

**FY 2024**  
**Baseline Book**

**January 2023**



# FY 2024 BASELINE BOOK

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# FY 2024 STATE GENERAL FUND BASELINE SUMMARY

## Summary of the General Fund Outlook

- After a 17% increase in FY 2022, base General Fund revenue growth is expected to moderate to 7.5% in FY 2023 and 2.0% in FY 2024.
- The declining growth rate is related to recession concerns as the Federal Reserve Board attempts to reduce inflation by raising interest rates.
- This projected growth path plus prior legislative commitments results in an available one-time balance of \$1.8 billion in FY 2024 for new initiatives. The current forecast does not provide additional resources for ongoing initiatives. Since we project an \$1 million balance at the end of FY 2025, any new ongoing spending in FY 2024 would create a shortfall in FY 2025.
- Given the economic uncertainty, our estimate of available resources could change considerably as we go through the FY 2024 budget process.

## General Fund and Budget Stabilization Fund Balances

- The projected ending balance is falling over time, from \$4.7 billion in FY 2022 to \$2.3 billion in FY 2023 to \$2.1 billion in FY 2024 before finally falling to \$1 million in FY 2025.
- In addition to the General Fund balance, the Budget Stabilization Fund will have an estimated balance of \$1.4 billion in FY 2024.

## General Fund Revenues

- The projected overall General Fund revenues, including the beginning balance, is \$17.9 billion in FY 2023 and \$17.6 billion in FY 2024. The change is due to a combination of factors:
  - ⇒ 2% base revenue growth
  - ⇒ A decline in the carry-forward balances from the prior year
  - ⇒ A revenue increase from eliminating \$2.3 billion in one-time diversions from the state share of FY 2023 transaction privilege tax (TPT) revenues to agency funds, including:
    - \$946.1 million to the State Highway and Aviation Fund for transportation and road projects.
    - \$544.2 million to the Border Security Fund.
    - \$425.0 million to the Budget Stabilization Fund.
    - \$334.0 million to the Long-Term Water Augmentation Fund.
    - \$38.2 million to the State Parks Revenue Fund for capital projects.
  - ⇒ \$(764) million revenue loss primarily from the 2<sup>nd</sup> year of the 2-year phase down of the income tax rate to a flat 2.5%.
  - ⇒ \$(458) million revenue loss from an increase in the cities' share of income tax collections from 15% to 18%.
- The General Fund base 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 FY 2024 spending estimates essentially reflect changes in the cost of statutory funding formulas as well as any adjustments required by the FY 2023 3-year budget plan.
- FY 2024 General Fund Baseline spending is projected to be \$15.55 billion compared to \$15.59 billion in FY 2023, or a decrease of \$(47) million, or (0.3)% based on the following assumptions:
  - ⇒ A \$464 million increase in ongoing spending.
  - ⇒ A \$(511) million decrease in one-time spending.
- The entire FY 2024 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$61.0 billion. The main drivers of FY 2024 Baseline spending are delineated below by function of government.

## Long Term Projections

A.R.S. § 35-125 requires that the General Appropriation Act delineate the revenue and expenditure estimates for the budget year and the following 2 years. The expenditure estimates are based on statutory revenue and funding requirements:

- FY 2025 revenues are projected to be \$16.23 billion compared to FY 2025 spending of \$16.22 billion. This would result in a cash balance of \$1 million in FY 2025. The Baseline assumes that \$259 million of the FY 2024 ending balance is carried into FY 2025 and counted as FY 2025 revenue. Without that carryforward, the FY 2025 budget would have a shortfall of \$(258) million.
- FY 2026 revenues are projected to be \$16.81 billion compared to FY 2026 spending of \$16.57 billion with an ending cash balance of \$241.5 million.

## Education

### **Department of Education**

- ADE General Fund spending increases by \$469.7 million, or 6.8%, including:
  - ⇒ \$425.0 million for an additional 55,180 enrollees in the Empowerment Scholarship program. The 55,180 increase includes an estimated 52,500 enrollees in the Universal ESA program established by Laws 2022, Chapter 388. Under our assumptions, grand total ESA program enrollment would grow to 68,380 in FY 2024.
  - ⇒ A decrease of \$(22.5) million for enrollment changes in district and charter schools. This amount consists of:
    - A decrease of \$(57.8) million for an FY 2023 base adjustment associated with lower-than-budgeted enrollment during FY 2023.
    - An increase of \$35.3 million for FY 2024 district and charter enrollment growth. Total unweighted public school Average Daily Membership (ADM) would reach an estimated 1,101,705 in FY 2024.
  - ⇒ \$157.7 million for a 2.0% statutory inflation adjustment of funding levels for the per pupil base level, transportation and charter additional assistance.
  - ⇒ \$(143.9) million in savings due to property tax and land trust earning increases as well as the elimination of one-time funding.
  - ⇒ \$29.0 million to increase the per pupil amounts of the District Additional Assistance (DAA) and Charter Additional Assistance formulas pursuant to Section 127 of the FY 2023 General Appropriation Act.
  - ⇒ \$13.0 million to increase the Group B formula weight for pupils eligible for the federal Free and Reduced-Price Lunch (FRPL) program pursuant to Section 127 of the FY 2023 General Appropriation Act.
  - ⇒ \$6.9 million to provide funding for early literacy initiatives in accordance with the 3-year spending plan associated with the enacted FY 2023 budget. The \$6.9 million was previously covered with Federal Funds.
  - ⇒ \$4.5 million for all other miscellaneous adjustments.
- The Baseline assumes ADE will require a supplemental appropriation of \$200.0 million in FY 2023 to cover higher-than-budgeted expenses for Basic State Aid. This amount assumes that enrollment in the Universal ESA program will reach 42,700 by the end of FY 2023. The enacted FY 2023 budget did not include adjustments to Basic State Aid to account for enrollment increases associated with universal eligibility for the ESA program as established by Laws 2022, Chapter 388.
- The Baseline assumes that Proposition 123 will expire as scheduled at the end of FY 2025 without a replacement. Proposition 123 increased the level of distributions from the state land trust. Without further statutory changes, the General Fund will be required to replace the reduced level of land trust earnings, which is estimated to be \$300 million in FY 2026.

### **Arizona Department of Administration/School Facilities Division (SFD)**

- SFD General Fund spending decreases by \$(171.9) million, or (52.9)%, including:
  - ⇒ \$11.4 million for a net increase in new school construction costs. The Baseline funds a total of \$124.5 million for new construction, including the completion of 3 FY 2023 schools and the initial funding for 8 FY 2024 schools in the Agua Fria, Glendale, Liberty, Queen Creek (3), Saddle Mountain, and Snowflake School Districts.
  - ⇒ \$(183.3) million for a decrease in one-time building renewal grant monies.

### **Universities**

- University General Fund spending decreases by \$(122.0) million, or (11.1)%, including:
  - ⇒ \$589,100 for adjustments to capital appropriations.
  - ⇒ \$(80.0) million to remove one-time operating and capital funding for ASU and NAU.
  - ⇒ \$(36.6) million to remove one-time UA funding for numerous agriculture-related and other initiatives.
  - ⇒ \$(6.0) million to remove one-time funding for the Arizona Veterinary Loan Assistance Program.
- Fall 2022 enrollment increased by 6,520 full-time equivalent students, or 3.3% above Fall 2021, for total enrollment of 203,640.

## **Community Colleges**

- Community College General Fund spending decreases by \$(21.4) million, or (18.6%), including:
  - ⇒ \$3.8 million for formula adjustments.
  - ⇒ \$(7.0) million to remove one-time rural aid and \$(18.2) million for other site-specific initiatives.
- The Community College funding formula is based on student counts from 2 years prior. FY 2021 rural district enrollment increased by 2,124 full-time equivalent students, or 9.3%, for a total rural enrollment of 24,954. Including the Maricopa and Pima districts, total enrollment decreased by (1,731), or (1.9)%, for total enrollment of 89,004.

## **Health and Welfare**

### **AHCCCS**

- AHCCCS General Fund spending increases by \$187.5 million, or 8.1%, including:
  - ⇒ \$201.4 million for formula adjustments, including a caseload decline of (19.5)%, a 3.1% capitation rate increase, the reduction of the regular match rate from 69.56% to 66.29%, and the gradual reduction of the enhanced match rate throughout CY 2023. Under current federal law, AHCCCS was not able to disenroll individuals due to income changes from March 18, 2020 until April 1, 2023. The January Baseline assumes AHCCCS will disenroll some of these individuals over a 14-month period.
  - ⇒ \$10.0 million for secure behavioral health residential facility rate increases in accordance with the 3-year spending plan associated with the enacted FY 2023 budget.
  - ⇒ \$(25.7) million to remove one-time funding.
  - ⇒ \$1.8 million for other miscellaneous changes.
- AHCCCS enrollment is projected to decline to 1.8 million recipients by June 2024. This level represents a caseload decrease of (439,200), or (19.5)%, from June 2023.
- The FY 2023 enacted budget assumed the state would not be receiving any enhanced match in FY 2023. The federal government has extended the 6.2% enhanced match through March 2023. Additionally, from April 2023 through June 2023, AHCCCS will receive a 5.0% enhanced match. Compared to the enacted budget, state will generate an additional \$(482.0) million in FY 2023 General Fund savings across 3 federal match rate agencies (AHCCCS, DES, and DCS).

### **Department of Child Safety (DCS)**

- DCS General Fund spending decreases by \$(18.4) million, or (3.9)%, including:
  - ⇒ \$4.3 million and a corresponding decrease of \$(4.3) million from Child Safety Expenditure Authority to offset a FY 2024 net decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate.
  - ⇒ \$2.5 million to expand the Healthy Families Arizona Program and replace expiring federal grant monies in line with the FY 2023 budget's 3-year spending plan.
  - ⇒ \$(25.1) million to remove prior year funding to address an expected loss in Congregate Care federal funding designated as one-time in FY 2022 and FY 2023.

### **Department of Economic Security (DES)**

- DES General Fund spending increases by \$105.6 million, or 9.8%, including:
  - ⇒ \$103.8 million for Developmental Disabilities (DD) formula adjustments, including 4.5% enrollment growth, a 3.1% capitation rate increase, the reduction of the regular match rate from 69.56% to 66.29%, and the gradual reduction of the enhanced match rate throughout CY 2023.
  - ⇒ In line with the FY 2023 budget's 3-year spending plan, \$1.0 million for homeless youth assistance and \$4.4 million for Arizona Early Intervention Program provider rate increases.
  - ⇒ \$(3.7) million to remove one-time funding.
- Medicaid Developmental Disability caseloads are projected to grow to 42,091 by June 2024. This level represents a caseload increase of 1,812, or 4.5%, above June 2023.

### **Department of Health Services (DHS)**

- DHS General Fund spending decreases by \$(61.4) million, or (31.5)%, including:
  - ⇒ \$(64.4) million to remove one-time funding for accelerated nursing programs (\$50.0 million) and other initiatives.

## **Criminal Justice/Public Safety**

### **Department of Corrections (ADC)**

- ADC General Fund spending decreases by \$(2.3) million, or 0.2%, including:

- ⇒ \$7.2 million for net increased costs associated with the third and final year of the phased closure of the Florence prison in line with the FY 2023 budget's 3-year spending plan.
- ⇒ \$(9.5) million for the elimination of one-time funding.
- The systemwide prison population at the end of FY 2022 was 33,371, a decrease of (2,622) or (7.3)% below the population at the end of FY 2021.

**Department of Emergency and Military Affairs (DEMA)**

- DEMA General Fund spending decreases by \$(13.3) million, or (44.9)%, to remove one-time funding to address the readiness maintenance center backlog.
- The Baseline also includes a \$(209.2) million Border Security Fund spending decrease to remove one-time funding for border security initiatives. The \$209.2 million consists of monies diverted from the state share of TPT General Fund revenues to the Border Security Fund.

**Judiciary**

- Judiciary General Fund spending increases by \$2.5 million, or 1.6%, including:
  - ⇒ \$4.5 million for partial-year implementation of a salary increase for judges and the completed phase-in of Court of Appeals expansion with 6 additional judges and staff.
  - ⇒ \$(2.0) million to remove one-time automation funding.

**Department of Public Safety (DPS)**

- DPS General Fund spending decreases by \$(30.2) million, or (8.3)%, including:
  - ⇒ \$7.0 million for the 2<sup>nd</sup> year of a 3-year phase in of funding for a new major incident division.
  - ⇒ \$(37.2) million to remove one-time funding.

**Natural Resources**

**Department of Forestry and Fire Management (DFFM)**

- Forestry General Fund spending decreases by \$(79.5) million, or (61.4)%, including:
  - ⇒ The elimination of \$(65.0) million for removal of one-time wildfire emergency response funding and \$(14.5) million in other one-time initiatives.

**Water Infrastructure Finance Authority (WIFA)**

- WIFA spending increased by \$323.0 million, including:
  - ⇒ \$(10.0) million for removal of one-time water assistance grants.
  - ⇒ \$333.0 million for the 2<sup>nd</sup> of a 3-year Long-Term Water Augmentation Fund deposit. Laws 2022, Chapter 366 appropriates this amount in FY 2024 and FY2025 for deposit to the Long-Term Water Augmentation Fund. In FY 2023, the fund also received a transfer \$334,000,000 from the state's share TPT revenues, for a total of \$1.0 billion over 3 years.

**General Government**

**Arizona Commerce Authority (ACA)**

- ACA spending decreases by \$(15.0) million, or (36.5)%, to remove one-time funding for Pinal County water infrastructure grants.

**State Employees**

- The Baseline increases the Total Appropriated Funds Full-Time Equivalent (FTE) ceiling by 74 FTE Positions in FY 2024. These adjustments would bring the total FTE Position ceiling to 54,393.5 in FY 2024.
- The Baseline includes a decrease of \$(103.2) million from the General Fund and \$(172.8) million in Total Funds for the removal of a one-time FY 2023 health insurance adjustment.

**Capital**

- The Baseline includes \$42.4 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 includes \$60.5 million for capital projects excluding State Highway Fund projects in line with the FY 2023 budget's 3-year spending plan. Of this amount, \$41.4 million is financed from the General Fund for projects at ADC and ADOT and \$19.1 million is financed from Other Funds for projects at State Parks.

- The Baseline eliminates \$(278.3) million in one-time General Fund monies for capital and building renewal projects at ADOA, ADC, ASDB, DEMA, the Judiciary, DJC, the Legislature, DPS, University of Arizona, and pass-through grants for local and tribal projects.

**Debt**

- At the end of FY 2024, the state's projected level of lease-purchase and bonding capital obligations will be \$5.6 billion. The associated annual debt service payment is \$602.3 million.
- Of the \$5.6 billion in total lease-purchase and bonding obligations, the General Fund share is \$873.1 million. The General Fund annual debt service is projected to be \$89.7 million in FY 2024.
- Of the \$873.1 million, \$346.6 million is related to the state's share of Phoenix Convention Center costs and \$491.7 million is for university capital projects.

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

	FY 2023 Baseline	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline
<b>REVENUES</b>				
Ongoing Revenues	\$18,757,532,000	\$19,137,948,900	\$19,719,447,400	\$20,577,685,300
Previously Enacted Tax Reductions	(1,505,187,500)	(2,268,707,800)	(2,356,840,200)	(2,467,399,500)
Urban Revenue Sharing	(1,106,958,700)	(1,564,826,300)	(1,396,167,200)	(1,297,701,400)
Net Ongoing Revenues	<u>\$16,145,385,800</u>	<u>\$15,304,414,800</u>	<u>\$15,966,440,000</u>	<u>\$16,812,584,400</u>
One-Time Revenues				
Balance Forward	\$4,709,446,000	\$2,296,811,100	\$259,350,500	
Attorney General Settlement	77,250,000			
Withholding Revenue Loss (New Tax Rate Form)	(700,000,000)			
TPT Diversions	(2,287,489,600)			
Previously Enacted Tax Reductions	(50,000,000)			
Other One-Time Revenue Changes	(3,500,000)			
Subtotal One-Time Revenues	<u>\$1,745,706,400</u>	<u>\$2,296,811,100</u>	<u>\$259,350,500</u>	<u>\$0</u>
<b>Total Revenues</b>	<b>\$17,891,092,200</b>	<b>\$17,601,225,900</b>	<b>\$16,225,790,500</b>	<b>\$16,812,584,400</b>
<b>EXPENDITURES</b>				
Ongoing Operating Appropriations	\$14,204,709,100	\$15,008,287,200	\$15,633,651,600	\$16,372,458,300
ADE Formula Supplemental (ESA Costs) <sup>1/</sup>	200,000,000			
Administrative Adjustments	225,000,000	150,000,000	170,000,000	170,000,000
Revertments	(150,000,000)	(215,000,000)	(215,000,000)	(215,000,000)
Subtotal Ongoing Expenditures	<u>\$14,479,709,100</u>	<u>\$14,943,287,200</u>	<u>\$15,588,651,600</u>	<u>\$16,327,458,300</u>
One-Time Expenditures				
Capital Outlay	\$250,257,400	\$31,422,000	\$29,832,100	\$23,700,000
Transportation Funding	83,000,000	10,000,000		
Reduce K-12 Rollover	65,000,000			
Pension Payoff (EORP Deposit)	60,000,000			
Operating One-Time Spending	1,138,314,600	229,714,300	273,306,800	219,887,400
Water Supply Funding (TPT Diversion in FY 23)		333,000,000	333,000,000	
Medicaid Reversion (Enhanced Match/Other) <sup>2/</sup>	(482,000,000)			
Subtotal One-Time Expenditures	<u>\$1,114,572,000</u>	<u>\$604,136,300</u>	<u>\$636,138,900</u>	<u>\$243,587,400</u>
<b>Total Expenditures</b>	<b>\$15,594,281,100</b>	<b>\$15,547,423,500</b>	<b>\$16,224,790,500</b>	<b>\$16,571,045,700</b>
<b>Ending Balance <sup>3/4/</sup></b>	<b>\$2,296,811,100</b>	<b>\$2,053,802,400</b>	<b>\$1,000,000</b>	<b>\$241,538,700</b>

<sup>1/</sup> Reflects FY 2023 ADE spending change from higher ESA enrollment costs due to universal eligibility legislation, along with savings from lower public school formula costs. Higher ESA enrollment costs in FY 2024 and future years are directly displayed in ADE operating spending (within the Ongoing Operating Appropriations line).

<sup>2/</sup> Reflects projected FY 2023 revertments of state Medicaid spending. This includes both savings for a higher federal Medicaid match rate and various increased program costs.

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

<sup>4/</sup> The projected cash balance amounts result in \$1.8 billion of one-time resources being available during the FY 2024 budget process, after accounting for the \$259 million balance carried forward into FY 2025. Given the projected FY 2025 ending balance of \$1 million, any new ongoing spending in FY 2024 would create a shortfall in FY 2025.

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

EXPENDITURES	FY 2023 Baseline	FY 2024 \$ Above FY 2023	FY 2024 Baseline	FY 2025 \$ Above FY 2024	FY 2025 Baseline	FY 2026 \$ Above FY 2025	FY 2026 Baseline
Operating Budget							
-- Department of Administration	\$9,022,800		\$9,022,800		\$9,022,800		\$9,022,800
-- ADOA - School Facilities Division	28,211,600		28,211,600		28,211,600		28,211,600
-- Office of Administrative Hearings	966,800		966,800		966,800		966,800
-- African-American Affairs Commission	141,500		141,500		141,500		141,500
-- Arizona Department of Agriculture	14,577,700		14,577,700		14,577,700		14,577,700
-- AHCCCS	2,294,168,500	212,302,100	2,506,470,600	148,215,200	2,654,685,800	109,694,600	2,764,380,400
-- Attorney General	26,816,300		26,816,300		26,816,300		26,816,300
-- State Board for Charter Schools	3,292,600	(389,000)	2,903,600		2,903,600		2,903,600
-- Department of Child Safety	447,055,700	6,774,200	453,829,900	8,225,800	462,055,700		462,055,700
-- Commerce Authority	18,550,000		18,550,000		18,550,000		18,550,000
-- Community Colleges	89,531,400	3,851,900	93,383,300	3,209,000	96,592,300	3,409,500	100,001,800
-- Corporation Commission	771,600		771,600		771,600		771,600
-- Department of Corrections	1,398,205,100	7,226,800	1,405,431,900		1,405,431,900		1,405,431,900
-- County Funding	10,650,700		10,650,700		10,650,700		10,650,700
-- Arizona Criminal Justice Commission	4,600,000		4,600,000		4,600,000		4,600,000
-- Schools for the Deaf and the Blind	24,678,400		24,678,400		24,678,400		24,678,400
-- Office of Economic Opportunity	512,800		512,800		512,800		512,800
-- Department of Economic Security	1,071,653,800	108,975,700	1,180,629,500	147,620,900	1,328,250,400	83,699,900	1,411,950,300
-- State Board of Education	3,392,800	(30,900)	3,361,900		3,361,900		3,361,900
-- Department of Education	6,837,309,700	555,988,800	7,393,298,500	309,301,300	7,702,599,800	544,907,200	8,247,507,000
-- Dept. of Emergency & Military Affairs	16,181,400		16,181,400		16,181,400		16,181,400
-- Department of Environmental Quality	15,000,000		15,000,000		15,000,000		15,000,000
-- State Board of Equalization	778,300	(50,000)	728,300		728,300		728,300
-- Board of Executive Clemency	1,314,800		1,314,800		1,314,800		1,314,800
-- Dept. of Forestry and Fire Management	53,068,000	(2,991,400)	50,076,600		50,076,600		50,076,600
-- Department of Gaming	16,956,500		16,956,500		16,956,500		16,956,500
-- Office of the Governor	9,160,300		9,160,300		9,160,300		9,160,300
-- Gov's Ofc of Strategic Planning and Budgeting	2,900,100		2,900,100		2,900,100		2,900,100
-- Department of Health Services	116,429,700	(1,000,000)	115,429,700		115,429,700		115,429,700
-- Arizona Historical Society	3,123,200		3,123,200		3,123,200		3,123,200
-- Prescott Historical Society	978,900		978,900		978,900		978,900
-- Arizona Dept. of Homeland Security	10,000,000		10,000,000		10,000,000		10,000,000
-- Industrial Commission	84,600		84,600		84,600		84,600
-- Dept. of Insurance and Financial Institutions	8,024,500		8,024,500		8,024,500		8,024,500
-- Judiciary	157,683,100	5,410,800	163,093,900	1,136,000	164,229,900		164,229,900
-- Department of Juvenile Corrections	37,437,300		37,437,300		37,437,300		37,437,300
-- State Land Department	12,799,700		12,799,700		12,799,700		12,799,700
-- Legislature							
Auditor General	25,854,500		25,854,500		25,854,500		25,854,500
House of Representatives	21,448,600		21,448,600		21,448,600		21,448,600
Joint Legislative Budget Committee	3,079,600		3,079,600		3,079,600		3,079,600
Legislative Council	9,395,800		9,395,800		9,395,800		9,395,800
Ombudsman	1,489,800		1,489,800		1,489,800		1,489,800
Senate	17,983,000		17,983,000		17,983,000		17,983,000
SUBTOTAL - Legislature	\$79,251,300	\$0	\$79,251,300	\$0	\$79,251,300	\$0	\$79,251,300
-- State Mine Inspector	2,287,300		2,287,300		2,287,300		2,287,300
-- Navigable Stream Adjudication Commission	139,100		139,100		139,100		139,100
-- Department of Public Safety	325,854,600	6,345,400	332,200,000	7,000,000	339,200,000		339,200,000



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

	<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>	<u>FY 2026</u> <u>\$ Above FY 2025</u>	<u>FY 2026</u> <u>Baseline</u>
-- Public Safety Personnel Retirement System	6,000,000		6,000,000		6,000,000		6,000,000
-- State Real Estate Department	3,142,500		3,142,500		3,142,500		3,142,500
-- Department of Revenue	59,293,900		59,293,900		59,293,900		59,293,900
-- Secretary of State	17,665,900	70,000	17,735,900		17,735,900	(4,000,000)	13,735,900
-- Tax Appeals, State Board of	308,100		308,100		308,100		308,100
-- Office of Tourism	8,465,600		8,465,600		8,465,600		8,465,600
-- State Treasurer	4,660,800		4,660,800		4,660,800		4,660,800
-- Governor's Office on Tribal Relations	68,100		68,100		68,100		68,100
-- Universities	873,522,900	589,100	874,112,000	156,100	874,268,100	596,800	874,864,900
-- Department of Veterans' Services	11,295,700		11,295,700		11,295,700		11,295,700
-- Department of Water Resources	24,569,300		24,569,300		24,569,300		24,569,300
-- Phoenix Convention Center Payment	24,999,400	499,200	25,498,600	500,100	25,998,700	498,700	26,497,400
-- Rio Nuevo District	17,000,000		17,000,000		17,000,000		17,000,000
-- New Pension Payoff FY 24 Savings		(99,840,200)	(99,840,200)		(99,840,200)		(99,840,200)
-- Unallocated FY 23 Rent Adjustments	(1,200)	1,200					
-- Unallocated FY 23 HRIS Fee Adjustments	2,100	(2,100)					
-- Unallocated FY 23 Salary Adjustments	153,500	(153,500)					
Total - Operating Budget	<u>\$14,204,709,100</u>	<u>\$803,578,100</u>	<u>\$15,008,287,200</u>	<u>\$625,364,400</u>	<u>\$15,633,651,600</u>	<u>\$738,806,700</u>	<u>\$16,372,458,300</u>
-- Water Supply Funding		333,000,000	333,000,000		333,000,000	(333,000,000)	
-- ADE Formula Supplemental (ESA Costs)	200,000,000	(200,000,000)					
-- Medicaid Reversion (Enhanced Match/Other)	(482,000,000)	482,000,000					
-- Capital Outlay	250,257,400	(218,835,400)	31,422,000	(1,589,900)	29,832,100	(6,132,100)	23,700,000
-- Reduce K-12 Rollover	65,000,000	(65,000,000)					
-- Pension Payoff (EORP Deposit)	60,000,000	(60,000,000)					
-- Transportation Funding	83,000,000	(73,000,000)	10,000,000	(10,000,000)			
-- Operating One-Time Spending	1,138,314,600	(908,600,300)	229,714,300	43,592,500	273,306,800	(53,419,400)	219,887,400
-- Administrative Adjustments	225,000,000	(75,000,000)	150,000,000	20,000,000	170,000,000		170,000,000
-- Reversions	(150,000,000)	(65,000,000)	(215,000,000)		(215,000,000)		(215,000,000)
Total Spending	<u>\$15,594,281,100</u>	<u>(\$46,857,600)</u>	<u>\$15,547,423,500</u>	<u>\$677,367,000</u>	<u>\$16,224,790,500</u>	<u>\$346,255,200</u>	<u>\$16,571,045,700</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/

	<u>FY 2023 Baseline</u>	<u>FY 2024 Baseline</u>	<u>FY 2025 Baseline</u>	<u>FY 2026 Baseline</u>
<b>Operating</b>				
ADOA - K-12 Transportation Grants	20,000,000			
ADOA - Healthcare Interoperability Grants	12,000,000			
ADOA - Ballot Paper Testing	1,000,000			
ADOA - Secure Ballot Boxes	500,000			
ADOA - Fire Incident Management System Grants	6,100,000			
ADOA - County Sheriff Interoperability	20,000,000			
ADOA/Automation Projects Fund - Charter Board Upgrade	1,500,000	1,500,000		
ADOA/Automation Projects Fund - Business One-Stop Phase 2	15,614,300			
ADOA/Automation Projects Fund - Agriculture IT Projects/Cloud Migration	2,000,000			
ADOA/Automation Projects Fund - DOR Tax System	9,632,700	11,794,100	11,847,300	11,725,500
ADOA/SFD - Building Renewal Grants	183,300,000			
ADOA/SFD - New School Construction (FY 22 Authorization)	47,950,000			
ADOA/SFD - New School Construction (FY 22 Budget - Yuma HS Project)	16,515,200			
ADOA/SFD - New School Construction (FY 23 Budget - Kirkland Site Conditions)	400,000			
ADOA/SFD - New School Construction (FY 23 Authorization)	48,253,900	31,753,900		
ADOA/SFD - New School Construction (FY 24 Authorization)		92,766,300		
ADOA/SFD - New School Construction (FY 25 Authorization)			77,898,600	
ADOA/SFD - New School Construction (FY 26 Authorization)			107,360,900	107,360,900
ADOA/SFD - New School Construction (FY 26 Authorization)				100,801,000
Agriculture - Livestock Operator Grants	10,000,000			
AHCCCS - Management Information System Replacement	500,000	700,000		
AHCCCS - Secure Behavioral Health Residential Facilities	25,000,000			
Arts Commission - Arts Trust Fund Deposit	5,000,000			
Attorney General - Missing and Murdered Indigenous Persons Investigations	2,000,000			
DCS - Higher Congregate Care Provider Rates	19,238,200			
DCS - Backfill Potential Loss of Federal Funds	5,900,000			
Commerce - Major Events Fund Deposit (4-Year Pilot Thru FY 25)	7,500,000	7,500,000	7,500,000	
Commerce - Business Water Infrastructure	15,000,000			
Community Colleges - Rural Funding	7,000,000			
Community Colleges - Southern Arizona First Responder Academy	6,250,000			
Corrections - Vehicle Purchases	7,488,400			
Corrections - Community Treatment For Imprisoned Women And Their Children	2,000,000			
Counties/ADOA - Re-Entry Planning Services	7,000,000	7,000,000		
ACJC - Rural County Attorney Diversion Program Grants	10,000,000			
ASDB - Increase Bus Transportation Capacity	1,106,200			
DES - IT Infrastructure/Security - Development Costs	1,400,500			
DES - DD Group Home Monitoring Pilot	1,200,000	1,200,000	1,200,000	
DES - Area Agencies on Aging Provider Rate Increases	2,000,000			
ADE - Childhood Trauma Awareness/Prevention Grants	100,000			
ADE - Office of Indian Education	5,000,000			
ADE - Code Writers Initiative Program	1,000,000			
ADE - Foster Youth Transitional Housing	10,000,000			
ADE - Electronic Incident Prevention Program	150,000			

## SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	<u>FY 2023 Baseline</u>	<u>FY 2024 Baseline</u>	<u>FY 2025 Baseline</u>	<u>FY 2026 Baseline</u>
ADE - Postsecondary Success Program	1,000,000			
ADE - Assessment Funding	4,000,000			
DEMA - Readiness Center Maintenance Backlog	13,300,000			
DEQ - Water Quality Fee Fund Deposit	6,400,000			
DEQ - Direct Potable Reuse of Treated Wastewater	1,500,000	1,500,000		
Forestry - One-Time Vehicle Purchases	3,190,000			
Forestry - Wildfire Expenses	65,000,000			
Forestry - Mount Lemmon Fire District Renovations	2,230,900			
Forestry - Gila River Nonnative Species Eradication	5,000,000			
Forestry - Good Neighbor/Fire Marshal Vehicle Purchases	730,000			
DHS - Family Health Pilot Program	3,000,000			
DHS - Accelerated Nursing	50,000,000			
DHS - ASH Surveillance System Upgrade	7,100,000			
DHS - Homeless Pregnant Women Services	300,000			
DHS - Arizona Nurse Education Investment Pilot Program	15,000,000	15,000,000	15,000,000	
DHS - Preceptor Grant Program for Graduate Students	500,000	500,000	500,000	
AZ Dept. of Homeland Security - State Cybersecurity Controls	2,000,000			
Housing - Housing Trust Fund Deposit	60,000,000			
Housing - Homeless Services Grant Pilot	10,000,000			
IRC - Commission Funding		1,500,000		
Judiciary - Supreme Court - Digital Evidence Storage	490,000			
Judiciary - Supreme Court - Automation Revenue Shortfall	1,000,000			
Judiciary - Supreme Court - Records Sealing	500,000			
Judiciary - Court of Appeals - Additional 6 Judges - Capital Costs	900,000			
Land - Appraisal Development	1,500,000			
Legislature - Auditor General - K-12 Federal Funds Oversight	200,000			
Legislature - Auditor General - Adult Protective Services Audit	300,000			
Legislature - House of Representatives	5,000,000			
Legislature - Senate	5,000,000			
Mine Inspector - Abandoned Mines Program Equipment/Vehicle Costs	496,100			
Parks - Heritage Fund Deposit	2,500,000			
Parks - State Lake Improvement Fund Deposit	4,000,000			
DPS - 400 Patrol Vehicle Bumper Tethers	1,800,000			
DPS - Expand Public Services Portal	2,631,500			
DPS - Upgrade Recently Purchase Helicopter	2,559,600			
DPS - Purchase 1 Helicopter	10,900,000			
DPS - Replace 276 Vehicles	11,709,300			
DPS - Civil Air Patrol	5,000,000			
DPS - K-9 Facility Improvements and Vehicles	1,900,000			
SOS - Early Ballot Tracking System	250,000			
SOS - Election Funding	4,000,000			
Tourism - Southern Arizona Sports, Tourism and Film Authority	750,000			
Tourism - Wine Promotion	1,000,000			

## SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	FY 2023 Baseline	FY 2024 Baseline	FY 2025 Baseline	FY 2026 Baseline
Treasurer - Crime Victim Public Safety Notifications	3,800,000			
Treasurer - Arizona Health Innovation Trust Fund Deposit	100,000			
Treasurer - Election Security Funding		5,000,000	6,000,000	
Treasurer - County Election Funding		6,000,000		
Universities - ABOR - Arizona Veterinary Loan Assistance Program	6,000,000			
Universities - ABOR - Food Product and Safety Lab	10,900,000			
Universities - ABOR - Enclosed Feeding Facility	9,500,000			
Universities - ABOR - Camp Verde Meat Processing Facility	9,700,000			
Universities - ASU - Operating Funding	21,200,000	21,200,000	21,200,000	
Universities - ASU - Operating/Capital Funding	54,000,000			
Universities - NAU - Operating Funding	10,100,000	10,100,000	10,100,000	
Universities - NAU - Operating/Capital Funding	26,000,000			
Universities - UA - Operating Funding	14,700,000	14,700,000	14,700,000	
Universities - UA - Wind Tunnel Upgrades	3,000,000			
Universities - UA - Agriculture Workforce Program	500,000			
Universities - UA - Veterinary Diagnostic Lab	2,500,000			
Universities - UA - Natural Resource Policy Center Endangered Species Study	450,000			
Veterans' Services - Tribal Ceremonies for Members Discharged From Military	1,000,000			
DWR - New River Flood Insurance Study	350,000			
WIFA - Water Project Assistance Grants	10,000,000			
Other - HITF Employer Premium Increase	103,277,800			
<b>Subtotal - Operating Funding</b>	<b>\$ 1,138,314,600</b>	<b>\$ 229,714,300</b>	<b>\$ 273,306,800</b>	<b>\$ 219,887,400</b>
<b>Pension Payoff (EORP Deposit)</b>	<b>\$ 60,000,000</b>			
<b>Medicaid Reversion (Enhanced Match/Other)</b>	<b>\$ (482,000,000)</b>			
<b>Reduce K-12 Rollover</b>	<b>\$ 65,000,000</b>			
<b>Water Supply Funding</b>		<b>\$ 333,000,000</b>	<b>\$ 333,000,000</b>	
<b>Capital Outlay</b>				
Capital - ADOA - Building Renewal Funding	37,594,200			
Capital - ADOA - 1616 and 1688 W. Adams Renovation (Demolish 1624 W. Adams)	47,274,000			
Capital - ADOA - Demolition (1818 W. Adams/1850 W. Jackson/1720 W. Madison)	1,568,000			
Capital - ADOA - Homeless Veterans Housing (Fort Whipple)	2,386,600			
Capital - ADOA - Astronomy Centers	7,500,000			
Capital - ADOA - Navajo Nation Lukachukai Veterans Multipurpose Complex	500,000			
Capital - ADOA - Kayenta Judicial Complex	2,000,000			
Capital - ADOA - Little Colorado River Visitor Center (Navajo County)	1,000,000			
Capital - ADOA - Navajo Technical University Environmental Testing Lab	4,000,000			
Capital - ADOA - Dine College Student Center Construction	8,000,000			
Capital - ADOA - Navajo Nation Teesto Multipurpose Community Center Site	1,000,000			

## SUMMARY OF ONE-TIME GENERAL FUND ADJUSTMENTS 1/

	<u>FY 2023 Baseline</u>	<u>FY 2024 Baseline</u>	<u>FY 2025 Baseline</u>	<u>FY 2026 Baseline</u>
Capital - ADOA - Navajo Nation Dilkon Center Improvements	3,000,000			
Capital - ADC - Building Renewal Funding	30,551,100			
Capital - ADC - Replace Evaporative Cooling with AC Systemwide	47,600,000	31,422,000	29,832,100	23,700,000
Capital - ADC - Doors/Locks/Fire Systems	20,400,000			
Capital - ASDB - Food Service Equipment	350,000			
Capital - ASDB - Security Upgrades (Electronic Locks)	420,000			
Capital - ASDB - Classroom Notification Replacement	96,000			
Capital - DEMA - Fire Suppression	1,151,100			
Capital - DEMA - Tucson Readiness Center Construction Cost Increase	1,800,000			
Capital - Judiciary - Air Handler and Sewer Replacement	3,200,000			
Capital - DJC - Replumbing	400,000			
Capital - Leg Council - Capitol Renovations	5,700,000			
Capital - DPS - Purchase Building and Property and Evidence Vehicle Storage	1,016,400			
Capital - DPS - Replace 25 Remote Officer Housing Units and Adds 5 Units	9,750,000			
Capital - ABOR - Mining, Mineral and Natural Resources Museum	12,000,000			
<b>Subtotal - Capital Outlay</b>	<b>\$ 250,257,400</b>	<b>\$ 31,422,000</b>	<b>\$ 29,832,100</b>	<b>\$ 23,700,000</b>
<b>Transportation Funding</b>				
Loop 101 Slip Ramp	25,000,000			
Ruby Road Bridge Improvements	3,000,000			
Cesar Chavez Blvd Widening/Improvements	33,000,000			
US-89 & N. Lake Powell Blvd Traffic Circle/Control Device	5,000,000			
Ganado School Loop Road (County Road 420)	1,000,000			
N-9402 Improvements	10,000,000			
N-35 Improvements	6,000,000			
SR 97 Improvements		10,000,000		
<b>Subtotal - Transportation Funding</b>	<b>\$ 83,000,000</b>	<b>\$ 10,000,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total - One-Time Spending</b>	<b>\$ 1,114,572,000</b>	<b>\$ 604,136,300</b>	<b>\$ 636,138,900</b>	<b>\$ 243,587,400</b>

1/ The displayed amounts reflect one-time General Fund adjustments included in the FY 2023 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 2024 GENERAL FUND SUMMARY BY AGENCY

	GF FY 2023 Estimate	GF FY 2024 Baseline	GF FY 2024 Baseline - FY 2023
<b><u>BUDGET UNITS</u></b>			
Administration, Arizona Department of	\$68,950,900	\$9,350,900	(\$59,600,000)
Administration, Arizona Department of Automation Projects Fund	28,747,000	13,294,100	(15,452,900)
Administration, Arizona Department of - School Facilities Division	324,672,200	152,773,300	(171,898,900)
Administrative Hearings, Office of	998,900	998,900	0
African-American Affairs, Arizona Commission of	146,600	146,600	0
Agriculture, Arizona Department of	24,954,600	14,954,600	(10,000,000)
AHCCCS	2,321,039,900	2,508,542,000	187,502,100
Arts, Arizona Commission on the	5,000,000	0	(5,000,000)
Attorney General - Department of Law	29,522,900	27,522,900	(2,000,000)
Charter Schools, State Board for	3,328,200	2,939,200	(389,000)
Child Safety, Department of	472,867,200	454,503,200	(18,364,000)
Commerce Authority, Arizona	41,050,000	26,050,000	(15,000,000)
Community Colleges, Arizona	114,781,400 <sup>1/</sup>	93,383,300	(21,398,100)
Corporation Commission	807,200	807,200	0
Corrections, State Department of	1,437,963,200	1,435,701,600	(2,261,600)
County Funding	17,650,700	17,650,700	0
Criminal Justice Commission, Arizona	14,600,000	4,600,000	(10,000,000)
Deaf and the Blind, Schools for the	26,677,900	25,571,700	(1,106,200)
Economic Opportunity, Office of	525,800	525,800	0
Economic Security, Department of	1,079,053,000	1,184,628,200	105,575,200
Education, State Board of	3,407,600	3,376,700	(30,900)
Education, Department of	6,923,894,300	7,393,633,100	469,738,800
Emergency and Military Affairs, Department of	29,607,200	16,307,200	(13,300,000)
Environmental Quality, Department of	22,900,000	16,500,000	(6,400,000)
Equalization, State Board of	787,900	737,900	(50,000)
Executive Clemency, Board of	1,336,800	1,336,800	0
Forestry and Fire Management, Arizona Department of	129,473,400	50,331,100	(79,142,300)
Gaming, Department of	16,956,500	16,956,500	0
Governor, Office of the	9,276,100	9,276,100	0
Governor's Office of Strategic Planning and Budgeting	2,961,400	2,961,400	0
Health Services, Department of	194,834,300	133,434,300	(61,400,000)
Historical Society, Arizona	3,214,700	3,214,700	0
Historical Society, Prescott	1,016,100	1,016,100	0
Homeland Security, Department of	12,000,000	10,000,000	(2,000,000)
Housing, Department of	70,000,000	0	(70,000,000)
Independent Redistricting Commission	0	1,500,000	1,500,000
Industrial Commission of AZ	84,600	84,600	0
Insurance and Financial Institutions, Department of	8,213,000	8,213,000	0
Judiciary			
Supreme Court	29,047,400	27,320,900	(1,726,500)
Court of Appeals	22,523,200	24,498,400	1,975,200
Superior Court	110,359,700	112,631,800	2,272,100
SUBTOTAL - Judiciary	161,930,300	164,451,100	2,520,800
Juvenile Corrections, Department of	38,607,700	38,607,700	0
Land Department, State	14,659,300	13,159,300	(1,500,000)
Legislature			
Auditor General	26,991,600	26,491,600	(500,000)
House of Representatives	27,020,300	22,020,300	(5,000,000)
Joint Legislative Budget Committee	3,144,500	3,144,500	0
Legislative Council	9,546,500	9,546,500	0
Ombudsmen-Citizens Aide Office	1,516,200	1,516,200	0
Senate	23,385,300	18,385,300	(5,000,000)
SUBTOTAL - Legislature	91,604,400	81,104,400	(10,500,000)
Mine Inspector, State	2,819,000	2,322,900	(496,100)
Navigable Stream Adjudication Commission	144,200	144,200	0
Parks Board, Arizona State	6,500,000	0	(6,500,000)

## FY 2024 GENERAL FUND SUMMARY BY AGENCY

	GF FY 2023 Estimate	GF FY 2024 Baseline	GF FY 2024 Baseline - FY 2023
Public Safety, Department of	364,162,500	334,007,500	(30,155,000)
Public Safety Personnel Retirement System	66,000,000	6,000,000	(60,000,000)
Real Estate Department, State	3,221,000	3,221,000	0
Revenue, Department of	59,863,300	59,863,300	0
Secretary of State	22,237,100	18,057,100	(4,180,000)
Tax Appeals, State Board of	317,700	317,700	0
Tourism, Office of	10,302,600	8,552,600	(1,750,000)
Treasurer, State	8,560,800	15,660,800	7,100,000
Tribal Relations, Governor's Office on	69,900	69,900	0
Universities			
Board of Regents	90,238,000	54,138,000	(36,100,000)
Arizona State University	465,044,700	411,306,500	(53,738,200)
Northern Arizona University	164,151,500	138,249,800	(25,901,700)
University of Arizona - Main Campus	299,423,000	293,202,000	(6,221,000)
University of Arizona - Health Sciences Center	76,897,700	76,897,700	0
SUBTOTAL - Universities	1,095,754,900	973,794,000	(121,960,900)
Veterans' Services, Department of	12,449,200	11,449,200	(1,000,000)
Water Infrastructure Finance Authority	10,000,000	333,000,000	323,000,000
Water Resources, Department of	25,364,500	25,014,500	(350,000)
<b>OPERATING BUDGET TOTAL</b>	<b>\$15,437,869,900</b>	<b>\$15,731,620,900</b>	<b>\$293,751,000</b>
FY 2023 Supplemental <u>2/</u>	200,000,000	0	(200,000,000)
Unallocated '23 Rent Adjustments	(1,200)	0	1,200
Unallocated '23 HRIS Fee Adjustments	2,100	0	(2,100)
Unallocated '23 Salary Adjustments	153,500	0	(153,500)
New Pension Payoff '24 Savings	0	(99,840,200)	(99,840,200)
Remove One-Time '23 Employer Premium Increase	0	(103,277,800)	(103,277,800)
Medicaid Reversion (Enhanced Match/Other)	(482,000,000)	0	482,000,000
Capital Outlay - Phoenix Convention Center Debt Service	24,999,400	25,498,600	499,200
Capital Outlay - Rio Nuevo District <u>3/</u>	17,000,000	17,000,000	0
Capital Outlay	321,257,400	41,422,000	(279,835,400)
Administrative Adjustments	225,000,000	150,000,000	(75,000,000)
Reversions	(150,000,000)	(215,000,000)	(65,000,000)
<b>GRAND TOTAL</b>	<b>\$15,594,281,100</b>	<b>\$15,547,423,500</b>	<b>(\$46,857,600)</b>

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

2/ Please see S-39 for individual agency detail.

