseline does not represent a budget proposal. By providing an estimate of available resources after statutory requirements, however, the Baseline will help members of the Legislature evaluate the availability of resources for these discretionary adjustments. As such, the Baseline is only a starting point for discussion on the FY 2023 budget.

The Baseline also includes supplemental FY 2022 funding for selected budget units. All FY 2022 changes are referenced to the original FY 2021 appropriated amount.

In addition, A.R.S. § 35-125 requires the annual General Appropriation Act to include a 3-year revenue and expenditure projection. To assist in this effort, the JLBC Staff has developed General Fund Baseline estimates through FY 2025.

Changes from Prior Year

The Baseline includes adjustments for one-time appropriations, annualization of any items funded for a partial year, and funding formula requirements.

The individual agency descriptions in this volume provide further narrative detail on these changes. In addition, the book provides the line item detail for individual agency budgets. The major technical issues pertaining to each of these line items are described below.

The individual agency descriptions also include the following years of budget data:

- *FY 2021 Actual* - This dollar amount represents the FY 2021 expenditures as reported by the agency. Pursuant to the Executive's budget instructions, the amount is to exclude administrative adjustments, or payments for obligations incurred in FY 2020 but for which the state was not billed until FY 2021.
- *FY 2022 Estimate* - This dollar amount represents the FY 2022 appropriations as of the end of the 55th Legislature, 1st Regular Session. It does *not* include any supplemental FY 2022 funding in the Baseline.
- *FY 2023 Baseline* - This dollar amount represents the FY 2023 Baseline spending estimate.

Each budget summary includes the level of non-appropriated and Federal Funds available to the agency. The detail for these funds can be found in the "Summary of Funds" section at the end of each individual agency's narrative pages.

Statewide and Standard Changes

Personal Services - This category includes salaries paid to state employees.

ERE Rates - This category typically represents changes in the state's cost of employee benefits. The rates have been held constant from FY 2022 to FY 2023 in the Baseline.

Medical and Dental Insurance - The Baseline includes no funding for medical and dental insurance premium adjustments. Funding for the employer share of health insurance in an individual agency's FY 2023 Baseline is the same as FY 2022. *(Please see the HITF discussions in the Arizona Department of Administration (ADOA) narrative for further details on HITF balances.)*

Life Insurance - \$7.28 per employee per year, unchanged from the FY 2022 rate set by ADOA.

Unemployment Insurance - 0.10% of Personal Services for each agency, unchanged from the FY 2022 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 2022 rate established in statute. Of this amount, 0.83% is used to fund the ADOA Human Resources Division while the other 0.03% is used to fund the State Personnel Board.

The following agencies are not incorporated into State Personnel System oversight and are therefore exempt from paying the pro rata charge:

- Arizona State Schools for the Deaf and the Blind
- Legislative agencies (House of Representatives, Senate, Legislative Council, Auditor General, Joint Legislative Budget Committee)
- Judiciary (Supreme Court, Court of Appeals, Superior Court)
- Department of Public Safety
- Universities (including Arizona Board of Regents)

Information Technology Planning - 0.43% of Personal Services for each agency, unchanged from the FY 2022

rate established in statute. The government information technology review function in the ADOA budget is funded from an assessment on the payroll of all state agencies except the Universities.

Retiree Accumulated Sick Leave - 0.40% of Personal Services for each agency, unchanged from the FY 2022 rate established in statute. The Retiree Accumulated Sick Leave Fund is funded from an assessment on the payroll of all state agencies. The fund is used to make payments to state employees who retire with 500 or more hours of sick leave. Employees' payments depend on the number of hours of sick leave and their salary, with the payment capped at 50% of 1,500 hours of sick leave, or \$30,000 maximum.

Attorney General Legal Services - \$1,798,500 in charges to selected state agencies for Attorney General services, unchanged from the FY 2022 amount set in the FY 2022 budget. *(Please see the Attorney General narrative for details.)*

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2022 workers' compensation rates. ADOA estimates the average statewide rate is 0.96%.

Federal Insurance Contributions Act (FICA) - Effective January 1, 2022, Social Security employer taxes are paid at a rate of 6.20% up to \$147,000 an increase from the previous maximum of \$142,800. The rate is unchanged. The Baseline does not adjust agency budgets for this change.

In addition, Medicare employer taxes are applied at a rate of 1.45% on the full level of an employee's salary. This rate is unchanged from FY 2022. 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.

Retirement - Most FY 2023 rates as determined by the state's retirement systems have changed from the FY 2022 rates. The total contribution from ASRS employees and employers combined will be 24.06%, a decrease from the FY 2022 rate of 24.44%; both employers and employees will see their rates decrease in FY 2023 to 12.03% from 12.22% in FY 2022. These rates exclude disability insurance (*see below*).