3/ Represents an estimated cost.

## FY 2024 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2023 Estimate	OF FY 2024 Baseline	OF FY 2024 Baseline - FY 2023
<b><u>BUDGET UNITS</u></b>			
Accountancy, State Board of			
Board of Accountancy Fund	\$2,236,600	\$2,236,600	\$0
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	196,800	191,300	(5,500)
Administration, Arizona Department of			
Air Quality Fund	928,000	928,000	0
Arizona Financial Information System Collections Fund	13,385,100	13,885,100	500,000
Automation Operations Fund	31,568,300	31,568,300	0
Capital Outlay Stabilization Fund	19,200,200	19,200,200	0
Corrections Fund	634,600	634,600	0
Cyber Risk Insurance Fund	21,587,200	23,037,200	1,450,000
Federal Surplus Materials Revolving Fund	468,500	468,500	0
Information Technology Fund	2,292,000	2,292,000	0
Personnel Division Fund	13,779,500	13,779,500	0
Risk Management Revolving Fund	93,500,700	93,500,700	0
Special Employee Health Insurance Trust Fund	5,719,900	5,719,900	0
Special Services Revolving Fund	1,257,300	1,257,300	0
State Surplus Materials Revolving Fund	3,064,600	3,064,600	0
State Web Portal Fund	6,798,300	6,798,300	0
Telecommunications Fund	1,814,000	1,814,000	0
Total - Arizona Department of Administration	215,998,200	217,948,200	1,950,000
Administration, Arizona Department of - Automation Projects Fund			
Automation Projects Fund	59,331,900	41,517,200	(17,814,700)
Agriculture, Arizona Department of			
Air Quality Fund	1,597,800	1,597,800	0
Nuclear Emergency Management Fund	280,500	321,300	40,800
Total - Arizona Department of Agriculture	1,878,300	1,919,100	40,800
AHCCCS			
Budget Neutrality Compliance Fund	4,303,100	4,669,300	366,200
Children's Health Insurance Program Fund	123,622,900	134,214,800	10,591,900
Prescription Drug Rebate Fund - State	165,160,800	165,160,800	0
Seriously Mentally Ill Housing Trust Fund	217,300	217,300	0
Substance Abuse Services Fund	2,250,200	2,250,200	0
Tobacco Products Tax Fund Emergency Health Services Account	17,448,300	17,458,500	10,200
Tobacco Tax and Health Care Fund Medically Needy Account	67,179,700	67,258,900	79,200
Total - AHCCCS	380,182,300	391,229,800	11,047,500
Athletic Training, Board of			
Athletic Training Fund	157,300	150,000	(7,300)
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	161,400	161,400	0
Attorney General Legal Services Cost Allocation Fund	2,326,200	2,326,200	0
Collection Enforcement Revolving Fund	7,599,300	7,599,300	0
Consumer Protection-Consumer Fraud Rev. Fund	24,474,500	17,098,500	(7,376,000)
Consumer Restitution and Remediation Revolving Fund - Consumer Remediation Subaccount	5,000,000	0	(5,000,000)
Interagency Service Agreements Fund	18,199,300	18,199,300	0
Internet Crimes Against Children Enforcement Fund	900,000	900,000	0
Risk Management Revolving Fund	13,308,100	13,197,600	(110,500)
Victims' Rights Fund	3,812,700	3,812,700	0
Total - Attorney General - Department of Law	75,781,500	63,295,000	(12,486,500)
Barbering and Cosmetology Board			
Barbering and Cosmetology Fund	2,864,800	2,715,500	(149,300)
Behavioral Health Examiners, Board of			
Board of Behavioral Health Examiners Fund	2,179,700	2,123,000	(56,700)
Child Safety, Department of			
Child Abuse Prevention Fund	1,459,300	1,459,300	0



## FY 2024 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2023 Estimate	OF FY 2024 Baseline	OF FY 2024 Baseline - FY 2023
Child Welfare Licensing Fee Fund	1,020,800	1,020,800	0
Children and Family Services Training Program Fund	208,000	208,000	0
Federal Child Care and Development Fund Block Grant	40,516,000	40,516,000	0
Federal Temporary Assistance for Needy Families Block Grant	161,082,200	161,082,200	0
<b>Total - Department of Child Safety</b>	<b>204,286,300</b>	<b>204,286,300</b>	<b>0</b>
Chiropractic Examiners, State Board of Board of Chiropractic Examiners Fund	488,700	485,900	(2,800)
Commerce Authority, Arizona State Web Portal Fund	5,000,000	0	(5,000,000)
Contractors, Registrar of Registrar of Contractors Fund	13,754,600	13,754,600	0
Corporation Commission Arizona Arts Trust Fund	58,800	58,800	0
Investment Management Regulatory and Enforcement Fund	812,000	812,000	0
Public Access Fund	7,464,500	7,464,500	0
Securities Regulatory and Enforcement Fund	5,706,900	5,706,900	0
Utility Regulation Revolving Fund	16,236,100	16,236,100	0
<b>Total - Corporation Commission</b>	<b>30,278,300</b>	<b>30,278,300</b>	<b>0</b>
Corrections, State Department of Alcohol Abuse Treatment Fund	555,800	555,800	0
Corrections Fund	30,967,800	30,312,500	(655,300)
Inmate Store Proceeds Fund	5,544,200	1,341,500	(4,202,700)
Penitentiary Land Fund	2,777,600	2,777,600	0
Prison Construction and Operations Fund	12,500,100	12,500,100	0
State Charitable, Penal and Reformatory Institutions Land Fund	2,665,100	2,665,100	0
State Education Fund for Correctional Education	738,900	738,900	0
Transition Program Fund	2,400,300	2,400,300	0
<b>Total - State Department of Corrections</b>	<b>58,149,800</b>	<b>53,291,800</b>	<b>(4,858,000)</b>
Criminal Justice Commission, Arizona Criminal Justice Enhancement Fund	708,900	708,900	0
Drug and Gang Prevention Resource Center Fund	647,100	647,100	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	4,250,700	4,250,700	0
<b>Total - Arizona Criminal Justice Commission</b>	<b>7,280,400</b>	<b>7,280,400</b>	<b>0</b>
Deaf and the Blind, Arizona Schools for the Schools for the Deaf and the Blind Fund	15,342,700	15,342,700	0
Cooperative Services Fund	20,125,900	20,125,900	0
<b>Total - Arizona State Schools for the Deaf and the Blind</b>	<b>35,468,600</b>	<b>35,468,600</b>	<b>0</b>
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	4,966,000	4,836,000	(130,000)
Dental Examiners, State Board of Dental Board Fund	1,937,500	1,903,300	(34,200)
Economic Security, Department of Child Support Enforcement Administration Fund	17,683,300	17,683,300	0
Domestic Violence Services Fund	4,000,300	4,000,300	0
Federal Child Care and Development Fund Block Grant	200,010,200	200,010,200	0
Federal Temporary Assistance for Needy Families Block Grant	66,591,200	66,591,200	0
Long Term Care System Fund	33,289,500	33,864,200	574,700
Public Assistance Collections Fund	430,400	430,400	0
Special Administration Fund	4,643,200	4,643,200	0

## FY 2024 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2023 Estimate	OF FY 2024 Baseline	OF FY 2024 Baseline - FY 2023
Spinal and Head Injuries Trust Fund	2,388,200	2,388,200	0
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
Workforce Investment Act Grant	56,293,500	87,110,800	30,817,300
<b>Total - Department of Economic Security</b>	<b>386,329,800</b>	<b>417,721,800</b>	<b>31,392,000</b>
Education, Department of			
Department of Education Empowerment			
Scholarship Account Fund	357,900	357,900	0
Permanent State School Fund	328,895,600	341,924,700	13,029,100
Education Sales Tax Accountability	7,000,000	7,000,000	0
Teacher Certification Fund	2,527,900	2,527,900	0
Tribal College Dual Enrollment Program Fund	325,000	325,000	0
<b>Total - Department of Education</b>	<b>339,106,400</b>	<b>352,135,500</b>	<b>13,029,100</b>
Emergency and Military Affairs, Department of			
Border Security Fund	209,205,000	0	(209,205,000)
Nuclear Emergency Management Fund	1,987,400	2,113,500	126,100
<b>Total - Department of Emergency &amp; Military Affairs</b>	<b>211,192,400</b>	<b>2,113,500</b>	<b>(209,078,900)</b>
Environmental Quality, Department of			
Air Quality Fund	5,830,900	5,830,900	0
Emergency Response Fund	528,300	132,800	(395,500)
Emissions Inspection Fund	30,484,400	30,484,400	0
Hazardous Waste Management Fund	1,946,600	1,946,600	0
Indirect Cost Fund	18,629,000	18,629,000	0
Permit Administration Fund	7,285,600	7,285,600	0
Recycling Fund	2,522,400	1,522,400	(1,000,000)
Safe Drinking Water Program Fund	1,998,500	1,998,500	0
Solid Waste Fee Fund	2,674,600	2,589,600	(85,000)
Water Quality Fee Fund	18,348,200	18,348,200	0
<b>Total - Department of Environmental Quality</b>	<b>90,248,500</b>	<b>88,768,000</b>	<b>(1,480,500)</b>
Equal Opportunity, Governor's Office of			
Personnel Division Fund	211,400	211,400	0
Exposition and State Fair Board, Arizona			
Arizona Exposition and State Fair Fund	19,056,800	16,056,800	(3,000,000)
Funeral Directors and Embalmers, Board of			
Board of Funeral Directors' and Embalmers' Fund	494,800	476,800	(18,000)
Game and Fish Department, Arizona			
Capital Improvement Fund	1,001,200	1,001,200	0
Game and Fish Fund	45,353,600	43,863,200	(1,490,400)
Game, Nongame, Fish and Endangered			
Species Fund	389,200	389,200	0
Watercraft Licensing Fund	5,226,800	5,226,800	0
Wildlife Endowment Fund	16,200	16,200	0
<b>Total - Arizona Game and Fish Department</b>	<b>51,987,000</b>	<b>50,496,600</b>	<b>(1,490,400)</b>
Gaming, Department of			
Fantasy Sports Contest Fund	150,100	150,100	0
Tribal-State Compact Fund	2,308,700	2,308,700	0
Racing Regulation Fund	2,576,600	2,576,600	0
Racing Regulation Fund - Uarmed Combat			
Subaccount	104,600	104,600	0
State Lottery Fund	300,000	300,000	0
Arizona Benefits Fund	16,610,000	17,930,000	1,320,000
<b>Total - Department of Gaming</b>	<b>22,050,000</b>	<b>23,370,000</b>	<b>1,320,000</b>
Health Services, Department of			
Arizona State Hospital Fund	3,145,800	3,145,800	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	4,167,900	4,167,900	0
Environmental Laboratory Licensure			
Revolving Fund	1,001,700	1,001,700	0
Federal Child Care and Development Fund			

## FY 2024 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2023 Estimate	OF FY 2024 Baseline	OF FY 2024 Baseline - FY 2023
Block Grant	998,600	998,600	0
Health Services Licensing Fund	16,960,500	16,960,500	0
Health Services Lottery Monies Fund	200,000	100,000	(100,000)
Indirect Cost Fund	12,298,700	12,298,700	0
Newborn Screening Program Fund	12,821,300	12,821,300	0
Nursing Care Institution Resident Protection Revolving Fund	238,200	238,200	0
Tobacco Tax and Health Care Fund Medically Needy Account	700,000	700,000	0
Vital Records Electronic Systems Fund	3,862,300	3,862,300	0
<b>Total - Department of Health Services</b>	<b>58,241,500</b>	<b>58,141,500</b>	<b>(100,000)</b>
Homeland Security, Arizona Department of Information Technology Fund	11,930,300	10,739,800	(1,190,500)
Homeopathic and Integrated Medicine Examiners, Board of Board of Homeopathic and Integrated Medicine Examiners' Fund	51,900	51,900	0
Housing, Department of Housing Trust Fund	367,400	367,400	0
Industrial Commission of Arizona Administrative Fund	21,976,700	21,976,700	0
Insurance and Financial Institutions, Department of Automobile Theft Authority Fund	6,159,700	6,159,700	0
Financial Services Fund	5,971,600	5,271,600	(700,000)
Department Revolving Fund	50,300	50,300	0
<b>Total - Department of Insurance and Financial Institutions</b>	<b>12,181,600</b>	<b>11,481,600</b>	<b>(700,000)</b>
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	546,500	546,500	0
Court Appointed Special Advocate Fund	5,416,000	5,233,000	(183,000)
Criminal Justice Enhancement Fund	4,722,800	4,722,800	0
Defensive Driving School Fund	4,487,700	4,487,700	0
Judicial Collection Enhancement Fund	15,191,400	15,191,400	0
State Aid to the Courts Fund	2,946,500	2,946,500	0
<b>Total - Judiciary - Supreme Court</b>	<b>33,310,900</b>	<b>33,127,900</b>	<b>(183,000)</b>
Judiciary - Superior Court Criminal Justice Enhancement Fund	5,494,400	5,494,400	0
Judicial Collection Enhancement Fund	6,015,400	6,015,400	0
Drug Treatment and Education Fund	504,200	504,200	0
<b>Total - Judiciary - Superior Court</b>	<b>12,014,000</b>	<b>12,014,000</b>	<b>0</b>
<b>SUBTOTAL - Judiciary</b>	<b>45,324,900</b>	<b>45,141,900</b>	<b>(183,000)</b>
Juvenile Corrections, Department of Criminal Justice Enhancement Fund	538,500	538,500	0
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900	8,450,900	0
State Charitable, Penal and Reformatory Institutions Land Fund	4,125,400	4,125,400	0
State Education Fund for Committed Youth	1,955,200	1,955,200	0
<b>Total - Department of Juvenile Corrections</b>	<b>15,070,000</b>	<b>15,070,000</b>	<b>0</b>
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	8,028,800	6,528,800	(1,500,000)
<b>Total - State Land Department</b>	<b>13,289,400</b>	<b>11,789,400</b>	<b>(1,500,000)</b>
Liquor Licenses and Control, Department of Liquor Licenses Fund	7,112,500	6,512,600	(599,900)
Lottery Commission, Arizona State State Lottery Fund	171,246,600 <sup>1/</sup>	177,062,100	5,815,500
Massage Therapy, Board of Board of Massage Therapy Fund	603,800	573,800	(30,000)

## FY 2024 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2023 Estimate	OF FY 2024 Baseline	OF FY 2024 Baseline - FY 2023
Medical Board, Arizona			
Arizona Medical Board Fund	8,291,700	8,189,200	(102,500)
Mine Inspector, State			
Aggregate Mining Reclamation Fund	112,900	112,900	0
Naturopathic Physicians Medical Board			
Naturopathic Physicians Medical Board Fund	212,000	212,000	0
Navigable Stream Adjudication Commission			
Arizona Water Banking Fund	200,000	200,000	0
Nursing, State Board of			
Board of Nursing Fund	5,885,000	5,885,000	0
Nursing Care Institution Administrators Board			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	627,400	595,600	(31,800)
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	266,400	243,200	(23,200)
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	193,100	186,900	(6,200)
Optometry, State Board of			
Board of Optometry Fund	298,800	291,300	(7,500)
Osteopathic Examiner in Medicine and Surgery, Arizona Board of			
Board of Osteopathic Examiners in Medicine and Surgery Fund	1,384,500	1,373,500	(11,000)
Parks Board, Arizona State			
Off-Highway Vehicle Recreation Fund	16,700	16,700	0
State Parks Store Fund	1,011,300	1,011,300	0
State Parks Revenue Fund	18,519,400	18,269,400	(250,000)
Total - Arizona State Parks Board	<u>19,547,400</u>	<u>19,297,400</u>	<u>(250,000)</u>
Personnel Board, State			
Personnel Board Subaccount of the Personnel Division Fund	345,000	345,000	0
Pharmacy, Arizona State Board of			
Arizona State Board of Pharmacy Fund	3,537,000	3,435,000	(102,000)
Physical Therapy, Board of			
Board of Physical Therapy Fund	630,900	587,500	(43,400)
Pioneers' Home, Arizona			
Miners' Hospital for Miners with Disabilities Land Fund	2,318,600	2,318,600	0
State Charitable Fund	6,024,700	5,992,700	(32,000)
Total - Arizona Pioneers' Home	<u>8,343,300</u>	<u>8,311,300</u>	<u>(32,000)</u>
Podiatry Examiners, State Board of			
Podiatry Fund	185,800	181,300	(4,500)
Private Postsecondary Education, Board for			
Board for Private Postsecondary Education Fund	453,800	451,300	(2,500)
Psychologist Examiners, State Board of			
Board of Psychologist Examiners Fund	650,500	635,300	(15,200)
Public Safety, Department of			
Arizona Highway Patrol Fund	31,293,300	31,293,300	0
Concealed Weapons Permit Fund	3,172,200	3,172,200	0
Criminal Justice Enhancement Fund	2,989,100	2,989,100	0
DPS Forensics Fund	22,985,300	22,985,300	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	1,282,000	1,282,000	0
Motorcycle Safety Fund	198,900	198,900	0
Parity Compensation Fund	4,088,100	4,088,100	0
Public Safety Equipment Fund	2,894,000	2,894,000	0
Risk Management Revolving Fund	1,396,900	1,396,900	0

## FY 2024 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2023 Estimate	OF FY 2024 Baseline	OF FY 2024 Baseline - FY 2023
State Highway Fund	8,166,700	8,166,700	0
Total - Department of Public Safety	<u>82,444,000</u>	<u>82,444,000</u>	<u>0</u>
Residential Utility Consumer Office			
Residential Utility Consumer Office			
Revolving Fund	1,578,900	1,578,900	0
Respiratory Care Examiners, Board of			
Board of Respiratory Care Examiners Fund	406,800	385,100	(21,700)
Retirement System, Arizona State			
Long-Term Disability Trust Fund Administration			
Account	1,800,000	1,800,000	0
Arizona State Retirement System Administration			
Account	26,335,600	26,270,400	(65,200)
Total - Arizona State Retirement System	<u>28,135,600</u>	<u>28,070,400</u>	<u>(65,200)</u>
Revenue, Department of			
Department of Revenue Administrative Fund	28,603,100	28,603,100	0
Liability Setoff Program Revolving Fund	892,500	892,500	0
Tobacco Tax and Health Care Fund	727,900	727,900	0
Total - Department of Revenue	<u>30,223,500</u>	<u>30,223,500</u>	<u>0</u>
Secretary of State			
Election Systems Improvement Fund	483,500	483,500	0
Records Services Fund	1,334,900	1,334,900	0
Total - Secretary of State	<u>1,818,400</u>	<u>1,818,400</u>	<u>0</u>
Technical Registration, State Board of			
Technical Registration Fund	2,641,000	2,620,600	(20,400)
Transportation, Department of			
Air Quality Fund	326,600	326,600	0
Department Fleet Operations Fund	27,110,500	21,110,500	(6,000,000)
Highway User Revenue Fund	906,500	906,500	0
Highway Damage Recovery Account	8,000,600	8,000,600	0
Ignition Interlock Device Fund	363,600	363,600	0
Motor Vehicle Liability Insurance			
Enforcement Fund	5,383,600	2,001,700	(3,381,900)
State Aviation Fund	2,163,600	2,163,600	0
State Fleet Operations Fund	25,267,100	16,667,100	(8,600,000)
State Highway Fund	516,951,300	458,609,800	(58,341,500)
State Vehicle Replacement Fund	10,715,800	6,334,800	(4,381,000)
Vehicle Inspection and Certificate of Title			
Enforcement Fund	2,246,600	2,246,600	0
Total - Department of Transportation	<u>599,435,800</u>	<u>518,731,400</u>	<u>(80,704,400)</u>
Treasurer, State			
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	0
State Treasurer's Operating Fund	3,965,100	3,965,100	0
Total - State Treasurer	<u>6,148,900</u>	<u>6,148,900</u>	<u>0</u>
Universities			
Arizona State University			
University Collections Fund	706,031,800 <u>2/</u>	706,031,800	0
Total - Arizona State University	<u>706,031,800</u>	<u>706,031,800</u>	<u>0</u>
Northern Arizona University			
University Collections Fund	130,397,300 <u>2/</u>	130,397,300	0
University of Arizona - Main Campus			
University Collections Fund	382,811,300 <u>2/</u>	382,811,300	0
University of Arizona - Health Sciences Center			
University Collections Fund	66,675,300 <u>2/</u>	66,675,300	0
SUBTOTAL - Universities	<u>1,285,915,700</u>	<u>1,285,915,700</u>	<u>0</u>
Veterans' Services, Department of			
Hyperbaric Oxygen Therapy for Military Veterans Fund	25,000	0	(25,000)
State Homes for Veterans' Trust Fund	60,559,500	60,559,500	0
Total - Department of Veterans' Services	<u>60,584,500</u>	<u>60,559,500</u>	<u>(25,000)</u>
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	770,500	770,500	0
Water Resources, Department of			

## FY 2024 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	OF FY 2023 Estimate	OF FY 2024 Baseline	OF FY 2024 Baseline - FY 2023
Assured and Adequate Water Supply Admin Fund	291,200	291,200	0
Water Resources Fund	1,726,500	1,726,500	0
Water Banking Fund	0	0	0
Total - Department of Water Resources	<u>2,017,700</u>	<u>2,017,700</u>	<u>0</u>
<b>OPERATING BUDGET TOTAL</b>	<u>\$4,733,778,100</u>	<u>\$4,456,988,300</u>	<u>(\$276,789,800)</u>
FY 2023 Supplemental <u>3/</u>	61,540,300	0	(61,540,300)
Unallocated '23 AFIS Transaction Fee	18,900	0	(18,900)
Unallocated '23 Rent Adjustments	(165,800)	0	165,800
Unallocated '23 Retirement Adjustments	(440,800)	0	440,800
Unallocated '23 HITF Employer Premium Increase	7,775,800	0	(7,775,800)
Unallocated '23 HRIS Fee Adjustments	355,300	0	(355,300)
Unallocated '23 IT Pro Rata Adjustments	140,300	0	(140,300)
Unallocated '23 Fleet Adjustments	113,600	0	(113,600)
Unallocated '23 Salary Adjustments	1,163,200	0	(1,163,200)
Remove One-Time '23 Employer Premium Increase	0	(32,224,200)	(32,224,200)
Capital Outlay - Building Renewal/Projects	<u>1,488,186,900</u>	<u>540,823,000</u>	<u>(947,363,900)</u>
<b>GRAND TOTAL</b>	<u><u>\$6,292,465,800</u></u>	<u><u>\$4,965,587,100</u></u>	<u><u>(\$1,326,878,700)</u></u>

1/ Revised Lottery forecast.

2/ Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2023. A footnote in the FY 2023 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.

3/ Please see page S-39 for individual agency detail.

## DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2023 GF Adj. Appropriation	FY 24 Baseline 1/ Above FY 23	FY 2024 GF JLBC Baseline
<b>OPERATING SPENDING CHANGES</b>			
	68,950,900		9,350,900
<b>1 DOA - Arizona Department of Administration</b>			
DOA - Remove One-Time K-12 Transportation Grants		(20,000,000)	
<b>2 DOA - Remove One-Time Healthcare Interoperability Grants</b>		(12,000,000)	
DOA - Remove One-Time Ballot Paper Testing		(1,000,000)	
<b>4 DOA - Remove One-Time Secure Ballot Boxes</b>		(500,000)	
DOA - Remove One-Time Fire Incident Management System Grants		(6,100,000)	
<b>6 DOA - Remove One-Time County Sheriff Interoperability</b>		(20,000,000)	
<b>7 APF - Automation Projects Fund/ADOA</b>	28,747,000		13,294,100
APF - Remove One-Time Business One-Stop Phase 2 Funding		(15,614,300)	
APF - Remove One-Time Agriculture Cloud Project		(2,000,000)	
<b>10 APF - Adjust DOR Integrated Tax System Funding</b>		2,161,400	
<b>11 SFD - School Facilities Division/ADOA</b>	324,672,200		152,773,300
SFD - Remove One-Time Building Renewal Funding		(183,300,000)	
<b>13 SFB - Remove New School Construction (Yuma High School Project)</b>		(16,515,200)	
SFD - Remove New School Construction (Kirkland Site Conditions)		(400,000)	
<b>15 SFB - Remove New School Construction (FY 22 Starts)</b>		(47,950,000)	
SFD - Continue New School Construction Projects (FY 23 Starts)		(16,500,000)	
<b>17 SFD - Begin New School Construction Projects (FY 24 Starts)</b>		92,766,300	
<b>18 OAH - Office of Administrative Hearings</b>	998,900		998,900
<b>19 AAM - Commission of African-American Affairs</b>	146,600		146,600
<b>20 AGR - Department of Agriculture</b>	24,954,600		14,954,600
AGR - Remove One-Time Livestock Operator Grants		(10,000,000)	
<b>22 AXS - AHCCCS</b>	2,321,039,900		2,508,542,000
AXS - Formula Changes		201,416,800	
AXS - Remove One-Time Secure Behav. Health Residential Facility Funding		(25,000,000)	
AXS - Remove One-Time Federal IT Regulation Compliance Funding		(195,000)	
AXS - Secure Behavioral Health Residential Facility Rate Increases		10,000,000	
AXS - Chiropractic Services Increase		280,300	
AXS - Newborn Screening Fee Increase		800,000	
AXS - Management Information System Replacement Funding		200,000	
<b>30 ART - Arizona Commission on the Arts</b>	5,000,000		0
ART - Remove One-Time Arts Trust Fund Deposit		(5,000,000)	
<b>32 ATT - Attorney General</b>	29,522,900		27,522,900
ATT - Remove One-Time Missing/Murdered Indigenous Persons Funding		(2,000,000)	
<b>34 CHA - State Board for Charter Schools</b>	3,328,200		2,939,200
CHA - Remove One-Time IT Modernization Expenses		(389,000)	
<b>36 DCS - Department of Child Safety</b>	472,867,200		454,503,200
DCS - Remove One-Time Federal Funds Backfill		(25,138,200)	
DCS - Federal Match Rate Changes		4,274,200	
DCS - Healthy Families Expansion		2,500,000	
<b>40 ACA - Arizona Commerce Authority</b>	41,050,000		26,050,000
ACA - Remove One-Time Business Water Infrastructure Funding		(15,000,000)	

	FY 2023 GF Adj. Appropriation	FY 24 Baseline 1/ Above FY 23	FY 2024 GF JLBC Baseline
42	<b>CCO - Arizona Community Colleges</b>	102,781,400	93,383,300
43	CCO - Formula Changes		3,851,900
44	CCO - Remove One-Time Rural Community College Aid		(7,000,000)
45	CCO - Remove One-Time Southern AZ First Responder Academy Funding		(6,250,000)
46	<b>COR - Corporation Commission</b>	807,200	807,200
47	COR - Hazardous Materials Railroad Inspector		
48	<b>ADC - Department of Corrections</b>	1,437,963,200	1,435,701,600
49	ADC - Remove One-Time Vehicle Purchases		(7,488,400)
50	ADC - Remove One-Time Imprisoned Women Treatment Funding		(2,000,000)
51	ADC - Florence Closure Savings		(7,673,200)
52	ADC - Florence Replacement Beds		14,900,000
53	<b>CF - County Funding</b>	17,650,700	17,650,700
54	<b>JUS - Arizona Criminal Justice Commission</b>	14,600,000	4,600,000
55	JUS - Remove One-Time Rural County Diversion Program Grants Funding		(10,000,000)
56	<b>SDB - Arizona State Schools for the Deaf and the Blind</b>	26,677,900	25,571,700
57	SDB - Remove One-Time Increase for Bus Transportation Capacity		(1,106,200)
57			
58	<b>OEC - Office of Economic Opportunity</b>	525,800	525,800
59	<b>DES - Department of Economic Security</b>	1,079,053,000	1,184,628,200
60	DES - Formula Adjustments		103,848,500
61	DES - Remove One-Time IT Infrastructure/Security Funding		(1,400,500)
62	DES - Remove One-Time AAA Provider Rate Increase Funding		(2,000,000)
63	DES - Remove One-Time Building System Upgrade Funding		(272,800)
64	DES - Homeless Youth Services		1,000,000
65	DES - AzEIP Provider Rate Increases		4,400,000
66	<b>BOE - State Board of Education</b>	3,407,600	3,376,700
67	BOE - Remove One-Time Educator Misconduct Funding		(23,300)
68	BOE - Remove One-Time Policy Development Staff Funding		(3,800)
69	BOE - Remove One-Time ESA Appeals Process Implementation Funding		(3,800)
70	<b>ADE - Arizona Department of Education</b>	6,923,894,300	7,393,633,100
71	ADE - Formula Adjustments		502,128,800
72	ADE - Remove One-Time Child Trauma Awareness/Prevention Funding		(100,000)
73	ADE - Remove One-Time Code Writers Initiative Program Funding		(1,000,000)
74	ADE - Remove One-Time Electronic Incident Prevention Funding		(150,000)
75	ADE - Remove One-Time Office of Indian Education Funding		(5,000,000)
76	ADE - Remove One-Time Foster Youth Transitional Housing Funding		(10,000,000)
77	ADE - Remove One-Time Postsecondary Success Program Funding		(1,000,000)
78	ADE - Remove One-Time Assessment Funding		(4,000,000)
79	ADE - Remove One-Time Funding to Reduce Rollover		(65,000,000)
80	ADE - DAA and CAA Per Pupil Increase		29,000,000
81	ADE - FRPL Group B Weight Increase		13,000,000
82	ADE - Literacy Coaches (25 FTE)		3,100,000
83	ADE - Adult Education		3,080,000
84	ADE - Kindergarten Entry Assessment		1,500,000
85	ADE - Dyslexia Screening (3 FTE)		1,280,000
86	ADE - Science of Reading Exam		1,000,000
87	ADE - CTED Certification Exam Fee Reimbursement		1,000,000
88	ADE - Alternative Teacher Development Program		500,000
89	ADE - Jobs for Arizona Graduates Program		400,000
90	<b>EMA - Department of Emergency &amp; Military Affairs</b>	29,607,200	16,307,200



	FY 2023 GF Adj. Appropriation	FY 24 Baseline 1/ Above FY 23	FY 2024 GF JLBC Baseline
91	EMA - Remove One-Time Readiness Center Maint. Backlog Funding	(13,300,000)	
92	<b>DEQ - Department of Environmental Quality</b>	22,900,000	16,500,000
93	DEQ - Remove One-Time Water Quality Fee Fund Deposit	(6,400,000)	
93			
94	<b>EQU - State Board of Equalization</b>	787,900	737,900
95	EQU - Remove One-Time Appeals Application Software Upgrade Funding	(50,000)	
96	<b>EXE - Board of Executive Clemency</b>	1,336,800	1,336,800
97	<b>FOR - Department of Forestry and Fire Management</b>	129,473,400	50,331,100
98	FOR - Remove One-Time Equipment and Vehicle Purchases	(753,800)	
99	FOR - Remove One-Time Wildfire Funding	(65,000,000)	
100	FOR - Remove One-Time Funding for Mt. Lemmon Renovations	(2,230,900)	
101	FOR - Remove One-Time Funding Nonnative Species Eradication Funding	(5,000,000)	
102	FOR - Adjust Wildfire Mitigation Funding	(6,157,600)	
103	<b>GAM - Department of Gaming</b>	16,956,500	16,956,500
104	<b>GOV - Office of the Governor</b>	9,276,100	9,276,100
105	<b>OSP - Gov's Office of Strategic Planning &amp; Budgeting</b>	2,961,400	2,961,400
106	<b>DHS - Department of Health Services</b>	194,834,300	133,434,300
107	DHS - Remove One-Time Family Health Pilot Program Funding	(3,000,000)	
108	DHS - Remove One-Time Accelerated Nursing Program Funding	(50,000,000)	
109	DHS - Remove One-Time Funding for ASH Surveillance System Replacement	(7,100,000)	
110	DHS - Remove One-Time Homeless Pregnant Women Services Funding	(300,000)	
111	DHS - Remove One-Time Behavioral Health Loan Repayment Funding	(1,000,000)	
111			
112	<b>AZH - Arizona Historical Society</b>	3,214,700	3,214,700
113	<b>PAZ - Prescott Historical Society</b>	1,016,100	1,016,100
114	<b>HOM - Department of Homeland Security</b>	12,000,000	10,000,000
115	HOM - Remove One-Time Funding for Cyber Security Controls	(2,000,000)	
116	<b>DOH - Department of Housing</b>	70,000,000	0
117	DOH - Remove One-Time Housing Trust Fund Deposit	(60,000,000)	
118	DOH - Remove One-Time Homeless Services Grant Pilot Funding	(10,000,000)	
119	<b>IND - Independent Redistricting Commission</b>	0	1,500,000
120	IND - One-Time Commission Funding	1,500,000	
121	<b>ICA - Industrial Commission</b>	84,600	84,600
122	<b>DIF - Department of Insurance and Financial Institutions</b>	8,213,000	8,213,000
123	<b>SPA - Judiciary - Supreme Court</b>	29,047,400	27,320,900
124	SPA - Remove One-Time Digital Evidence Storage Funding	(490,000)	
125	SPA - Remove One-Time Funding for Automation Revenue Shortfall	(1,000,000)	
126	SPA - Remove One-Time Records Sealing Funding	(500,000)	
127	SPA - Annualize Justice Salary Increases	263,500	
128	<b>COA - Judiciary - Court of Appeals</b>	22,523,200	24,498,400
129	COA - Remove One-Time Capital Costs for New Judges	(900,000)	
130	COA - Annualize New Judge and Staff Salary Funding	2,230,800	
131	COA - Annualize Judge Salary Increases	644,400	

	FY 2023 GF Adj. Appropriation	FY 24 Baseline 1/ Above FY 23	FY 2024 GF JLBC Baseline
132	<b>SUP - Judiciary - Superior Court</b>	110,359,700	112,631,800
133	SUP - Annualize Judge Salary Increases	2,272,100	
134	<b>DJC - Department of Juvenile Corrections</b>	38,607,700	38,607,700
135	<b>LAN - State Land Department</b>	14,659,300	13,159,300
136	LAN - Remove One-Time Appraisal Development Funding	(1,500,000)	
137	<b>Legislature</b>		
138	<b>AUD - Auditor General</b>	26,991,600	26,491,600
139	AUD - Remove One-Time Funding for K-12 Federal Funds Oversight	(200,000)	
140	AUD - Remove One-Time Adult Protective Services Audit Funding	(300,000)	
141	<b>HOU - House of Representatives</b>	27,020,300	22,020,300
142	HOU - Remove One-Time Funding	(5,000,000)	
143	<b>JLBC - Joint Legislative Budget Committee</b>	3,144,500	3,144,500
144	<b>LEG - Legislative Council</b>	9,546,500	9,546,500
145	<b>LEG - Ombudsman-Citizens Aide Office</b>	1,516,200	1,516,200
146	<b>SEN - Senate</b>	23,385,300	18,385,300
147	SEN - Remove One-Time Funding	(5,000,000)	
148	<b>MIN - State Mine Inspector</b>	2,819,000	2,322,900
149	MIN - Remove One-Time Equipment Costs for Abandoned Mines Program	(496,100)	
150	<b>NAV - Arizona Navigable Steam Adjudication Comm.</b>	144,200	144,200
151	<b>SPB - Arizona State Parks Board</b>	6,500,000	0
152	SPB - Remove One-Time Heritage Fund Deposit	(2,500,000)	
153	SPB - Remove One-Time State Lake Improvement Fund Deposit	(4,000,000)	
154	<b>DPS - Department of Public Safety</b>	364,162,500	334,007,500
155	DPS - Remove One-Time Funding for Vehicle Bumper Tethers	(1,800,000)	
156	DPS - Remove One-Time Funding for Public Services Portal	(2,631,500)	
157	DPS - Remove One-Time Building System Management Funding	(204,600)	
158	DPS - Remove One-Time Funding for Helicopter Upgrades	(2,559,600)	
159	DPS - Remove One-Time Helicopter Purchase Funding	(10,900,000)	
160	DPS - Remove One-Time Vehicle Purchases Funding	(11,709,300)	
161	DPS - Remove One-Time Civil Air Patrol Funding	(5,000,000)	
162	DPS - Remove One-Time Funding for K-9 Facilities/Vehicles	(1,900,000)	
163	DPS - Remove One-Time Equipment Funding	(450,000)	
164	DPS - Major incident Division Funding	7,000,000	
165	<b>PSP - Public Safety Personnel Retirement System</b>	66,000,000	6,000,000
166	PSP - Remove One-Time Pension Payoff Funding (EORP)	(60,000,000)	
167	<b>REA - State Real Estate Department</b>	3,221,000	3,221,000
168	<b>REV - Department of Revenue</b>	59,863,300	59,863,300
169	<b>SOS - Secretary of State</b>	22,237,100	18,057,100
170	SOS - Remove One-Time Election Funding	(4,000,000)	
171	SOS - Remove One-Time Early Ballot Tracking System Funding	(250,000)	
172	SOS - Electronic Repository Funding	70,000	

	FY 2023 GF Adj. Appropriation	FY 24 Baseline 1/ Above FY 23	FY 2024 GF JLBC Baseline	
173	<b>TAX - State Board of Tax Appeals</b>	317,700	317,700	
174	<b>TOU - Office of Tourism</b>	10,302,600	8,552,600	
175	TOU - Remove One-Time Southern Authority Funding		(750,000)	
176	TOU - Remove One-Time Wine Promotion Funding		(1,000,000)	
177	<b>TRE - State Treasurer</b>	8,560,800	15,660,800	
178	TRE - Remove One-Time Crime Victim Public Safety Notifications Funding		(3,800,000)	
179	TRE - Remove One-Time Arizona Health Innovation Trust Fund Deposit		(100,000)	
180	TRE - Election Security Funding		5,000,000	
181	TRE - County Election Funding		6,000,000	
182	<b>OTR - Governor's Office on Tribal Relations</b>	69,900	69,900	
183	<b>UNI - Universities</b>			
184	<b>UNI - Arizona Board of Regents</b>	90,238,000	54,138,000	
185	UNI - Remove One-Time AZ Veterinary Loan Assistance Funding		(6,000,000)	
186	UNI - Remove One-Time Food Product and Safety Lab Funding		(10,900,000)	
187	UNI - Remove One-Time Enclosed Feeding Facility Funding		(9,500,000)	
188	UNI - Remove One-Time Camp Verde Meat Processing Facility Funding		(9,700,000)	
189	<b>UNI - ASU</b>	465,044,700	411,306,500	
190	UNI - Lease-Purchase Adjustment		6,100	
191	UNI - Inflation Adjustment (2017 Capital Infrastructure)		255,700	
192	UNI - Remove One-Time Operating/Capital Funding		(54,000,000)	
192				
193	<b>UNI - Northern Arizona University</b>	164,151,500	138,249,800	
194	UNI - Lease-Purchase Adjustment		1,400	
195	UNI - Inflation Adjustment (2017 Capital Infrastructure)		96,900	
196	UNI - Remove One-Time Operating/Capital Funding		(26,000,000)	
197	<b>UNI - UA - Main Campus</b>	299,423,000	293,202,000	
198	UNI - Lease-Purchase Adjustment		2,800	
199	UNI - Inflation Adjustment (2017 Capital Infrastructure)		226,200	
200	UNI - Remove One-Time Wind Tunnel Funding		(3,000,000)	
201	UNI - Remove One-Time Agriculture Workforce Program Funding		(500,000)	
202	UNI - Remove One-Time Veterinary Diagnostic Lab Funding		(2,500,000)	
203	UNI - Remove One-Time Endangered Species Study Funding		(450,000)	
204	<b>UNI - UA - Health Sciences Center</b>	76,897,700	76,897,700	
205	<b>VSC - Department of Veterans' Services</b>	12,449,200	11,449,200	
206	VSC - Remove One-Time Tribal Ceremonies Funding		(1,000,000)	
207	<b>WIFA - Water Infrastructure Finance Authority</b>	10,000,000	333,000,000	
208	WIF - Remove One-Time Water Project Assistance Grants		(10,000,000)	
209	WIF - Long-Term Water Augmentation Fund Deposit		333,000,000	
210	<b>WAT - Department of Water Resources</b>	25,364,500	25,014,500	
211	WAT - Remove One-Time New River Flood Insurance Study Funding		(350,000)	
211				
212	<b>OTH - Other</b>			
213	OTH - ADE Higher-than-Budgeted Formula Costs	200,000,000	(200,000,000)	0
214	OTH - Medicaid Federal Match Rate Reversion	(482,000,000)	482,000,000	0
215	OTH - Phoenix Convention Center Debt Service	24,999,400	499,200	25,498,600
216	OTH - Rio Nuevo District	17,000,000		17,000,000
217	OTH - Unallocated FY 2023 Rent Adjustments	(1,200)	1,200	0
218	OTH - Unallocated FY 2023 HRIS Fee Adjustment	2,100	(2,100)	0

	FY 2023 GF Adj. Appropriation	FY 24 Baseline 1/ Above FY 23	FY 2024 GF JLBC Baseline
219	OTH - Market Salary Adjustments	0	0
220	OTH - Unallocated FY 2023 Salary Adjustments	153,500	0
221	OTH - Remove One-Time FY 2023 Agency Health Insurance Adjustments	0	(103,277,800)
222	OTH - FY 2024 PSPRS Pension Payoff Savings	0	(99,840,200)
223	OTH - Administrative Adjustments	225,000,000	150,000,000
224	OTH - Revertments	(150,000,000)	(215,000,000)
225	<b>TOTAL - OPERATING SPENDING CHANGES</b>	<b>15,261,023,700</b>	<b>15,506,001,500</b>
226	<b>CAPITAL SPENDING</b>		
227	ADOA - Building Renewal	37,594,200	0
228	ADC - Building Renewal	30,551,100	0
229	ADOA - 1616 and 1688 W. Adams Renovation (Demolish 1624 W. Adams)	47,274,000	0
230	ADOA - Demolition (1818 W. Adams/1850 W. Jackson/1720 W. Madison)	1,568,000	0
231	ADOA - Homeless Veterans Housing (Fort Whipple)	2,386,600	0
232	ADOA - Astronomy Centers	7,500,000	0
233	ADOA - Navajo Nation Lukachukai Veterans Multipurpose Complex	500,000	0
234	ADOA - Kayenta Judicial Complex	2,000,000	0
235	ADOA - Little Colorado River Visitor Center (Navajo County)	1,000,000	0
236	ADOA - Navajo Technical University Environmental Testing Lab	4,000,000	0
237	ADOA - Dine College Student Center Construction	8,000,000	0
238	ADOA - Navajo Nation Teesto Multipurpose Community Center Site	1,000,000	0
239	ADOA - Navajo Nation Dilkon Center Improvements	3,000,000	0
240	ADC - Replace Evaporative Cooling with AC Systemwide	47,600,000	31,422,000
241	ADC - Doors/Locks/Fire Systems	20,400,000	0
242	ASDB - Food Service Equipment	350,000	0
243	ASDB - Security Upgrades (Electronic Locks)	420,000	0
244	ASDB - Classroom Notification Replacement	96,000	0
245	EMA - Fire Suppression	1,151,100	0
246	EMA - Tucson Readiness Center Construction Cost Increases	1,800,000	0
247	Judiciary - Supreme Court - Air Handler and Sewer Replacement	3,200,000	0
248	DJC - Replumbing	400,000	0
249	Legislative Council - Capitol Renovations/Building Renewal	5,700,000	0
250	DPS - Purchase Building and Property and Evidence Vehicle Storage	1,016,400	0
251	DPS - Replace 25 Remote Officer Housing Units and Adds 5 Units	9,750,000	0
252	ADOT - Ruby Road Bridge Improvements	3,000,000	0
253	ADOT - Loop 101 Slip Ramp	25,000,000	0
254	ADOT - Cesar Chavez Blvd Widening/Improvements (Laws 2022, Ch. 331)	33,000,000	0
255	ADOT - US-89 & N. Lake Powell Blvd Traffic Circle/Control Device	5,000,000	0
256	ADOT - Ganado School Loop Road (County Road 420)	1,000,000	0
257	ADOT - N-9402 Improvements	10,000,000	0
258	ADOT - N-35 Improvements	6,000,000	0
259	ADOT - SR-97 Improvements (Bagdad)	0	10,000,000
260	Universities - ABOR - Mining, Mineral and Natural Resources Museum	12,000,000	0
261	<b>TOTAL - CAPITAL SPENDING</b>	<b>333,257,400</b>	<b>41,422,000</b>
262	<b>TOTAL - ALL SPENDING</b>	<b>15,594,281,100</b>	<b>15,547,423,500</b>
263	<b>REVENUE CHANGES</b>		
264	<b>Ongoing Revenue</b>		
265	REV - Ongoing Revenue (Including Urban Revenue Sharing)	17,650,573,300	17,573,122,600
266	REV - Previously Enacted Tax Reductions	(1,505,187,500)	(2,268,707,800)
267	<b>One-Time Revenue</b>		
268	REV - Beginning Balance	4,709,446,000	2,296,811,100
269	REV - Attorney General Settlement	77,250,000	0
270	REV - Withholding Revenue Loss (New Tax Rate Reform)	(700,000,000)	0

	FY 2023 GF Adj. Appropriation	FY 24 Baseline <u>1</u> / Above FY 23	FY 2024 GF JLBC Baseline	
271	REV - TPT Transfer for Transportation Projects (Highway/Aviation Fund)	(946,047,500)	946,047,500	0
272	REV - TPT Transfer to Border Security Fund	(209,205,000)	209,205,000	0
273	REV - TPT Transfer to Border Security Fund - Border Fencing (Ch. 334)	(335,000,000)	335,000,000	0
274	REV - TPT Transfer for FY 2023 Water Initiative Funding (Ch. 366)	(334,000,000)	334,000,000	0
275	REV - TPT Transfer to State Parks Revenue Fund	(38,237,100)	38,237,100	0
276	REV - TPT Transfer to Budget Stabilization Fund	(425,000,000)	425,000,000	0
277	REV - Previously Enacted Tax Reductions	(50,000,000)	50,000,000	0
278	REV - Other One-Time Revenue Changes	(3,500,000)	3,500,000	0
279	<b>TOTAL - REVENUE CHANGES</b>	<b>17,891,092,200</b>	<b>(289,866,300)</b>	<b>17,601,225,900</b>
280	<b>ENDING BALANCE</b>	<b>2,296,811,100</b>	<b>(243,008,700)</b>	<b>2,053,802,400</b>

1/ Represents FY 2024 Baseline cost above the FY 2023 Adjusted Appropriation.

## DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2023 OF 1/ Adj. Appropriation	FY 24 Baseline 2/ Above FY 23	FY 2024 OF JLBC Baseline
<b>OPERATING SPENDING CHANGES</b>			
1	<b>SBA - State Board of Accountancy</b>	2,236,600	2,236,600
2	<b>ACU - Acupuncture Board of Examiners</b>	196,800	191,300
3	ACU - Remove One-Time eLicensing Upgrade	(5,500)	
4	<b>DOA - Arizona Department of Administration</b>	215,998,200	217,948,200
5	DOA - Accounting System Upgrade Alignment	500,000	
6	DOA - Annualize Cyber Risk Insurance Program	1,450,000	
7	<b>APF - Automation Projects Fund/ADOA</b>	59,331,900	41,517,200
8	APF - Remove One-Time Agriculture Cloud Funding	(2,000,000)	
9	APF - Remove One-Time Business One-Stop Funding	(15,614,300)	
10	APF - Remove One-Time SOS Electronic Record Storage Study Funding	(300,000)	
11	APF - Remove One-Time DWR Application Modernization Funding	(1,700,000)	
12	APF - Adjust DOR Integrated Tax System Funding	3,549,600	
13	APF - Adjust ADOA Personnel System (HRIS) Replacement Funding	(1,750,000)	
14	<b>AGR - Department of Agriculture</b>	1,878,300	1,919,100
15	AGR - NEMF Assessment Alignment	40,800	
16	<b>AXS - AHCCCS</b>	380,182,300	391,229,800
17	AXS - Formula Changes	11,047,500	
18	<b>BAT - Board of Athletic Training</b>	157,300	150,000
19	BAT - Remove One-Time eLicensing Upgrade	(7,300)	
20	<b>ATT - Attorney General</b>	75,781,500	63,295,000
21	ATT - Remove One-Time Attorney Stipend/Retention Bonuses	(3,000,000)	
22	ATT - Remove One-Time Child and Family Advocacy Centers Funding	(500,000)	
23	ATT - Remove One-Time Expert Witness and Outside Counsel Funding	(2,000,000)	
24	ATT - Remove One-Time Funding for Medical Fraud Staff	(13,000)	
25	ATT - Remove One-Time Vehicle Purchases	(63,000)	
26	ATT - Remove One-Time Funding for State Liability Attorneys	(110,500)	
27	ATT - Remove One-Time Opioid Abatement Funding	(5,000,000)	
28	ATT - Remove One-Time Funding for Colorado City Radio Dispatch	(400,000)	
29	ATT - Remove One-Time Funding for Victims' Rights Fund	(1,400,000)	
30	<b>BCB - Barbering and Cosmetology Board</b>	2,864,800	2,715,500
31	BCB - Remove One-Time eLicensing Upgrade	(149,300)	
32	<b>BHE - Board of Behavioral Health Examiners</b>	2,179,700	2,123,000
33	BHE - Remove One-Time eLicensing Upgrade	(56,700)	
34	<b>DCS - Department of Child Safety</b>	204,286,300	204,286,300
35	<b>BCE - State Board of Chiropractic Examiners</b>	488,700	485,900
36	BCE - Remove One-Time eLicensing Upgrade	(2,800)	
37	<b>ACA - Arizona Commerce Authority</b>	5,000,000	0
38	ACA - Remove One-Time Funding for Applied Research Centers	(5,000,000)	
39	<b>ROC - Registrar of Contractors</b>	13,754,600	13,754,600
40	<b>COR - Corporation Commission</b>	30,278,300	30,278,300

	FY 2023 OF 1/ Adj. Appropriation	FY 24 Baseline 2/ Above FY 23	FY 2024 OF JLBC Baseline
41	<b>ADC - Department of Corrections</b>	58,149,800	53,291,800
42	ADC - Remove One-Time Vehicle Purchases		(1,560,000)
43	ADC - Remove One-Time Funding for Therapeutic Community Unit		(655,300)
44	ADC - Remove One-Time Body Scanner Purchases Funding		(2,642,700)
45	<b>JUS - Arizona Criminal Justice Commission</b>	7,280,400	7,280,400
46	<b>SDB - AZ State Schools for the Deaf and the Blind</b>	35,468,600	35,468,600
47	<b>HEA - Comm for the Deaf &amp; the Hard of Hearing</b>	4,966,000	4,836,000
48	HEA - Remove One-Time DeafBlind Aging Research Funding		(115,000)
49	HEA - Remove One-Time ASL User Support Group Funding		(15,000)
50	<b>DEN - Board of Dental Examiners</b>	1,937,500	1,903,300
51	DEN - Remove One-Time eLicensing Upgrade		(34,200)
52	<b>DES - Department of Economic Security</b>	386,329,800	417,721,800
53	DES - Formula Adjustments		574,700
54	DES - Workforce Innovation and Opportunity Act Grant Base Adjustment		30,817,300
55	<b>ADE - Arizona Department of Education</b>	339,106,400	352,135,500
56	ADE - Endowment Earnings Growth		13,029,100
57	<b>EMA - Department of Emergency &amp; Military Affairs</b>	211,192,400	2,113,500
58	EMA - NEMF Assessment Alignment		126,100
59	EMA - Remove One-Time Border Security Funding		(209,205,000)
60	<b>DEQ - Department of Environmental Quality</b>	90,248,500	88,768,000
61	DEQ - Remove One-Time Coal Combustion Residual Program Funding		(85,000)
62	DEQ - Remove One-Time Forestry Biomass Recovery Funding		(1,000,000)
63	DEQ - Remove One-Time Funding to Eliminate Film Forming Foam Stockpile		(395,500)
64	<b>OEO - Governor's Office of Equal Opportunity</b>	211,400	211,400
65	<b>COL - Arizona Exposition and State Fair Board</b>	19,056,800	16,056,800
66	COL - Remove One-Time Operating Costs		(3,000,000)
67	<b>EMB - Board of Funeral Directors and Embalmers</b>	494,800	476,800
68	EMB - Remove One-Time eLicensing Upgrade		(18,000)
69	<b>FIS - Arizona Game and Fish Department</b>	51,987,000	50,496,600
70	FIS - Remove One-Time Drought Mitigation Funding		(1,490,400)
71	<b>GAM - Department of Gaming</b>	22,050,000	23,370,000
72	GAM - Align Admin Funding w/ 9% Statutory Minimum		1,320,000
73	<b>DHS - Department of Health Services</b>	58,241,500	58,141,500
74	DHS - Remove One-Time Homeless Pregnant Women Services Funding		(100,000)
75	<b>HLS - Arizona Department of Homeland Security</b>	11,930,300	10,739,800
76	HLS - Remove One-Time Cyber Security Mitigation/Telework Funding		(1,190,500)
77	<b>HOM - Board of Homeopathic &amp; Integrated Medicine Examiners</b>	51,900	51,900
78	<b>DOH - Department of Housing</b>	367,400	367,400
79	<b>IND - Industrial Commission</b>	21,976,700	21,976,700

	FY 2023 OF 1/ Adj. Appropriation	FY 24 Baseline 2/ Above FY 23	FY 2024 OF JLBC Baseline
80	<b>DIF - Department of Insurance and Financial Institutions</b>	12,181,600	11,481,600
81	DIF - Remove One-Time Funding for Licensing IT System Upgrade		(700,000)
82	<b>SPA - Judiciary - Supreme Court</b>	33,310,900	33,127,900
83	SPA - Remove One-Time Funding for Automated Tracking System		(183,000)
84	<b>SUP - Judiciary - Superior Court</b>	12,014,000	12,014,000
85	<b>DJC - Department of Juvenile Corrections</b>	15,070,000	15,070,000
86	<b>LAN - State Land Department</b>	13,289,400	11,789,400
87	LAN - Remove One-Time Digitization Funding		(1,500,000)
88	<b>LIQ - Department of Liquor Licenses &amp; Control</b>	7,112,500	6,512,600
89	LIQ - Remove One-Time Vehicle Purchase Funding		(294,000)
90	LIQ - Remove One-Time Radio Purchases		(126,000)
91	LIQ - Remove One-Time Equipment Funding		(159,600)
92	LIQ - Remove One-Time IT Improvement Funding		(20,300)
93	<b>LOT - Arizona State Lottery Commission</b>	171,246,600	177,062,100
94	LOT - Tab Tickets		68,000
95	LOT - Instant Ticket Sales		1,464,600
96	LOT - On-Line Vendor Fees		613,700
97	LOT - Retailer Commissions		3,669,200
98	<b>BMT - Board of Massage Therapy</b>	603,800	573,800
99	MAS - Remove One-Time eLicensing Upgrade		(30,000)
100	<b>MED - Arizona Medical Board</b>	8,291,700	8,189,200
101	MED - Remove One-Time eLicensing Upgrade		(102,500)
102	<b>MIN - State Mine Inspector</b>	112,900	112,900
103	<b>NAT - Naturopathic Physicians Medical Board</b>	212,000	212,000
104	<b>NAV - Navigable Stream Adjudication Commission</b>	200,000	200,000
105	<b>NUR - State Board of Nursing</b>	5,885,000	5,885,000
106	<b>NCI - Nursing Care Inst. Administrators Board</b>	627,400	595,600
107	NCI - Remove One-Time eLicensing Upgrade		(31,800)
108	<b>OCC - Board of Occupational Therapy Examiners</b>	266,400	243,200
109	OCC - Remove One-Time eLicensing Upgrade		(18,900)
110	OCC - Remove One-Time Funding for Laptop Replacements		(4,300)
111	<b>DIS - State Board of Dispensing Opticians</b>	193,100	186,900
112	DIS - Remove One-Time eLicensing Upgrade		(6,200)
113	<b>OPT - State Board of Optometry</b>	298,800	291,300
114	OPT - Remove One-Time eLicensing Upgrade		(7,500)
115	<b>OST - AZ Board of Osteopathic Examiners in Medicine/Surgery</b>	1,384,500	1,373,500
116	OST - Remove One-Time Annual Leave Payout		(11,000)
117	<b>SPB - Arizona State Parks Board</b>	19,547,400	19,297,400



	FY 2023 OF 1/ Adj. Appropriation	FY 24 Baseline 2/ Above FY 23	FY 2024 OF JLBC Baseline
118	SPB - Remove One-Time Arizona Trail Maintenance Funding		(250,000)
119	<b>PER - Personnel Board</b>	345,000	345,000
120	<b>PHA - Arizona State Board of Pharmacy</b>	3,537,000	3,435,000
121	PHA - Remove One-Time eLicensing Upgrade		(102,000)
122	<b>PHY - Board of Physical Therapy Examiners</b>	630,900	587,500
123	PHY - Remove One-Time eLicensing Upgrade		(43,400)
124	<b>PIO - Arizona Pioneers' Home</b>	8,343,300	8,311,300
125	PIO - Remove One-Time Funding for Computer Replacements		(32,000)
126	<b>POD - State Board of Podiatry Examiners</b>	185,800	181,300
127	POD - Remove One-Time eLicensing Upgrade		(4,500)
128	<b>PRI - Board for Private Postsecondary Education</b>	453,800	451,300
129	PRI - Remove One-Time eLicensing Upgrade		(2,500)
130	<b>PSY - State Board of Psychologist Examiners</b>	650,500	635,300
131	PSY - Remove One-Time eLicensing Upgrade		(15,200)
132	<b>DPS - Department of Public Safety</b>	82,444,000	82,444,000
133	<b>RUC - Residential Utility Consumer Office</b>	1,578,900	1,578,900
134	<b>RES - Board of Respiratory Care Examiners</b>	406,800	385,100
135	RES - Remove One-Time eLicensing Upgrade		(21,700)
136	<b>RET - Arizona State Retirement System</b>	28,135,600	28,070,400
137	RET - Remove One-Time Cloud Migration Funding		(65,200)
138	<b>REV - Department of Revenue</b>	30,223,500	30,223,500
139	<b>SOS - Secretary of State</b>	1,818,400	1,818,400
140	<b>TEC - State Board of Technical Registration</b>	2,641,000	2,620,600
141	TEC - Remove One-Time eLicensing Upgrade		(20,400)
142	<b>DOT - Department of Transportation</b>	599,435,800	518,731,400
143	DOT - Remove One-Time Vehicle Purchases Funding		(4,381,000)
144	DOT - Remove One-Time State Fleet Fuel Inflation Adjustment		(8,600,000)
145	DOT - Remove One-Time ADOT Fleet Fuel Inflation Adjustment		(6,000,000)
146	DOT - Remove One-Time Building System Mgmt. Upgrade Funding		(1,028,300)
147	DOT - Remove One-Time MVD Security Modernization Funding		(931,900)
148	DOT - Remove One-Time Construction Mgmt. System Funding		(300,000)
149	DOT - Remove One-Time Driver License Security Software Funding		(2,100,000)
150	DOT - Remove One-Time Travel ID Implementation Funding		(6,013,200)
151	DOT - Remove One-Time Transfer from MVLIE to Vehicle Inspec. Fund		(350,000)
152	DOT - Remove One-Time Highway Maintenance Inflation Adjustment		(51,000,000)
153	<b>TRE - State Treasurer</b>	6,148,900	6,148,900
154	<b>UNI - Universities</b>		
155	<b>UNI - ASU</b>	706,031,800	706,031,800
156	<b>UNI - Northern Arizona University</b>	130,397,300	130,397,300

	FY 2023 OF 1/ Adj. Appropriation	FY 24 Baseline 2/ Above FY 23	FY 2024 OF JLBC Baseline	
157	UNI - UA - Main Campus	382,811,300	382,811,300	
158	UNI - UA - Health Sciences Center	66,675,300	66,675,300	
159	VSC - Department of Veterans' Services	60,584,500	60,559,500	
160	VSC - Remove One-Time Hyperbaric Oxygen Therapy GF Reimbursement		(25,000)	
161	VME - Veterinary Medical Examining Board	770,500	770,500	
162	WAT - Department of Water Resources	2,017,700	2,017,700	
163	OTH - Other			
164	OTH - ADOA Federal Financial Participation Repayment Supplemental	3,107,700	(3,107,700)	0
165	OTH - AHCCCS Supplemental (OF Portion)	58,432,600	(58,432,600)	0
166	OTH - Unallocated Salary Adjustments	1,163,200	(1,163,200)	0
167	OTH - Unallocated FY 2023 HITF Employer Premium Increase	7,775,800	(7,775,800)	0
168	OTH - Unallocated FY 2023 Retirement Adjustments	(440,800)	440,800	0
169	OTH - Unallocated FY 2023 AFIS Transaction Fee	18,900	(18,900)	0
170	OTH - Unallocated FY 2023 Rent Adjustments	(165,800)	165,800	0
171	OTH - Unallocated FY 2023 Fleet Adjustments	113,600	(113,600)	0
172	OTH - Unallocated FY 2023 HRIS Fee Adjustments	355,300	(355,300)	0
173	OTH - Unallocated FY 2023 IT Pro Rata Adjustments	140,300	(140,300)	0
174	OTH - Remove One-Time FY 2023 Employer Premium Increase	0	(32,224,200)	(32,224,200)
175	<b>TOTAL - OPERATING SPENDING CHANGES</b>	<b>\$4,804,278,900</b>	<b>(\$379,514,800)</b>	<b>\$4,424,764,100</b>
176	<b>CAPITAL SPENDING CHANGES</b>			
177	<b>Building Renewal</b>			
178	Arizona Department of Administration	16,000,000		16,000,000
179	Arizona Exposition and State Fair Board	1,000,000	(1,000,000)	0
180	Arizona Department of Corrections	5,864,300		5,864,300
181	Game & Fish Department	1,459,600	316,800	1,776,400
182	Arizona Lottery Commission	176,400	37,800	214,200
183	State Parks Board	2,742,800	(2,742,800)	0
184	Pioneers' Home	396,500	(396,500)	0
185	Arizona Department of Transportation	18,607,200	(25,900)	18,581,300
186	<b>New Projects</b>			
187	ADOA - 1616/1688 W. Adams Renovations	5,000,000	(5,000,000)	0
188	Game & Fish - Dam Maintenance	150,000	(150,000)	0
189	Game & Fish - Property Maintenance	300,000	(300,000)	0
190	Liquor - Space Reconfiguration	3,500,000	(3,500,000)	0
191	Parks - Jerome Mansion and Carriage House Fire Suppression Project	1,540,000	(1,540,000)	0
192	Parks - Relocate Southern Region Construction Services	2,000,000	(2,000,000)	0
193	Parks - Tonto Natural Bridge Historic Building Renovation	3,500,000	(3,500,000)	0
194	Parks - Tombstone Courthouse State Historic Park Renovations	2,008,500	(2,008,500)	0
195	Parks - Rockin' River Ranch State Park Renovations	1,750,000	(1,750,000)	0
196	Parks - Catalina State Park Bridge Construction	1,500,000	4,313,000	5,813,000
197	Parks - Statewide Campground Improvements	4,100,000		4,100,000
198	Parks - Statewide Solar Shade Structures	2,233,300		2,233,300
199	Parks - Statewide Water Conservation Projects	1,339,000		1,339,000
200	Parks - Smart Phone Application	535,600	(535,600)	0
201	Parks - Rockin' River Ranch Park Inflation Adjustment	336,800	(336,800)	0
202	Parks - Dead Horse State Park Amphitheater Inflation Adjustment	210,000	(210,000)	0
203	Parks - Riordan Mansion Historic Building Renovations	0	2,900,000	2,900,000
204	Parks - Oracle Historic Building Renovations	0	2,008,500	2,008,500

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205	Parks - Yuma Territorial Prison Building Renovations	0	750,000	750,000
206	ADOT - Statewide Highway Construction	194,220,000	(25,613,000)	168,607,000
207	ADOT - Controlled Access	137,671,000	(526,000)	137,145,000
208	ADOT - Debt Service	138,482,000	9,000	138,491,000
209	ADOT - Airport Planning	27,100,000	7,900,000	35,000,000
210	ADOT - 206 Annex Building Renovation	9,309,300	(9,309,300)	0
211	ADOT - Relocate Tucson Signal Equipment Repair Shop	2,124,000	(2,124,000)	0
212	ADOT - Replace 4 Vehicle Fueling Facilities	3,026,900	(3,026,900)	0
213	ADOT - Replace Superior De-Icer Storage Barn	1,200,000	(1,200,000)	0
214	ADOT - Wickenburg Maintenance Facility Inflation Adjustment	2,985,000	(2,985,000)	0
215	ADOT - 3 Vehicle Facilities Inflation Adjustment	371,200	(371,200)	0
216	ADOT - 4 Liquid Brine Tanks Inflation Adjustment	400,000	(400,000)	0
217	ADOT - I-10 Widening from Phoenix to Casa Grande	400,000,000	(400,000,000)	0
218	ADOT - Additional I-10 Lanes (SR-85 to Citrus Road)	64,200,000	(64,200,000)	0
219	ADOT - Jackrabbit Trail Improvements	20,080,000	(20,080,000)	0
220	ADOT - SR-24 Acquisition and Pinal County Connector	15,000,000	(15,000,000)	0
221	ADOT - US-60 Pavement Rehabilitation (Loop 101 to Loop 202)	38,482,000	(38,482,000)	0
222	ADOT - SR-69/SR-169 Roundabout Construction	1,500,000	(1,500,000)	0
223	ADOT - SR-74/Lake Pleasant Pkwy Study and Design	5,000,000	(5,000,000)	0
224	ADOT - SR-79/Hunt Highway Intersection Assessment Cost	100,000	(100,000)	0
225	ADOT - SR-87/Skousen Road Intersection Assessment Cost	100,000	(100,000)	0
226	ADOT - SR-89/SR-89A Interchange Improvements	3,000,000	(3,000,000)	0
227	ADOT - SR-90 Pavement Rehabilitation (Campus Dr to Border Patrol)	39,200,000	(39,200,000)	0
228	ADOT - US-191 Pavement Rehabilitation (MP 163 to MP 173)	22,152,000	(22,152,000)	0
229	ADOT - Loop 101 Screen Wall (Near 16th Street)	7,250,000	(7,250,000)	0
230	ADOT - Loop 101 Screen 51st Ave to 59th Ave	9,514,000	(9,514,000)	0
231	ADOT - US-191 Pavement Rehabilitation (Armory Rd to East Safford)	16,330,000	(16,330,000)	0
232	ADOT - SR-238 Improvements (SR-347 to Green Rd) (Design)	800,000	(800,000)	0
233	ADOT - SR-279 Old State Highway Repairs (Cottonwood)	6,142,800	(6,142,800)	0
234	ADOT - Design for Loop 303 Improvements (I-17 to Lake Pleasant Pkwy)	4,000,000	(4,000,000)	0
235	ADOT - Design for Loop 303/I-17 Interchange	19,000,000	(19,000,000)	0
236	ADOT - SR-347 Widening (SR-347 to Maricopa)	19,000,000	(19,000,000)	0
237	ADOT - SR-389/Arizona Avenue Intersection Assessment Cost	100,000	(100,000)	0
238	ADOT - Lake Havasu Bridge Impact Study	200,000	(200,000)	0
239	ADOT - Prescott Airport Education Complex	600,000	(600,000)	0
240	ADOT - Flagstaff Downtown Connection Center	6,000,000	(6,000,000)	0
241	ADOT - Gila Bend Sentinel Exit Lighting	568,000	(568,000)	0
242	ADOT - Airport Improvement Projects (Aviation Fund)	20,000,000	(20,000,000)	0
243	ADOT - Tier II Study (North-South Corridor in Pinal)	15,000,000	(15,000,000)	0
244	ADOT - Tier II Study (Sonoran Corridor in Pima)	14,000,000	(14,000,000)	0
245	ADOT - Tier II Study (I-II in Maricopa)	25,000,000	(25,000,000)	0
246	ADOT - State Match Advantage for Rural Transportation Fund	50,000,000	(50,000,000)	0
247	ADOT - FY 2022 Inflation - SR-69 Repaving (Prescott Valley)	1,645,000	(1,645,000)	0
248	ADOT - FY 2022 Inflation - US-95 Improvements (Yuma Proving Ground)	3,500,000	(3,500,000)	0
249	ADOT - FY 2022 Inflation - SR-95 Repaving/Improvements (Bullhead/Lake)	19,534,600	(19,534,600)	0
250	ADOT - FY 2022 Inflation - SR-347/Riggs Rd Overpass (Design/Easements)	2,625,000	(2,625,000)	0
251	ADOT - FY 2022 Inflation - SR-347/Riggs Rd Overpass (Construction)	8,750,000	(8,750,000)	0
252	ADOT - FY 2022 Inflation - Wilcox SR-186 Funding	1,464,100	(1,464,100)	0
253	ADOT - FY 2022 Inflation - SR-90 Improvements	3,710,000	(3,710,000)	0
254	ADOT - FY 2022 Inflation - Pavement Rehabilitation	31,500,000	(31,500,000)	0
255	<b>TOTAL - CAPITAL SPENDING CHANGES</b>	<b>\$1,488,186,900</b>	<b>(947,363,900)</b>	<b>\$540,823,000</b>
256	<b>TOTAL - OPERATING &amp; CAPITAL SPENDING</b>	<b>\$6,292,465,800</b>	<b>(1,326,878,700)</b>	<b>\$4,965,587,100</b>
257	<b>FUND TRANSFERS</b>			
258	APF/DOA - Automation Projects Fund - All For IT Projects			

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259	APF/DOA - DOR Integrated Tax System	6,187,100	1,388,200	7,575,300
260	APF/DOA - Secretary of State Born Digital Record Preservation Study	300,000	(300,000)	0
261	APF/DOA - DWR Application Modernization/Integration	1,700,000	(1,700,000)	0
262	APF/DOA - HRIS Replacement (FY 23 Supplemental)	1,750,000	(1,750,000)	0
263	<u>Other Transfers</u>			
264	ADOA - Risk Management to Cyber Risk Insurance Fund	24,624,400	(24,624,400)	0
265	<b>TOTAL - FUND TRANSFERS</b>	<b>\$34,561,500</b>	<b>(\$26,986,200)</b>	<b>\$7,575,300</b>
266	<b>EXPENDITURE AUTHORITY CHANGES</b>			
267	<b>AXS - AHCCCS</b>	15,790,361,700		17,132,009,600
268	AXS - Formula Adjustments		1,191,749,800	
269	AXS - Remove FY 2023 ARPA Home/Community-Based Services Funding		(237,200,000)	
270	AXS - Remove One-Time Federal IT Regulation Compliance Funding		(1,755,000)	
271	AXS - Management Information System Replacement Funding		(2,700,000)	
272	AXS - FY 2024 ARPA Home/Community-Based Services Funding		347,740,500	
273	AXS - Graduate Medical Education Funding Adjustment		33,299,400	
274	AXS - DSH Funding Adjustment		32,309,300	
275	AXS - Chiropractic Services Increase		1,632,100	
276	AXS - Newborn Screening Fee Increase		571,800	
277	AXS - Targeted Investments Program Adjustment		(24,000,000)	
278	<b>DCS - Department of Child Safety</b>	648,084,500		611,176,100
279	DCS - Formula Adjustments		(43,734,200)	
280	DCS - Federal Match Rate Changes		(4,274,200)	
281	DCS - Technical Adjustment		11,100,000	
282	<b>DCS - Department of Economic Security</b>	3,210,744,000		3,289,823,100
283	DES - Formula Adjustments		23,157,700	
284	DES - Remove FY 2023 ARPA Home/Community-Based Services Funding		(280,000,000)	
285	DES - FY 2024 ARPA Home/Community-Based Services Funding		115,793,900	
286	DES - DDD Prior Year Administrative Spending Adjustment		58,915,900	
287	DES - DDD Administrative Pass Through Adjustment		161,211,600	
288	<b>ADE - Arizona Department of Education</b>	1,166,831,000		1,166,831,000
289	<b>OTH - Other</b>			
290	OTH - AHCCCS Supplemental (EA Portion)	3,307,915,900	(3,307,915,900)	0
291	OTH - DCS Technical Adjustment (Supplemental)	11,100,000	(11,100,000)	0
292	<b>TOTAL - EXPENDITURE AUTHORITY CHANGES</b>	<b>\$24,135,037,100</b>	<b>(\$1,935,197,300)</b>	<b>\$22,199,839,800</b>

1/ Represents original FY 2023 appropriations adjusted for revisions in Lottery Commission and the Universities.

2/ Represents FY 2024 Baseline cost above FY 2023 Adjusted Appropriation.

## SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget	FY 2026 Budget
<b>Operating</b>				
Acupuncture - eLicensing Upgrade	5,500			
ADOA - Federal Financial Participation Repayment	3,107,700			
ADOA - Accounting System Upgrade	3,500,000	4,000,000		
ADOA - Accounting System Upgrade Agency Charges	1,110,000			
APF - Agriculture IT Projects/Cloud Migration	2,000,000			
APF - ADE K-12 Financial Transparency	1,500,000			
APF - ADOA Business One-Stop	15,614,300			
APF - ADOA Personnel System Replacement	22,397,800	20,647,800		
APF - DOR Integrated Tax System	15,819,800	19,369,400	19,456,800	19,256,800
APF - SOS Electronic Record Storage Study	300,000			
APF - DWR Application Modernization/Integration	1,700,000			
Agriculture - Nuclear Emergency Management	280,500	321,300	308,600	
Athletic Training - eLicensing Upgrade	7,300			
Attorney General - Attorney Stipend/Retention Bonus	3,000,000			
Attorney General - Child and Family Advocacy Centers	500,000			
Attorney General - Expert Witness and Outside Counsel	2,000,000			
Attorney General - Medical Fraud Staff	13,000			
Attorney General - Medical Fraud Staff Vehicle Purchases	63,000			
Attorney General - State Liability Attorneys	110,500			
Attorney General - Opioid Abatement	5,000,000			
Attorney General - Colorado City Radio Dispatch	400,000			
Attorney General - Victims' Rights Fund (Laws 2022, Ch. 333)	1,400,000			
Barbering/Cosmetology - eLicensing Upgrade	149,300			
Behavioral Health Examiners - eLicensing Upgrade	56,700			
Chiropractic Examiners - eLicensing Upgrade	2,800			
ACA - Applied Research Centers	5,000,000			
ADC - Field Officer Vehicle Purchases	1,560,000			
ADC - Therapeutic Community Unit	655,300			
ADC - Body Scanner Purchases	2,642,700			
Deaf & Hard of Hearing Comm. - DeafBlind Aging Research	115,000			
Deaf & Hard of Hearing Comm. - ASL User Support Group	15,000			
Dental Examiners - eLicensing Upgrade	34,200			
DEMA - Nuclear Emergency Management	1,987,400	2,113,500	2,176,000	
DEMA - Border Security Funding	209,205,000			
DEQ - Coal Combustion Residual Program	85,000			
DEQ - Forestry Biomass Recovery	1,000,000			
DEQ - Eliminate Aqueous Film Forming Foam Stockpile	395,500			
State Fair - Enhanced State Fair Operations	3,000,000			
Funeral Directors - eLicensing Upgrade	18,000			
Game and Fish - Mitigate Drought Conditions	1,490,400			
DHS - Homeless Pregnant Women Services	100,000			
Homeland Security - Cybersecurity Mitigation/Telework	1,190,500			
DIFI - Licensing System IT Upgrade	700,000			
Supreme Court - Dependent Children Automated Tracking System	183,000			
Land - Continue to Digitize Paper Flow	1,500,000			
Liquor - Vehicle Purchases	294,000			
Liquor - Sworn Personnel Radio Purchases	126,000			
Liquor - Additional Investigators	159,600			
Liquor - IT Improvements	20,300			
Massage Therapy - eLicensing Upgrade	30,000			
Medical Board - eLicensing Upgrade	102,500			
Nursing Care Inst. Administrators - eLicensing Upgrade	31,800			
Occupational Therapy - eLicensing Upgrade	18,900			
Occupational Therapy - Laptop Replacements	4,300			
Dispensing Opticians - eLicensing Upgrade	6,200			
Optometry - eLicensing Upgrade	7,500			
Osteopathic Examiners - Annual Leave Payout	11,000			
Parks - Arizona Trail Maintenance	250,000			
Pharmacy - eLicensing Upgrade	102,000			
Physical Therapy - eLicensing Upgrade	43,400			
Pioneers' Home - Computer Replacements	32,000			
Podiatry - eLicensing Upgrade	4,500			

## SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget	FY 2026 Budget
Private Postsecondary - eLicensing Upgrade	2,500			
Psychologist Examiners - eLicensing Upgrade	15,200			
Respiratory Care Examiners - eLicensing Upgrade	21,700			
ASRS - Cloud Migration Funding	65,200			
Technical Registration - eLicensing Upgrade	20,400			
ADOT - One-Time Vehicle Purchases	4,381,000			
ADOT - State Fleet Fuel Inflation Adjustment	8,600,000			
ADOT - ADOT Fleet Fuel Inflation Adjustment	6,000,000			
ADOT - Building System Management Upgrade	1,028,300			
ADOT - MVD Security Modernization	931,900			
ADOT - Construction Mgmt System Replacement	300,000			
ADOT - Driver License Security Software Upgrade	2,100,000			
ADOT - Travel ID Implementation	6,013,200			
ADOT - Transfer from MVLIE to Vehicle Inspection Fund	350,000			
ADOT - Inflation Adjustments for Highway Maintenance	51,000,000			
Veterans - Hyperbaric Oxygen Therapy GF Reimbursement	25,000			
<b>Subtotal - Operating Funding</b>	<b>393,013,600</b>	<b>46,452,000</b>	<b>21,941,400</b>	<b>19,256,800</b>
<b>Capital Outlay</b>				
ADOA - Building Renewal	16,000,000	16,000,000		
State Fair - Building Renewal	1,000,000			
ADC - Building Renewal	5,864,300	5,864,300		
Game and Fish - Building Renewal	1,459,600	1,776,400		
Lottery - Building Renewal	176,400	214,200		
Parks - Building Renewal	2,742,800			
Pioneers' Home - Building Renewal	396,500			
ADOT - Building Renewal	18,607,200	18,581,300		
ADOA - 1616/1688 W. Adams Renovations	5,000,000			
Game and Fish - Dam Maintenance	150,000			
Game and Fish - Property Maintenance	300,000			
Liquor - Space Reconfiguration	3,500,000			
Parks - Dead Horse Amphitheater - FY 2022 Inflation Adjustment	210,000			
Parks - Red Rock Historic Building Renovations			4,000,000	
Parks - Rockin' River Ranch	1,750,000			
Parks - Rockin' River Ranch - FY 2022 Inflation Adjustment	336,800			
Parks - Jerome Mansion /Carriage House Fire Suppression Project	1,540,000			
Parks - Relocate Southern Region Construction Services	2,000,000			
Parks - Tonto Natural Bridge Historic Building Renovation	3,500,000			
Parks - Tombstone Courthouse State Historic Park Renovations	2,008,500			
Parks - Catalina State Park Bridge Construction	1,500,000	5,813,000		
Parks - Statewide Campground Improvements	4,100,000	4,100,000	4,100,000	
Parks - Statewide Solar Shade Structures	2,233,300	2,233,300	2,233,300	
Parks - Statewide Water Conservation Projects	1,339,000	1,339,000	1,339,000	
Parks - Smart Phone Application	535,600			
Parks - Riordan Mansion Historic Building Renovations		2,900,000		
Parks - Oracle Historic Building Renovations		2,008,500		
Parks - Yuma Territorial Prison Historic Renovations		750,000	5,945,000	
Parks - San Rafael Historic Building Renovations			1,500,000	
ADOT - Statewide Highway Construction	194,220,000	168,607,000		
ADOT - Controlled Access	137,671,000	137,145,000		
ADOT - Debt Service	138,482,000	138,491,000		
ADOT - Airport Planning	27,100,000	35,000,000		
ADOT - 206 Annex Building Renovation	9,309,300			
ADOT - Relocate Tucson Signal Equipment Repair Shop	2,124,000			
ADOT - Replace 4 Vehicle Fueling Facilities	3,026,900			
ADOT - Replace Superior De-Icer Storage Barn	1,200,000			
ADOT - Wickenburg Maintenance Facility Inflation Adjustment	2,985,000			
ADOT - 3 Vehicle Facilities Inflation Adjustment	371,200			
ADOT - 4 Liquid Brine Tanks Inflation Adjustment	400,000			
ADOT - I-10 Funding as TPT Diversion (Phx to Casa Grande)	400,000,000			
ADOT - Additional I-10 Lanes (SR-85 to Citrus Road)	64,200,000			
ADOT - Jackrabbit Trail Improvements	20,080,000			
ADOT - SR-24 Acquisition and Pinal County Connector	15,000,000			

## SUMMARY OF ONE-TIME OTHER FUND ADJUSTMENTS

	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget	FY 2026 Budget
ADOT - US-60 Pavement Rehabilitation (Loop 101 to Loop 202)	38,482,000			
ADOT - SR-69/SR-169 Roundabout Construction	1,500,000			
ADOT - SR-74/Lake Pleasant Pkwy Study and Design	5,000,000			
ADOT - SR-79/Hunt Highway Intersection Assessment Cost	100,000			
ADOT - SR-87/Skousen Road Intersection Assessment Cost	100,000			
ADOT - SR-89/SR-89A Interchange Improvements	3,000,000			
ADOT - SR-90 Pavement Rehab (Campus Dr to Border Patrol)	39,200,000			
ADOT - US-191 Pavement Rehabilitation (MP 163 to MP 173)	22,152,000			
ADOT - Loop 101 Screen Wall (Near 16th Street)	7,250,000			
ADOT - Loop 101 Screen 51st Ave to 59th Ave	9,514,000			
ADOT - US-191 Pavement Rehab (Armory Rd to East Safford)	16,330,000			
ADOT - SR-238 Improvements (SR-347 to Green Rd) (Design)	800,000			
ADOT - SR-279 Old State Highway Repairs (Cottonwood)	6,142,800			
ADOT - Design for Loop 303 Project (I-17 to Lake Pleasant Pkwy)	4,000,000			
ADOT - Design for Loop 303/I-17 Interchange	19,000,000			
ADOT - SR-347 Widening (SR-347 to Maricopa)	19,000,000			
ADOT - SR-389/Arizona Avenue Intersection Assessment Cost	100,000			
ADOT - Lake Havasu Bridge Impact Study	200,000			
ADOT - Prescott Airport Education Complex	600,000			
ADOT - Flagstaff Downtown Connection Center	6,000,000			
ADOT - Gila Bend Sentinel Exit Lighting	568,000			
ADOT - Airport Improvement Projects (Aviation Fund)	20,000,000			
ADOT - Tier II Study (North-South Corridor in Pinal)	15,000,000			
ADOT - Tier II Study (Sonoran Corridor in Pima)	14,000,000			
ADOT - Tier II Study (I-II in Maricopa)	25,000,000			
ADOT - State Match Advantage for Rural Transportation Fund	50,000,000			
ADOT - FY 22 Inflation - SR-69 Repaving (Prescott Valley)	1,645,000			
ADOT - FY 22 Inflation - US-95 Project (Yuma Proving Ground)	3,500,000			
ADOT - FY 22 Inflation - SR-95 Projects (Bullhead/Lake Havasu)	19,534,600			
ADOT - FY 22 Inflation - SR-347/Riggs Rd Overpass (Design)	2,625,000			
ADOT - FY 22 Inflation - SR-347/Riggs Rd Overpass (Construction)	8,750,000			
ADOT - FY 22 Inflation - Wilcox SR-186 Funding	1,464,100			
ADOT - FY 22 Inflation - SR-90 Improvements	3,710,000			
ADOT - FY 22 Inflation - Pavement Rehabilitation	31,500,000			
<b>Subtotal - Capital Outlay Funding</b>	<b>1,488,186,900</b>	<b>540,823,000</b>	<b>19,117,300</b>	-
<b>Total - One-Time Spending</b>	<b>1,881,200,500</b>	<b>587,275,000</b>	<b>41,058,700</b>	<b>19,256,800</b>

## FY 2023 SUPPLEMENTALS

	JLBC Baseline Change to Original '23 Budget <hr style="border: 0.5px solid black;"/>
<b>General Fund</b>	
Department of Education - Higher-than-Budgeted K-12 Formula Expenses	\$200,000,000
<b>General Fund - Total</b>	<b>\$200,000,000</b>
<b>Other Funds</b>	
Arizona Department of Administration - Federal Financial Participation	\$3,107,700
AHCCCS - Additional Matching Funding	58,432,600
<b>Other Funds - Total</b>	<b>\$61,540,300</b>
<b>Expenditure Authority</b>	
AHCCCS - Additional Matching Funding	\$3,307,915,900
Department of Child Safety - Technical Adjustment	11,100,000
<b>Expenditure Authority - Total</b>	<b>\$3,319,015,900</b>



## FY 2024 FUNDING FORMULA SUSPENSIONS 1/

	<b>FY 2024 Formula Requirement</b>
<b><u>Statutory</u></b>	
Community Colleges - Operating State Aid (Maricopa and Pima)	N/A <u>2/</u>
Department of Environmental Quality - Water Quality Assurance Revolving Fund (WQARF)	0 <u>3/</u>
Universities - Arizona Financial Aid Trust	36,716,900 <u>4/ 5/</u>
 Total - FY 2024 Statutory Funding Formula Suspensions	 \$ 36,716,900
 <b><u>Non-Statutory</u></b>	
Department of Administration - Building Renewal	51,232,000 <u>5/</u>
Department of Corrections - Building Renewal	33,942,600 <u>5/</u>
Universities - Building Renewal	219,663,700 <u>5/</u>
 Total - FY 2024 Non-Statutory Funding Formula Suspensions	 \$ 304,838,300

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

2/ 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 the FY 2024 Baseline.