Employer contribution rates for other retirement systems including the Public Safety Personnel Retirement Plan, the Corrections Officers Retirement Plan, and the Elected Officials' Retirement Plan also changed. The Baseline does

not adjust agency budgets for changes in retirement rates. *(Please see the Consolidated Retirement Report for more details.)*

Disability Insurance - For Arizona State Retirement Systems (ASRS) employees, the employer will pay 0.14% of Personal Services for disability insurance, a decrease of 0.05% from the FY 2022 rate of 0.19%. The employee rate will also be 0.14%.

Rates for disability insurance for PSPRS and CORP employers are changed from FY 2022. The PSPRS rate is 1.66% for defined-contribution employees (an increase from 0.88%). The CORP rate is 0.44% (a decrease from 0.49%) for employees in defined-contribution plans. The Baseline assumes no changes in the rates for employees in defined-benefit plans, which were 2.41% in PSPRS and 0.32% in CORP in FY 2022. The disability insurance rate for participants in the Elected Officials' Defined Contribution Retirement System will be 0.165%. The Baseline does not adjust agency budgets for any changes in disability insurance rates.

Risk Management - Individual agency budgets' Other Operating Expenditures include funding for Risk Management charges determined and billed by ADOA. The billings vary by individual agency. The Baseline does not adjust agency budgets for changes in these rates.

Rent - Individual agency budgets' Other Operating Expenditures include monies to pay rent for state-owned or lease-purchase space, as well as for privately-owned space.

As required by statute, ADOA charges \$17.87 per square foot for all state agencies occupying state-owned space and \$6.43 per square foot for state-owned storage space in FY 2022. These rates are based upon usable square feet. The Baseline assumes no changes to these rates for FY 2023. *(Please see the Capital Outlay - ADOA Building System narrative for more details.)*

The Baseline does not address increases in rent for privately-owned space.

Arizona Financial Information System - The Baseline includes an increase of \$490,000 from the General Fund and \$1,000,000 from Other Appropriated Funds for adjustments in agency Arizona Financial Information System (AFIS) charges. This increase is reflected as a statewide adjustment in the FY 2023 Baseline but will be allocated to individual agency budgets in the FY 2023 Appropriations Report. *(Please see the Arizona Department of Administration (ADOA) narrative for more details on AFIS charges.)*

Format

Each agency section in this book includes the proposed agency budget format. Any changes from the prior year format are noted. The format governs how an agency's appropriation will appear in the General Appropriation Act. The most common budget formats are as follows:

- Lump Sum by Agency
- Lump Sum by Program
- Modified Lump Sum by Agency
- Detailed Line Item by Agency

A less detailed format will provide an agency with more discretion in implementing the budget at the expense of legislative oversight for that agency. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds to a purpose different from that originally intended by the Legislature.

Details on each of these common formats are below:

Lump Sum by Agency - The appropriation consists of a single dollar amount, thereby allowing the agency to shift funds among line items and programs without further legislative review. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Lump sum appropriation	\$100,000

Within this format, the Legislature will need to determine whether Special Line Items (funds generally granted to entities or individuals outside of state government, or which merit special attention) will be included in the Lump Sum or listed separately. If Special Line Items are listed separately, transfers to or from those lines must receive prior ADOA and Governor's Office of Strategic Planning and Budgeting (OSPB) approval.

Lump Sum by Program - The appropriation consists of a single dollar amount for each agency program. Agencies must receive ADOA and OSPB approval prior to shifting monies from one program to another. Any Special Line Items would be listed under the program with which they are associated. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Program A	\$30,000
Program B	30,000
Program C	<u>40,000</u>
Total Appropriations - Agency X	\$100,000

Modified Lump Sum - The appropriation consists of at least 3 lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, an agency must seek the recommendation of the Joint Legislative Budget Committee and approval by ADOA and OSPB before moving any funds into or out of the Personal Services or ERE line items (A.R.S. § 35-173E). In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
All Other Operating Expenditures	<u>25,000</u>
Total Appropriations - Agency X	\$100,000

Detailed Line Item - The appropriation consists of each line item listed in this book, including Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel, Other Operating Expenditures, and Equipment. Any Special Line Items would be listed separately. While the same rules govern Personal Services/ERE transfers as noted in the Modified Lump Sum description, the detailed line item appropriation requires the agency to seek ADOA and OSPB approval before transferring monies between any other line items.