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

4/ Based on the required 2:1 match of state funds for student fees levied by the universities, the total FY 2024 General Fund contribution would be \$46,758,100. Of this amount, the Baseline continues \$10,041,200 in General Fund support.

5/ Based on agency estimates. Reflects amount above the appropriation in the FY 2024 Baseline.

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/  
For Fiscal Years 2022, 2023 and 2024**

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
<b>BUDGET UNITS</b>			
Arizona Department of Administration (ADA)			
Certificate of Participation (5005)	\$34,622,100	\$16,212,300	\$16,212,300
Construction Insurance (4219)	8,846,900	7,780,800	7,780,800
Co-Op State Purchasing Agreement (4213)	5,829,000	6,854,400	6,854,400
Coronavirus Relief (2975)	29,098,900	0	0
Coronavirus State and Local Fiscal Recovery (2985)	9,452,400	23,473,100	10,300,000
Emergency Telecommunication Services Revolving (2176)	20,121,300	21,931,300	21,931,300
Employee Related Expenditures/Benefits Admin (ITA3035)	36,252,500	35,998,300	35,998,300
Federal Grants (2000)	1,314,800	928,900	928,900
Governor's Emergency Education Relief (2980)	1,079,600	2,874,500	0
IGA and ISA (2500)	21,757,100	91,777,600	38,372,600
Payroll Administration (9200)	102,500	166,300	166,300
Retiree Accumulated Sick Leave (3200)	15,734,900	17,106,500	17,106,500
School Safety Interoperability (3076)	0	0	0
Special Employee Health Insurance Trust (3015)	852,491,100	916,667,500	916,667,500
Special Events (2503)	0	0	0
Special Services Revolving (4208)	728,400	700,000	700,000
State Employee Travel Reduction (2261)	277,300	534,800	534,800
Statewide Donations (2025)	4,700	0	0
Text to 911 Services (2177)	0	0	0
Traffic and Parking Control (2453)	1,600	0	0
Transparency Website (2955)	26,000	0	0
VW Diesel Emissions Environment Migration Trust (3917)	0	119,000	0
Total - Arizona Department of Administration	<u>\$1,037,741,100</u>	<u>\$1,143,125,300</u>	<u>\$1,073,553,700</u>
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)	0	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	\$805,800	\$848,000	\$848,000
Video Service Provider Complaint (2603)	0	0	0
Total - Office of Administrative Hearings	<u>\$805,800</u>	<u>\$848,000</u>	<u>\$848,000</u>
Arizona Commission of African-American Affairs (AMA)			
Arizona Commission of African-American Affairs (2397)	\$0	\$0	\$0
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	\$39,700	\$48,800	\$48,800
Agricultural Consulting and Training Trust (1239)	4,400	7,400	7,400
Agricultural Products Marketing (2368)	493,800	471,600	471,600
Aquaculture Trust (2297)	9,800	9,900	9,900
Beef Council (2083)	332,500	400,000	400,000
Citrus Trust (2299)	67,100	80,000	80,000
Citrus, Fruit and Vegetable Trust (2260)	279,400	371,700	371,700
Commercial Feed Trust (2012)	271,000	330,000	330,000
Commodity Promotion (2458)	100	4,000	4,000
Cotton Research and Protection Council (2013)	3,816,500	8,342,800	8,342,800
Dangerous Plants, Pests and Diseases Trust (2054)	12,600	90,000	90,000
Designated (3011)	794,100	1,253,200	1,253,200
Egg Inspection Trust (2022)	1,602,900	1,869,600	1,869,600
Equine Inspection (2489)	0	0	0
Federal-State Inspection (2113)	6,345,700	8,218,400	8,218,400
Federal (2000)	4,625,200	7,365,000	7,365,000
Fertilizer Materials Trust (2081)	516,900	402,300	402,300
Grain Trust (2201)	71,800	97,000	97,000
Iceberg Lettuce Trust (2259)	100,000	75,000	75,000
Indirect Cost Recovery (9000)	150,300	210,100	210,100

## SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2022, 2023 and 2024

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Industrial Hemp Trust (2372)	329,600	357,000	357,000
Livestock and Crop Conservation (2378)	27,800	109,200	109,200
Livestock Custody Trust (2065)	50,200	69,000	69,000
Livestock Operator Fire and Flood Assistance (2374)	0	0	0
Pest Management Trust (2050)	1,419,000	1,655,800	1,655,800
Pesticide Trust (2051)	209,300	403,600	403,600
Produce Safety Trust (2371)	0	0	0
Protected Native Plant Trust (2298)	53,100	59,600	59,600
Seed Law Trust (2064)	84,600	88,300	88,300
Total - Arizona Department of Agriculture	<u>\$21,707,400</u>	<u>\$32,389,300</u>	<u>\$32,389,300</u>
<b>AHCCCS (HCA)</b>			
Arizona Tobacco Litigation Settlement (2468)	\$108,433,100	\$102,000,000	\$102,000,000
Behavioral Health Training Pilot Program (9999)	0	0	0
Children's Behavioral Health Services (2735)	0	0	0
Coronavirus Relief (2975)	908,200	0	0
County Funds (9691)	0	397,615,200	409,939,100
Delivery System Reform Incentive Payment (2130)	2,513,500	15,495,200	8,321,200
Employee Recognition (2449)	0	1,000	1,000
Federal - Medicaid Direct Services (2120)	88,647,400	88,647,400	88,647,400
Federal (2120)	106,011,200	192,148,900	192,148,900
Federal Medicaid Authority (2120/2223)	14,554,953,300	13,426,977,000	14,544,713,400
Health Care Investment (2588)	267,186,500	453,104,400	588,163,600
Hospital Assessment (2576)	547,618,700	548,910,500	606,180,400
IGA and ISA Fund (2500)	0	0	0
IGA for County Behavioral Health Services (4503)	76,507,600	74,919,800	74,919,800
Intergovernmental Service (2442)	12,036,000	14,768,200	14,768,200
Nursing Facility Provider Assessment (2567)	29,668,300	32,989,600	32,989,600
Political Subdivision (1111)	134,041,600	167,373,400	193,784,400
Prescription Drug Rebate - Federal (2546)	908,537,700	609,060,300	609,060,300
Proposition 202 - Trauma and Emergency Services (2494)	29,746,600	29,746,600	29,746,600
Seriously Mentally Ill Housing Trust (2555)	1,419,200	2,500,000	2,500,000
Substance Use Disorder Services (2325)	0	0	0
Third Party Liability and Recovery (3791/3019)	0	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account (1303)	37,635,400	36,641,400	36,662,900
Total - AHCCCS	<u>\$16,905,864,300</u>	<u>\$16,193,093,600</u>	<u>\$17,534,741,500</u>
<b>Arizona Commission on the Arts (HUA)</b>			
Arizona Arts Trust (3043)	\$1,321,500	\$1,485,000	\$1,485,000
Arts Special Revenues (2116)	459,600	197,400	141,300
Coronavirus State and Local Fiscal Recovery (2985)	2,000,000	0	0
Federal Grants (2000)	1,795,600	1,008,300	1,008,300
State Poet Laureate (2569)	0	0	0
Total - Arizona Commission on the Arts	<u>\$5,576,700</u>	<u>\$2,690,700</u>	<u>\$2,634,600</u>
<b>Attorney General - Department of Law (AGA)</b>			
Anti-Racketeering Revolving (2131)	\$6,885,900	\$6,511,800	\$6,511,800
Attorney General Expendable Trust (3102)	6,100	6,000	6,000
Child and Family Advocacy Center (2540)	600,000	650,000	650,000
CJEF Distribution to County Attorneys (2068)	2,898,500	3,049,400	3,049,400
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving (2573)	529,100	4,000,000	4,000,000
Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving (2573)	5,149,600	5,023,800	5,023,800
Court-Ordered Trust (3180)	655,200	0	0
Criminal Case Processing (2461)	53,500	118,700	118,700
Federal Grants (2000)	6,745,900	10,068,200	10,068,200
Indirect Cost Recovery (9000)	10,132,900	13,915,900	13,915,900
Intergovernmental Agreements (2500)	29,078,700	29,686,200	29,686,200
Motor Carrier Safety Revolving (2380)	0	0	0
Prosecuting Attorneys' Advisory Council Training (2057)	907,000	908,000	908,000
Total - Attorney General - Department of Law	<u>\$63,642,400</u>	<u>\$73,938,000</u>	<u>\$73,938,000</u>
<b>State Board for Charter Schools (CHA)</b>			
Charter Arizona Online Instruction Processing (2319)	\$18,000	\$6,000	\$6,000
New Charter Application Processing (2568)	18,500	65,000	65,000

## SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2022, 2023 and 2024

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Total - State Board for Charter Schools	\$36,500	\$71,000	\$71,000
Department of Child Safety (CHA)			
Child Restraint (2192)	\$0	\$0	\$0
Child Safety Expenditure Authority (2009)	356,874,000	411,485,100	418,310,900
Client Trust (3152)	0	0	0
Comprehensive Health Plan (2121)	227,245,300	236,599,400	192,865,200
Economic Security Donations (3145)	900	0	0
Total - Department of Child Safety	<u>\$584,120,200</u>	<u>\$648,084,500</u>	<u>\$611,176,100</u>
Citizens Clean Elections Commission (ECA)			
Citizens Clean Elections (2425)	\$4,530,500	\$2,267,500	\$2,267,500
Arizona Commerce Authority (CAA)			
Application Fees (3005)	\$809,100	\$3,715,100	\$3,715,100
Arizona Commerce Authority Carryover (1001)	4,200	417,600	417,600
Arizona Commerce Authority (2547)	0	0	0
Arizona Competes (2548)	0	0	0
Arizona Coronavirus Relief (3002)	517,600	0	0
Arizona Innovation Accelerator (9507)	25,400	3,652,100	3,652,100
Arizona Job Training (1237)	3,113,800	0	0
Asian Trade Offices (1024)	0	0	0
Blockchain/Wearables (1016)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	0	36,245,300	36,245,300
Donations (3189)	39,700	51,000	51,000
Economic Development (1026)	4,488,800	7,850,800	7,850,800
Economic Development Marketing and Attraction (1003)	0	1,000,000	1,000,000
Federal (2000)	2,784,800	8,824,600	8,824,600
Frankfurt Germany (1023)	0	0	0
Institute for Automated Mobility (4080)	323,400	317,400	317,400
Israel Trade Office (1021)	0	0	0
Major Events (9999)	0	0	0
Mexico Trade Office (1020)	0	0	0
Non-Federal Grant (3010)	75,000	0	0
RevAZ (9971)	1,656,200	2,850,000	2,850,000
Rural Broadband Grants (1006)	0	0	0
State Workforce Programs (1025)	884,200	0	0
Water Infrastructure and Commerce Grant (1090)	0	0	0
Total - Arizona Commerce Authority	<u>\$14,722,200</u>	<u>\$64,923,900</u>	<u>\$64,923,900</u>
Arizona Community Colleges (CMA)			
Smart and Safe Arizona (varies by account)	\$44,679,700	\$38,161,600	\$38,161,600
Tribal Assistance (NA)	1,086,400	1,240,800	1,240,800
Workforce Development Accounts (varies by account)	30,449,000	30,821,900	30,821,900
Total - Arizona Community Colleges	<u>\$76,215,100</u>	<u>\$70,224,300</u>	<u>\$70,224,300</u>
Constable Ethics Standards and Training Board (CNA)			
Constable Ethics Standards and Training (2346)	\$310,300	\$509,400	\$509,400
Registrar of Contractors (RGA)			
Registrar of Contractors Cash Bond (3721)	\$0	\$0	\$0
Residential Contractors' Recovery (3155)	3,512,600	4,666,800	4,666,800
Total - Registrar of Contractors	<u>\$3,512,600</u>	<u>\$4,666,800</u>	<u>\$4,666,800</u>
Corporation Commission (CCA)			
Federal (2000)	\$1,152,100	\$3,193,500	\$3,193,500
IGA and ISA (2500)	196,300	297,000	297,000
Public Access - Money on Deposit Account (2334)	0	0	0
Utility Siting (2076)	79,700	0	0
Total - Corporation Commission	<u>\$1,428,100</u>	<u>\$3,490,500</u>	<u>\$3,490,500</u>
State Department of Corrections (DCA)			
Arizona Correctional Industries Revolving (4002)	\$39,707,500	\$45,740,300	\$45,740,300
Community Corrections Enhancement (2395)	272,600	405,000	405,000
Coronavirus Relief (2975)	10,467,600	0	0
Coronavirus State and Local Fiscal Recovery (2985)	664,654,000	1,204,200	1,204,200
Federal (2000)	2,680,900	9,497,800	6,786,400
Indirect Cost Recovery (9000)	22,800	516,100	516,100
Inmate Store Proceeds (2505)	7,640,400	5,280,300	5,280,300
Interagency Service Agreement (2500)	1,905,200	9,291,500	9,291,500
Special Services (3187)	7,903,900	8,251,400	8,251,400

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/  
For Fiscal Years 2022, 2023 and 2024**

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
State DOC Revolving (2515)	4,015,000	3,830,200	3,830,200
Statewide Employee Recognition Gifts/Donations (2449)	131,900	123,600	123,600
<b>Total - State Department of Corrections</b>	<b>\$739,401,800</b>	<b>\$84,140,400</b>	<b>\$81,429,000</b>
Arizona Criminal Justice Commission (JCA)			
Coronavirus State and Local Fiscal Recovery (2985)	\$34,300	\$11,165,700	\$0
Criminal Justice Enhancement (2134)	504,900	5,000	5,000
Drug and Gang Enforcement (2516)	3,145,600	4,257,000	4,257,000
Employee Recognition (2449)	0	0	0
Federal Grants (2000)	11,512,800	11,816,800	11,816,800
IGA and ISA (2500)	0	0	0
State Aid for Juvenile Dependency Proceedings (2040)	0	0	0
<b>Total - Arizona Criminal Justice Commission</b>	<b>\$15,197,600</b>	<b>\$27,244,500</b>	<b>\$16,078,800</b>
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	\$2,113,600	\$1,944,200	\$1,944,200
Enterprise (4222)	52,100	90,300	90,300
Federal Grants (2000)	3,033,300	3,233,900	3,233,900
Governor's Emergency Education Relief (2980)	29,400	0	0
Instructional Improvement (2492)	0	0	0
State Grants (2011)	82,100	645,700	645,700
Trust (3148)	37,300	42,600	42,600
<b>Total - Arizona State Schools for the Deaf and the Blind</b>	<b>\$5,347,800</b>	<b>\$5,956,700</b>	<b>\$5,956,700</b>
Commission for the Deaf and the Hard of Hearing (DFA)			
Private Grants (2025)	\$0	\$0	\$0
<b>Commission for the Deaf &amp; the Hard of Hearing - Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Arizona Early Childhood Development and Health Board			
Early Childhood Development and Health (2542)	\$138,124,600	\$224,272,100	\$277,618,300
Federal Grants (2000)	6,488,700	49,363,800	37,748,600
<b>Total - Arizona Early Childhood Development and Health Board</b>	<b>\$144,613,300</b>	<b>\$273,635,900</b>	<b>\$315,366,900</b>
Office of Economic Opportunity (EOA)			
Arizona Finance Authority Operations (FAA5352)	\$0	\$0	\$0
Arizona Industrial Development Authority (FAA9973)	0	0	0
Economic Development (3777)	3,424,900	8,172,000	8,172,000
Federal Grants (2000)	2,370,400	7,108,700	7,108,700
Greater Arizona Development Authority Revolving (2311)	24,800	24,800	24,800
IGA and ISA (2500)	72,200	70,000	70,000
Office of Economic Opportunity Operations (9903)	1,992,800	1,294,700	1,294,700
<b>Total - Office of Economic Opportunity</b>	<b>\$7,885,100</b>	<b>\$16,670,200</b>	<b>\$16,670,200</b>
Department of Economic Security (DEA)			
Child Support Enforcement Administration (2091)	\$41,033,100	\$43,047,000	\$43,047,000
Client Trust (3152)	0	0	0
Coronavirus Relief (2975)	453,400	0	0
Coronavirus State and Local Fiscal Recovery (2985)	68,604,500	205,000	205,000
Crisis Contingency and Safety Net (3240)	478,700	0	0
Developmentally Disabled Client Investment (3146)	5,600	5,600	5,600
Developmentally Disabled Client Services Trust (2019)	3,500	3,500	3,500
Donations (3145)	0	0	0
Economic Security Capital Investment (2093)	0	0	0
Employee Recognition (2449)	0	0	0
Family Caregiver Grant Program (2347)	51,300	830,000	830,000
Federal Grants (2000)	3,177,187,600	2,522,442,300	2,522,442,300
Health Care Investment (2588)	26,863,200	54,370,500	54,412,300
IGA and ISA (2500)	0	0	0
Long Term Care System - Federal Match (2225)	2,061,249,700	3,113,326,500	3,192,363,800
Neighbors Helping Neighbors (2348)	39,900	40,000	40,000
Revenue from State or Local Agency Fund (3193)	2,342,700	2,090,600	2,090,600
Special Olympics Tax Refund (3207)	136,200	100,100	100,100
Unemployment Insurance Benefits (7510)	183,669,600	243,901,000	243,901,000
<b>Total - Department of Economic Security</b>	<b>\$5,562,119,000</b>	<b>\$5,980,362,100</b>	<b>\$6,059,441,200</b>
State Board of Education (EBA)			
Donations (2025)	\$0	\$0	\$0
Department of Education (EDA)			
Adult Workforce Diploma Program (1125)	\$0	\$0	\$0
American Civics Education (2612)	0	0	0

## SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2022, 2023 and 2024

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Arizona Agricultural Youth Organization Special Plate (2651)	170,200	170,200	170,200
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)	47,100	47,100	47,100
Broadband Expansion (2145)	0	0	0
Character Education Special Plate (2522)	22,300	22,300	22,300
Classroom Site (2471)	962,508,400	946,524,800	946,524,800
College Credit by Examination Development (2641)	0	0	0
Community College Adult Education Workforce Development Program (1124)	0	0	0
Computer Science Professional Development Program (2635)	0	0	0
Department of Education Empowerment Scholarship Account (2570)	0	0	0
Department of Education Production Revolving (4211)	796,700	1,068,600	1,068,600
Early Literacy Program (2181)	0	0	0
Education Commodity (4210)	258,400	884,200	884,200
Education Donations (2025)	84,400	28,300	28,300
Education Sales Tax - Basic State Aid (1115)	135,423,800	150,380,500	150,380,500
Education Sales Tax - Character Education (1117)	207,100	200,000	200,000
Education Sales Tax - Failing School Tutoring (2470)	830,800	1,500,000	1,500,000
Education Sales Tax - School Safety (1116)	10,003,700	7,800,000	7,800,000
Extraordinary Special Education Needs (2483)	0	0	0
Federal (2000)	2,442,722,000	2,453,663,000	2,453,663,000
Golden Rule Special Plate (2366)	228,400	228,400	228,400
Governor's Emergency Education Relief (2980)	9,331,500	8,100,000	8,100,000
IGA and ISA (2500)	2,824,300	2,164,100	2,164,100
Indirect Cost Recovery (9000)	10,273,600	10,237,200	10,237,200
Industry-Recognized Certification and Licensure Reimbursement (2780)	0	0	0
Instructional Improvement (2492)	42,492,800	60,425,700	60,425,700
Internal Services (4209)	3,424,100	6,614,700	6,614,700
Invest in Postsecondary Success Program (2196)	0	0	0
Results-Based Funding (2151)	0	0	0
Special Education (1009)	0	0	0
<b>Total - Department of Education</b>	<b>\$3,621,649,600</b>	<b>\$3,650,059,100</b>	<b>\$3,650,059,100</b>
Department of Emergency and Military Affairs (MAA)			
Anti-Human Trafficking Grant (2606)	\$0	\$0	\$0
Border Security (2655)	0	335,000,000	0
Camp Navajo (2106)	13,466,700	11,554,400	11,554,400
Coronavirus Relief (2975)	176,800	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
Emergency Management Assistance Compact Revolving (2602)	1,030,100	0	0
Federal - Emergency (2000)	11,274,200	32,756,900	14,028,100
Federal - Military (2000)	45,440,100	66,937,500	80,922,400
Indirect Cost Recovery (9000)	769,700	1,013,800	1,013,800
Interagency Service Agreement (2500)	757,400	1,610,700	682,900
Military Installation (1010)	0	0	0
Morale, Welfare and Recreational (2124)	27,900	352,000	19,000
National Guard (2140)	0	457,800	300,000
National Guard Cyber Response Revolving (2619)	0	0	0
State Armory Property (2146)	0	795,100	0
<b>Total - Department of Emergency and Military Affairs</b>	<b>\$72,942,900</b>	<b>\$450,478,200</b>	<b>\$108,520,600</b>
Department of Environmental Quality (EVA)			
Employee Recognition (2449)	\$1,300	\$1,000	\$1,000
Federal (2000)	15,179,600	19,382,300	19,382,300
IGA and ISA (2500)	6,105,800	2,282,200	2,282,200
Institutional and Engineering Control (2563)	28,000	37,400	37,400
Monitoring Assistance (2308)	514,600	836,200	836,200
Specific Site Judgment (3006)	0	200	200
Underground Storage Tank Revolving Summary (2271)	35,312,100	50,665,300	50,665,300
Voluntary Remediation (2564)	598,900	615,400	615,400
Voluntary Vehicle Repair and Retrofit Program (2365)	1,543,300	2,862,100	2,862,100
Water Quality Assurance Revolving (2221)	16,166,100	18,573,400	18,573,400
<b>Total - Department of Environmental Quality</b>	<b>\$75,449,700</b>	<b>\$95,255,500</b>	<b>\$95,255,500</b>

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/  
For Fiscal Years 2022, 2023 and 2024**

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Board of Executive Clemency (PPA)			
IGA and ISA (2500)	\$23,400	\$24,500	\$24,500
Exposition and State Fair Board, AZ (CLA)			
Coronavirus State and Local Fiscal Recovery (2985)	\$2,000,000	\$1,925,000	\$1,925,000
Arizona Department of Forestry and Fire Management (FFM)			
Arson Detection Reward (2169)	\$0	\$0	\$0
Cooperative Forestry (2232)	9,395,500	11,353,000	11,353,000
Fire Suppression Revolving (2360)	77,955,700	85,751,400	85,751,400
IGA and ISA (2500)	2,521,000	2,811,600	2,811,600
Indirect Cost Recovery (9000)	791,600	850,800	850,800
Nonnative Vegetation Species Eradication (2456)	0	0	0
Trampoline Court Safety (2578)	0	0	0
Total - Arizona Department of Forestry and Fire Management	<u>\$90,663,800</u>	<u>\$100,766,800</u>	<u>\$100,766,800</u>
Arizona Game and Fish Department (GFA)			
Arizona Game and Fish Department Fleet Operations (9902)	\$0	\$1,547,900	\$1,547,900
Arizona Game and Fish Department Fleet Vehicle Replacement (9901)	0	1,417,500	1,417,500
Big Game Permit (3712)	357,600	0	0
Conservation Development (2062)	1,859,700	1,459,700	1,459,700
Federal (2000)	0	0	0
Federal Revolving (2028)	44,201,100	55,490,200	55,490,200
Firearms Safety and Ranges (2442)	64,100	67,400	67,400
Game and Fish In-Lieu Fee Program Restoration			
Endowment Trust (3167)	89,800	201,700	201,700
Game and Fish Publications Revolving (4007)	226,500	223,500	223,500
Game and Fish Special Stamp Collection (3709)	41,700	0	0
Game and Fish Trust (3111)	4,093,000	4,523,600	4,523,600
Heritage - Acquisition (2294)	632,800	3,883,200	3,883,200
Heritage - Administration (2292)	113,500	40,000	40,000
Heritage - Environmental Education (2290)	519,700	601,900	601,900
Heritage - Habitat Evaluation or Habitat Protection (2291)	1,385,100	1,647,300	1,647,300
Heritage - Identification, Inventory, Protection and Mgmt (2295)	4,221,500	4,650,600	4,650,600
Heritage - Public Access (2293)	466,000	580,700	580,700
Heritage - Urban Wildlife and Urban Life Habitat (2296)	1,414,600	2,101,600	2,101,600
IGA and ISA (2500)	0	0	0
Indirect Cost Recovery (9000)	9,154,500	9,667,300	9,667,300
Kaibab Co-op (3714)	48,400	0	0
Off Highway Vehicle Recreation (2253)	1,628,200	1,978,200	1,978,200
Wildlife Conservation (2497)	6,671,100	8,951,900	8,951,900
Wildlife Conservation Enterprise (2029)	61,600	0	0
Wildlife Theft Prevention (2080)	84,200	199,400	199,400
Total - Arizona Game and Fish Department	<u>\$77,334,700</u>	<u>\$99,233,600</u>	<u>\$99,233,600</u>
Department of Gaming (GMA)			
2021 Compact Trust (2021)	\$0	\$0	\$0
Ariona Breeders' Award (2206)	1,886,800	1,900,000	1,900,000
Event Wagering (2330)	1,458,200	1,660,000	1,660,000
IGA and ISA (2500)	99,800	100,000	100,000
Racing Commission Bond Deposit (3720)	0	0	0
Racing Investigation (2369)	27,800	30,000	30,000
Retired Racehorse Adoption (2015)	15,400	25,000	25,000
Total - Department of Gaming	<u>\$3,488,000</u>	<u>\$3,715,000</u>	<u>\$3,715,000</u>
Office of the Governor (GVA)			
Coronavirus Relief (2975)	\$98,662,300	\$11,967,400	\$11,967,400
Coronavirus State and Local Fiscal Recovery (2985)	2,047,679,700	1,153,080,800	1,153,080,800
County Fairs Livestock and Agriculture Promotion (2037)	0	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
Drug Treatment and Education (2277)	4,737,500	6,524,300	6,524,300
Federal Grants (2000)	27,508,900	33,216,500	33,216,500
Foster Youth Education Success (1400)	0	0	0
Governor's Emergency Education Relief (2980)	14,137,600	56,038,100	56,038,100
Governor's Endowment Partnership (3206)	145,200	292,100	292,100
IGA and ISA (2500)	1,220,100	2,087,200	2,087,200
Indirect Cost Recovery (9000)	664,900	2,490,000	2,490,000
Prevention of Child Abuse (2439)	392,900	211,500	211,500

## SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2022, 2023 and 2024

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Total - Office of the Governor	\$2,195,149,100	\$1,265,907,900	\$1,265,907,900
Department of Health Services (HSA)			
Alzheimer's Disease Research (2255)	\$500	\$0	\$0
Arizona Nurse Education Investment Pilot Program (4200)	0	0	0
Arizona State Hospital Charitable Trust (9985)	86,200	100,000	100,000
Breast and Cervical Cancer Screening and Diagnostic Special Plate (2513)	5,200	500,000	500,000
Childhood Cancer and Rare Childhood Disease Research (2560)	0	32,000	32,000
Coronavirus Relief (2975)	57,548,800	9,202,500	9,202,500
Coronavirus State and Local Fiscal Recovery (2985)	102,583,600	0	0
Crisis Contingency and Safety Net (3240)	0	0	0
Disease Control Research (2090)	1,288,800	3,000,000	3,000,000
Donations - DHS (3010/2025)	638,100	1,320,000	1,320,000
Donations - Statewide (2025)	6,000	6,000	6,000
Drug Disposal Education and Awareness (2230)	0	0	0
Federal (2000)	527,763,600	554,786,500	554,786,500
Federal Child Care and Development Fund Block Grant (2008)	0	4,965,800	4,965,800
Health Services Lottery Monies (4250)	6,906,000	10,247,100	10,247,100
IGA and ISA (4500)	7,437,800	13,129,000	13,129,000
Internal Services (4202)	(49,100)	0	0
Justice Reinvestment (1121)	1,323,300	14,044,200	14,044,200
Laser Safety (2388)	55,400	52,000	52,000
Medical Marijuana (2544)	21,417,200	20,741,600	20,741,600
Medical Student Loan (3306)	(67,500)	0	0
Oral Health (3038)	122,900	398,500	398,500
Public Health Emergencies (2775)	383,200	500,000	500,000
Smart and Safe Arizona (1120)	7,878,700	7,972,300	7,972,300
Smoke-Free Arizona (2541)	2,636,500	2,595,000	2,595,000
Tobacco Tax and Health Care - Health Education Account (1308)	11,128,600	21,775,000	21,775,000
Tobacco Tax and Health Care - Health Research Account (2096)	3,252,300	9,285,500	9,285,500
Workforce Data Repository (9999)	0	0	0
Total - Department of Health Services	\$752,346,100	\$674,653,000	\$674,653,000
Arizona Historical Society (HIA)			
Crisis Contingency and Safety Net (3240)	\$0	\$0	\$0
Federal Grants (2000)	668,900	30,000	30,000
Permanent Arizona Historical Society Revolving (2900)	122,200	639,600	639,600
Preservation and Restoration (2125)	6,600	23,000	23,000
Private (9447)	185,800	651,400	825,600
Trust (9450)	0	0	0
Total - Arizona Historical Society	\$983,500	\$1,344,000	\$1,518,200
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	\$628,100	\$1,050,300	\$1,050,300
Department of Homeland Security (HLA)			
Federal (2000)	\$25,146,900	\$26,474,600	\$26,474,600
Arizona Department of Housing (HDA)			
CDBG-CV CARES Act (2976)	\$17,525,500	\$0	\$0
Consumer Recovery (3090)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	15,400,600	74,599,400	0
Crisis Contingency and Safety Net (3240)	0	0	0
DPS-FBI Fingerprint (2159)	6,300	6,300	6,300
Federal (2000)	89,061,900	88,800,400	88,800,400
Federal Grants - American Recovery and Reinvestment Act (2999)	0	0	0
Home ARPA (8610)	1,000	1,000	1,000
Home Investment Partnership Act (1410)	2,292,500	3,060,700	3,060,700
Homeowner's Assistance (2986)	25,680,200	62,190,300	62,190,300
Housing Choice Voucher Emergency Housing (3202)	14,400	15,200	15,200
Housing Program (2200)	7,824,600	10,608,200	10,608,200
Housing Stability Counseling (9919)	104,600	104,600	104,600
Housing Trust (2235)	17,562,600	20,566,200	20,566,200
IGA and ISA (2500)	5,280,800	4,677,000	4,677,000
Manufactured Housing Cash Bond (3722)	0	0	0



## SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2022, 2023 and 2024

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Military Transitional Housing (9999)	0	0	0
Mobile Home Relocation (2237)	36,900	40,500	40,500
Total - Arizona Department of Housing	<u>\$180,791,900</u>	<u>\$264,669,800</u>	<u>\$190,070,400</u>
Industrial Commission of Arizona (ICA)			
Federal Grants (2000)	\$2,995,500	\$3,501,500	\$3,501,500
Municipal Firefighters Cancer Reimbursement (2182)	0	5,000,000	5,000,000
Proposition 206 Fair Wages and Healthy Families (2185)	0	15,000	15,000
Revolving (2002)	61,700	177,500	177,500
Special (2180)	16,351,600	16,226,000	16,226,000
Total - Industrial Commission of Arizona	<u>\$19,408,800</u>	<u>\$24,920,000</u>	<u>\$24,920,000</u>
Department of Insurance and Financial Institutions (IDA)			
Arizona Property and Casualty Insurance Guaranty (2114)	\$10,143,500	\$10,143,500	\$10,143,500
Assessment Fund for Voluntary Plans (2316)	0	0	0
Captive Insurance Regulatory/Supervision (2377)	575,800	640,400	640,400
Federal (2000)	0	0	0
Financial Surveillance (2473)	206,300	570,500	570,500
Health Care Appeals (2467)	181,500	195,900	195,900
IGA and ISA (2500)	0	0	0
Insurance Department Fingerprinting (2163)	0	0	0
Insurance Examiners' Revolving (2034)	2,634,500	2,277,600	2,277,600
Insurance Premium Tax Clearing (3727)	0	0	0
Life and Disability Insurance Guaranty (2154)	5,353,700	5,353,700	5,353,700
Mortgage Recovery (BDA1997)	11,800	12,700	12,700
Receivership Liquidation (3104)	118,000	137,000	137,000
Receivership Revolving (BDA3023)	1,200	1,200	1,200
Revolving (BDA2126)	127,400	280,200	280,200
Settlement (ATA1991)	0	0	0
Total - Department of Insurance and Financial Institutions	<u>\$19,353,700</u>	<u>\$19,612,700</u>	<u>\$19,612,700</u>
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	\$204,900	\$544,200	\$544,200
Arizona Trial and Digital Evidence (2382)	231,700	2,431,300	2,431,300
Certified Reporters (2440)	0	0	0
Drug Treatment and Education (2277)	654,600	1,337,600	1,337,600
General Adjudication Personnel and Support (1098)	0	0	0
Grants and Special Revenue (2084)	24,560,300	26,537,600	26,537,600
Juvenile Probation Services (2193)	0	0	0
Public Defender Training (3013)	420,100	390,200	390,200
Smart and Safe Arizona (1120)	0	0	0
State Court Fleet Operations and Replacement (3800)	0	0	0
Total - Judiciary - Supreme Court	<u>\$26,071,600</u>	<u>\$31,240,900</u>	<u>\$31,240,900</u>
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	\$59,500	\$52,000	\$52,000
Criminal Justice Enhancement (2075)	0	0	0
Drug and Gang Enforcement Account (2074)	667,800	1,002,300	1,002,300
Drug Treatment and Education (2277)	3,516,500	3,800,500	3,800,500
Grants and Special Revenue (2084)	880,200	622,400	622,400
Juvenile Probation Services (2193)	0	0	0
Total - Judiciary - Superior Court	<u>\$5,124,000</u>	<u>\$5,477,200</u>	<u>\$5,477,200</u>
Department of Juvenile Corrections (DJA)			
Coronavirus State and Local Fiscal Recovery (2985)	\$2,268,500	\$0	0
DJC Restitution (2476)	3,600	3,600	3,600
Employee Recognition (2449)	3,400	1,300	1,300
Federal (2000)	923,800	882,100	882,100
Indirect Cost Recovery (9000)	0	0	0
Instructional Improvement (2492)	0	0	0
Juvenile Corrections (3024)	9,400	9,100	9,100
State Education System for Committed Youth Classroom Site (2487)	118,900	121,900	121,900
Statewide Donations (2025)	1,600	800	800
Total - Department of Juvenile Corrections	<u>\$3,329,200</u>	<u>\$1,018,800</u>	<u>\$1,018,800</u>
State Land Department (LDA)			
CAP Municipal and Industrial Repayment (2129)	\$0	\$0	\$0
Federal Reclamation Trust (2024)	0	0	0

## SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2022, 2023 and 2024

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
IGA and ISA (2500)	0	0	0
Interagency Agreements (2212)	0	0	0
Off-Highway Vehicle Recreation (2253)	185,500	146,800	146,800
Resource Analysis Division Revolving (4009)	71,600	106,100	106,100
Riparian Acquisition Trust (3201)	0	0	0
State Land Department (2451)	394,000	550,000	550,000
Total - State Land Department	<u>\$651,100</u>	<u>\$802,900</u>	<u>\$802,900</u>
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,388,900	\$1,289,200	\$1,289,200
Legislature - Legislative Council (LCA)			
Museum Gift Shop Revolving (4008)	\$0	\$0	\$0
Department of Liquor Licenses and Control (LLA)			
Anti-Racketeering Revolving (2131)	\$0	\$0	\$0
Audit Surcharge (3010)	121,000	136,100	136,100
Direct Shipment License Issuance (3017)	45,900	70,900	70,900
Direct Shipment License Renewal (3018)	0	0	0
DPS - FBI Fingerprint (2159)	0	0	0
Enforcement Surcharge - Enforcement Unit (3012)	351,100	513,500	513,500
Enforcement Surcharge - Multiple Complaints (3011)	304,000	513,500	513,500
Federal Grants (2000)	345,800	0	0
Growlers (1997)	13,500	0	0
IGA and ISA (2500)	0	0	0
Sampling Privileges (1998)	0	0	0
Total - Department of Liquor Licenses and Control	<u>\$1,181,300</u>	<u>\$1,234,000</u>	<u>\$1,234,000</u>
Arizona State Lottery Commission (LOA)			
State Lottery (2122)	\$940,390,000	\$928,715,200	\$966,923,700
Debt Service (NA)	3,451,300	0	0
University Capital Improvement (NA)	37,780,000	37,798,700	37,783,200
Mass Transit (NA)	11,160,000	11,476,800	11,476,800
Total - Arizona State Lottery Commission	<u>\$992,781,300</u>	<u>\$977,990,700</u>	<u>\$1,016,183,700</u>
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	\$0	\$0	\$0
Federal Education and Training (2400)	40,500	55,000	55,000
Federal Grants (2000)	317,700	418,500	418,500
Total - State Mine Inspector	<u>\$358,200</u>	<u>\$473,500</u>	<u>\$473,500</u>
State Board of Nursing (BNA)			
Nurse Aide Training and Registration (2000)	\$414,700	\$414,700	\$414,700
Statewide Donations (2025)	24,500	0	0
Total - State Board of Nursing	<u>\$439,200</u>	<u>\$414,700</u>	<u>\$414,700</u>
Arizona State Parks Board (PRA)			
Arizona State Parks Heritage (3126)	\$0	\$0	\$0
Coronavirus State and Local Fiscal Recovery (2985)	0	5,180,000	5,180,000
Federal (2000)	2,556,600	7,880,000	7,880,000
Land Conservation - Administration Account (2432)	94,800	0	0
Off Highway Vehicle Recreation (2253)	743,900	2,959,000	2,959,000
Partnership (2448)	3,881,100	2,738,000	2,738,000
State Lake Improvement (2106)	7,013,600	11,424,000	11,424,000
State Parks (3117)	20,900	887,600	887,600
Sustainable State Parks and Roads (3125)	0	474,100	474,100
Total - Arizona State Parks Board	<u>\$14,310,900</u>	<u>\$31,542,700</u>	<u>\$31,542,700</u>
Arizona State Board of Pharmacy (PMA)			
Controlled Substances Prescription Monitoring Program (2359)	\$1,960,600	\$0	\$0
Federal Grants (2000)	0	0	0
Total - Arizona State Board of Pharmacy	<u>\$1,960,600</u>	<u>\$0</u>	<u>\$0</u>
Arizona Pioneers' Home (PIA)			
Coronavirus Relief (2975)	\$162,200	\$0	\$0
Coronavirus State and Local Fiscal Recovery (2985)	509,000	0	0
Pioneers' Home (Cemetery Proceeds) (3144)	23,400	0	0
Pioneers' Home (Donations) (3143)	6,200	0	0
Total - Arizona Pioneers' Home	<u>\$700,800</u>	<u>\$0</u>	<u>\$0</u>
Arizona Power Authority (PAA)			
Arizona Power Authority (9506)	\$4,222,900	\$57,400	\$57,400

## SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2022, 2023 and 2024

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Hoover Uprating (1113)	19,831,000	19,104,300	19,104,300
Interest Income (1112)	2,500	46,000	46,000
Total - Arizona Power Authority	<u>\$24,056,400</u>	<u>\$19,207,700</u>	<u>\$19,207,700</u>
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	\$261,200	\$270,500	\$270,500
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	\$1,221,900	\$437,600	\$437,600
Board of Fingerprinting (2435)	740,200	748,700	748,700
Capitol Police Administrative Towing (1999)	6,400	7,600	7,600
Coronavirus Relief (2975)	18,873,100	0	0
Coronavirus State and Local Fiscal Recovery (2985)	18,268,800	0	0
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	4,170,900	3,796,200	3,796,200
DPS Licensing (2490)	1,425,800	1,372,700	1,372,700
Driving Under the Influence Abatement (2422)	1,036,500	1,036,500	1,036,500
Families of Fallen Police Officers Special Plate (2386)	102,000	94,000	94,000
Federal Grants (2000)	63,999,400	49,701,200	46,701,200
Fingerprint Clearance Card (2433)	6,175,200	7,791,900	7,791,900
IGA and ISA (2500)	8,088,000	10,061,300	10,061,300
Indirect Cost Recovery (9000)	3,527,000	2,978,900	873,600
Motor Carrier Safety Revolving (2380)	0	0	0
Peace Officers' Training (2049)	5,099,000	1,489,600	1,166,100
Public Safety Equipment (2391)	1,040,200	1,260,500	1,260,500
Records Processing (2278)	4,610,900	5,166,500	5,166,500
Smart and Safe Arizona (1120)	0	0	0
State Highway Work Zone Safety (2480)	19,000	19,000	19,000
Victims' Rights Enforcement (2519)	1,000,200	997,000	997,000
Total - Department of Public Safety	<u>\$139,404,500</u>	<u>\$86,959,200</u>	<u>\$81,530,400</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)	133,900	169,800	169,800
Investment and Administrative Expenses (NA)	18,092,900	22,379,000	22,379,000
Retiree Pool Account (NA)	0	0	0
Total - Public Safety Personnel Retirement System	<u>\$18,226,800</u>	<u>\$22,548,800</u>	<u>\$22,548,800</u>
State Real Estate Department (REA)			
Condominium and Planned Community Hearing Office (2537)	\$32,000	\$32,000	\$32,000
Education Revolving (4011)	18,800	20,000	20,000
Recovery (3119)	38,300	154,500	154,500
Total - State Real Estate Department	<u>\$89,100</u>	<u>\$206,500</u>	<u>\$206,500</u>
Arizona State Retirement System (RSA)			
Administrative Account - Investment Expenses (1407)	\$6,573,700	\$8,075,500	\$8,075,500
ASRS Self-Insurance Administration (1409)	1,033,100	3,384,800	3,384,800
Total - Arizona State Retirement System	<u>\$7,606,800</u>	<u>\$11,460,300</u>	<u>\$11,460,300</u>
Department of Revenue (RVA)			
Coronavirus State and Local Fiscal Recovery (2985)	\$23,937,600	\$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)	1,759,100	1,799,500	1,799,500
Revenue Publications Revolving (2166)	24,200	27,000	27,000
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	0	0	0
Veterans' Income Tax Settlement (VSA1601)	3,400	5,000	5,000
Waste Tire (2356)	0	0	0
Total - Department of Revenue	<u>\$25,724,300</u>	<u>\$1,831,500</u>	<u>\$1,831,500</u>
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	\$635,600	\$673,100	\$673,100
County Contributions to the Voter Registration System (2367)	103,700	63,600	63,600
Data Processing Acquisition (2265)	182,800	195,000	195,000
Election Training (2521)	4,200	5,500	5,500
Federal Grants (2000)	5,997,400	6,013,000	6,013,000
IGA and ISA (2500)	540,400	622,100	622,100

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/  
For Fiscal Years 2022, 2023 and 2024**

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Museum Gift Shop Revolving (4008)	22,000	0	0
Notary Bond (2387)	149,900	138,000	138,000
Standing Political Committee Administrative (2426)	0	0	0
State Library (2115)	357,000	276,900	276,900
<b>Total - Secretary of State - Department of State</b>	<b>\$7,993,000</b>	<b>\$7,987,200</b>	<b>\$7,987,200</b>
State Board of Technical Registration (TEA)			
Technical Registration Board of Investigations (2072)	\$17,400	\$0	\$0
Office of Tourism (TOA)			
Coronavirus Relief (2975)	\$0	\$0	\$0
Coronavirus State and Local Fiscal Recovery (2985)	10,928,100	16,000,000	16,000,000
Interagency Service Agreement (2500)	0	0	0
Tourism (2236)	26,252,100	31,310,500	31,310,500
Tourism Development (9999)	0	0	0
<b>Total - Office of Tourism</b>	<b>\$37,180,200</b>	<b>\$47,310,500</b>	<b>\$47,310,500</b>
Department of Transportation (DTA)			
Abandoned Vehicle Administration (2150)	\$1,006,200	\$1,000,000	\$1,000,000
Arizona Highways Magazine (2031)	4,812,200	5,294,200	5,294,200
Cash Deposits (2266)	0	0	0
Coronavirus State and Local Fiscal Recovery (2985)	35,639,500	0	0
Federal Grants (2097)	23,748,600	26,229,600	26,229,600
Governor's Emergency Education Relief (2980)	(380,500)	0	0
Highway Expansion and Extension Loan Program (2417)	1,220,800	0	0
IGA and ISA (2500)	1,888,000	583,900	583,900
Local Agency Deposits (3701)	0	0	0
Maricopa Regional Area Road (2029)	13,363,100	12,860,000	12,860,000
Motor Carrier Safety Revolving (2380)	0	500	500
Rental Tax and Bond Deposit (3737)	300	0	0
Shared Location and Advertising Agreements Expense (2414)	100	0	0
State Match Advantage for Rural Transportation (9901)	0	15,000,000	15,000,000
Statewide Employee Recognition Gifts/Donations (2449)	7,600	13,000	13,000
Statewide Special Plates (2650)	5,232,700	5,756,000	5,756,000
<b>Total - Department of Transportation</b>	<b>\$86,538,600</b>	<b>\$66,737,200</b>	<b>\$66,737,200</b>
State Treasurer (TRA)			
Arizona Health Innovation Trust (3324)	\$0	\$0	\$0
AZ529, Arizona's Education Savings Plan Trust (3122)	808,100	912,000	912,000
Criminal Justice Enhancement (3702)	3,367,500	3,367,500	3,367,500
Justice Reinvestment (1121)	111,700	111,900	111,900
Public Deposit Administration (2574)	31,400	35,000	35,000
Smart and Safe Arizona (1120)	20,100	20,100	20,100
State Treasurer's Financial Literacy (2725)	0	0	0
<b>Total - State Treasurer</b>	<b>\$4,338,800</b>	<b>\$4,446,500</b>	<b>\$4,446,500</b>
Governor's Office on Tribal Relations (IAA)			
Arizona Indian Town Hall (4014)	\$0	\$0	\$0
Statewide Donations (2025)	26,500	8,500	8,500
<b>Total - Governor's Office on Tribal Relations</b>	<b>\$26,500</b>	<b>\$8,500</b>	<b>\$8,500</b>
Arizona Board of Regents (BRA)			
Arizona Health Education Center Program (2)	\$0	\$0	\$0
Arizona Promise Program (4501)	0	0	0
Arizona Teacher Student Loan (2358)	0	0	0
Arizona Teachers Academy (4300)	0	0	0
Arizona Veterinary Loan Assistance (5000)	0	0	0
Federal (2000)	158,900	332,100	332,100
Postsecondary Educational (2405)	0	1,298,300	1,298,300
Private Donations (2402)	16,100	0	0
Regents Local (8900)	1,993,600	6,693,000	6,693,000
Spouses of Military Veterans Tuition Scholarship (5100)	0	0	0
Technology and Research Initiative (2472)	10,793,900	46,254,000	46,254,000
Trust Land (3131/3132/3134/3136)	0	0	0
<b>Total - Arizona Board of Regents</b>	<b>\$12,962,500</b>	<b>\$54,577,400</b>	<b>\$54,577,400</b>
Arizona State University (ASA)			
Auxiliary (UNI8906)	\$271,191,700	\$300,957,200	\$300,957,200
Capital Infrastructure (UNI3001)	0	0	0

## SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2022, 2023 and 2024

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Designated - Other (UNI8905)	184,296,800	276,201,000	276,201,000
Designated - Tuition and Fees (UNI8905)	1,445,958,200	1,591,934,500	1,591,934,500
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	699,502,900	504,806,700	504,806,700
Federal Indirect Cost Recovery (UNI8902)	72,219,500	73,267,800	73,267,800
Indirect Cost Recovery (Non-Federal) (UNI8900)	89,911,200	91,705,600	91,705,600
Loan (UNI8901)	2,460,500	0	0
Restricted (Excluding Federal Funds) (UNI8907)	372,019,400	268,251,100	268,251,100
University Capital Improvement Lease-to-Own and Bond (BRA3042)	11,156,300	11,160,300	11,160,300
<b>Total - Arizona State University</b>	<b>\$3,148,716,500</b>	<b>\$3,118,284,200</b>	<b>\$3,118,284,200</b>
<b>Northern Arizona University (NAA)</b>			
Auxiliary (UNI8906)	\$96,206,300	\$107,232,600	\$107,232,600
Capital Infrastructure (UNI3002)	0	0	0
Designated - Other (UNI8905)	51,051,400	100,244,300	100,244,300
Designated - Tuition and Fees (UNI8905)	106,957,400	123,770,500	123,770,500
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	147,989,800	149,469,900	149,469,900
Federal Indirect Cost Recovery (UNI8902)	0	0	0
Indirect Cost Recovery (Non-Federal) (UNI8900)	15,728,400	18,466,500	18,466,500
Loan (UNI8901)	0	0	0
Restricted (Excluding Federal Funds) (UNI8907)	26,948,900	25,642,600	25,642,600
University Capital Improvement Lease-to-Own and Bond (BRA3042)	10,055,100	10,053,900	10,053,900
<b>Total - Northern Arizona University</b>	<b>\$454,937,300</b>	<b>\$534,880,300</b>	<b>\$534,880,300</b>
<b>University of Arizona - Main Campus (UAA)</b>			
Auxiliary (UNI8906)	\$294,642,100	\$316,264,000	\$316,264,000
Capital Infrastructure (UNI3003)	0	0	0
Designated - Other (UNI8905)	253,541,300	263,689,200	263,689,200
Designated - Tuition and Fees (UNI8905)	565,533,900	588,161,600	588,161,600
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	184,342,800	192,012,900	192,012,900
Federal Indirect Cost Recovery (UNI8902)	53,468,100	55,606,600	55,606,600
Geological Survey (UNI3030)	277,700	215,500	215,500
Geological Survey Federal Grants (UNI3031)	1,088,700	0	0
Geological Survey - Mining, Mineral and Natural Resources Educational Museum Account (UNI9999)	12,400	78,600	78,600
Indirect Cost Recovery (Non-Federal) (UNI8900)	9,617,000	10,001,600	10,001,600
Loan (UNI8901)	566,900	523,700	523,700
On-Farm Irrigation Efficiency (8888)	0	0	0
Restricted (Excluding Federal Funds) (UNI8907)	311,253,300	252,154,400	252,154,400
University Capital Improvement Lease-to-Own and Bond (BRA3042)	26,013,700	26,034,200	26,034,200
<b>Total - University of Arizona - Main Campus</b>	<b>\$1,700,357,900</b>	<b>\$1,704,742,300</b>	<b>\$1,704,742,300</b>
<b>University of Arizona - Health Sciences Center (UAA)</b>			
Auxiliary (UNI8906)	\$843,200	\$860,000	\$860,000
Designated - Other (UNI8905)	232,840,500	242,153,800	242,153,800
Designated - Tuition and Fees (UNI8905)	11,894,700	19,071,300	19,071,300
Endowment and Life Income (UNI8904)	18,914,800	19,103,900	19,103,900
Federal Grants (UNI8903)	132,857,400	138,171,700	138,171,700
Federal Indirect Cost Recovery (UNI8902)	46,109,500	47,954,000	47,954,000
Indirect Cost Recovery (Non-Federal) (UNI8900)	6,255,700	6,505,900	6,505,900
Loan (UNI8901)	0	0	0
Restricted (Excluding Federal Funds) (UNI8907)	61,121,300	67,566,600	67,566,600
<b>Total - University of Arizona - Health Sciences Center</b>	<b>\$510,837,100</b>	<b>\$541,387,200</b>	<b>\$541,387,200</b>
<b>Department of Veterans' Services (VSA)</b>			
Arizona State Veterans' Cemetery Trust (2499)	\$1,317,800	\$1,372,700	\$1,372,700
Coronavirus State and Local Fiscal Recovery (2985)	16,200,500	0	0
Federal (2000)	6,449,400	1,223,200	1,223,200
Military Family Relief (2339)	1,193,700	1,100,000	1,100,000
Statewide Employee Recognition Gifts (2449)	1,500	400	400
Veterans' Donations (2441)	4,384,800	945,000	945,000
<b>Total - Department of Veterans' Services</b>	<b>\$29,547,700</b>	<b>\$4,641,300</b>	<b>\$4,641,300</b>
<b>Water Infrastructure Finance Authority (WFA)</b>			
Clean Water Annual Debt Service Interest (FAA4313)	3,057,300	2,184,600	2,184,600
Clean Water Annual Debt Service Principal Fund (FAA4312)	31,791,300	21,964,300	21,964,300

## SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/ For Fiscal Years 2022, 2023 and 2024

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Clean Water Debt Service Reserve - Clean Water (FAA4315)	0	0	0
Clean Water Federal Loan (FAA4310)	2,228,600	9,555,200	9,555,200
Clean Water Fee Program Income (FAA4309)	1,075,200	1,067,200	1,067,200
Clean Water Fees Non Program Income (FAA4317)	90,600	63,500	63,500
Clean Water Financial Assistance (FAA4319)	5,915,300	5,910,400	5,910,400
Clean Water State Loan (FAA4311)	0	0	0
Drinking Water Annual Debt Service Interest (FAA4333)	8,280,900	7,399,700	7,399,700
Drinking Water Annual Debt Service Principal (FAA4332)	11,313,700	22,285,800	22,285,800
Drinking Water Debt Service Reserve (FAA4320)	0	0	0
Drinking Water Federal Loan (FAA4335)	16,636,800	23,127,900	23,127,900
Drinking Water Fees Non Program (FAA4322)	515,500	652,900	652,900
Drinking Water Fees Program Income (FAA4336)	1,232,300	126,400	126,400
Drinking Water Financial Assistance (FAA4324)	74,918,000	31,900,000	31,900,000
Drinking Water State Loan (FAA4331)	0	0	0
Long-Term Water Augmentation (9999)	0	11,028,100	11,028,100
Small and Disadvantaged Communities Drinking Water Assistance (FAA2230)	0	638,300	638,300
Small Drinking Water Systems (FAA2225)	0	0	0
Water Conservation Grant (9998)	0	100,000,000	100,000,000
Water Supply Development Revolving (2336)	0	50,257,400	50,257,400
<b>Total - Water Infrastructure Financing Authority</b>	<b>\$157,055,500</b>	<b>\$288,161,700</b>	<b>\$288,161,700</b>
Department of Water Resources (WCA)			
Arizona System Conservation (9900)	\$10,130,000	\$8,720,000	\$0
Arizona Water Banking (2110)	2,471,500	3,292,400	3,292,400
Arizona Water Protection (1302)	518,600	1,314,100	1,380,900
Arizona Water Quality (2304)	0	0	0
Augmentation and Conservation Assistance (2213)	1,212,200	826,000	826,000
Colorado River Water Use Fee Clearing Account (2538)	28,700	0	0
Coronavirus State and Local Fiscal Recovery (2985)	5,865,100	11,000,000	11,000,000
Dam Repair (2218)	95,400	900,000	350,000
Drought Mitigation Revolving (3230)	1,580,500	0	0
Employee Recognition (2449)	1,000	1,000	1,000
Federal Grants (2000)	350,800	372,900	372,900
Flood Warning System (1021)	2,400	26,000	26,000
General Adjudication Personnel and Support (7777)	0	0	0
General Adjudications (2191)	17,700	20,000	20,000
Indirect Cost Recovery (9000)	281,200	268,600	268,600
Interagency Service Agreement (2500)	394,000	265,800	265,800
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)	4,127,100	900,000	900,000
Well Administration and Enforcement (2491)	1,004,700	1,145,000	1,145,000
<b>Total - Department of Water Resources</b>	<b>\$28,080,900</b>	<b>\$29,051,800</b>	<b>\$19,848,600</b>
<b>OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES</b>	<b>\$39,774,394,100</b>	<b>\$38,904,607,800</b>	<b>\$39,853,830,800</b>
Subtotal - Other Funds	10,454,597,900	12,293,094,400	12,163,528,900
Subtotal - Federal Funds	29,319,796,200	26,611,513,400	27,690,301,900
<b>OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES</b>	<b>\$39,774,394,100</b>	<b>\$38,904,607,800</b>	<b>\$39,853,830,800</b>
CAPITAL - NON-APPROPRIATED			
Aviation Federal Funds (DTA2267)	\$5,697,000	\$7,503,000	\$10,780,000
Bond Proceeds (DTA5004/5008/2463)	18,000	728,000	640,000
Federal Grants (DTA2097)	843,961,000	878,589,000	962,163,000
Economic Strength Project (DTA2244)	1,000,000	1,000,000	1,000,000
Local Agency Deposits (DTA3701)	2,939,000	15,651,000	28,477,000
Maricopa Regional Area Road (DTA2029)	317,636,000	649,095,000	681,381,000
State Parks Board - State Lake Improvement (2105)	2,894,000	0	0

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES 1/  
For Fiscal Years 2022, 2023 and 2024**

	<u>FY 2022 Actual</u>	<u>FY 2023 Estimate</u>	<u>FY 2024 Estimate</u>
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$1,174,145,000	\$1,552,566,000	\$1,684,441,000
Subtotal - Other Funds	324,487,000	666,474,000	711,498,000
Subtotal - Federal Funds	849,658,000	886,092,000	972,943,000
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$1,174,145,000</u>	<u>\$1,552,566,000</u>	<u>\$1,684,441,000</u>
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$40,948,539,100	\$40,457,173,800	\$41,538,271,800
Subtotal - Other Funds	10,779,084,900	12,959,568,400	12,875,026,900
Subtotal - Federal Funds	30,169,454,200	27,497,605,400	28,663,244,900
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$40,948,539,100</u>	<u>\$40,457,173,800</u>	<u>\$41,538,271,800</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

12/22/2022

**PREVIOUSLY ENACTED APPROPRIATIONS  
FY 2024 and BEYOND 1/**

**GENERAL FUND**

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
<b><u>Arizona Department of Administration</u></b>			
Laws 2021, Ch. 408 - School Financial Transparency Reporting System	1,500,000		
<b><u>Arizona Department of Administration - School Facilities Division</u></b>			
Laws 2022, Ch. 313 - New School Facilities Fund	31,753,900		
<b><u>Attorney General</u></b>			
A.R.S. § 26-263 - Military Airport Planning	85,000	85,000	85,000
<b><u>Commerce Authority, Arizona</u></b>			
A.R.S. § 43-409 - Withholding Tax Revenues	15,500,000	15,500,000	15,500,000
<b><u>Community Colleges</u></b>			
A.R.S. § 42-5031.01 - Indian Tribal Postsecondary Institutions <u>2/</u>	3,014,800	3,014,800	3,014,800
A.R.S. § 15-1469.01 - Rural County Allocation <u>3/</u>	4,582,000	4,582,000	4,582,000
<b><u>Education, Department of</u></b>			
Laws 2015, 1st Special Session, Ch. 1 - State Aid Supplement	75,000,000	75,000,000	
Laws 2022, Ch. 313 - Basic State Aid (Rollover)	800,727,700		
Laws 2022, Ch. 313 - Basic State Aid - Charter Additional Assistance	17,978,000	23,836,000	
Laws 2022, Ch. 313 - Basic State Aid - District Additional Assistance	71,022,000	94,164,000	
Laws 2022, Ch. 313 - Basic State Aid - FRPL Group B Weight	63,000,000	100,000,000	
A.R.S. § 42-15001 - Lower Assessment Ratio for Commercial Property (FY 2027)	<u>4/</u>	<u>4/</u>	<u>4/</u>
<b><u>Emergency and Military Affairs, Department of</u></b>			
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
<b><u>Environmental Quality, Department of</u></b>			
A.R.S. § 49-282 - WQARF Priority Site Remediation <u>5/</u>	15,000,000	15,000,000	15,000,000
<b><u>Forestry and Fire Management, Department of</u></b>			
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
<b><u>Public Safety Personnel Retirement System</u></b>			
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
<b><u>Secretary of State</u></b>			
Laws 2019, Ch. 275 - Electronic Repository and 1 FTE Position	70,000		
<b><u>Arizona Department of Transportation</u></b>			
Laws 2022, Ch. 309 - SR-97 Improvements Near Bagdad	10,000,000		



	FY 2024	FY 2025	FY 2026
<b><u>Treasurer, State</u></b>			
A.R.S. § 41-2308 - Special Sporting Event Marketing (through FY 2051)	1,500,000	1,500,000	1,500,000
Laws 2022, Ch. 313 - County Election Funding	6,000,000		
Laws 2022, Ch. 313 - Election Security Funding	5,000,000	6,000,000	
<b><u>Arizona State University</u></b>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	13,468,200	13,459,300	13,453,900
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	13,039,900	13,300,700	13,566,700
<b><u>Northern Arizona University</u></b>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	5,302,900	4,885,500	4,884,500
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	4,942,500	5,041,400	5,142,200
<b><u>University of Arizona</u></b>			
A.R.S. § 15-1670 - 2003 Research Infrastructure Lease-Purchase <u>6/</u>	14,255,300	14,247,300	14,248,400
A.R.S. § 15-1671 - 2017 Capital Infrastructure (\$1B Bonding) <u>7/</u>	11,535,900	11,766,600	12,001,900
<b><u>Water Infrastructure Finance Authority</u></b>			
Laws 2022, Ch. 366 - Long-Term Water Augmentation Fund	333,000,000	333,000,000	
<b><u>Other</u></b>			
A.R.S. § 9-602 - Phoenix Convention Center Financing <u>8/</u>	25,498,600	25,998,700	25,498,600
A.R.S. § 42-5031 - Rio Nuevo Multi-Purpose Facility District <u>9/</u>	17,000,000	17,000,000	17,000,000
<b>TOTAL</b>	<b>1,573,866,700</b>	<b>791,471,300</b>	<b>159,568,000</b>

#### OTHER FUNDS

	FY 2024	FY 2025	FY 2026
<b><u>Arizona Department of Administration</u></b>			
Laws 2021, Ch. 408 - School Financial Transparency Reporting System	1,500,000		
<b><u>Arizona State Parks Board</u></b>			
Laws 2022, Ch. 309 - Catalina Main Entrance Bridge	5,813,000		
Laws 2022, Ch. 309 - Statewide Campground Improvements	4,100,000	4,100,000	
Laws 2022, Ch. 309 - Statewide Sunshade Structures	2,233,333	2,233,333	
Laws 2022, Ch. 309 - Statewide Water Conservation	1,339,000	1,339,000	
Laws 2022, Ch. 309 - Yuma Territorial Prison Renovation	750,000	5,945,000	
Laws 2022, Ch. 309 - Riordan Mansion Renovation	2,900,000		
Laws 2022, Ch. 309 - Oracle Renovation	2,008,500		
Laws 2022, Ch. 309 - Red Rock Renovation		4,000,000	
Laws 2022, Ch. 309 - San Rafael Renovation		1,500,000	
<b><u>Veterans Services, Department of</u></b>			
Laws 2018, Ch. 98 - Hyperbaric Oxygen Therapy Fund Reimbursement	25,000		
<b>TOTAL</b>	<b>20,668,833</b>	<b>19,117,333</b>	<b>-</b>

- 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 \$389,800 for the Tohono O'Odham Community College.
- 3/ Pursuant to A.R.S. § 15-1469.01, the JLBC Staff assumes an annual distribution of \$4,582,000 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. 42-15001, as amended by Laws 2022, Ch. 171, reduces the Class 1 (commercial) property assessment ratio from 16.0% in

TY 2025 to 15.5% in TY 2026 and 15.0% in TY 2027. Under the state's K-12 Basic State Aid funding formula, lowering the assessment ratio will increase formula costs beginning in FY 2027.

- 5/ 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 Environment Budget Reconciliation Bill of each year transfers the \$15,000,000 to WQARF, but does not permit any additional corporate income tax adjustment above that level.
- 6/ A.R.S. § 15-1670 appropriates monies from the General Fund to each public university for research infrastructure lease-purchase payments in varying amounts through FY 2031.
- 7/ A.R.S. § 15-1671 appropriates monies from the General Fund to each public university for debt service payments on capital projects as part of the \$1 billion bonding program. This amount increases by lesser of 2% or inflation each fiscal year through FY 2043.
- 8/ Pursuant to A.R.S. § 9-602, the City of Phoenix receives an annual distribution for Phoenix Convention Center financing based on a statutory debt schedule, which requires that cumulative payments to the city do not exceed estimated revenue resulting from the project.
- 9/ Pursuant to A.R.S. § 42-5031, the JLBC Staff assumes an annual distribution of \$17,000,000 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 2023 and 2024 1/

BUDGET UNITS	Fiscal Year 2023			Fiscal Year 2024		
	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	424.9	539.1	114.2	424.9	539.1
School Facilities Division	17.0	0.0	17.0	17.0	0.0	17.0
SUBTOTAL - Administration, Arizona Department of	131.2	424.9	556.1	131.2	424.9	556.1
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	369.5	800.0	1,169.5
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	926.8	1,427.5	2,354.3
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	220.6	435.1	655.7	220.6	435.1	655.7
Barbering and Cosmetology Board	0.0	29.5	29.5	0.0	29.5	29.5
Behavioral Health Examiners, Board of	0.0	20.0	20.0	0.0	20.0	20.0
Charter Schools, State Board for	25.0	0.0	25.0	25.0	0.0	25.0
Child Safety, Department of <u>3/</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	50.8	251.1	301.9	50.8	251.1	301.9
Corrections, State Department of	9,548.0	21.0	9,569.0	9,548.0	21.0	9,569.0
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	21.0	21.0	0.0	21.0	21.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Economic Opportunity, Office of	5.0	0.0	5.0	5.0	0.0	5.0
Economic Security, Department of <u>4/</u>	1,099.9	3,376.9	4,476.8	1,118.9	3,414.9	4,533.8
Education, State Board of	23.0	0.0	23.0	23.0	0.0	23.0
Education, Department of	214.7	15.2	229.9	217.7	15.2	232.9
Emergency and Military Affairs, Department of	63.1	9.5	72.6	63.1	9.5	72.6
Environmental Quality, Department of	0.0	355.7	355.7	0.0	355.7	355.7
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	235.5	0.0	235.5	235.5	0.0	235.5
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	839.9	301.6	1,141.5	839.9	301.6	1,141.5
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
Homeland Security, Arizona Department of	0.0	20.0	20.0	0.0	20.0	20.0
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 <u>5/</u>	6.0	0.0	6.0	6.0	0.0	6.0
Industrial Commission of Arizona	1.0	235.6	236.6	1.0	235.6	236.6
Insurance and Financial Institutions, Department of	94.4	58.0	152.4	94.4	58.0	152.4
Judiciary						
Supreme Court	148.6	53.4	202.0	148.6	53.4	202.0
Court of Appeals	162.8	0.0	162.8	162.8	0.0	162.8
Superior Court	229.8	8.7	238.5	229.8	8.7	238.5
SUBTOTAL - Judiciary	541.2	62.1	603.3	541.2	62.1	603.3
Juvenile Corrections, Department of	478.5	260.0	738.5	478.5	260.0	738.5
Land Department, State	131.7	0.0	131.7	131.7	0.0	131.7
Legislature						
Auditor General	224.8	0.0	224.8	224.8	0.0	224.8
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0
Legislative Council	56.0	0.0	56.0	56.0	0.0	56.0

BUDGET UNITS	Fiscal Year 2023			Fiscal Year 2024		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Ombudsman-Citizens Aide Office	12.0	0.0	12.0	12.0	0.0	12.0
SUBTOTAL - Legislature	321.8	0.0	321.8	321.8	0.0	321.8
Liquor Licenses and Control, Department of	0.0	51.2	51.2	0.0	58.2	58.2
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	22.0	0.0	22.0	22.0	0.0	22.0
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	10.0	10.0	0.0	10.0	10.0
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	107.3	107.3	0.0	107.3	107.3
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
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	800.2	1,274.0	2,074.2	800.2	1,274.0	2,074.2
Real Estate Department, State	37.0	0.0	37.0	37.0	0.0	37.0
Residential Utility Consumer Office	0.0	12.0	12.0	0.0	12.0	12.0
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	618.8	892.8	274.0	618.8	892.8
Secretary of State, Department of State <u>6/</u>	143.1	0.0	143.1	143.1	1.0	144.1
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 <u>7/8/</u>						
Regents, Arizona Board of	30.9	0.0	30.9	30.9	0.0	30.9
Arizona State University	2,743.4	4,981.5	7,724.9	2,743.4	4,981.5	7,724.9
Northern Arizona University	1,153.8	1,222.4	2,376.2	1,153.8	1,222.4	2,376.2
University of Arizona - Main Campus	2,850.3	3,444.2	6,294.5	2,850.3	3,444.2	6,294.5
University of Arizona - Health Sciences Center	561.0	551.4	1,112.4	561.0	551.4	1,112.4
SUBTOTAL - Universities	7,339.4	10,199.5	17,538.9	7,339.4	10,199.5	17,538.9
Veterans' Services, Department of	148.3	644.0	792.3	148.3	644.0	792.3
Veterinary Medical Examining Board, Arizona State	0.0	7.0	7.0	0.0	7.0	7.0
Water Resources, Department of	143.0	6.0	149.0	143.0	6.0	149.0
<b>TOTAL APPROPRIATED FUNDS</b>	<b>26,014.5</b>	<b>28,305.0</b>	<b>54,319.5</b>	<b>26,037.6</b>	<b>28,355.9</b>	<b>54,393.5</b>

- 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 2023 and FY 2024 can be found in the individual agency pages.
- 2/ Includes 1,370.1 FTE Positions in FY 2023 and 1,375.0 FTE Positions in FY 2024 in the Other Fund FTE Positions columns funded from Federal Medicaid Expenditure Authority.
- 3/ Includes 970.3 FTE Positions in FY 2023 and FY 2024 in the Other Fund FTE Positions columns funded from Expenditure Authority.
- 4/ Includes 2,337.8 FTE Positions in FY 2023 and 2,375.8 FTE Positions FY 2024 in the Other Fund columns funded from the Long Term Care System Fund and Child Support Enforcement Expenditure Authority.
- 5/ The FY 2023 FTE Positions represent the carry forward FTE authority from FY 2022 funding.
- 6/ Includes 1 FTE Position funded from Laws 2019, Chapter 275 for the establishment of an electronic repository of state archives and records.
- 7/ The FY 2023 General Appropriation Act originally appropriated 18,065.4 FTE Positions to the Universities for FY 2023. This FTE Position amount has been revised to 17,358.9 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 2024 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 require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.
2. As session law, continues to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund (BSF) through FY 2026. Also, notwithstanding the 10% BSF cap for FY 2024.
3. As session law, continues to set the FY 2024 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.

### Arizona Department of Agriculture

4. As session law, continues the fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2024, 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, continues to exclude Proposition 204 administration costs from county expenditure limitations.
7. As session law, set the FY 2024 County Acute Care contribution at \$43,733,700.
8. As session law, continues to require AHCCCS to transfer any excess monies back to the counties by December 31, 2024, if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.
9. As session law, set the FY 2024 county Arizona Long Term Care System (ALTCS) contributions at \$366,205,400.

#### *Hospitals*

10. As session law, continues to establish FY 2024 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. The MIHS distribution would remain at \$113,818,500 in FY 2024.
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, as well as permit local jurisdictions to provide additional local match for Pool 5 distributions.
12. As session law, continues to establish priority for payments to private hospitals via the DSH-Voluntary program in FY 2024 according to county population size. Hospitals in rural counties (i.e., excluding Maricopa, Pima, and Pinal) have first priority; hospitals in Pinal County have second priority; and hospitals in Maricopa and Pima Counties have third priority.

#### *Available Funding*

13. 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

14. 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 2024 for only Maricopa and Pima Counties.
15. 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 inflation adjustment in FY 2024 for all community college districts.

### Counties and Cities & Towns

16. 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 2024, 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 Joint Legislative Budget Committee on the intended amount and sources of funds by October 1, 2023.

#### **Department of Economic Security**

17. 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*

18. 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.
19. As permanent law, allocates \$13,000,000 to increase Group B weight in Basic State Aid formula for children eligible for the federal Free-and Reduced Price Lunch (FRPL) program as part of the enacted FY 2023 budget's 3-year plan.
20. As permanent law, allocates \$23,122,000 to increase District Additional Assistance (DAA) per pupil formula allocations as part of the enacted FY 2023 budget's 3-year plan.
21. As permanent law, allocates \$5,878,000 to increase Charter Additional Assistance (CAA) per pupil formula allocations as part of the enacted FY 2023 budget's 3-year plan.
22. As permanent law, updates the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2024.

##### *Results-Based Funding*

23. As session law, continues to notwithstanding A.R.S. § 15-249.08 to fund Results-Based Funding in FY 2024 as follows:
  - \$225 per pupil to schools with statewide assessment scores in the top 13% statewide
  - \$225 per pupil to schools with statewide assessment scores between the top 13% and 27% among schools with at least 60% FRPL-eligibility
  - \$400 per pupil to schools with statewide assessment scores in the top 13% among schools with at least 60% FRPL-eligibility
  - \$400 per pupil for alternative schools in the top 27% among schools with at least 60% FRPL-eligibility.

##### *Other*

24. 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.

#### **Department of Environmental Quality**

25. As session law, continues to allow the department to utilize up to \$6,531,000 from the UST Fund in FY 2024 for department administrative expenses and for sewage remediation.
26. 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.
27. As session law, continues to charge fees that are not greater than the FY 2023 level of vehicle emissions inspection fees in FY 2024.

#### **Department of Gaming**

28. As session law, continues to set the Racing Wagering Assessment at 0.5% in FY 2024 only.

#### **Department of Health Services**

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

#### **Arizona Navigable Stream Adjudication Commission**

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

**Department of Revenue**

32. As session law, stipulates legislative intent that the fees charged to local governments for the Integrated Tax IT Project not exceed \$6,597,200 in FY 2024. Includes provisions that stipulate that the fee charged to local governments be allocated to counties, cities, towns, councils of governments, and regional transportation authorities with a population of more than 800,000. This allocation is to be proportionate to the share of revenues distributed to them 2 fiscal years prior to the current fiscal year. Provides that population is the basis for determining the apportioning of fees among counties as well as among cities and towns.
33. As session law, stipulates legislative intent that the amount transferred in FY 2024 to the Integrated Tax Project Fund from the 0.6% educational sales tax shall not exceed \$800,000 and the 16% recreational marijuana tax shall not exceed \$178,100.

**Secretary of State**

34. As session law, notwithstanding the requirement of A.R.S. § 16-250 that counties receive a reimbursement rate of \$1.25 for each active registered voter for the Presidential Preference Election costs. This would allow the Legislature to determine the level of reimbursement for the 2024 Presidential Preference Election.

**Department of Transportation**

35. As permanent law, on or before July 31 each year, requires the department to submit an annual report to the Joint Legislative Budget Committee on the progress in improving Motor Vehicle Division wait times and vehicle registration renewal by mail turnaround times for the prior fiscal year in a format similar to prior years.
36. As permanent law, on or before February 1 each year, requires the Arizona Strategic Enterprise Technology office 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 the current fiscal year.
37. As permanent law, on or before August 1 each year, requires the department to report to the Director of the Joint Legislative Budget Committee the state's share of fees retained by the Service Arizona vendor in the prior fiscal year. The report shall include the amount spent by the Service Arizona vendor on behalf of this state in the prior fiscal year and a list of the projects funded with those monies.

**Universities**

38. 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**

39. 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 2024.

## FY 2024 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 \$800,727,700 of Basic State Aid payments for FY 2024 until FY 2025. Continue to exempt districts with less than 4,000 students from the deferral. Appropriate \$800,727,700 in FY 2025 for these deferred Basic State Aid payments. Allow ADE to make the rollover payment no later than July 12, 2024.
2. As session law, continue to require school districts to include in the FY 2024 revenue estimates that they use for computing their FY 2024 tax rates the rollover monies that they will receive for FY 2024 in July 2024.

### Revenues

3. As session law, continue to specify revenue and expenditure estimates for FY 2023, FY 2024, FY 2025, and FY 2026.
4. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2023 ending balances by September 15, 2023. Require the Joint Legislative Budget Committee (JLBC) Staff to report to JLBC by October 15, 2023 as to whether FY 2024 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 2024 in all agencies and provide it to the Director by October 1, 2024. 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, 2023 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2023.
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 2024.

### 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 2024 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. Adds a footnote requiring ADOA to report annually to the JLBC Staff on prior year Cyber Risk Insurance Fund expenditures.

### **Department of Economic Security**

14. Adds footnote requiring DES submit an expenditure plan for JLBC review prior to the expenditure of the \$1,000,000 appropriation for homeless youth services from the Coordinated Homeless Services line item.

### **Department of Education**

15. Adds footnote requiring the Department of Education to submit an expenditure plan for review before spending the \$6,880,000 increase for the Early Literacy line item for literacy coaches, kindergarten entry assessments, dyslexia training, and science of reading exams.

### **Department of Transportation**

16. Deletes footnote requiring an annual report to JLBC from the department on the progress in improving Motor Vehicle Division wait times and vehicle registrations renewal by mail turnaround times for the prior fiscal year. The Baseline proposes to convert this footnote into permanent law.
17. Deletes footnote requiring the Arizona Strategic Enterprise Technology office to report to JLBC annually, on behalf of the department, regarding the department's plan to spend their dedicated portion of the authorized third-party electronic service partner's fee retention on the motor vehicle modernization project. The Baseline proposes to convert this footnote into permanent law.
18. Deletes footnote requiring the department to report annually to JLBC on the state's share of fees retained by the Service Arizona vendor in the prior fiscal year. The Baseline proposes to convert this footnote into permanent law.