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
Professional & Outside Services	3,000
Travel - In State	7,500
Travel - Out of State	2,500
Other Operating Expenditures	5,000
Equipment	2,000
Local Grants	<u>5,000</u>
Total Appropriations - Agency X	\$100,000

Footnotes

The individual agency sections of this book include proposed footnotes, which are narrative statements in the General Appropriation Act that establish conditions for expenditures, reporting requirements, and legislative intent. A footnote, however, cannot be used to modify an existing program's authorizing law.

Agency footnotes are shown after the number table at the start of an agency's narrative. Most footnotes are unchanged from FY 2022 or updated for technical reasons (e.g., fiscal year references). One-time FY 2022 footnotes do not reappear in the FY 2023 Baseline. Non-technical changes are indicated with strike-through font for

deletions and all-capital text for new language. Proposed new footnotes will include the word "NEW" at the start of the footnote. Footnotes proposed for deletion will be footnoted with a "D/" and the entire text struck-through.

(Please see the Major Footnote Changes section for a listing of major footnote changes from FY 2022.)

Statewide Footnotes

In addition to individual agency footnotes, the Baseline would include several footnotes applying to statewide issues to the General Appropriation Act. All the following footnotes are unchanged from FY 2022 unless noted.

Federal Funds Reporting – In FY 2023, prior to spending more than \$10,000,000, the Governor's Office, Superintendent of Public Instruction, and Arizona Board of Regents are required to report to the Legislature on the use of discretionary monies received from the American Rescue Plan Act. In addition, each entity is required to report quarterly on all such expenditures.

Expenditure Reporting - It is the intent of the Legislature that all budget units receiving appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years.

FTE Position Reporting - The FTE Positions in the General Appropriation Act are subject to appropriation. The ADOA Director shall compile an FTE Position utilization report for FY 2023 for submission to the JLBC Director by October 1, 2023. This report shall include both appropriated and non-appropriated positions. The Universities are exempt from the ADOA report but are to report in a comparable manner. In addition, each agency shall submit a report to the JLBC Director by October 1, 2022 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2022.

Transfer Authority - ADOA shall provide a monthly report to JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements - ADOA shall provide to the JLBC a preliminary estimate of the FY 2022 General Fund ending balance by September 15, 2022. The JLBC Staff shall report to JLBC by October 15, 2022 as to whether FY 2023's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections.

Long-Term Budget Estimates - A.R.S. § 35-125 requires that the General Appropriation Act delineate the revenue

and expenditure estimates for the budget year and the following 2 years. The expenditure estimates are to be based on existing statutory funding requirements. A.R.S. § 35-125 requires the Legislature to discuss the estimates in a public hearing before the adoption of the General Appropriation Act. *(Please see the FY 2023 Baseline Summary section for details on the FY 2023 - FY 2025 revenue and expenditure estimates.)*

Non-Lapsing Appropriations - The General Appropriation Act will designate certain appropriations with "*", meaning that the appropriation is exempt from lapsing.

Expenditure Authority - For the purposes of the General Appropriation Act, "expenditure authority" means that the fund sources are continuously appropriated monies that are included in the individual line items of appropriations.

JLBC Review - For the purposes of the General Appropriation Act, "review by the Joint Legislative Budget Committee" means a review by a vote of a majority of a quorum of the members.

Statutory Changes

The individual agency sections of this book include proposed statutory changes related to the budget. These changes will be introduced in Budget Reconciliation Bills (BRBs). *(Please see the FY 2023 Budget Reconciliation Bill Provisions section for a complete listing of proposed statutory changes.)*

In addition to agency-specific statutory changes, the Baseline would, as session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.

Other Issues

This section may also include other information of general interest, including FY 2022 supplementals and Auditor General reports.

Statewide Expenditure Adjustments

In addition to changes in individual agency budgets, the Baseline includes 2 "balance sheet" expenditure items not discussed elsewhere: Administrative Adjustments, Revertments, and Statutory Revertments.

Administrative Adjustments - The Baseline assumes that state agencies will have expenditures totaling \$225,000,000 in FY 2022 for FY 2021 expenditures. 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 exceed its prior year reversion, or unused appropriation authority. The \$225,000,000 is an increase of \$105,000,000 from the originally-budgeted FY 2022 total.

In addition to the FY 2022 figure, the Baseline assumes a FY 2023 administrative adjustment total of \$200,000,000, a decrease of \$(25,000,000) from the revised FY 2022 total.

Reversions - The Baseline assumes that state agencies will revert \$(150,000,000) of FY 2022 appropriations back to the General Fund because the agencies will not spend their entire appropriation. Agencies will be permitted to make administrative adjustments totaling no more than this amount in FY 2023. This amount is \$42,000,000 more than the originally-budgeted FY 2022 total of \$(192,000,000).