### **Capital**

19. Deletes footnote allowing ADOA to use monies appropriated for building renewal to retrofit facilities for space consolidation initiatives. (Capital)

***INDIVIDUAL AGENCY ESTIMATES***

## Arizona State Board of Accountancy

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	806,800	1,060,700	1,060,700
Employee Related Expenditures	318,900	398,600	398,600
Professional and Outside Services	248,800	412,400	412,400
Travel - In State	1,300	8,400	8,400
Travel - Out of State	2,500	12,000	12,000
Other Operating Expenditures	231,700	321,900	321,900
Equipment	13,300	22,600	22,600
<b>AGENCY TOTAL</b>	<b>1,623,300</b>	<b>2,236,600</b>	<b>2,236,600 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,623,300	2,236,600	2,236,600
SUBTOTAL - Other Appropriated Funds	1,623,300	2,236,600	2,236,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,623,300</b>	<b>2,236,600</b>	<b>2,236,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,623,300</b>	<b>2,236,600</b>	<b>2,236,600</b>

**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 \$2,236,600 and 14 FTE Positions from the Board of Accountancy Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
<b>Funds Expended</b>	1,623,300	2,236,600
<b>Year-End Fund Balance</b>	2,990,100	2,336,100

## Acupuncture Board of Examiners

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	99,900	113,000	113,000
Employee Related Expenditures	43,000	47,300	47,300
Travel - Out of State	0	3,000	3,000
Other Operating Expenditures	29,700	29,500	24,000
Equipment	3,600	4,000	4,000
<b>AGENCY TOTAL</b>	<b>176,200</b>	<b>196,800</b>	<b>191,300 <sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Acupuncture Board of Examiners Fund	176,200	196,800	191,300
SUBTOTAL - Other Appropriated Funds	176,200	196,800	191,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>176,200</b>	<b>196,800</b>	<b>191,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>176,200</b>	<b>196,800</b>	<b>191,300</b>

**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

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

#### **Operating Budget**

The Baseline includes \$191,300 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### **Remove One-Time E-licensing**

The Baseline includes a decrease of \$(5,500) from the Acupuncture Board of Examiners Fund in FY 2024 to remove one-time funding for migrating to an e-licensing application.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate acupuncturists, and for board administration.		
<b>Funds Expended</b>	176,200	196,800
<b>Year-End Fund Balance</b>	9,000	8,900

## Arizona Department of Administration

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	551.1	539.1	539.1 <sup>1/</sup>
Personal Services	24,777,300	32,440,800	32,440,800
Employee Related Expenditures	9,090,400	12,246,200	12,246,200
Professional and Outside Services	6,297,600	5,313,000	5,313,000
Travel - In State	282,600	288,000	288,000
Travel - Out of State	17,000	23,000	23,000
Other Operating Expenditures	32,422,100	41,354,100	41,354,100
Equipment	769,700	249,600	249,600
<b>OPERATING SUBTOTAL</b>	<b>73,656,700</b>	<b>91,914,700</b>	<b>91,914,700</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Facilities Management</b>			
Enduring Freedom Memorial Repair	1,500	0	0
Hoteling Pilot Program	157,300	0	0
Utilities	4,553,200	7,649,900	7,649,900
<b>Financial Services</b>			
Arizona Financial Information System	8,565,300	13,385,100	13,885,100 <sup>2/</sup>
Named Claimants	44,800	0	0
<b>Information Technology Services</b>			
Information Technology Project Management and Oversight	1,388,200	1,667,300	1,667,300
Statewide Information Security and Privacy Operations and Controls	6,240,000	0	0
<b>Risk Management</b>			
Cyber Risk Insurance	0	21,587,200	23,037,200 <sup>3/</sup>
Federal Transfer Payment	1,110,600	0	0 <sup>4/</sup>
Risk Management Administrative Expenses	9,786,900	8,597,800	8,597,800
Risk Management Losses and Premiums	38,373,000	48,396,100	48,396,100
Workers' Compensation Losses and Premiums	20,430,500	28,253,000	28,253,000
<b>Support Services</b>			
Government Transformation Office	1,658,600	2,063,000	2,063,000
State Surplus Property Sales Agency Proceeds	801,200	1,810,000	1,810,000
<b>Grants</b>			
Election Security Grants	0	1,500,000	0
Fire Incident Management System Grants	0	6,100,000	0
Healthcare Interoperability Grants	0	12,000,000	0
School Safety Interoperability Fund Deposit	0	20,000,000	0
K-12 Transportation Grants	10,000,000	20,000,000	0
<b>Other</b>			
Southwest Defense Contracts	25,000	25,000	25,000 <sup>5/</sup>
<b>AGENCY TOTAL</b>	<b>176,792,800</b>	<b>284,949,100</b>	<b>227,299,100 <sup>6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	16,700,200	68,950,900	9,350,900
<u>Other Appropriated Funds</u>			
Air Quality Fund	195,800	928,000	928,000 <sup>7/</sup>
Arizona Financial Information System Collections Fund	8,565,300	13,385,100	13,885,100
Automation Operations Fund	24,881,700	31,568,300	31,568,300 <sup>8/</sup>
Capital Outlay Stabilization Fund	14,865,600	19,200,200	19,200,200
Capitol Mall Consolidation Fund	157,300	0	0
Corrections Fund	559,400	634,600	634,600

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
Cyber Risk Insurance Fund	0	21,587,200	23,037,200
Federal Surplus Materials Revolving Fund	0	468,500	468,500
Information Technology Fund	8,165,600	2,292,000	2,292,000
Personnel Division Fund	11,618,800	13,779,500	13,779,500
Risk Management Revolving Fund	76,472,600	93,500,700	93,500,700
Special Employee Health Insurance Trust Fund	4,510,800	5,719,900	5,719,900
Special Services Revolving Fund	665,700	1,257,300	1,257,300
State Monument and Memorial Repair Fund	1,500	0	0
State Surplus Materials Revolving Fund	1,880,400	3,064,600	3,064,600 <sup>9/</sup>
State Web Portal Fund	5,981,300	6,798,300	6,798,300
Telecommunications Fund	1,570,800	1,814,000	1,814,000
SUBTOTAL - Other Appropriated Funds	160,092,600	215,998,200	217,948,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>176,792,800</b>	<b>284,949,100</b>	<b>227,299,100</b>
Other Non-Appropriated Funds	996,795,400	1,115,848,800	1,062,324,800
Federal Funds	40,945,700	27,276,500	11,228,900
<b>TOTAL - ALL SOURCES</b>	<b>1,214,533,900</b>	<b>1,428,074,400</b>	<b>1,300,852,800</b>

**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, travel reduction, and risk management services.

**FOOTNOTES**

- 1/ Includes 43 OF FTE Positions funded from Special Line Items in FY 2024.
- 2/ Of the amount appropriated for the Arizona financial information system line item in fiscal year 2023-2024, \$4,000,000 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (General Appropriation Act footnote)
- 3/ **NEW:** On or before November 1, the department shall submit a report to the director of the joint legislative budget committee on expenditures made from the Cyber Risk Insurance Fund from the prior year.)
- 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/ The amount appropriated for southwest defense contracts shall be distributed to a nonprofit organization that advocates for preserving and enhancing critical defense missions and assets in the southwestern United States. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ On or before September 1, 2024, the department shall submit a report to the joint legislative budget committee on the results of pilot projects implemented in fiscal year 2023-2024, 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)
- 8/ 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 2023-2024. 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 \$31,568,300 in fiscal year 2023-2024, the department shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- 9/ All state surplus materials revolving fund monies received by the department of administration in excess of \$3,064,600 in fiscal year 2023-2024 are appropriated to the department. Before spending state surplus materials revolving fund monies in excess of \$3,064,600 in fiscal year 2023-2024, 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 \$91,914,700 and 496.1 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$9,325,900
Air Quality Fund	928,000
Automation Operations Fund	29,901,000
Capital Outlay Stabilization Fund (COSF)	11,550,300
Corrections Fund	634,600
Federal Surplus Materials Revolving Fund	468,500
Information Technology Fund	2,292,000
Personnel Division Fund	13,779,500
Risk Management Revolving Fund	8,253,800
Special Employee Health Insurance Trust Fund	5,719,900
Special Services Revolving Fund	1,257,300
State Surplus Materials Revolving Fund	1,254,600
State Web Portal Fund	4,735,300
Telecommunications Fund	1,814,000

These amounts are unchanged from FY 2023.

**Facilities Management**

**Utilities**

The Baseline includes \$7,649,900 from the Capital Outlay Stabilization Fund in FY 2024 for Utilities. This amount is unchanged from FY 2023.

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 \$13,885,100 and 28 FTE Positions from the Arizona Financial Information System Collections Fund in FY 2024 for the Arizona Financial Information System (AFIS). Adjustments are as follows:

**AFIS Upgrade Expenditure Alignment**

The Baseline includes an increase of \$500,000 from the AFIS Collections Fund in FY 2024 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 FY 2022, \$3,500,000 in FY 2023 and

\$4,000,000 would be in FY 2024 as outlined in the FY 2022 3-year budget. The budget includes a footnote to make the FY 2024 appropriation available through FY 2025.

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 2024 for Named Claimants. This amount is unchanged from FY 2023.

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 2022, Chapter 38 appropriated \$44,819.29 in FY 2022 for prior year unpaid claims.

**Information Technology Services**

**Information Technology Project Management and Oversight**

The Baseline includes \$1,667,300 and 15 FTE Positions from the Automation Operations Fund in FY 2024 for IT Project Management and Oversight. These amounts are unchanged from FY 2023.

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**

**Cyber Risk Insurance**

The Baseline includes \$23,037,200 from the Cyber Risk Insurance Fund in FY 2024 for Cyber Risk Insurance. Adjustments are as follows:

### **Annualize Cyber Risk Insurance Program**

The Baseline includes an increase of \$1,450,000 from the Cyber Risk Insurance Fund in FY 2024 to annualize the operating costs for the cyber risk insurance program for state agencies.

The FY 2023 Budget Implementation Budget Reconciliation Bill (BRB) created the Cyber Risk Insurance Fund and established a cyber risk insurance program. The budget transferred \$24,624,400 from the Risk Management Revolving Fund in FY 2023 into the Cyber Risk Insurance Fund. The FY 2023 appropriation of \$21,857,200 funded a partial year's operating costs of the cyber program including \$137,200 for staff to administer the program and \$1,450,000 for insurance premiums. The appropriation also funds \$20,000,000 as a set aside for an insurance deductible in the event of a cyber security breach or incident. The remaining \$3,037,200 in the fund was retained to pay the annual operating costs of the program in FY 2024. Those annual costs include \$137,200 for staff and \$2,900,000 for premiums.

The Baseline adds a new footnote requiring ADOA to report annually to the JLBC Staff on prior year Cyber Risk Insurance Fund expenditures.

This line item funds insurance premiums, deductibles, and operating costs for cyber risk insurance.

### **Federal Transfer Payment**

The Baseline includes no funding in FY 2024 for one-time payments to the federal government. This amount is unchanged from FY 2023.

The FY 2023 General Appropriation Act included 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 for fund transfers in FY 2021. In addition, the FY 2023 General Appropriation Act continued to specify 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 2023 will be paid in FY 2024 through a supplemental appropriation. The final appropriated amount will be determined once ADOA reaches agreement with the federal government. *(Please see the [FY 2023 Supplemental section in Other Issues for more information.](#))*

### **Risk Management Administrative Expenses**

The Baseline includes \$8,597,800 from the Risk Management Revolving Fund in FY 2024 for Risk Management Administrative Expenses. This amount is unchanged from FY 2023.

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 2024 for Risk Management Losses and Premiums. This amount is unchanged from FY 2023.

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 \$28,253,000 from the Risk Management Revolving Fund in FY 2024 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2023.

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.

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### **Support Services**

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### **Government Transformation Office**

The Baseline includes \$2,063,000 from the State Web Portal Fund in FY 2024 for the Government Transformation Office (GTO). This amount is unchanged from FY 2023.



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 2024 for State Surplus Property Sales Agency Proceeds. This amount is unchanged from FY 2023.

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.

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### **Grants**

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### **Election Security Grants**

The Baseline includes no funding from in FY 2024 for Election Security Grants. Adjustments are as follows:

#### **Remove One-Time Grants**

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2024 to eliminate one-time election security grants as follows:

- \$(1,000,000) for ballot paper testing grants.
- \$(500,000) for secure ballot boxes.

An FY 2023 General Appropriation Act footnote requires ADOA to distribute grants to county recorders in at least one county for each ballot tabulation company currently used in the state of Arizona for the purposes of testing specific security features and water marks and to report to the Legislature no later than May 1, 2023 on recommended ballot security features.

A second FY 2023 General Appropriation Act footnote requires ADOA distribute grants to county recorders to purchase secure ballot boxes. The boxes shall generate a log and receipt of each ballot received. The distribution is as follows:

- 6 ballot boxes in Cochise County,
- 7 ballot boxes in Yuma County, and
- 3 ballot boxes in Pinal County.

### **Fire Incident Management System Grants**

The Baseline includes no funding in FY 2024 for Fire Incident Management Grants. Adjustments are as follows:

#### **Remove One-Time Grants**

The Baseline includes a decrease of \$(6,100,000) from the General Fund in FY 2024 to remove one-time fire incident management system grants.

The line item provides funding for ADOA to distribute as grants to municipal fire departments and fire districts for hardware and software with specific incident management system functionality as outlined in an FY 2023 General Appropriation Act footnote. The appropriation is non-lapsing.

### **Healthcare Interoperability Grants**

The Baseline includes no funding in FY 2024 for Healthcare Interoperability Grants. Adjustments are as follows:

#### **Remove One-Time Grants**

The Baseline includes a decrease of \$(12,000,000) from the General Fund in FY 2024 to remove one-time grants for health care interoperability grants.

This program funds grants for an interoperability software technology solution to support rural hospitals, health care providers and urban trauma centers to reducing public and private health care costs and unnecessary transportation costs. The appropriation is non-lapsing through FY 2025.

### **School Safety Interoperability Fund Deposit**

The Baseline includes no funding in FY 2024 to deposit into the School Safety Interoperability Fund. Adjustments are as follows:

#### **Remove One-Time Deposit**

The Baseline includes a decrease of \$(20,000,000) from the General Fund in FY 2024 to remove a one-time deposit into the School Safety Interoperability Fund.

The FY 2023 Automation BRB transfers the existing School Safety Interoperability Fund from the Treasurer to the Department of Administration and makes the fund non-appropriated. An FY 2023 General Appropriation Act footnote delineates the distribution of the monies in the fund.

### **K-12 Transportation Grants**

The Baseline includes no funding in FY 2024 for K-12 Transportation Grants. Adjustments are as follows:

#### **Remove One-Time Grants**

The Baseline includes a decrease of \$(20,000,000) from the General Fund in FY 2024 to remove one-time K-12 Transportation Grants.

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. Between FY 202 and FY 2023, the budget appropriated \$30,000,000 for the program.

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.

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#### **Other**

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### **Southwest Defense Contracts**

The Baseline includes \$25,000 from the General Fund in FY 2024 for Southwest Defense Contracts. This amount is unchanged from FY 2023.

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.

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#### **Other Issues**

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### **FY 2023 Supplementals**

#### **Federal Financial Participation Payment**

The Baseline includes an FY 2023 supplemental appropriation of \$3,107,700 from the Risk Management Revolving Fund for one-time payments to the federal government for disallowed costs and fund transfers in FY 2022. This amount consists of:

- \$2,484,700 related to fund transfers from 2 ADOA funds in FY 2022, primarily the Automation Operations Fund in the Automation Projects Fund.

- \$164,100 related to excess retained earnings in the IT Fund.
- \$77,500 related to payments made from the Risk Management Revolving Fund in FY 2021 which has federal financial participation.
- \$381,400 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 2023 budget included \$103,277,800 from the General Fund (including \$40,033,000 for university tuition backfill) and \$172,754,300 total funds for a one-time employer premium increase (see Table 1).

ADOA implemented no changes to employee premiums, deductibles, copays, or plan structure for Plan Year 2023.

For FY 2023, the fund is projected to have a cash balance of \$62,600,000. With the removal of the one-time employer premium increase in FY 2024, ADOA projects HITF to have a projected cash shortfall of approximately \$(120,400,000) in FY 2024.

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.

<b>Table 1</b>			
<b>Health Insurance Trust Fund</b>			
	<b>(\$ in M)</b>		
	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>
	<b><u>Actual</u></b>	<b><u>Estimate</u></b>	<b><u>Estimate</u></b>
Beginning Balance	\$56.9	\$ 20.8	\$ 62.6
<u>Revenue</u>			
Baseline Premiums	784.0	791.2	795.2
Coronavirus Relief Fund Reimbursement	28.0	12.6	
Ongoing Employer Increase	36.9		
One-time Employer Increase	0.0	172.9	0.0
<b>Net Revenues</b>	<b>\$848.9</b>	<b>\$976.7</b>	<b>\$795.2</b>
<u>Expenses</u>			
Baseline Medical Expenses	\$879.7	\$929.6	\$972.9
Administration	5.3	5.3	5.3
<b>Net Expenses</b>	<b>\$885.0</b>	<b>\$934.9</b>	<b>\$978.2</b>
<b>Cash Balance</b>	<b>\$ 20.8</b>	<b>\$ 62.6</b>	<b>\$ (120.4)</b>
<b>Ongoing Balance <sup>1/</sup></b>	<b>\$ (64.1)</b>	<b>\$ (143.4)</b>	<b>\$ (183.0)</b>

<sup>1/</sup> Reflects ongoing revenues vs. ongoing expenses

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>Air Quality Fund (ADA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
<b>Purpose of Fund:</b> To pay the cost of air quality research, experiments, education, and programs conducted by or for the department.		
<b>Funds Expended</b>	195,800	928,000
<b>Year-End Fund Balance</b>	742,400	0
<b>Arizona Financial Information System Collections Fund (ADA1234/A.R.S. § 41-740.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> Supplements the cost of operating AFIS.		
<b>Funds Expended</b>	8,565,300	13,385,100
<b>Year-End Fund Balance</b>	5,085,400	2,685,400
<b>Automation Operations Fund (ADA4230/A.R.S. § 41-711)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	24,881,700	31,568,300
<b>Year-End Fund Balance</b>	6,813,700	4,306,000
<b>Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Rental and tenant improvement charges to agencies occupying ADOA owned buildings.		
<b>Purpose of Fund:</b> To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
<b>Funds Expended</b>	14,865,600	19,200,200
<b>Year-End Fund Balance</b>	23,053,400	1,949,300

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Capitol Mall Consolidation Fund (ADA3211/A.R.S. § 41-792.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature. The FY 2019 Budget Procedures Budget Reconciliation Bill (BRB) 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. The FY 2022 Management of State Buildings BRB directs the sale proceeds from the properties at 519 Beale Street in Kingman and 1919 West Jefferson in Phoenix into the fund.		
<b>Purpose of Fund:</b> For repair and renovations of state-owned buildings. Monies in the fund for capital expenses are not displayed in the ADOA operating budget.		
<b>Funds Expended</b>	157,300	0
<b>Year-End Fund Balance</b>	292,000	73,400
<b>Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
<b>Purpose of Fund:</b> To make COP lease-purchase payments on buildings under such agreements.		
<b>Funds Expended</b>	34,622,100	16,212,300
<b>Year-End Fund Balance</b>	7,309,800	5,195,500
<b>Construction Insurance Fund (ADA4219/A.R.S. § 41-622)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To self-insure state construction projects against tort losses from design and construction defects.		
<b>Funds Expended</b>	8,846,900	7,780,800
<b>Year-End Fund Balance</b>	16,839,000	15,558,200
<b>Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To operate the cooperative purchasing program and support its membership list.		
<b>Funds Expended</b>	5,829,000	6,854,400
<b>Year-End Fund Balance</b>	4,364,100	2,760,800
<b>Coronavirus Relief Fund (ADA2975/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	29,098,900	0
<b>Year-End Fund Balance</b>	0	0
<b>Coronavirus State and Local Fiscal Recovery Fund (ADA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	9,452,400	23,473,100
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Corrections Fund (ADA2088/A.R.S. § 41-1641)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Luxury taxes on alcohol and tobacco products.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	559,400	634,600
<b>Year-End Fund Balance</b>	(559,400)	(1,194,000)
<b>Cyber Risk Insurance Fund (ADA4217/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The FY 2023 budget transferred \$24,624,400 from the Risk Management Revolving Fund in FY 2023 into the Cyber Risk Insurance Fund for FY 2023 and FY 2024 costs. Beginning in FY 2025, revenues may include actuarial charges assessed to state agencies, boards, and commissions insured under the state's risk management system.		
<b>Purpose of Fund:</b> To pay claim costs and administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits for Cyber Security.		
<b>Funds Expended</b>	0	21,587,200
<b>Year-End Fund Balance</b>	0	3,037,200
<b>Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	20,121,300	21,931,300
<b>Year-End Fund Balance</b>	14,140,100	11,708,800
<b>Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
<b>Purpose of Fund:</b> To administer state employee benefit plans and pay non-health insurance premiums.		
<b>Funds Expended</b>	36,252,500	35,998,300
<b>Year-End Fund Balance</b>	1,964,500	1,642,800
<b>Federal Grants (ADA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants, including pass through grants from several agencies.		
<b>Purpose of Fund:</b> To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects.		
<b>Funds Expended</b>	1,314,800	928,900
<b>Year-End Fund Balance</b>	1,706,800	0
<b>Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal surplus property service and handling fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	468,500
<b>Year-End Fund Balance</b>	15,000	(453,500)

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Governor's Emergency Education Relief Fund (ADA2980/U.S. P.L. 116-136)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,079,600	2,874,500
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (ADA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute various intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	21,757,100	91,777,600
<b>Year-End Fund Balance</b>	17,070,200	51,600
<b>Information Technology Fund (ADA2152/A.R.S. § 18-401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A pro rata share of 0.61% 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).		
<b>Purpose of Fund:</b> Provides personnel funding for statewide information technology planning, coordinating, oversight, and consulting. Additionally, monies from the IT Fund also support the operation of the Statewide Information Security and Privacy Office (SISPO) in the Arizona Department of Homeland Security. Balances reflect transfers into the Automation Projects Fund. (See the Automation Projects Fund page for more details.)		
<b>Funds Expended</b>	8,165,600	2,292,000
<b>Year-End Fund Balance</b>	6,991,600	6,703,600
<b>Legislative, Executive, and Judicial Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State trust land lease revenues.		
<b>Purpose of Fund:</b> To support state Legislative, Executive, and Judicial buildings. Monies appropriated for capital expenses are not displayed in the ADOA operating budget.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,704,700	4,588,500
<b>Payroll Administration Fund (ADA9200/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	102,500	166,300
<b>Year-End Fund Balance</b>	163,300	95,000
<b>Personnel Division Fund (ADA1107/A.R.S. § 41-750)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 0.83% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
<b>Purpose of Fund:</b> To operate the ADOA Human Resources Division.		
<b>Funds Expended</b>	11,618,800	13,779,500
<b>Year-End Fund Balance</b>	4,849,000	3,998,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	15,734,900	17,106,500
<b>Year-End Fund Balance</b>	8,593,600	9,487,100
<b>Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits.		
<b>Funds Expended</b>	76,472,600	93,500,700
<b>Year-End Fund Balance</b>	125,095,600	115,438,300
<b>School Safety Interoperability Fund (ADA3076/A.R.S. § 41-1733)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> 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. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. The FY 2023 Automation Budget Reconciliation Bill (BRB) transferred this fund from the State Treasurer to ADOA in FY 2023.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Employer and employee medical and dental insurance contributions.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,510,800	5,719,900
<b>Year-End Fund Balance</b>	20,775,400	62,337,800
<b>Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Employer and employee medical and dental insurance contributions.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	852,491,100	916,667,500
<b>Year-End Fund Balance</b>	20,775,400	62,337,800
<b>Special Events Fund (ADA2503/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Set-up fees for special events on state property.		
<b>Purpose of Fund:</b> To set up special events on state property.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	19,100	19,100

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Payments by agencies using administrative services offered by ADOA.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	665,700	1,257,300
<b>Year-End Fund Balance</b>	252,500	(277,600)
<b>Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Payments by agencies using administrative services offered by ADOA.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	728,400	700,000
<b>Year-End Fund Balance</b>	252,500	(277,600)
<b>State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
<b>Purpose of Fund:</b> To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
<b>Funds Expended</b>	277,300	534,800
<b>Year-End Fund Balance</b>	1,139,100	1,139,300
<b>State Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
<b>Purpose of Fund:</b> For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall. Laws 2022, Chapter 357 transferred the fund to Legislative Council.		
<b>Funds Expended</b>	1,500	0
<b>Year-End Fund Balance</b>	236,000	0
<b>State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State surplus property sales revenues.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,880,400	3,064,600
<b>Year-End Fund Balance</b>	1,325,800	811,200
<b>State Web Portal Fund (ADA2531/A.R.S. § 18-421)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	5,981,300	6,798,300
<b>Year-End Fund Balance</b>	9,284,600	11,686,300
<b>Statewide Donations Fund (ADA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Employee donations and other miscellaneous deposits.		
<b>Purpose of Fund:</b> Employee donations are used to recognize outstanding employees.		
<b>Funds Expended</b>	4,700	0
<b>Year-End Fund Balance</b>	900	0



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Telecommunications Fund (ADA4231/A.R.S. § 41-713)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Administrative surcharges on telecommunications services for agencies and other political entities.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,570,800	1,814,000
<b>Year-End Fund Balance</b>	1,545,000	1,483,000
<b>Text to 911 Services Fund (ADA2177/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies transferred from the Emergency Telecommunications Service Revolving Fund.		
<b>Purpose of Fund:</b> To provide grants to political subdivisions of the state for text-to-911 services.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	901,200	732,200
<b>Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Penalties and fees collected for traffic and parking violations on state property.		
<b>Purpose of Fund:</b> To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
<b>Funds Expended</b>	1,600	0
<b>Year-End Fund Balance</b>	2,500	2,500
<b>Transparency Website Fund (ADA2955/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges to local governments that utilize the state's transparency website, Arizona OpenBooks.		
<b>Purpose of Fund:</b> To maintain the transparency website for public use.		
<b>Funds Expended</b>	26,000	0
<b>Year-End Fund Balance</b>	37,900	37,900
<b>VW Diesel Emissions Environment Mitigation Trust Fund (ADA3917/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support eligible air pollution mitigation activities.		
<b>Funds Expended</b>	0	119,000
<b>Year-End Fund Balance</b>	119,000	0

## Arizona Department of Administration - Automation Projects Fund

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>INDIVIDUAL PROJECTS <sup>1/2/</sup></b>			
<b>Department of Administration Subaccount</b>			
Business One-Stop Shop Web Portal	1,932,300	15,614,300	0
K-12 School Financial Transparency Reporting Portal <sup>3/</sup>	564,400	1,500,000	1,500,000
State Data Center	234,400	0	0
<b>Department of Administration Subtotal</b>	<b>2,731,100</b>	<b>17,114,300</b>	<b>1,500,000</b>
<b>Human Resources Information System Subaccount</b>			
HRIS Replacement	0	22,397,800	20,647,800
<b>Department of Agriculture Subaccount</b>			
IT Projects and Cloud Migration	0	2,000,000	0
<b>Charter School Board Subaccount</b>			
Charter School Board Online Platform	82,800	0	0
<b>Department of Child Safety Subaccount</b>			
CHILDS Replacement	1,934,500	0	0
<b>Department of Economic Security Subaccount</b>			
Child Care Management System	24,100	0	0
<b>Department of Education Subaccount</b>			
Education Learning and Accountability System	2,049,100	0	0
<b>Department of Gaming Subaccount</b>			
Tribal Gaming Certification e-Licensing	572,600	0	0
<b>Industrial Commission of Arizona Subaccount</b>			
IT System Upgrades	457,100	0	0
<b>State Board of Psychologist Examiners Subaccount</b>			
e-licensing System Modifications	0	0	0
<b>Department of Public Safety Subaccount</b>			
Concealed Weapons Tracking System	0	0	0
<b>Department of Revenue Subaccount</b>			
Integrated Tax System Modernization <sup>4/</sup>	0	15,819,800	19,369,400
<b>Secretary of State Subaccount</b>			
Electronic Record Storage Study	0	300,000	0
<b>Department of Water Resources Subaccount</b>			
Application Modernization and Integration	0	1,700,000	0
<b>TOTAL - ALL PROJECTS</b>	<b>7,851,300</b>	<b>59,331,900</b>	<b>41,517,200<sup>5/6/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Department of Administration Subaccount	2,731,100	17,114,300	1,500,000
Human Resources Information System Subaccount	0	22,397,800	20,647,800
Department of Agriculture Subaccount	0	2,000,000	0
Charter School Board Subaccount	82,800	0	0
Department of Child Safety Subaccount	1,934,500	0	0
Department of Economic Security Subaccount	24,100	0	0

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
Department of Education Subaccount	2,049,100	0	0
Department of Gaming Subaccount	572,600	0	0
Industrial Commission of Arizona Subaccount	457,100	0	0
State Board of Psychologist Examiners Subaccount	0	0	0
Department of Public Safety Subaccount	0	0	0
Department of Revenue Subaccount	0	15,819,800	19,369,400
Secretary of State Subaccount	0	300,000	0
Department of Water Resources Subaccount	0	1,700,000	0
SUBTOTAL - Other Appropriated Funds	7,851,300	59,331,900	41,517,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,851,300</b>	<b>59,331,900</b>	<b>41,517,200<sup>2/</sup></b>
<b>TOTAL - ALL SOURCES</b>	<b>7,851,300</b>	<b>59,331,900</b>	<b>41,517,200</b>

**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 2* for all fund transfers into the APF. These individual transfers are discussed in the narrative as part of the individual projects listed in the Automation Projects Fund.
- 2/ Represents expenditures from the APF. Because many of the APF appropriations are spent over multiple years, the FY 2022 actual column also includes non-lapsing expenditures from prior year 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/ The monies appropriated in this subsection shall be spent for an integrated tax system modernization project that meets the following minimum specifications:
  1. Captures data fields from electronically-filed individual and corporate income tax returns and makes the data available for querying and reporting purposes. The system shall provide the department of revenue staff, the joint legislative budget committee staff and governor's office of strategic planning and budgeting staff direct access to the querying and reporting functions. The querying and reporting functions shall include procedures to protect taxpayer confidentiality under applicable state and federal law.
  2. For electronic corporate income tax returns, captures information regarding the principal business activity of the corporation. This requirement may be satisfied through North American industry classification system data listed on federal tax forms. The tax system shall allow for querying and reporting based on principal business activity.
  3. Includes an integrated individual income tax model within the project and provides the department of revenue staff, the joint legislative budget committee staff and governor's office of strategic planning and budgeting staff direct access to the individual income tax model. At a minimum, the model shall allow the department of revenue staff, the joint legislative budget committee staff and governor's office of strategic planning and budgeting staff to adjust tax law parameters against an anonymized representative sample of income tax returns to estimate the fiscal impact of proposed tax legislation. The model shall only include data from state and federal tax returns that are captured

by the tax system. The individual income tax model shall include procedures to protect taxpayer confidentiality under applicable state and federal law.

4. Makes individual and corporate income tax data available for querying, modeling and reporting within twenty-four months following the end of a tax year.

Before awarding any procurement contract for the tax system, the department of revenue shall submit a report addressing the project specifications contained in this subsection for review by the joint legislative budget committee. (General Appropriation Act footnote)

- 5/ The amount appropriated pursuant to this section from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2023-2024 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (General Appropriation Act footnote)
- 6/ 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)
- 7/ 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 2024 for the Business One-Stop Shop Web Portal. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(15,614,300) from the ADOA APF Subaccount in FY 2024 to remove one-time

design costs associated with phase 2 development of a Business One-Stop Web Portal.

The FY 2020 budget included \$1,000,000 for initial design and a pilot of the Business One-Stop Web Portal. The FY 2022 budget included \$7,758,900, transferred from ADOA's Other Appropriated Funds, to complete the development for functionality for any business to plan or start operations in Arizona. ADOA reported that phase 1 features began to be released to the public in October 2022.

The FY 2023 appropriation was financed from the General Fund and will be used for phase 2 of the system which will add functionality to "manage" a business in Arizona, by adding a dashboard which allows businesses to register users, connect accounts to existing businesses, update user information, register or cancel a license, apply for a tax license, register a trade name or trademark, reserve an LLC name, and procure a certificate of good standing. In September 2022, the JLBC gave a favorable review of ADOA's plan to use unspent phase 1 funding to begin developing phase 2 of the project.

#### **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. This amount is unchanged from FY 2023.

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 included 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 2024 General Appropriation Act. These appropriations are non-lapsing through FY 2025.

### **State Data Center**

The Baseline includes no funding in FY 2024 for the ADOA State Data Center. This amount is unchanged from FY 2023.

The FY 2022 budget included an appropriation to relocate the ADOA state data center in Tucson to a third-party location. The \$2,000,000 appropriation was financed by a transfer from the APF fund balance to the ADOA APF Subaccount. The FY 2022 funds are non-lapsing through FY 2023 and ADOA expects the project to be completed in FY 2023.

### **Human Resources Information System Subaccount**

#### **HRIS Replacement**

The Baseline includes \$20,647,800 from the Human Resources Information System (HRIS) APF Subaccount in FY 2024 for the HRIS Replacement project. Adjustments are as follows:

##### **HRIS Replacement Funding Alignment**

The Baseline includes a decrease of \$(1,750,000) from the HRIS APF Subaccount in FY 2024 for development costs associated with the first year of the HRIS replacement project.

The FY 2023 appropriation was financed via a proportional pro rata charge to state agencies. Agencies were allocated additional resources as a statewide adjustment to pay the fee. Of the \$22,397,800, \$8,011,400 is from the General Fund and \$12,636,400 is charged to other appropriated and non-appropriated agency funds. The remaining \$1,750,000 was intended to be transferred from the balance of ADOA's Personnel Division Fund into the HRIS APF Subaccount. The Baseline includes a supplemental FY 2023 transfer of \$1,750,000 from the Personnel Division Fund.

The FY 2024 Baseline continues the proportional pro rata charge to state agencies with a reduction of \$(1,750,000) which was charged to the balance of the Personnel Division Fund.

HRIS is the state's central hub for salary and benefit administration, employee records, time and leave management, and other workforce data. The FY 2023 budget assumed that total project costs would be \$68,000,000 over 3 years. In July 2022, ADOA awarded a contract for the project and reduced the total project costs to \$44,166,800.

### **Department of Agriculture Subaccount**

#### **IT Projects and Cloud Migration**

The Baseline includes no funding in FY 2024 for IT projects and cloud migration at the Department of Agriculture. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(2,000,000) from the Department of Agriculture Subaccount in FY 2024 to remove one-time funding for IT projects and cloud migration.

The FY 2023 funding continued the department's efforts to modernize its IT systems and move the systems to the cloud. The FY 2023 appropriation was financed from the General Fund.

### **Charter School Board Subaccount**

#### **Charter School Board Online Platform**

The Baseline includes no funding in FY 2024 for the Charter School Board Online Platform. This amount is unchanged from FY 2023.

The FY 2022 budget appropriated \$614,100 to the board 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. The FY 2022 funds are non-lapsing through FY 2023 and the board expects the new system to be completed in FY 2023.

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**Department of Economic Security Subaccount**

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**Child Care Management System**

The Baseline includes no funding in FY 2024 for the Department of Economic Security (DES) Child Care Management System. This amount is unchanged from FY 2023.

The FY 2022 budget included \$9,000,000 from the DES APF Subaccount to update the Child Care Management System. The Child Care Management Software (CCMS) system allows the department and its contract child care providers to track finances, enrollment, attendance, and reporting. The FY 2022 appropriation was financed by a transfer from the federal Child Care Development Fund Block Grant to the DES APF Subaccount.

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.

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**Department of Education Subaccount**

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**Education Learning and Accountability System**

The Baseline includes no funding in FY 2024 for the Arizona Department of Education (ADE) Education Learning and Accountability System (ELAS). This amount is unchanged from FY 2023.

The FY 2022 budget appropriated \$7,200,000 from the ADE APF Subaccount to complete the ELAS project. 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.)*

The FY 2022 appropriation included \$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 2023 General Appropriation Act extended the lapsing date of the FY 2022 appropriation through FY 2024. At the July 2022 JLBC meeting, the Committee completed its review of the project's total appropriations. ADE reports that the project is on track for completion near the end of FY 2023.

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**Industrial Commission of Arizona Subaccount**

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**IT System Upgrades**

The Baseline includes no funding in FY 2024 for the Industrial Commission of Arizona's (ICA) IT System Upgrades. This amount is unchanged from FY 2023.

The FY 2022 budget included \$1,067,700 from the Industrial Commission of Arizona APF Subaccount for IT system upgrades at the ICA. 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 Industrial Commission of Arizona APF Subaccount. The FY 2022 budget exempted the project from JLBC review. The FY 2022 funds are non-lapsing through FY 2023. ITAC approved the project in March 2022 and the ICA reports that the project will be complete by the end of FY 2023.

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**Board of Psychologist Examiners Subaccount**

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**e-Licensing System Modifications**

The Baseline includes no funding in FY 2024 for modifications to the Board of Psychologist Examiners e-licensing system. This amount is unchanged from FY 2023.

The FY 2022 budget included \$20,000 from the Board of Psychologist Examiners APF Subaccount for modifications to the board's e-licensing system. The board uses the statewide e-licensing system operated by ADOA. In FY 2023, the board transitioned to a different e-licensing system along with several other regulatory boards and they now plan to use the funding to enhance the new e-licensing system.

The FY 2022 appropriation was financed by a transfer from the Board of Psychologist Examiners Fund to the Board of Psychologist Examiners APF Subaccount. The FY 2022 funds are non-lapsing through FY 2023.

**Department of Public Safety Subaccount**

**Concealed Weapons Tracking System**

The Baseline includes no funding in FY 2024 for upgrades to the Department of Public Safety Concealed Weapons Tracking System. This amount is unchanged from FY 2023.

The FY 2022 budget included \$550,000 from the DPS APF Subaccount to complete upgrades to the Concealed Weapons Tracking System. The FY 2022 funds are non-lapsing through FY 2023.

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.)*

**Department of Revenue Subaccount**

**Integrated Tax System Modernization**

The Baseline includes \$19,369,400 from the Department of Revenue (DOR) APF Subaccount in FY 2024 for the DOR's development of a new integrated tax system. Adjustments are as follows:

**Second-Year Development costs**

The Baseline includes an increase of \$3,549,600 from the DOR APF Subaccount in FY 2024 for the development of a new integrated tax system modernization project. The FY 2024 Baseline funding level is included in the FY 2023 budget's 3-year spending plan.

The FY 2024 appropriation will be financed by a transfer from the following funds to the DOR APF Subaccount:

- \$11,794,100 from the General Fund
- \$7,575,300 from the Integrated Tax System Project Fund. The Integrated Tax System Project Fund consists of monies recovered from local partners and tax authorities that will benefit from the system.

Based on estimates of states that have recently built new systems, DOR estimates the system will cost \$104,827,700 and anticipates that the system will be completed across FY 2023 to FY 2028 with different taxes coming online each year. The budget presumes a total General Fund cost of \$63,829,700. The remaining \$40,997,900 is to be

appropriated from the Integrated Tax System Project Fund as show in *Table 1*.

As part of the Executive's 6-year spending proposal, the General Fund costs for this project are projected to increase by \$2,161,400 in FY 2024 above FY 2023, and by \$53,200 in FY 2025 above FY 2024, with subsequent years' changes as shown in *Table 1*.

The \$40,997,900 from the Integrated Tax System Project Fund will be funded by assessments to counties, cities, towns, regional transportation authorities, councils of governments, the 16% recreational marijuana tax, and the 0.6% education sales tax. The Baseline, as session law, would continue to outline the process for setting these charges. *(For discussion of how these fees are assessed, please see the Statutory Changes in the Department of Revenue narrative or Other Issues in the Counties section.)*

The Baseline, as session law, limits the amount to be charged to all counties, cities, towns, Council of Governments and the regional transportation authorities to \$6,597,200 for FY 2024. The amounts charged to individual localities will depend on their population as of the last census, and the distribution of revenues 2 years prior to the current fiscal year. The amount charged to the 16% recreational marijuana excise tax and the 0.6% education sales tax are not to exceed \$178,100 and \$800,000, respectively, in FY 2024. In future years, these limits will be adjusted in session law to allow for the collection of the expected future contributions from the Integrated Tax System Project Fund as shown in *Table 1*.

**Table 1**

	<b>Integrated Tax Modernization Costs</b>	
	<u>General Fund</u>	<u>Integrated Tax System Project Fund</u>
FY 2023	\$9,632,700	\$6,187,100
FY 2024	11,794,100	7,575,300
FY 2025	11,847,300	7,609,500
FY 2026	11,725,500	7,531,300
FY 2027	11,238,400	7,218,400
FY 2028	<u>7,591,700</u>	<u>4,876,300</u>
<b>Total</b>	<b>\$63,829,700</b>	<b>\$40,997,900</b>

The Baseline continues a session law requiring DOR to submit a report on meeting project specifications to JLBC for review prior to completing the procurement process and details the following system requirements for the project:

- Capturing data fields from electronically-filed individual and corporate income tax returns and make the data available for querying and reporting purpose.
- For electronic corporate income tax returns, capturing information regarding the principal business activity of the corporation. This requirement may be satisfied through North American Industry Classification System data listed on federal tax forms. The tax system shall allow for querying and reporting based on principal business activity.
- Including an integrated tax model within the project that will be accessible to DOR, JLBC, and OSPB Staff to adjust tax law parameters against an anonymized sample of income tax returns to estimate the fiscal impact of proposed tax legislation. The model shall include procedures to protect taxpayer anonymity.
- The system shall make individual and corporate income tax data available for querying, modeling, and reporting within 24 months following the end of a tax year.

The FY 2023 Procurement BRB included session law requiring DOR to review any bid from a vendor who has developed, in whole or in part, of similar size and complexity of the DOR tax system. In soliciting bids, DOR may not include any mandatory minimum requirements. DOR has not yet solicited bids for the new system. At the September 2022 JLBC meeting, the Committee gave DOR a favorable review for initial scoping and procurement costs totaling \$870,900. As of December 2022, DOR has not yet solicited any bids for the new system.

*(For additional information on the funding of the project and statutory changes related to funding this project, please see the Department of Revenue narrative.)*

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**Secretary of State Subaccount**

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**Electronic Record Storage Study**

The Baseline includes no funding in FY 2024 for an electronic record storage feasibility study. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease \$(300,000) from the Secretary of State APF Subaccount in FY 2024 to remove one-time electronic record storage feasibility study funding.

The FY 2023 funding will be used to conduct a feasibility study on how the Secretary of State shall preserve

electronic records on behalf of the state in a self-sustaining manner similar to physical record storage.

The FY 2023 appropriation was financed from a transfer from the Records Services Fund.

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**Department of Water Resources Subaccount**

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**Application Modernization and Integration**

The Baseline includes no funding in FY 2024 to update the department's applications. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(1,700,000) from the DWR APF Subaccount in FY 2024 to remove one-time funding for application modernization.

The modernized applications and portal will centralize data, reduce manual data entry by department staff, reduce the processing time of application, and allow applicants for DWR permits and licenses to submit and follow-up on their applications online.