In addition to the FY 2022 estimate, the Baseline also assumes a FY 2023 reversion total of \$(200,000,000), an increase of \$(50,000,000) from the revised FY 2022 total. The FY 2022 and FY 2023 amounts reflect between 1.2% and 1.6% of non-capital-related appropriated spending.

***JLBC STAFF
AND
AGENCY DIRECTORY***

**DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS
(As of January 14, 2022)**

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Molly Murphy	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Steve Grunig	David Geriminsky [Executive Director]	602-542-3095
Administration, Arizona Department of	Rebecca Perrera	Andy Tobin [Director]	602-542-1500
Administrative Hearings, Office of	Ben Newcomb	Greg Hanchett [Interim Director]	602-542-9830
African-American Affairs, Arizona Commission of	Molly Murphy	Cloves Campbell [Executive Director]	602-542-5484
Agriculture, Arizona Department of	Nate Belcher	Mark Killian [Director]	602-542-4373
Arizona Health Care Cost Containment System	Maggie Rocker	Jami Snyder [Director]	602-417-4111
Arizona State University	Morgan Dorcheus	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Ryan Fleischman	Alex Nelson [Interim Executive Director]	602-771-6521
Athletic Training, Board of	Steve Grunig	Karen Whiteford [Executive Director]	602-589-8353
Attorney General - Department of Law	Ryan Fleischman	Honorable Mark Brnovich [Attorney General]	602-542-5025
Auditor General	Steve Grunig	Lindsey Perry [Auditor General]	602-553-0333
Barbering and Cosmetology Board	Geoff Paulsen	Irma Telles-Stewart [Interim Director]	480-784-4539
Behavioral Health Examiners, Board of	Morgan Dorcheus	Tobi Zavala [Executive Director]	602-542-1617
Charter Schools, State Board for	Molly Murphy	Ashley Berg [Executive Director]	602-364-3080
Child Safety, Department of	Stefan Shepherd	Mike Faust [Director]	602-255-2564
Chiropractic Examiners, State Board of	Morgan Dorcheus	Jaime Shapiro [Executive Director]	602-542-9101
Citizens Clean Elections Commission	Maggie Rocker	Thomas M. Collins [Executive Director]	602-364-3477
Commerce Authority, Arizona	Nate Belcher	Sandra Watson [President and CEO]	602-845-1229
Community Colleges, Arizona	Lydia Chew	--	--
Constable Ethics Standards and Training Board	Ryan Fleischman	Scott Blake [Chairman]	602-343-6280
Contractors, Registrar of	Ben Newcomb	Jeffrey Fleetham [Director]	602-771-6700
Corporation Commission	Nate Belcher	Honorable Lea Marquez Peterson [Chairwoman]	602-542-3625
Corrections, State Department of	Geoffrey Paulsen	David Shinn [Director]	602-542-5225
Court of Appeals, Division I	Ryan Fleischman	Honorable Kent E. Cattani [Chief Judge]	602-452-6725
Court of Appeals, Division II	Ryan Fleischman	Honorable Garye L. Vásquez [Chief Judge]	520-628-6949
Criminal Justice Commission, Arizona	Ryan Fleischman	Andrew LeFevre [Executive Director]	602-364-1156
Deaf and the Blind, Arizona State Schools for the	Molly Murphy	Annette Reichman [Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Molly Murphy	Sherri L. Collins [Executive Director]	602-542-3383
Dental Examiners, State Board of	Morgan Dorcheus	Ryan Edmonson [Executive Director]	602-542-4451
Drought Mitigation Board	Micaela Larkin	Thomas Buschatzke [Member/Administrator]	602-771-8426
Early Childhood Development and Health Board, Arizona	Stefan Shepherd	Marilee Dal Pra [Executive Director]	602-771-5100
Economic Opportunity, Office of	Ben Newcomb	Sandra Watson [Director]	602-771-0484
Economic Security, Department of	Maggie Rocker/ Micaela Larkin	Michael Wisehart [Director]	602-542-5757
Education, State Board of	Lydia Chew	Alicia Williams [Executive Director]	602-542-5057
Education, Department of	Patrick Moran/ Lydia Chew	Honorable Kathy Hoffman [Superintendent of Public Instruction]	602-364-1972
Emergency and Military Affairs, Department of	Jordan Johnston	Kerry L. Muehlenbeck [Adjutant General]	602-267-2710
Environmental Quality, Department of	Ryan Fleischman	Misael Cabrera [Director]	602-771-2203
Equal Opportunity, Governor's Office of	Molly Murphy	Barry Wong [Executive Director]	602-542-5732
Equalization, State Board of	Lydia Chew	George R. Shook [Interim Chairman]	602-364-1611
Executive Clemency, Board of	Ryan Fleischman	Kathryn Blades [Executive Director]	602-542-5656
Exposition and State Fair Board, Arizona	Nate Belcher	Wanell Costello [Executive Director]	602-252-6771
Forestry and Fire Management, Arizona Department of	Nate Belcher	David Tenney [State Forester]	602-771-1400
Funeral Directors and Embalmers, State Board of	Steve Grunig	Natasha Culbertson [Executive Director]	602-542-8152
Game and Fish Department, Arizona	Micaela Larkin	Ty Gray [Director]	602-942-3000
Gaming, Department of	Ben Newcomb	Ted Vogt [Director]	602-771-4263
Governor, Office of the	Steve Grunig	Honorable Doug Ducey [Governor]	602-542-4331
Governor's Office of Strategic Planning and Budgeting	Steve Grunig	Matthew Gress [Director]	602-542-5381
Health Services, Department of	Morgan Dorcheus	Don Herrington [Interim Director]	602-542-1025
Historical Society, Arizona	Morgan Dorcheus	W. James Burns [Executive Director]	520-628-5774

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Historical Society of Arizona, Prescott	Morgan Dorcheus	Lisa Hayes [Executive Director]	928-277-2002
Homeland Security, Arizona Department of	Rebecca Perrera	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	Geoff Paulsen	Tom Simplot [Director]	602-771-1007
Independent Redistricting Commission	Molly Murphy	Brian Schmitt [Executive Director]	
Industrial Commission of Arizona	Molly Murphy	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	Douglas Sargent [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	Nate Belcher	Tracy Uffelman [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 Paul Marsh [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	Morgan Dorcheus	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	Steve Grunig	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	Morgan Dorcheus	Kamlesh Gandhi [Executive Director]	602-771-2740
Physical Therapy, Board of	Steve Grunig	Judy Chepeus [Interim Director]	602-542-8157
Pioneers' Home, Arizona	Morgan Dorcheus	Jessica Sullivan [Superintendent]	928-277-2750
Podiatry Examiners, State Board of	Steve Grunig	Heather Broaddus [Executive Director]	602-542-8151
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	Louis Dettore [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
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	Molly Murphy	Patricia Walker [Chairperson]	602-364-1102
Technical Registration, State Board of	Geoff Paulsen	Judith Stapley [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
Treasurer, State	Nate Belcher	Honorable Kimberly Yee [State Treasurer]	602-542-7800
Tribal Relations, Governor's Office on	Molly Murphy	Kristine FireThunder [Executive Director]	602-542-4421
University of Arizona	Lydia Chew	Robert Robbins, M.D. [President]	520-621-5511

AGENCY/DEPARTMENT/BUDGET AREA

Veterans' Services, Department of
Veterinary Medical Examining Board, Arizona State
Water Infrastructure Finance Authority
Water Resources, Department of

JLBC ANALYST

Morgan Dorcheus
Steve Grunig
Micaela Larkin
Micaela Larkin

AGENCY/DEPARTMENT HEADS

Colonel Wanda Wright [Director]
Victoria Whitmore [Executive Director]
Daniel A. Dialessi [Director]
Thomas Buschatzke [Director]

TELEPHONE
NUMBER

602-255-3373
602-542-8150
602-364-1310
602-771-8426

OTHER ASSIGNMENTS

Capital Review
Economic and Revenue Forecast
Federal/Non-Appropriated Funds
Fiscal Note Manager

Jack Brown
Hans Olofsson
Stefan Shepherd
Stefan Shepherd

[] Denotes Title for Information Purposes

1/11/22

**STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE**

- Director..... Richard Stavneak
- Office Manager..... Linda Monsanto
- Deputy Directors Stefan Shepherd
..... Jack Brown
- Chief Economist..... Hans Olofsson
- Assistant Directors..... Micaela Larkin
..... Patrick Moran
..... Rebecca Perrera
- Principal Fiscal Analysts..... Morgan Dorcheus
..... Geoff Paulsen
- Senior Fiscal Analysts..... Steve Grunig
..... Jordan Johnston
- Economists Molly Murphy
..... Ben Newcomb
- Fiscal Analysts..... Nate Belcher
..... Lydia Chew
..... Ryan Fleischman
..... Maggie Rocker
- Senior Administrative Assistant/JLBC & JCCR Clerk..... Kristy Paddack