The FY 2023 appropriation will be financed from a transfer from the Water Resources Fund

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**Other Issues**

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**FY 2023 Supplemental**

The Baseline includes a one-time supplemental transfer of \$1,750,000 from the Personnel Division Fund to the HRIS APF subaccount for the HRIS replacement project. This amount was intended to be transferred in the FY 2023 General Appropriations Act.

**Long-Term Budget Impacts**

As part of the budget's 3-year spending plan, the General Fund deposits into the APF costs are projected to increase \$53,200 in FY 2025 above FY 2024 and decrease by \$(8,132,800) in FY 2026 below FY 2025. These estimates are based on:

HRIS Replacement

The long-term estimates assume funding for HRIS replacement will remain the same in FY 2025 from FY 2024 and decline by \$(8,011,000) in FY 2026 below FY 2026 for the completion of the project.



DOR Integrated Tax System Modernization

The long-term estimates assume funding for the DOR Integrated Tax System modernization project will increase by \$53,200 in FY 2025 above FY 2024 and decrease by \$(121,800) in FY 2026 below FY 2025.

**Subaccount Balance Transfers**

The FY 2023 Automation BRB modified permanent law to allow ADOA to transfer unspent APF subaccount funding back to the fund of origin at the completion of an information technology project. ADOA is required to annually report on transfers. In FY 2023, ADOA reported the following transfers:

	<u>Transfer Amount</u>
<u>General Fund</u>	
Department of Agriculture	\$ 51,000
<u>Other Appropriated Funds</u>	
Department of Administration	
Automation Operations Fund	587,100
Department of Education	
Empowerment Scholarship Fund	57,700
Department Environmental Quality	
Underground Storage Tank	
Revolving Fund	199,100
Department of Gaming	
Arizona Benefits Fund	277,400
Department of Public Safety	
Highway Patrol Fund	875,200

Table 2

## Automation Projects Fund Transfers

(\$ in thousands)

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<u>Department of Administration Subaccount</u>			
General Fund	3,000.0	17,114.3	1,500.0
Automation Projects Fund	2,000.0		
Automation Operations Fund	4,758.9		
State Web Portal Fund	3,000.0		
<u>HRIS Subaccount</u>			
General Fund		8,011.4	8,011.4
Other Agency Funds		12,636.4	12,636.4
Personnel Division Fund		1,750.0 <sup>2/</sup>	
<u>Department of Agriculture Subaccount</u>			
General Fund		2,000.0	
<u>Charter School Board Subaccount</u>			
General Fund	614.1		
<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		
<u>Secretary of State Subaccount</u>			
Record Services Fund		300.0	
<u>Department of Revenue Subaccount</u>			
General Fund		9,632.7	11,794.1
Integrated Tax System Project Fund		6,187.1	7,575.3
<u>Department of Water Resources</u>			
Water Resources Fund		1,700.0	
<b>General Fund Subtotal</b>	<b>3,614.1</b>	<b>36,758.4</b>	<b>21,305.5</b>
<b>Other Appropriated Fund Subtotal</b>	<b>28,446.6</b>	<b>22,573.5</b>	<b>20,211.7</b>
<b>Total</b>	<b>32,060.7 <sup>1/</sup></b>	<b>59,331.9</b>	<b>41,517.2</b>

<sup>1/</sup> The FY 2022 column of numbers are transfers, not actuals, and therefore may not match the FY 2022 Actual column in the Budget table above.

<sup>2/</sup> Supplemental transfer in JLBC Baseline.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Automation Projects Fund (ADA2566/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Prior Year Appropriations Expended</b>	0	0
<b>Year-End Fund Balance</b>	17,600	17,600
<b>Department of Administration Automation Projects Fund Subaccount (ADA9966/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Administration.		
<b>Funds Expended</b>	2,731,100	17,114,300
<b>Prior Year Appropriation Expended</b>	0	10,614,900
<b>Year-End Fund Balance</b>	10,614,900	0
<b>ADOA Human Resources Information System Automation Projects Fund Subaccount (ADA9968/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Administration (Human Resources Information System Replacement)		
<b>Funds Expended</b>	0	22,397,800
<b>Year-End Fund Balance</b>	0	0
<b>Department of Agriculture Automation Projects Fund Subaccount (ADA9974/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Agriculture.		
<b>Funds Expended</b>	0	2,000,000
<b>Prior Year Appropriation Expended</b>		0
<b>Year-End Fund Balance</b>	51,000	0
<b>Charter School Board Automation Projects Fund Subaccount (ADA9991/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Charter School Board.		
<b>Funds Expended</b>	82,800	0
<b>Prior Year Appropriation Expended</b>	0	531,300
<b>Year-End Fund Balance</b>	531,300	0
<b>Department of Child Safety Automation Projects Fund Subaccount (ADA9967/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Child Safety.		
<b>Funds Expended</b>	0	0
<b>Prior Year Appropriation Expended</b>	1,934,500	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Department of Economic Security Automation Projects Fund Subaccount</b> (ADA9989/A.R.S. § 41-714)		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Economic Security.		
<b>Funds Expended</b>	24,100	0
<b>Prior Year Appropriation Expended</b>	0	8,975,900
<b>Year-End Fund Balance</b>	8,975,900	0
<b>Department of Education Automation Projects Fund Subaccount (ADA9975/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Education.		
<b>Funds Expended</b>	1,903,100	0
<b>Prior Year Appropriation Expended</b>	146,000	5,296,900
<b>Year-End Fund Balance</b>	5,296,900	0
<b>Department of Gaming Automation Projects Fund Subaccount (ADA9981/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Gaming.		
<b>Funds Expended</b>	572,600	0
<b>Prior Year Appropriation Expended</b>	0	0
<b>Year-End Fund Balance</b>	277,400	0
<b>Industrial Commission of Arizona Automation Projects Fund Subaccount</b> (ADA9990/A.R.S. § 41-714)		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Industrial Commission of Arizona.		
<b>Funds Expended</b>	457,100	0
<b>Prior Year Appropriation Expended</b>	0	610,600
<b>Year-End Fund Balance</b>	610,600	0
<b>State Board of Psychologist Examiners Automation Projects Fund Subaccount</b> (ADA9992/A.R.S. § 41-714)		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the State Board of Psychologist Examiners.		
<b>Funds Expended</b>	0	0
<b>Prior Year Appropriation Expended</b>	0	20,000
<b>Year-End Fund Balance</b>	20,000	0
<b>Department of Public Safety Automation Projects Fund Subaccount (ADA9964/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Public Safety.		
<b>Funds Expended</b>	0	0
<b>Prior Year Appropriation Expended</b>	0	550,000
<b>Year-End Fund Balance</b>	1,425,200	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Department of Revenue Automation Projects Fund Subaccount (ADA9978/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Revenue		
<b>Funds Expended</b>	0	15,819,800
<b>Year-End Fund Balance</b>	0	0
<b>Secretary of State Automation Projects Fund Subaccount (ADA9982/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Secretary of State.		
<b>Funds Expended</b>	0	300,000
<b>Year-End Fund Balance</b>	0	0
<b>Department of Water Resources Automation Projects Fund Subaccount (ADA9993/A.R.S. § 41-714)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature.		
<b>Purpose of Fund:</b> To implement, upgrade, or maintain automation and information technology projects at the Department of Water Resources.		
<b>Funds Expended</b>	0	1,700,000
<b>Year-End Fund Balance</b>	0	0

## Arizona Department of Administration - School Facilities Division

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	856,300	1,104,400	1,104,400
Employee Related Expenditures	312,700	432,000	432,000
Professional and Outside Services	209,900	54,000	54,000
Travel - In State	10,100	25,000	25,000
Travel - Out of State	500	0	0
Other Operating Expenditures	206,300	31,700	31,700
<b>OPERATING SUBTOTAL</b>	<b>1,595,800</b>	<b>1,647,100</b>	<b>1,647,100</b>
<b>SPECIAL LINE ITEMS</b>			
New School Facilities (FY 2021 Authorizations)	11,730,900	0	0
New School Facilities (FY 2022 Authorizations)	76,881,700	47,950,000	0
New School Facilities (FY 2023 Authorizations)	0	48,253,900	31,753,900 <sup>1/</sup>
New School Facilities (FY 2024 Authorizations)	0	0	92,766,300 <sup>2/</sup>
Retroactive Rate Increases	63,526,200	0	0
Yuma Union High School	16,515,200	16,515,200	0
Kirkland Elementary Replacement School	3,000,000	0	0
Kirkland Site Conditions	0	400,000	0
New School Facilities Debt Service	9,938,100	9,938,100	9,938,100 <sup>3/4/</sup>
Building Renewal Grants	200,617,000	199,967,900	16,667,900
<b>AGENCY TOTAL</b>	<b>383,804,900</b>	<b>324,672,200</b>	<b>152,773,300 <sup>5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	383,804,900	324,672,200	152,773,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>383,804,900</b>	<b>324,672,200</b>	<b>152,773,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>383,804,900</b>	<b>324,672,200</b>	<b>152,773,300</b>

**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 2022, Chapter 313 appropriated \$31,753,900 from the General Fund in FY 2024 for the New School Facilities FY 2023 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 division of school facilities on or before December 15, 2022. (General Appropriation Act footnote)
- 3/ At least thirty days before any monies are transferred out of the new school facilities debt service line item, the division of school facilities shall report the proposed transfer to the director of the joint legislative budget committee. (General Appropriation Act footnote)
- 4/ Pursuant to section 35-142.01, Arizona Revised Statutes, any reimbursement received by or allocated to the division of school facilities under the federal qualified school construction bond program in fiscal year 2023-2024 shall be deposited in or revert to the state general fund. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by division.

**Operating Budget**

The Baseline includes \$1,647,100 and 17 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

**New School Facilities**

The Baseline includes \$124,520,200 from the General Fund in FY 2024 for New School Facilities, which is an increase of \$11,401,100 from FY 2023. The funding amount for New School Facilities includes the following:

- \$31,753,900 for the remaining 50% of construction funding to complete 3 projects which were authorized to begin construction in FY 2023.
- \$92,766,300 for land costs and the first 50% of construction costs for 8 projects authorized to begin construction in FY 2024. This amount includes \$13,985,000 for land, \$78,663,400 for construction, and \$117,900 for demolition.

All new school construction is labeled as one-time spending rather than ongoing spending. (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 13, 2022 meeting, the JLBC approved a 7.27% adjustment in the cost per square foot. This inflation adjustment is based on measure of construction costs since December 2021 when the Committee last adopted an adjustment. This adjustment applies to the FY 2024 projects approved by the division. (See Table 1)

Type of School	Per Student	Funding Per Square Foot
K-6	90	\$309.11
7-8	100	\$326.34
9-12 (<1,800 pupils)	134	\$377.80
9-12 (≥1,800 pupils)	125	\$377.80

<sup>1/</sup> Increased by 5% for rural school districts.  
<sup>2/</sup> Adjusted annually for inflation in subsequent years.

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.

**New School Facilities (FY 2022 Authorization)**

The Baseline includes no funding in FY 2024 for New School Facilities projects which are authorized to start construction in FY 2022. Adjustments are as follows:

**New School Funding Completion**

The Baseline includes a decrease of \$(47,950,000) from the General Fund in FY 2024 for the completion of the following 5 projects:

- 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.

**New School Facilities (FY 2023 Authorization)**

The Baseline includes \$31,753,900 from the General Fund in FY 2024 for New School Facilities projects which were authorized to start construction in FY 2023. Adjustments are as follows:

**Continue New School Construction Projects**

The Baseline includes a decrease of \$(16,500,000) from the General Fund in FY 2024 to continue construction for 3 new school projects authorized to start construction in FY 2023. The enacted FY 2023 budget included 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.

In addition, the FY 2023 General Appropriation Act appropriated the remaining \$31,753,900 of funding in FY 2024 for these projects. As a result, these monies will not appear in the FY 2024 General Appropriation Act.

#### **New School Facilities (FY 2024 Authorization)**

The Baseline includes \$92,766,300 from the General Fund in FY 2024 for New School Facilities projects which are authorized to start construction in FY 2024. Adjustments are as follows:

##### **Begin New School Construction Projects**

The Baseline includes an increase of \$92,766,300 from the General Fund in FY 2024 for new projects. These school districts are projected to be at capacity in FY 2025 or before. The Baseline assumes 50% of construction costs and 100% of land costs for each project will be appropriated in FY 2024, except for the Glendale project which would be funded 100% in FY 2024 due to its small size. The projects are as follows:

- Agua Fria (9-12) – for a new high school including land
- Glendale (K-8) – for replacement space including demolition with 100% of the costs funded in FY 2024.
- Liberty (K-8) – for a new elementary school including land.
- Queen Creek (K-6) – for an elementary school addition.
- Queen Creek (K-6) – for a new elementary school including land.
- Queen Creek (7-8) – for a middle school addition.
- Saddle Mountain (9-12) – for a high school addition.
- Snowflake (9-12) – for a new high school including land.

#### **Yuma Union High School**

The Baseline includes no funding in FY 2024 for a new high school in the Yuma Union High School District. Adjustments are as follows:

##### **New School Funding Completion**

The Baseline includes a decrease of \$(16,515,200) from the General Fund in FY 2024 for the completion of the Yuma Union High School District project.

#### **Kirkland Site Conditions**

The Baseline includes no funding in FY 2024 for Kirkland Site Conditions. Adjustments are as follows:

##### **Remove One-Time Site Conditions Funding**

The Baseline includes a decrease of \$(400,000) from the General Fund in FY 2024 to eliminate one-time funding for site conditions related to the Kirkland Elementary School replacement project. This funding is in addition to the \$3,000,000 appropriated in FY 2022 to replace the school.

#### **New School Facilities Debt Service**

The Baseline includes \$9,938,100 from the General Fund in FY 2024 for New School Facilities Debt Service. This amount is unchanged from FY 2023.

*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 2024 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 2024 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.

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#### **Other Programs**

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#### **Building Renewal Grants**

The Baseline includes \$16,667,900 from the General Fund in FY 2024 for Building Renewal Grants. Adjustments are as follows:

##### **Eliminate One-Time Funding**

The Baseline includes a decrease of \$(183,300,000) from the General Fund in FY 2024 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.)

*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.

In FY 2025, new school construction spending is projected to increase by \$60,739,300. In addition, FY 2026 new school construction spending is projected to increase by \$22,902,400 above FY 2025. (See Table 3)

<u>Fiscal Year</u>	<u>Ongoing</u>	<u>One-Time</u>
2013	2,667,900	0
2014	16,667,900	0
2015	16,667,900	0
2016	16,667,900	15,000,000
2017	16,667,900	15,000,000
2018	16,667,900	27,167,900
2019	16,667,900	59,417,900
2020	16,667,900	90,790,900
2021	16,667,900	129,591,100
2022	16,667,900	183,949,100
2023	16,667,900	183,300,000

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 2025 and FY 2026 reflect SFD conceptual approvals as of December 2022.

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.

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.

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***Other Issues***

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***Long-Term Budget Impacts***

As part of the Baseline's 3-year spending plan, SFD's General Fund costs are projected to increase by \$60,739,300 in FY 2025 above FY 2024 and increase by \$22,902,400 in FY 2026 above FY 2025. 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 2025 for the schools which were authorized to begin construction in FY 2024; and 2) Conceptual approvals made by SFD as part of the agencies' long-term planning process.

Table 3

Long-Term New School Facilities Funding

	Type	Sq. Ft.	Rate	Student Capacity	FY 2023	FY 2024	FY 2025	FY 2026
<b><u>FY 2022 Authorizations</u></b>								
Liberty K-8	New	73,920	\$ 273.81	800	\$ 10,120,100			
Queen Creek 9-12	New	120,375	\$ 330.30	963	19,880,000			
Sahuarita 9-12	New	55,375	\$ 330.30	443	9,145,300			
Vail 6-8	New	62,836	\$ 280.24	650	8,804,600			
<b>Subtotal - FY 2022 Authorizations</b>					<b>\$ 47,950,000</b>			
<b><u>FY 2022 Specific School Line Items</u></b>								
Yuma Union 9-12	New	100,000	\$ 330.30	800	16,515,200			
<b><u>FY 2023 Authorizations</u></b>								
Marana 9-12	New	50,000	\$ 352.20	400	\$ 8,805,100	\$ 8,805,100		
Nadaburg 9-12	New	67,000	\$ 352.20	500	11,799,000	11,799,000		
Nadaburg Land					12,000,000			
Pima 9-12 (Rural)	New	60,300	\$ 369.81	450	11,149,800	11,149,800		
Pima Land					4,500,000			
<b>Subtotal - FY 2023 Authorizations</b>					<b>\$ 48,253,900</b>	<b>\$ 31,753,900</b>		
<b><u>FY 2023 Specific School Line Items</u></b>								
Kirkland Site Conditions					\$ 400,000			
<b><u>FY 2024 Authorizations</u></b>								
Agua Fria 9-12	New	125,000	\$ 377.80	1,000		\$ 23,613,000	\$ 23,613,000	
Aqua Fria Land						5,250,000		
Glendale K-8	Replacement	2,442	\$ 313.19	28		764,800		
Glendale K- Demo						117,900		
Liberty K-8	New	73,920	\$ 313.19	800		11,575,400	11,575,400	
Liberty Land						3,000,000		
Queen Creek K-6	Addition	32,850	\$ 309.11	365		5,077,100	5,077,100	
Queen Creek K-6	New	90,000	\$ 309.11	1,000		13,909,800	13,909,800	
Queen Creek Land						5,375,000		
Queen Creek 7-8	Addition	65,000	\$ 326.34	650		10,606,000	10,606,000	
Saddle Mountain 9-12	Addition	57,620	\$ 377.80	430		10,884,700	10,884,700	
Snowflake 9-12 (Rural)	New	11,256	\$ 396.70	84		2,232,600	2,232,600	
Snowflake Land						360,000		
<b>Subtotal - FY 2024 Authorizations</b>						<b>\$ 92,766,300</b>	<b>\$ 77,898,600</b>	
<b><u>FY 2025 Authorizations</u></b>								
Laveen K-8	New	92,400	\$ 313.19	1,000			\$ 14,469,300	\$ 14,469,300
Maricopa 6-8	New	72,503	\$ 320.54	750			11,620,200	11,620,200
Queen Creek K-6	New	67,500	\$ 309.11	750			10,432,300	10,432,300
Queen Creek 9-12	New	62,500	\$ 377.80	500			11,806,500	11,806,500
Tolleson 9-12	New	312,500	\$ 377.80	2,500			59,032,600	59,032,600
<b>Subtotal - FY 2025 Authorizations</b>							<b>\$ 107,360,900</b>	<b>107,360,900</b>
<b><u>FY 2026 Authorizations</u></b>								
Buckeye Elementary K-8	New	87,780	\$ 313.19	950				\$ 13,745,800
Buckeye Union 9-12	New	225,000	\$ 377.80	1,800				42,503,500
Higley 9-12	Addition	60,000	\$ 377.80	480				11,334,300
Nadaburg 9-12	New	67,000	\$ 377.80	500				12,656,600
Palo Verde K-8	New	64,680	\$ 313.19	700				10,128,500
Queen Creek K-6	New	67,500	\$ 309.11	750				10,432,300
<b>Subtotal - FY 2026 Authorizations</b>								<b>\$ 100,801,000</b>
<b>Total</b>					<b>\$ 113,119,100</b>	<b>\$ 124,520,200</b>	<b>\$ 185,259,500</b>	<b>\$ 208,161,900</b>

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Public School Credit Enhancement Fund (SFA9999/A.R.S. § 41-5857)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.)		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Building Renewal Grant Fund (SFA2392/A.R.S. § 41-5741)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	131,767,100	0
<b>Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 15-41-5721)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies transferred from the Building Renewal Grants Fund or New School Facilities Fund.		
<b>Purpose of Fund:</b> To provide school districts monies for facility emergencies.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	528,300	728,300
<b>IGA and ISA Fund (SFA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute various intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Lease to Own Debt Service Fund (SFA2373/A.R.S. § 41-5704)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	7,147,600	7,147,600
<b>New School Facilities Fund (SFA2460/A.R.S. § 41-5731)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	269,930,000	161,141,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 41-5084)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay the debt service on \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	9,329,200	9,339,200
<b>State School Trust Revenue Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
<b>Purpose of Fund:</b> To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	300	300

## Office of Administrative Hearings

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	567,200	621,600	621,600
Employee Related Expenditures	226,300	262,900	262,900
Other Operating Expenditures	98,300	114,400	114,400
<b>AGENCY TOTAL</b>	<b>891,800</b>	<b>998,900</b>	<b>998,900<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	891,800	998,900	998,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>891,800</b>	<b>998,900</b>	<b>998,900</b>
Other Non-Appropriated Funds	805,800	848,000	848,000
<b>TOTAL - ALL SOURCES</b>	<b>1,697,600</b>	<b>1,846,900</b>	<b>1,846,900</b>

**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

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

### Operating Budget

The Baseline includes \$998,900 and 12 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
<b>Purpose of Fund:</b> To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
<b>Funds Expended</b>	805,800	848,000
<b>Year-End Fund Balance</b>	0	0
<b>Video Service Provider Complaint Fund (HGA2603/A.R.S. § 9-1451)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees from administrative hearings conducted for complaints filed about alleged violations of video service statutes or agreements between local government and video service providers.		
<b>Purpose of Fund:</b> To cover expenses of hearings to hear disputes between local governments and video service providers.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Arizona Commission of African-American Affairs

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	85,000	89,000	89,000
Employee Related Expenditures	31,200	33,000	33,000
Other Operating Expenditures	10,400	24,600	24,600
<b>AGENCY TOTAL</b>	<b>126,600</b>	<b>146,600</b>	<b>146,600<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	126,600	146,600	146,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>126,600</b>	<b>146,600</b>	<b>146,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>126,600</b>	<b>146,600</b>	<b>146,600</b>

**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

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

### Operating Budget

The Baseline includes \$146,600 and 3 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants, and fees from the Arizona African-American town hall.		
<b>Purpose of Fund:</b> To pay for the operating costs of the Arizona Commission of African-American Affairs.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,700	3,700

## Arizona Department of Agriculture

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	212.8	212.8	212.8 <sup>1/</sup>
Personal Services	6,292,500	8,643,800	8,643,800
Employee Related Expenditures	2,603,600	3,666,200	3,666,200
Professional and Outside Services	438,500	749,100	749,100
Travel - In State	1,028,400	1,183,500	1,183,500
Travel - Out of State	18,500	37,900	37,900
Other Operating Expenditures	2,727,500	1,977,700	1,977,700
Equipment	1,748,600	46,400	46,400
<b>OPERATING SUBTOTAL</b>	<b>14,857,600</b>	<b>16,304,600</b>	<b>16,304,600</b>
<b>SPECIAL LINE ITEMS</b>			
Agricultural Consulting and Training	124,800	136,300	136,300
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Livestock Operator Assistance Program Deposit	0	10,000,000	0
Nuclear Emergency Management Program	280,500	280,500	321,300 <sup>2/</sup>
Red Imported Fire Ant Control	23,200	23,200	23,200
<b>AGENCY TOTAL</b>	<b>15,374,400</b>	<b>26,832,900</b>	<b>16,873,700 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	13,668,400	24,954,600	14,954,600
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,425,500	1,597,800	1,597,800
Nuclear Emergency Management Fund	280,500	280,500	321,300
SUBTOTAL - Other Appropriated Funds	1,706,000	1,878,300	1,919,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>15,374,400</b>	<b>26,832,900</b>	<b>16,873,700</b>
Other Non-Appropriated Funds	16,931,900	24,814,200	24,814,200
Federal Funds	4,775,500	7,575,100	7,575,100
<b>TOTAL - ALL SOURCES</b>	<b>37,081,800</b>	<b>59,222,200</b>	<b>49,263,000</b>

**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

- <sup>1/</sup> Includes 2.88 OF FTE Positions funded from Special Line Items in FY 2024.
- <sup>2/</sup> 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.
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### **Operating Budget**

The Baseline includes \$16,304,600 and 209.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$14,706,800
Air Quality Fund	1,597,800

These amounts are unchanged from FY 2023.

### **Agricultural Consulting and Training**

The Baseline includes \$136,300 from the General Fund in FY 2024 for the Agricultural Consulting and Training line item. This amount is unchanged from FY 2023.

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 2024 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2023.

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 2024 for the Animal Damage Control line item. This amount is unchanged from FY 2023.

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.

### **Livestock Operator Assistance Program Deposit**

The Baseline includes no funding in FY 2024 for the Livestock Operator Assistance Program Deposit line item. Adjustments are as follows:

### **Remove One-Time Funding**

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2024 for removal of a deposit for the Livestock Operator Assistance Program Deposit line item.

Monies in this line item fund the Livestock Operator Assistance Program established in A.R.S. § 3-109.03 by Laws 2022, Chapter 292. This program will partially reimburse livestock operators for damages incurred to their property as a result of natural disasters.

### **Nuclear Emergency Management Program**

The Baseline includes \$321,300 and 2.88 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2024 for the Nuclear Emergency Management Program line item. Adjustments are as follows:

#### **New NEMF Assessment**

The Baseline includes an increase of \$40,800 from the NEMF in FY 2024 for a new NEMF assessment.

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the NEMF appropriation. The Legislature enacts this revised fee level in a bill outside of the budget process.

DEMA has provided recommendations for the FY 2024 and FY 2025 NEMF funding levels. The recommendations include an increase of \$40,800 in FY 2024 and a decrease of \$(12,700) in FY 2025 below the FY 2024 level for the Department of Agriculture. The Baseline increases NEMF funding to the department by \$40,800 in FY 2024 based on the DEMA recommendations. The final amount, which typically reflects the DEMA recommendation, will be determined in the 2023 Legislative Session as part of separate legislation. As a result, these monies will not appear in the General Appropriation Act.

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.

**Other Issues**

**Statutory Changes**

**Red Imported Fire Ant Control**

The Baseline includes \$23,200 from the General Fund in FY 2024 for the Red Imported Fire Ant Control line item. This amount is unchanged from FY 2023.

The Baseline would, as session law, continue the fee raising authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2024, including legislative intent that limits additional revenues to \$357,000.

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.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Administrative Support Fund (AHA2436/A.R.S. § 3-108)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	39,700	48,800
<b>Year-End Fund Balance</b>	70,400	61,900
<b>Agricultural Consulting and Training Trust Fund (AHA1239/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	4,400	7,400
<b>Year-End Fund Balance</b>	14,900	7,500
<b>Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	493,800	471,600
<b>Year-End Fund Balance</b>	232,700	272,500
<b>Air Quality Fund (ADA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	1,425,500	1,597,800
<b>Year-End Fund Balance</b>	28,600	0
<b>Aquaculture Trust Fund (AHA2297/A.R.S. § 3-2913)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	9,800	9,900
<b>Year-End Fund Balance</b>	43,800	38,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> \$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.		
<b>Purpose of Fund:</b> For collection and administration costs.		
<b>Funds Expended</b>	332,500	400,000
<b>Year-End Fund Balance</b>	86,100	0
<b>Citrus Trust Fund (AHA2299/A.R.S. § 3-468.04, 3-468.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees resulting from the assessment on citrus produced in the state, other charges, and interest.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	67,100	80,000
<b>Year-End Fund Balance</b>	59,800	60,300
<b>Citrus, Fruit and Vegetable Trust Fund (AHA2260/A.R.S. § 3-447)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees resulting from the assessments and civil penalties relating to the standardization of citrus, other fruits, and vegetables.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	279,400	371,700
<b>Year-End Fund Balance</b>	82,300	34,900
<b>Commercial Feed Trust Fund (AHA2012/A.R.S. § 3-2607)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund for licensing fees and fees collected for the inspection of animal and bird feeds.		
<b>Purpose of Fund:</b> To regulate animal and bird feeds.		
<b>Funds Expended</b>	271,000	330,000
<b>Year-End Fund Balance</b>	992,900	1,040,700
<b>Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
<b>Funds Expended</b>	100	4,000
<b>Year-End Fund Balance</b>	27,800	28,800
<b>Cotton Research and Protection Council Fund (AHA2013/A.R.S. § 3-1085)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,816,500	8,342,800
<b>Year-End Fund Balance</b>	9,273,300	4,706,700

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Dangerous Plants, Pests and Diseases Trust Fund (AHA2054/A.R.S § 3-214.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund for certification fees and reimbursements for the destruction of dangerous plants, pests, and diseases.		
<b>Purpose of Fund:</b> To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
<b>Funds Expended</b>	12,600	90,000
<b>Year-End Fund Balance</b>	167,600	176,600
<b>Designated Fund (AHA3011/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), 5% of Beef Council surcharges, and other grants and contributions.		
<b>Purpose of Fund:</b> To administer the purpose for which the fee, grant, or contribution is intended.		
<b>Funds Expended</b>	794,100	1,253,200
<b>Year-End Fund Balance</b>	1,018,300	650,100
<b>Egg Inspection Trust Fund (AHA2022/A.R.S. § 3-717)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees from the regulation of eggs and egg products.		
<b>Purpose of Fund:</b> To administer the Egg Inspection Program.		
<b>Funds Expended</b>	1,602,900	1,869,600
<b>Year-End Fund Balance</b>	1,196,900	1,148,900
<b>Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Inspection fees for processing ownership and transportation of horses.		
<b>Purpose of Fund:</b> To fund the issuance of horse ownership and transportation certificates.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,100	1,400
<b>Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,345,700	8,218,400
<b>Year-End Fund Balance</b>	12,668,500	14,521,100
<b>Federal Funds (AHA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	4,625,200	7,365,000
<b>Year-End Fund Balance</b>	800	0
<b>Fertilizer Materials Trust Fund (AHA2081/A.R.S. § 3-269)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees collected for the inspection of materials and a portion of the fertilizer manufacturer's license fee.		
<b>Purpose of Fund:</b> To regulate fertilizers.		
<b>Funds Expended</b>	516,900	402,300
<b>Year-End Fund Balance</b>	829,700	834,800

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Grain Trust Fund (AHA2201/A.R.S. § 3-590)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A non-appropriated trust fund with fees resulting from an assessment on commercial grain sales.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	71,800	97,000
<b>Year-End Fund Balance</b>	110,700	104,900
<b>Iceberg Lettuce Trust Fund (AHA2259/A.R.S. § 3-526.06)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A non-appropriated trust fund with fees resulting from an assessment on iceberg lettuce prepared for market.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	100,000	75,000
<b>Year-End Fund Balance</b>	24,100	24,100
<b>Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)</b>		<b>Federal Funds</b>
<i>Source of Revenue:</i> Federal grants.		
<i>Purpose of Fund:</i> For indirect costs associated with administration of federal grants.		
<b>Funds Expended</b>	150,300	210,100
<b>Year-End Fund Balance</b>	365,800	302,700
<b>Industrial Hemp Trust Fund (AHA2372/A.R.S. § 3-315)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations and licensing fees related to the processing, manufacturing, and distribution of industrial hemp.		
<i>Purpose of Fund:</i> To support the licensing and regulation of industrial hemp.		
<b>Funds Expended</b>	329,600	357,000
<b>Year-End Fund Balance</b>	582,200	311,700
<b>Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
<b>Funds Expended</b>	27,800	109,200
<b>Year-End Fund Balance</b>	216,400	108,200
<b>Livestock Custody Trust Fund (AHA2065/A.R.S. § 3-1377)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A non-appropriated trust fund with monies resulting from fines assessed for and proceeds resulting from the sale of mistreated or stray livestock.		
<i>Purpose of Fund:</i> To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
<b>Funds Expended</b>	50,200	69,000
<b>Year-End Fund Balance</b>	114,100	66,300
<b>Livestock Operator Fire and Flood Assistance Fund (AHA2374/A.R.S. § 3-109.03)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Federal monies, legislative appropriations from the state General Fund, public and private grants and private donations received for the purpose of providing grant monies to landowners and lessees of a livestock operation for infrastructure projects. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
<i>Purpose of Fund:</i> To administer the Livestock Operator Assistance Program.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	6,893,900

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
<b>Purpose of Fund:</b> To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
<b>Funds Expended</b>	280,500	280,500
<b>Year-End Fund Balance</b>	64,100	64,100
<b>Pest Management Trust Fund (AHA2050/A.R.S. § 3-3604)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Division of Pest Management for the licensing of professional pest control companies and applicators of structural pesticides.		
<b>Purpose of Fund:</b> To license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
<b>Funds Expended</b>	1,419,000	1,655,800
<b>Year-End Fund Balance</b>	2,367,300	2,127,500
<b>Pesticide Trust Fund (AHA2051/A.R.S. § 3-350)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees resulting from a portion of pesticide registration fees.		
<b>Purpose of Fund:</b> To regulate pesticides.		
<b>Funds Expended</b>	209,300	403,600
<b>Year-End Fund Balance</b>	1,336,600	1,290,400
<b>Produce Safety Trust Fund (AHA2371/A.R.S. § 3-525.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, and donations from public or private sources, and any monies collected by the Arizona Department of Agriculture through the administration of the Produce Safety Rule Enforcement Program.		
<b>Purpose of Fund:</b> To support the department's administration of the Produce Safety Rule Enforcement Program.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,000	1,000
<b>Protected Native Plant Trust Fund (AHA2298/A.R.S. § 3-913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees resulting from permits issued for the removal or salvage of protected native plants.		
<b>Purpose of Fund:</b> For the protection of native plants.		
<b>Funds Expended</b>	53,100	59,600
<b>Year-End Fund Balance</b>	15,100	22,300
<b>Seed Law Trust Fund (AHA2064/A.R.S. § 3-234)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A non-appropriated trust fund with fees resulting from seed dealers' and labelers' license fees and penalties.		
<b>Purpose of Fund:</b> To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.		
<b>Funds Expended</b>	84,600	88,300
<b>Year-End Fund Balance</b>	298,200	312,900

## Arizona Health Care Cost Containment System

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,348.3	2,348.3	2,354.3 <sup>1/</sup>
Personal Services	44,563,400	53,542,000	53,542,000
Employee Related Expenditures	17,948,400	20,793,400	20,793,400
Professional and Outside Services	10,040,800	18,387,700	15,887,700
Travel - In State	1,900	28,500	28,500
Travel - Out of State	18,200	376,300	376,300
Other Operating Expenditures	23,356,600	40,254,700	38,304,700
Equipment	365,700	574,000	574,000
<b>OPERATING SUBTOTAL</b>	<b>96,295,000</b>	<b>133,956,600</b>	<b>129,506,600</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
AHCCCS Data Storage	15,587,700	19,325,800	19,325,800
DES Eligibility	75,612,300	97,074,500	97,074,500 <sup>2/</sup>
Proposition 204 - AHCCCS Administration	20,230,700	15,367,300	15,367,300 <sup>3/</sup>
Proposition 204 - DES Eligibility	36,965,300	44,358,700	44,358,700 <sup>3/</sup>
<b>Medicaid Services</b>			
Traditional Medicaid Services	7,499,245,100	7,303,608,100	7,977,675,900 <sup>4/-7/</sup>
Proposition 204 Services	6,824,672,900	6,390,896,200	7,038,319,000 <sup>6/7/</sup>
Adult Expansion Services	1,210,747,900	804,705,200	926,824,300 <sup>6/7/</sup>
Comprehensive Medical and Dental Program	235,238,000	244,906,300	203,903,500 <sup>6/</sup>
KidsCare Services	172,211,900	152,682,100	164,800,200
ALTCS Services	2,105,955,500	2,576,091,400	2,680,175,800 <sup>8/-11/</sup>
Behavioral Health Services in Schools	10,003,300	9,891,200	9,120,600
<b>Non-Medicaid Behavioral Health Services</b>			
Non-Medicaid Seriously Mentally Ill Services	73,341,200	77,646,900	77,646,900 <sup>12/</sup>
One-Time Substance Use Disorder Services Fund Deposit	6,000,000	0	0
Supported Housing	5,087,500	65,324,800	65,324,800
Crisis Services	16,306,000	16,391,300	16,391,300
Secure Behavioral Health Residential Facilities	0	25,000,000	10,000,000
<b>Hospital Payments</b>			
Disproportionate Share Payments	4,742,800	5,087,100	5,087,100 <sup>13/</sup>
DSH Payments - Voluntary Match	35,870,100	37,425,900	69,735,200 <sup>7/14/</sup>
Graduate Medical Education	373,004,400	393,232,100	426,531,500 <sup>7/15/-18/</sup>
Rural Hospitals	36,068,900	28,612,400	28,612,400
Targeted Investments Program	8,381,200	50,000,000	26,000,000
<b>AGENCY TOTAL</b>	<b>18,861,567,700</b>	<b>18,491,583,900</b>	<b>20,031,781,400 <sup>19/-23/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,858,004,900	2,321,039,900	2,508,542,000
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	4,076,200	4,303,100	4,669,300
Children's Health Insurance Program Fund	147,543,100	123,622,900	134,214,800
Prescription Drug Rebate Fund - State	174,892,200	165,160,800	165,160,800
Seriously Mentally Ill Housing Trust Fund	0	217,300	217,300
Substance Abuse Services Fund	2,250,200	2,250,200	2,250,200
Tobacco Products Tax Fund - Emergency Health Services Account	17,921,600	17,448,300	17,458,500
Tobacco Tax and Health Care Fund - Medically Needy Account	66,291,400	67,179,700	67,258,900
SUBTOTAL - Other Appropriated Funds	412,974,700	380,182,300	391,229,800

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,270,979,600</b>	<b>2,701,222,200</b>	<b>2,899,771,800</b>
<u>Expenditure Authority Funds</u>			
Arizona Tobacco Litigation Settlement Fund	108,433,100	102,000,000	102,000,000
County Funds	0	397,615,200	409,939,100
Delivery System Reform Incentive Payment Fund	2,513,500	15,495,200	8,321,200
Federal Medicaid Authority	14,554,953,300	13,426,977,000	14,544,713,400
Health Care Investment Fund	267,186,500	453,104,400	588,163,600
Hospital Assessment Fund	547,618,700	548,910,500	606,180,400
Nursing Facility Provider Assessment Fund	29,668,300	32,989,600	32,989,600
Political Subdivision Funds	134,041,600	167,373,400	193,784,400
Prescription Drug Rebate Fund - Federal	908,537,700	609,060,300	609,060,300
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Products Tax Fund - Proposition 204 Protection Account	37,635,400	36,641,400	36,662,900
<b>SUBTOTAL - Expenditure Authority Funds</b>	<b>16,590,588,100</b>	<b>15,790,361,700</b>	<b>17,132,009,600</b>
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>18,861,567,700</b>	<b>18,491,583,900</b>	<b>20,031,781,400</b>
Other Non-Appropriated Funds	119,709,400	121,935,600	121,935,600
Federal Funds	195,566,800	280,796,300	280,796,300
<b>TOTAL - ALL SOURCES</b>	<b>19,176,843,900</b>	<b>18,894,315,800</b>	<b>20,434,513,300</b>

**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 2024.
- 2/ 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)
- 3/ 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)
- 4/ 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 2023-2024 to the attorney general for costs associated with e-cigarette enforcement and tobacco settlement litigation. (General Appropriation Act footnote)
- 5/ The Arizona health care cost containment system administration shall transfer \$836,000 from the traditional medicaid services line item for fiscal year 2023-2024 to the department of revenue for enforcement costs associated with the March 13, 2013 master settlement agreement with tobacco companies. (General Appropriation Act footnote)
- 6/ 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)
- 7/ 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 2023-2024 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)
- 8/ 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)

- 9/ Pursuant to section 11-292, subsection B, Arizona Revised Statutes, the county portion of the fiscal year 2023-2024 nonfederal costs of providing long-term care system services is \$366,205,400. This amount is included in the expenditure authority fund source. (General Appropriation Act footnote)
- 10/ Any supplemental payments received in excess of \$101,756,900 for nursing facilities that serve Arizona long-term care system medicaid patients in fiscal year 2023-2024, including any federal matching monies, by the Arizona health care cost containment system administration are appropriated to the administration in fiscal year 2023-2024. 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)
- 11/ The amount appropriated for the ALTCS services line item includes \$347,740,500 from expenditure authority to implement the American rescue plan act of 2021 (P.L. 117-2) home and community-based services spending plan in fiscal year 2023-2024. The administration may not use these monies for marketing purposes, and any direct payments or grants provided with the monies shall include a notification to the recipient that the monies are one-time funding. Beginning on or before July 31, 2023, the administration shall provide quarterly reports to the joint legislative budget committee at the same time that the information is provided to the centers for medicare and medicaid services, reflecting any changes to the administration's spending plan. Of the amount appropriated for the ALTCS services line in FY 2024, \$347,740,500 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 12/ On or before June 30, 2024, 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/ The \$5,087,100 appropriation for disproportionate share payments for fiscal year 2023-2024 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)
- 14/ Any monies received for disproportionate share hospital payments from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona board of regents, and any federal monies used to match those payments, in fiscal year 2023-2024 by the Arizona health care cost containment system administration in excess of \$69,735,200 are appropriated to the administration in fiscal year 2023-2024. 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.
- 15/ Any monies for graduate medical education received in fiscal year 2023-2024, including any federal matching monies, by the Arizona health care cost containment system administration in excess of \$426,531,500 are appropriated to the administration in fiscal year 2023-2024. Before spending these increased monies, the administration shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting of the amount of monies that will be spent under this provision. (General Appropriation Act footnote)
- 16/ Notwithstanding 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 \$15,721,100 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)
- 17/ 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 \$12,576,900 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. (General Appropriation Act footnote)
- 18/ 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, 2024. (General Appropriation Act footnote)



- 19/ 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)
- 20/ 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)
- 21/ The Arizona health care cost containment system administration shall report to the joint legislative budget committee on or before March 1, 2024 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 \$1,000,000 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)
- 22/ On or before July 1, 2024, 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, 2023. (General Appropriation Act footnote)
- 23/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.

### Summary

AHCCCS's FY 2024 General Fund spending increases by \$187,502,100 from FY 2023. This amount includes:

- \$201,416,800 for formula adjustments.
- \$700,000 for one-time PMMIS replacement costs.
- \$280,300 for implementation of a newborn screening fee.
- \$800,000 for chiropractic services.
- \$10,000,000 for secure behavioral health residential facility rate increases.
- \$(195,000) for removal of one-time funding for federal IT regulation compliance.
- \$(500,000) for removal of one-time funding for PMMIS replacement.
- \$(25,000,000) for removal of one-time funding for behavioral health residential facilities construction.

Below is an overview of FY 2024 formula adjustments, which *Table 1* summarizes, as well as any non-formula adjustments. As part of the budget's 3-year spending plan, AHCCCS's General Fund costs are projected to increase by \$147,515,200 in FY 2025 above FY 2024 and by \$109,694,600 in FY 2026 above FY 2025. (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

\$201,416,800 from the General Fund in FY 2024 for the following AHCCCS formula adjustments. This amount includes:

- \$419,706,200 for state match expenses associated with formula adjustments.
- \$(218,289,400) for changes in General Fund offsets.

#### FY 2023 Base Adjustment

The Baseline includes a decrease of \$(247,003,300) from state match and a Total Funds increase of \$3,097,906,300 in FY 2024 for an FY 2023 base adjustment. The base adjustment is primarily associated with the temporary extension of the federal public health emergency (PHE). Through March 2023, AHCCCS receives a 6.2% increase to the regular federal match rate due to the extension of the PHE. In addition, pursuant to a provision in the 2023 Consolidated Appropriations Act, AHCCCS will receive a 5.0% increase to the regular federal match rate in April 2023 through June 2023. These increases will lower AHCCCS costs relative to the enacted budget.

The 2020 Families First Coronavirus Response Act prohibited disenrolling members for exceeding income eligibility limits while the COVID Public Health Emergency (PHE) was in effect. The enacted FY 2023 budget assumed that the PHE would no longer be in effect in FY 2023. The disenrollment prohibition, however, was continued by federal executive action until April 1, 2023. At that time, the 2023 Consolidated Appropriations Act will again allow disenrollment. As a result, enrollment is higher than assumed in the enacted FY 2023 budget.

**Table 1**

**AHCCCS State Match Spending Changes (in millions) <sup>1/</sup>**

<b>State Match Formula Adjustments</b>	
FY 2023 Rebase	(247)
FY 2024 Caseload Growth	(354)
FY 2024 Inflation Increase	156
FY 2024 Federal Medicaid Match Rate Change	<u>865</u>
<i>State Match Costs Subtotal</i>	<i>420</i>
<b>Non-General Fund State Match Offsets</b>	
Political Subdivisions Fund Increase	13
Hospital Assessment Fund	57
County Funds Increase	13
Health Care Investment Fund	<u>135</u>
<i>General Fund Offsets Subtotal</i>	<i>218</i>
<b>Non-Formula Adjustments</b>	
BH Residential Facility Increases	10
Removal of BH Residential Facilities	(25)
Other Adjustments	<u>1</u>
<i>Non-Formula Subtotal</i>	<i>(14)</i>
<b>Total General Fund Spending Change</b>	<b>\$188</b>

<sup>1/</sup> Numbers may not sum due to rounding.

The savings from the higher match rate, however, will exceed the cost of the higher enrollment. As a result, we estimate that the base adjustment will be associated with an FY 2023 General Fund surplus within AHCCCS of \$(268,000,000) along with an estimated supplemental need of \$3,366,348,500 in FY 2023 from Other Funds and Expenditure Authority fund sources. (See FY 2023 Supplemental in Other Issues for additional information).

**FY 2024 Caseload Adjustment**

Formula adjustments reflect a (19.5)% enrollment decline in FY 2024 due to the elimination of the disenrollment provision discussed above. Table 2 displays historical and forecasted member months across AHCCCS populations.

The expiration of continuous enrollment is assumed to result in AHCCCS enrollment returning to pre-pandemic levels by June 2024, 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 \$(353,509,900) and Total Funds expenses by \$(2,390,722,400) in FY 2024. (See the Other Issues section for more information.)

In addition, pursuant to a provision of the 2023 Consolidated Appropriations Act, AHCCCS will be required to guarantee eligibility to children for 12 months after the date they are first determined eligible for the program. Laws 2022, Chapter 338 provided this for children in the KidsCare program, but this extends the 12-month guarantee to all children within AHCCCS. We estimate this

**Table 2**

**AHCCCS Member Months <sup>1/</sup>**

	June 2022	June 2023	June 2024	'23-'24 % Change
<b>Population</b>	<b>(Actual)</b>	<b>(Forecast)<sup>2/</sup></b>	<b>(Forecast)<sup>2/</sup></b>	<b>Change</b>
Traditional	1,152,342	1,180,744	1,028,085	(12.9)%
Prop 204 Childless Adults	456,601	501,951	326,882	(34.9)%
Other Proposition 204	183,028	185,239	178,168	(3.8)%
Adult Expansion	139,093	138,556	82,361	(40.6)%
KidsCare	63,161	70,346	39,247	(44.2)%
CMDP	12,829	11,705	11,761	0.5%
ALTCs - Elderly & Physically Disabled <sup>3/</sup>	28,410	29,028	30,044	3.5%
Emergency Services	<u>136,968</u>	<u>140,344</u>	<u>122,199</u>	<u>(12.9)%</u>
<b>Total Member Months</b>	<b>2,172,432</b>	<b>2,257,913</b>	<b>1,818,747</b>	<b>(19.5)%</b>

<sup>1/</sup> The figures represent June 1 enrollment.

<sup>2/</sup> The forecasted numbers account for caseload decreases associated with the end to a prohibition of disenrollment on April 1, 2023, established by the 2023 Consolidated Appropriations Act.

<sup>3/</sup> The ALTCs program is funded in AHCCCS. An additional 38,497 people receive Medicaid services through the Department of Economic Security's Developmental Disabilities program as of June 1, 2022.

will annually increase state match expenses by \$20,000,000 and Total Funds expenses by \$60,000,000. However, the requirement will not go into effect until January 1, 2024, so the FY 2024 state match expense would increase by \$10,000,000 and Total Funds expenses by \$30,000,000. The Baseline does not account for these increases due to their small size relative to the overall AHCCCS budget.

**FY 2024 Inflation Adjustments**

The Baseline assumes a 3.1% inflation adjustment for capitation, fee-for-service, and reinsurance effective October 1, 2023. This increase is based on a 5-year average of the medical care consumer price index. The Baseline also annualizes the FY 2023 capitation rate adjustment of 0.6%. Inflation adjustments increase AHCCCS state costs by \$155,529,500 and Total Funds costs by \$811,625,600 in FY 2024.

**FY 2024 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 2024, the standard FMAP rates will be as follows:

- Traditional Medicaid rate will decrease to 67.10% (a 2.57 percentage point decrease).
- Proposition 204 Childless Adult rate will remain at 90.0%.
- Adult Expansion rate will remain at 90.0%.
- CHIP rate will decrease to 76.97% (a 1.80 percentage point decrease).

- The additional 6.2% enhanced match rate will not be available in FY 2024. Instead, pursuant to a provision of the 2023 Consolidated Appropriations Act, the state will receive an additional 2.5% enhanced match rate in July 2023 through September 2023 and an additional 1.5% in October 2023 through December 2023.

The Baseline includes an increase of \$864,689,900 in state costs and a corresponding decrease of \$(864,689,900) in Federal Medicaid Authority in FY 2024 as a result of these FMAP adjustments.

*Non-General Fund State Match Items*

The gross state match contribution from the FY 2023 base adjustment, FY 2024 caseload growth, inflation, and federal match rate changes is projected to increase by \$419,706,200. The Non-General Fund state match is forecast to increase by \$218,289,400, resulting in a net General Fund change of \$201,416,800.

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

- An increase of \$57,269,900 from the Hospital Assessment Fund in FY 2024 for physical health costs of enrollees in the Proposition 204 and Adult Expansion programs.
- An increase of \$135,059,200 from the Health Care Investment Fund. The increase primarily covers the lower federal match for directed payments to hospitals in FY 2024.
- An increase of \$13,159,300 in Political Subdivision Funds, mostly for Traditional.
- An increase of \$12,690,100 in County Funds (including the Budget Neutrality Compliance Fund), mostly for ALTCS.
- An increase of \$110,900 from increased tobacco tax revenues.

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**Operating Budget**

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The Baseline includes \$129,506,600 and 1,038.2 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$36,645,400
Children’s Health Insurance Program (CHIP) Fund	5,728,500
Health Care Investment Fund	2,472,300
Prescription Drug Rebate Fund (PDRF) - State	662,900
Seriously Mentally Ill (SMI) Housing Trust Fund	217,300
Federal Medicaid Authority (FMA)	83,780,200

**PMMIS Replacement Funding**

The Baseline includes a one-time increase of \$7,000,000 in FY 2024 to fund implementation of the draft roadmap associated with replacement of AHCCCS's Prepaid Medicaid Management Information System (PMMIS). This increase was included in the 3-year spending plan associated with the enacted FY 2023 budget. This amount consists of:

General Fund	700,000
Federal Medicaid Authority	6,300,000

**Remove PMMIS Replacement Funding**

The Baseline includes a decrease of \$(9,500,000) in FY 2024 to remove one-time funding for AHCCCS to contract the services of a Systems Integration provider to replace AHCCCS's Prepaid Medicaid Management Information System (PMMIS). This amount consists of:

General Fund	(500,000)
Federal Medicaid Authority	(9,000,000)

**AIHP FTE Adjustment**

The Baseline includes an increase of 7 FTE Positions in FY 2024 for the American Indian Health Program (AIHP). This includes 2.1 FTE Positions from the General Fund and 4.9 FTE Positions from Federal Medicaid Authority. These increases adjust AHCCCS FTE authority to account for funding already provided in the enacted FY 2023 budget.

The 7 positions include 2 new nurse case managers, 2 prior authorization/utilization review nurses, 1 supervisor, 1 administrative assistant, and 1 clinical care specialist position. These 7 positions will provide behavioral health services to 350 individuals with an SMI designation that are transferring from contracted Regional Behavioral Health Authorities (RBHAs) to AIHP in October 2022.

**Suicide Prevention FTE Adjustment**

The Baseline includes a decrease of (1) FTE Position in FY 2024 to transfer the suicide prevention coordinator position to the Department of Health Services. This decrease adjusts AHCCCS FTE authority to account for a funding transfer included in the enacted FY 2023 budget.

**Remove Federal IT Regulation Compliance Funding**

The Baseline includes a decrease of \$(1,950,000) in FY 2024 to eliminate one-time funding for federal IT regulation compliance. This amount consists of:

General Fund	(195,000)
Federal Medicaid Authority	(1,755,000)

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**Administration**

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**AHCCCS Data Storage**

The Baseline includes \$19,325,800 in FY 2024 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 2023.

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 \$97,074,500 and 885 FTE Positions in FY 2024 for DES Eligibility services. These amounts consist of:

General Fund	30,191,200
Federal Medicaid Authority	66,883,300

These amounts are unchanged from FY 2023.

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

**Proposition 204 - AHCCCS Administration**

The Baseline includes \$15,367,300 and 131 FTE Positions in FY 2024 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	4,838,900
PDRF - State	60,900
Federal Medicaid Authority	10,467,500

These amounts are unchanged from FY 2023.

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 2024 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	16,052,900
Budget Neutrality Compliance Fund (BNCF)	4,669,300
Federal Medicaid Authority	23,636,500

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes a decrease of \$(366,200) from the General Fund and a corresponding increase of \$366,200 from the BNCF in FY 2024 to reflect an increase of county contributions in FY 2024. This adjustment assumes an inflation adjustment of 7.01% 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.

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**Medicaid Services**

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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**

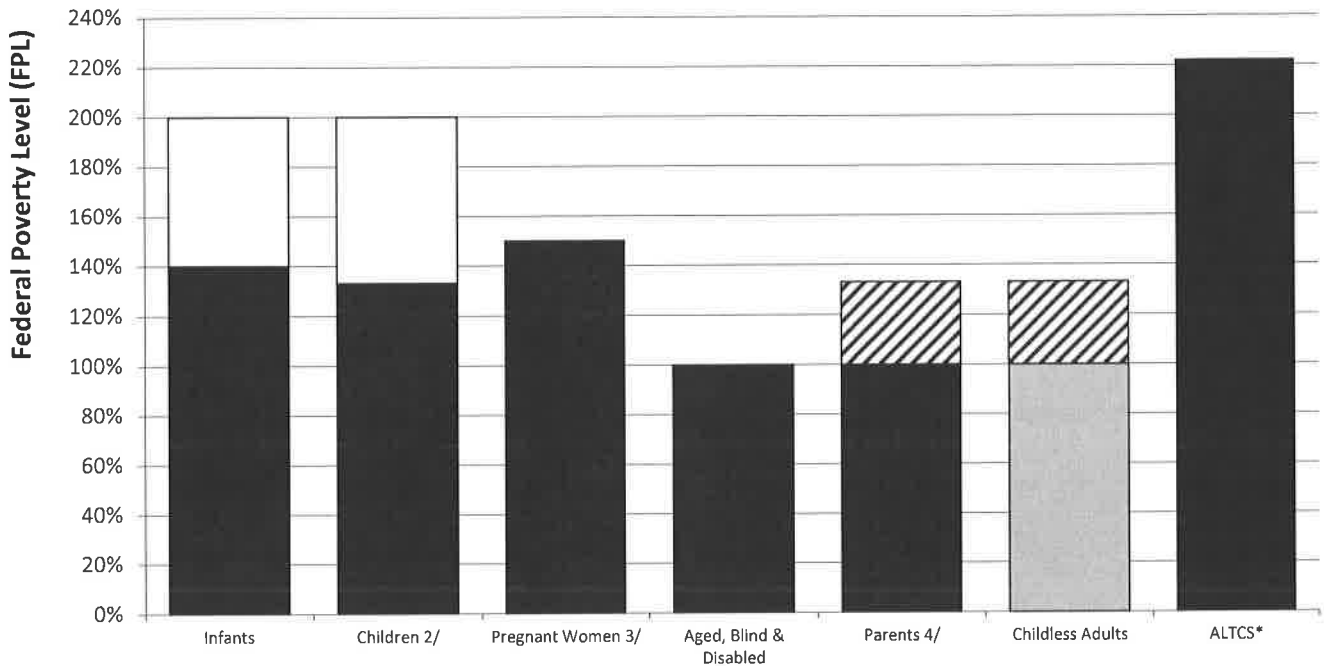
The Baseline includes \$7,977,675,900 in FY 2024 for Traditional Medicaid Services. This amount consists of:

General Fund	1,721,219,700
County Funds	43,733,700
Health Care Investment Fund	384,822,000
Political Subdivision Funds	50,319,400
PDRF - State	156,858,600
TTHCF - Medically Needy Account	67,258,900
Third Party Liability and Recovery Fund	194,700
PDRF - In Lieu of Federal Funds	572,638,300
Federal Medicaid Authority	4,980,630,600

Adjustments are as follows:

Chart 1

AHCCCS Eligibility <sup>1/</sup>



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

- <sup>1/</sup> 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.
- <sup>2/</sup> 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.
- <sup>3/</sup> 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.
- <sup>4/</sup> Mandatory Status of Parents is subject to interpretation.

**Formula Adjustments**

The Baseline includes an increase of \$670,783,600 in FY 2024 for formula adjustments. This amount consists of:

General Fund	198,485,900
County Funds	(1,183,800)
Health Care Investment Fund	93,929,500
Political Subdivision Funds	10,176,500
TTHCF - Medically Needy Account	79,200
Federal Medicaid Authority	369,296,300

**Newborn Screening Fee Increase**

The Baseline includes an increase of \$852,100 in FY 2024 for increased newborn screening fees. This amount consists of:

General Fund	280,300
Federal Medicaid Authority	571,800

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 2024. The 3-year spending plan associated with the enacted FY 2022 budget assumed this increase in FY 2024.

**Chiropractic Services Increase**

The Baseline includes an increase of \$2,432,100 in FY 2024 for the full-year cost of implementing chiropractic services. This amount consists of:

General Fund	800,000
Federal Medicaid Authority	1,632,100

Laws 2022, Chapter 314 authorized AHCCCS to include medically necessary chiropractic care as part of its covered services. The service must be provided by a licensed chiropractor and ordered by a primary care

physician or practitioner. The FY 2023 budget's 3-year spending plan assumed this \$800,000 increase in FY 2024.

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

- Children under 1, up to 147% of the federal poverty level (FPL).
- Children aged 1-5, up to 141% FPL.
- Children ages 6-19, up to 133% FPL.
- Pregnant women (including 1 year postpartum), up to 156% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 22% FPL.
- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work").

**Proposition 204 Services**

The Baseline includes \$7,038,319,000 in FY 2024 for Proposition 204 Services. This amount consists of:

General Fund	140,497,600
Health Care Investment Fund	146,321,500
Hospital Assessment Fund	542,059,500
Political Subdivision Funds	11,595,400
Tobacco Litigation Settlement Fund	102,000,000
TPTF - Emergency Health Services Account	17,458,500
TPTF - Proposition 204 Protection Account	36,662,900
Federal Medicaid Authority	6,041,723,600

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$647,422,800 in FY 2024 for formula adjustments. This amount consists of:

General Fund	(323,800)
Health Care Investment Fund	26,557,300
Hospital Assessment Fund	54,534,100
Political Subdivision Funds	2,951,400
TPTF - Emergency Health Services Account	10,200
TPTF - Proposition 204 Protection Account	21,500
Federal Medicaid Authority	563,672,100

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

**Adult Expansion Services**

The Baseline includes \$926,824,300 in FY 2024 for Adult Expansion Services. This amount consists of:

General Fund	9,264,600
Health Care Investment Fund	14,882,700
Hospital Assessment Fund	64,120,900
Political Subdivision Funds	1,099,100
Federal Medicaid Authority	837,457,000

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$122,119,100 in FY 2024 for formula adjustments. This amount consists of:

General Fund	2,292,600
Health Care Investment Fund	4,084,000
Hospital Assessment Fund	2,735,800
Political Subdivision Funds	(122,600)
Federal Medicaid Authority	113,129,300

*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 \$203,903,500 in FY 2024 for the Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	57,155,700
Health Care Investment Fund	7,993,700
Federal Medicaid Authority	138,754,100

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes a decrease of \$(41,002,800) in FY 2024 for formula adjustments. This amount consists of:

General Fund	(11,906,800)
Health Care Investment Fund	3,294,900
Federal Medicaid Authority	(32,390,900)

*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 \$164,800,200 in FY 2024 for KidsCare Services. This amount consists of:

General Fund	28,135,400
Health Care Investment Fund	7,826,100
Political Subdivision Funds	512,400
CHIP Fund	128,326,300

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes a decrease of \$12,118,100 in FY 2024 for formula adjustments. This amount consists of:

General Fund	(1,382,900)
Health Care Investment Fund	4,854,500
Political Subdivision Funds	154,000
CHIP Fund	10,591,900
Federal Medicaid Authority	(2,099,400)

*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 \$2,680,175,800 in FY 2024 for ALTCS Services. This amount consists of:

General Fund	329,568,900
County Funds	366,205,400
Health Care Investment Fund	23,845,300
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	1,877,338,400

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes a decrease of \$(6,456,100) in FY 2024 for formula adjustments. This amount consists of:

General Fund	13,653,400
County Funds	13,507,700
Health Care Investment Fund	2,339,000
Federal Medicaid Authority	(35,956,200)

**FY 2024 American Rescue Plan HCBS Spending**

The Baseline includes an increase of \$110,540,500 from Federal Medicaid Authority in FY 2024 for home-and community-based services (HCBS). The increase will bring total appropriations of federal monies for ARPA within AHCCCS to \$347,740,500 in FY 2024, which is the final year of available funding. On March 11, 2021, the American Rescue Plan Act (ARPA) gave state Medicaid agencies the ability to spend on HCBS with an enhanced match percentage. The amount will be spent in accordance with the department's HCBS Spending Plan. Monies in this appropriation are non-lapsing.

*Background* – ALTCS provides coverage for individuals up to 222% of the FPL, or \$30,169 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 \$10,192 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 2023, AHCCCS estimates that client contributions will pay for 4.5%, or \$71,700,000, 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. Laws 2022, Chapter 64 continued the assessment through September 30, 2031. 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 \$9,120,600 in FY 2024 for Behavioral Health Services in schools. This amount consists of:

General Fund	3,000,000
Federal Medicaid Authority	6,120,600

Adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes a decrease of \$(770,600) from Federal Medicaid Authority in FY 2024 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 behavioral 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 2024 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2023.

*Background* – This line item provides funding for Non-Medicaid SMI clients. The state had been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population. (Please see footnotes for more information on service targets established by the *Arnold v. Sarn* exit agreement and see the FY 2015 Appropriations Report for a history of the case.)

#### **Supported Housing**

The Baseline includes \$65,324,800 in FY 2024 for Supported Housing. This amount consists of:

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

This amount is unchanged from FY 2023.

*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 \$23,301,000 of RBHAs' allocation from the Non-Medicaid Seriously Mentally Ill Services line item will be spent on Supported Housing Services in SFY 2022.

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. As of October 2022, AHCCCS's "Housing and Health Opportunities" waiver amendment has been approved by CMS.

The new funds will 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. Specific services allowed under the waiver include short-term post-transition housing up to 6 months, housing supports, pre-tenancy and tenancy supportive services, and home modifications deemed medically necessary. AHCCCS reports that the approved waiver would allow the agency to draw down an estimated \$73.8 million in Federal Funds annually for housing initiatives through FY 2027. Obtaining the full federal allocation, however, would require AHCCCS to identify \$5.5 million in additional state monies over and above existing state housing funding. AHCCCS is still exploring potential sources for the state share of funding.

#### **Crisis Services**

The Baseline includes \$16,391,300 in FY 2024 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 2023.

*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.



### **Secure Behavioral Health Residential Facilities**

The Baseline includes \$10,000,000 from the General Fund in FY 2024 for Secure Behavioral Health Residential Facilities. Adjustments are as follows:

#### **Remove Secure Behavioral Health Residential Facilities Construction Funding**

The Baseline includes a decrease of \$(25,000,000) from the General Fund in FY 2024 to remove one-time funding for the construction of 5 secure behavioral health residential facilities.

The facilities will provide on-site supportive treatment to persons determined to be seriously mentally ill, chronically resistant to treatment, and who are placed in the facility pursuant to occur order.

A General Appropriation Act footnote instructed AHCCCS to award \$5,000,000 for each recipient facility, prioritizing facilities that can open within 1 year, as well as ensuring that one facility is located in each geographic service area. AHCCCS plans to issue a Request for Proposal (RFP) in January 2023.

As part of major decisions related to the pending RFP, AHCCCS announced new total available funding of \$43,600,000 for the construction of 6 facilities (\$7,000,000 each). The additional funding will be sourced from the American Rescue Plan Act State and Local Fiscal Recovery Fund.

#### **Ongoing Funding**

The Baseline includes an increase of \$10,000,000 from the General Fund in FY 2024 to provide a daily payment rate to the newly-constructed facilities that is higher than the rate available to existing behavioral health facilities. This increase was included in the 3-year spending plan associated with the enacted FY 2023 budget.

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### **Hospital Payments**

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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 2024 through FY 2026 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 \$75,853,500 of federal DSH funds associated with uncompensated care in public hospitals (MIHS and the Arizona State Hospital) are available for General Fund deposit. The \$75,853,500 assumes MIHS would report uncompensated care of \$92,291,200 in FY 2024.

### **Increase in Uncompensated Care Payments**

In FY 2024, the state's total DSH payments are estimated to increase by \$15,386,200 from \$175,999,900 in FY 2023 (budgeted) to \$191,386,100 due to federal adjustments for inflation and the FMAP. Of the \$191,386,100 of eligible DSH funding in FY 2024, \$150,675,800 is distributed according to the allocations described below and listed in *Table 3*. The remaining \$40,710,300 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 2024 for Disproportionate Share Payments. This amount consists of:

General Fund	298,300
Federal Medicaid Authority	4,788,800

Adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes an increase of \$29,000 from the General Fund and a corresponding decrease of \$(29,000) from Federal Medicaid Authority in FY 2024 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,

**Table 3**

**Disproportionate Share Hospital Payments**

<b>Eligible Funding <sup>1/</sup></b>	<b>FY 2023 (Enacted)</b>	<b>FY 2023 (Estimated)</b>	<b>FY 2024</b>
Valleywise - CPE <sup>2/</sup>	\$ 109,214,300	\$ 92,291,200	\$ 92,291,200
ASH - CPE	28,474,900	28,474,900	28,474,900
Private Hospitals	884,800	884,800	884,800
DSH Voluntary Match	<u>37,425,900</u>	<u>57,739,100</u>	<u>69,735,200</u>
<b>Total Funding</b>	<b>\$ 175,999,900</b>	<b>\$ 179,390,000</b>	<b>\$ 191,386,100</b>
<b>General Fund</b>			
Retain FF of CPE (via Valleywise) <sup>3/</sup>	\$ 71,767,200	\$ 63,788,100	\$ 56,977,500
Retain FF of CPE (via ASH)	<u>19,807,100</u>	<u>20,689,900</u>	<u>18,876,000</u>
Subtotal - General Fund	\$ 91,574,300	\$ 84,478,000	\$ 75,853,500
<b>Other Entities</b>			
State MIHS	\$ 4,202,300	\$ 4,202,300	\$ 4,202,300
Private Hospitals	884,800	884,800	884,800
Subtotal - Other Entities	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>	<u>\$ 5,087,100</u>
<b>Total DSH Distributions</b>	<b>\$ 96,661,400</b>	<b>\$ 89,565,100</b>	<b>\$ 80,940,600</b>
<b>Voluntary Match</b>	<b>\$ 37,425,900</b>	<b>\$ 57,739,100</b>	<b>\$ 69,735,200</b>
<b>Total Distributions</b>	<b>\$ 134,087,300</b>	<b>\$ 147,304,200</b>	<b>\$ 150,675,800</b>

<sup>1/</sup> Amounts include state and federal match funding.

<sup>2/</sup> The Baseline continues a Valleywise DSH limit of \$113,818,500 in the FY 2024 Health Care BRB to maximize the DSH General Fund revenue deposit in the event actual uncompensated care is higher. However, due to uncompensated care not reaching the statutory limit in recent years, the Baseline assumes the FY 2022 uncompensated care amount of \$92,291,200 in FY 2023 and FY 2024.

including \$298,300 from the General Fund and \$586,500 in federal expenditure authority. In FY 2021, there were 34 private hospitals that received DSH payments. The remaining \$4,202,300 represents federal matching funds that the state appropriates to MIHS.

DSH payments if MIHS' CPE and matching Federal Funds exceed \$113,818,500 in FY 2024. (Please see Table 3.)

**DSH Payments - Voluntary Match**

The Baseline includes \$69,735,200 in FY 2024 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	23,507,700
Federal Medicaid Authority	46,227,500

Adjustments are as follows:

**Increased Funding**

The Baseline includes an increase of \$32,309,300 in FY 2024 due to DSH Formula adjustments. This amount consists of:

Political Subdivision Funds	12,082,000
Federal Medicaid Authority	20,227,300

**Background** – This line item provides DSH payments to hospitals with matching funds provided by political subdivisions. The budget continues a provision that gives priority to eligible rural hospitals when allocating voluntary match DSH payments and continues to permit AHCCCS to include MIHS in allocations of voluntary match

**Graduate Medical Education**

The Baseline includes \$426,531,500 in FY 2024 for Graduate Medical Education (GME) expenditures. This amount consists of:

General Fund	9,000,000
Political Subdivision Funds	100,522,600
Federal Medicaid Authority	317,008,900

Adjustments are as follows:

**Funding Adjustment**

The Baseline includes an increase of \$33,299,400 in FY 2024 for GME formula adjustments. This amount consists of:

Political Subdivision Funds	1,169,700
Federal Medicaid Authority	32,129,700

**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 2022, 22 hospitals received a total of \$373,004,355 for Graduate Medical Education.

**Rural Hospitals**

The Baseline includes \$28,612,400 in FY 2024 for Rural Hospitals, which includes Critical Access Hospitals (CAH). This amount consists of:

General Fund	9,645,200
Federal Medicaid Authority	18,967,200

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$935,600 from the General Fund and a corresponding decrease of \$(935,600) from Federal Medicaid Authority in FY 2024 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 \$26,000,000 in FY 2024 for the Targeted Investments Program. This amount consists of:

Delivery System Reform	8,321,200
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	17,678,800

Adjustments are as follows:

**Funding Adjustment**

The Baseline includes a decrease of \$(24,000,000) in FY 2024 for a revised expenditure estimate. This amount consists of:

Delivery System Reform	(7,174,000)
Incentive Payment (DSRIP) Fund	
Federal Medicaid Authority	(16,826,000)

AHCCCS included waiver authority for this program as part of its 2022-2027 waiver renewal application, which

received CMS approval in October 2022. Due to the timing of the waiver approval and AHCCCS's transition into the new waiver period, AHCCCS expects a reduction in its FY 2024 Targeted Investments allocation.

*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 initially authorized up to \$300,000,000 in total funds for the program from FY 2018 through FY 2022. In October 2022, CMS granted a 5-year extension of the program at a total funding level of \$250,000,000. The state portion of the program’s cost is funded from certified public expenditures for existing state-funded programs and voluntary contributions from local governments and public universities.

**Other Issues**

This section includes information on the following topics:

- FY 2023 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Health Workforce Development Funding
- Auditor General Report
- County Contributions
- Program Components
- Tobacco Master Settlement Agreement
- Tobacco Tax Allocations

**FY 2023 Supplemental**

The Baseline assumes AHCCCS General Fund formula expenses for FY 2023 will be \$(268,000,000) lower than the original FY 2023 General Fund appropriation. The FY 2024 Baseline does not, however, include an ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund revertments. The Baseline, however, does include an Expenditure Authority and Other Funds supplemental of \$3,366,348,500 (See Table 4).

The \$(268,000,000) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency. The FY 2023 enacted budget assumed the enhanced rate would not be extended into FY 2023. However, the 6.2% enhanced rate is currently available through March 2023, as well as a 5.0% enhanced rate in April 2023 through

June 2023. (See Formula Adjustments for additional information on the enhanced match rates.)

An Expenditure Authority and Other Fund Supplemental would provide AHCCCS with the authority to expend the additional federal resources associated with the match rate increases and would cover higher-than-budgeted caseloads associated with the prohibition on disenrollment during the PHE. Table 4 shows the estimated supplemental by fund source.

<b>Table 4</b>	
<b>AHCCCS FY 2023 Supplemental by Fund Source (in millions)</b>	
<b>Expenditure Authority</b>	
County Funds	(86)
Health Care Investment Fund	12
Hospital Assessment Fund	99
Political Subdivisions Funds	(3)
Federal Medicaid Authority	3,286
<i>Expenditure Authority Subtotal</i>	<i>3,308</i>
<b>Other Funds</b>	
Tobacco Tax and Health Care Fund - Medically Needy Account	<1
Children's Health Insurance Program Fund	58
<i>Other Funds Subtotal</i>	<i>58</i>
<b>Supplemental Total Fund</b>	<b>\$3,366</b>

**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 2024 County Acute Care contribution at \$43,733,700.
- As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2024, 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 2024 county Arizona Long Term Care System (ALTCS) contributions at \$366,205,400.

*Hospitals*

- As session law, continue to establish FY 2024 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. The MIHS distribution would remain at \$113,818,500 in FY 2024.

- 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.
- As session law, continue to establish priority for payments to private hospitals via the DSH-Voluntary program in FY 2024 according to county population size. Hospitals in rural counties (i.e. excluding Maricopa, Pima, and Pinal) have first priority; hospitals in Pinal County have second priority; and hospitals in Maricopa and Pima Counties have third priority.

*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 \$147,515,200 in FY 2025 above FY 2024 and by \$109,694,600 in FY 2026 above FY 2025.

The FY 2025 amount includes:

- 1% caseload growth.
- 3.1% capitation growth.
- An estimated 66.13% FMAP.
- The loss of the FY 2024 enhanced match rates.
- \$(700,000) to remove funding for one-time PMMIS replacement costs.

The FY 2026 amount includes:

- 1% caseload growth.
- 3.1% capitation growth.
- An estimated 66.27% FMAP.

**Health Workforce Development Funding**

The 3-year spending plan associated with the FY 2023 enacted budget assumed the Executive would spend \$27,000,000 in each of FY 2023, FY 2024, and FY 2025 from federal American Rescue Plan Act (ARPA) monies for the Student Nurse Clinical Rotation and Licensed or Certified Nurse Training Program established by Laws 2022, Chapter 330. The program is administered by

AHCCCS and provides grants to hospitals, nursing facilities, and assisted living facilities to expand or create clinical training placements for undergraduate nursing students and licensed or certified nurses. AHCCCS designated the Arizona State Board of Nursing as the administrator of the program in December 2022. The Nursing Board intends to open the first grant cycle for the program in January 2023.

The 3-year spending plan also assumed \$5,000,000 in non-appropriated Federal Funds in each of FY 2023, FY 2024, and FY 2025 to expand behavioral health care worker training. Federal funding will be deposited into the Behavioral Health Training Pilot Program Fund, established by Laws 2022, Chapter 330. The funding will be used to create behavioral health curriculum in the Maricopa County and Navajo County Community College Districts.

These monies do not appear in the General Appropriations Act because they are non-appropriated Federal Funds.

**Auditor General Report**

**Performance Audit and Sunset Review**

In September 2022, the Auditor General published an audit of AHCCCS as part of the sunset review process prescribed in A.R.S. § 41-2951. The audit addressed AHCCCS's investigation of fraud and abuse, accuracy of

eligibility determinations, review of contracted health plans and provider performance, and implementation of findings related to service delivery for members with a serious mental illness. In terms of budget implications, the Auditor General found that AHCCCS has taken over 1 year to investigate over half of potential fraud and abuse cases open as of May 2022, potentially resulting in unnecessary payments.

The Auditor General's report recommended AHCCCS conduct a workload/cost analysis to determine if its funding and staffing levels are sufficient to provide timely investigation of fraud and abuse cases.

**County Contributions**

County governments make 3 different payments to defray the AHCCCS budget's costs, as summarized in Table 5. 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:

**Table 5**

**County Contributions**

County	FY 2023			FY 2024		
	BNCF <sup>1/</sup>	Acute	ALTCS	BNCF <sup>1/</sup>	Acute	ALTCS
Apache	\$141,800	\$268,800	860,500	\$153,900	\$268,800	692,800
Cochise	264,500	2,214,800	6,320,300	287,100	2,214,800	6,587,900
Coconino	261,000	742,900	2,583,200	283,200	742,900	2,080,000
Gila	107,200	1,413,200	2,855,600	116,300	1,413,200	2,852,300
Graham	76,200	536,200	1,258,800	82,700	536,200	1,540,200
Greenlee	19,600	190,700	0	21,200	190,700	0
La Paz	40,600	212,100	653,700	44,000	212,100	682,700
Maricopa	0	16,887,200	229,265,800	0	15,703,400	240,195,400
Mohave	304,600	1,237,700	10,473,800	330,500	1,237,700	10,847,500
Navajo	199,700	310,800	3,561,400	216,700	310,800	2,867,700
Pima	1,814,500	14,951,800	54,350,500	1,968,900	14,951,800	56,396,600
Pinal	355,000	2,715,600	17,427,100	385,300	2,715,600	18,011,700
Santa Cruz	83,900	482,800	2,775,000	91,100	482,800	2,582,800
Yavapai	335,400	1,427,800	9,429,000	363,900	1,427,800	9,820,100
Yuma	299,000	1,325,100	10,883,000	324,500	1,325,100	11,047,700
<b>Subtotal</b>	<b>\$4,303,100</b>	<b>\$44,917,500</b>	<b>\$352,697,700</b>	<b>\$4,669,300</b>	<b>\$43,733,700</b>	<b>\$366,205,400</b>
<b>Total</b>			<b>\$401,918,300</b>			<b>\$414,608,400</b>

<sup>1/</sup> Numbers may not add to total due to rounding.

### Capitation

The majority of AHCCCS payments are made through monthly capitated payments to contracted health plans to cover Medicaid services. In FY 2024, the average capitation rate is expected to be approximately \$562 per member per month (or \$6,700 annually). Of that amount, an average of \$136 is from state match and \$426 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 2024 to assist in the enforcement of a multi-year settlement reached between tobacco companies and the state over the Master Settlement Agreement (MSA). This transfer amount consists of:

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

## **Tobacco Tax Allocations**

The Baseline projects AHCCCS and DHS will receive \$142,829,200 in transfers of tobacco tax collections in FY 2024. This amount represents a decrease of \$(1,997,000) from the FY 2023 budgeted amount. *Table 6* summarizes tobacco tax transfers and allocations to the agencies.

Table 6

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

Medically Needy Account	<u>FY 2022</u>	<u>FY 2023</u>
<u>Funds Available</u>		
Balance Forward	\$ 2,981,600	\$ (163,100)
Transfer In - Tobacco Tax and Health Care Fund	40,438,600	40,519,500
Transfer In - Tobacco Products Tax Fund	<u>23,408,100</u>	<u>23,454,900</u>
<b>Total Funds Available</b>	<b>\$ 66,828,300</b>	<b>\$ 63,811,300</b>
<u>Allocations</u>		
<i>AHCCCS</i>		
AHCCCS State Match Appropriation	\$ 66,291,400	\$ 67,179,700
Total AHCCCS Allocations	\$ 66,291,400	\$ 67,179,700
<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>
<b>Balance Forward*</b>	<b>\$ (163,100) *</b>	<b>\$ (4,068,400) *</b>
<b>AHCCCS Proposition 204 Protection Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 6,266,200	\$ 5,043,300
Transfer In - Tobacco Products Tax Fund	<u>36,412,500</u>	<u>36,485,300</u>
<b>Total Funds Available</b>	<b>\$ 42,678,700</b>	<b>\$ 41,528,600</b>
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 37,635,400	\$ 36,641,400
Administrative Adjustments	<u>0</u>	<u>0</u>
<b>Balance Forward</b>	<b>\$ 5,043,300</b>	<b>\$ 4,887,200</b>
<b>AHCCCS Emergency Health Services Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 3,337,700	\$ 2,755,400
Transfer In - Tobacco Products Tax Fund	<u>17,339,300</u>	<u>17,374,000</u>
<b>Total Funds Available</b>	<b>\$ 20,677,000</b>	<b>\$ 20,129,400</b>
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$ 17,921,600	\$ 17,448,300
Administrative Adjustments	<u>0</u>	<u>0</u>
<b>Balance Forward <sup>1/</sup></b>	<b>\$ 2,755,400</b>	<b>\$ 2,681,100</b>
<b>DHS Health Education Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 10,994,400	\$ 16,127,700
Transfer In - Tobacco Tax and Health Care Fund	14,159,400	12,714,600
Transfer In - Tobacco Products Tax Fund	1,744,800	1,774,100
Smoke-Free Arizona Fund	<u>357,700</u>	<u>295,700</u>
<b>Total Funds Available</b>	<b>\$ 27,256,300</b>	<b>\$ 30,912,100</b>
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$ 9,705,200	\$ 18,596,000
Leading Causes of Death - Prevention and Detection	<u>1,423,400</u>	<u>3,179,000</u>
<b>Balance Forward</b>	<b>\$ 16,127,700</b>	<b>\$ 9,137,100</b>
<b>Health Research Account</b>		
<u>Funds Available</u>		
Balance Forward	\$ 1,866,100	\$ 5,337,600
Transfer In - Tobacco Tax and Health Care Fund	2,888,500	2,894,300
Transfer In - Tobacco Products Tax Fund	<u>4,334,800</u>	<u>4,343,500</u>
<b>Total Funds Available</b>	<b>\$ 9,089,400</b>	<b>\$ 12,575,400</b>
<u>Allocations</u>		
Biomedical Research Support	\$ 499,400	\$ 0
Research Grants	<u>3,252,400</u>	<u>9,285,500</u>
<b>Balance Forward</b>	<b>\$ 5,337,600</b>	<b>\$ 3,289,900</b>

<sup>1/</sup> 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 2022 Actual	FY 2023 Estimate
<b>Arizona Tobacco Litigation Settlement Fund (HCA2468/A.R.S. § 36-2901.02)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies received from tobacco companies as part of a lawsuit settlement.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	108,433,100	102,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Behavioral Health Training Pilot Program Fund (HCA9999/A.R.S. § 36-1807)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, grants, donations, and federal monies.		
<b>Purpose of Fund:</b> Monies in the fund shall be used to expand the capacity of the Maricopa County Community College District and the Navajo County Community College District to train students as behavioral health workers by developing behavioral health curriculum in partnership with the community college districts.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> County contributions.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,076,200	4,303,100
<b>Year-End Fund Balance</b>	0	0
<b>Children's Behavioral Health Services Fund (HCA2735/A.R.S. § 36-3436)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Includes monies appropriated to the fund, gifts or donations to the fund, and any interest earned.		
<b>Purpose of Fund:</b> To provide behavioral health services for uninsured or underinsured non-Medicaid children. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	6,955,500	3,477,800
<b>Children's Health Insurance Program Fund (HCA2410/A.R.S. § 36-2995)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 \$55,500 for a family of 4.		
<b>Funds Expended</b>	147,543,100	123,622,900
<b>Year-End Fund Balance</b>	1,685,500	1,685,500
<b>Coronavirus Relief Fund (HCA2975/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	908,200	0
<b>Year-End Fund Balance</b>	0	0



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>County Funds (HCA9691/A.R.S. § 36-2912)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Statutorily prescribed county contributions that are deposited in the AHCCCS Fund or the Long Term Care System Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	397,615,200
<b>Year-End Fund Balance</b>	0	0
<b>Delivery System Reform Incentive Payment Fund (HCA2130/A.R.S. § 36-2930.04)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Monies voluntarily given to AHCCCS from local governments or Arizona public universities in order to obtain a federal match. Federal revenues and expenditures associated with DSRIP are accounted for in Federal Medicaid Authority.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,513,500	15,495,200
<b>Year-End Fund Balance</b>	0	0
<b>Employee Recognition Fund (HCA2449/A.R.S. § 36-2903)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private donations.		
<b>Purpose of Fund:</b> To be used for the agency's employee recognition program.		
<b>Funds Expended</b>	0	1,000
<b>Year-End Fund Balance</b>	3,600	2,600
<b>Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	88,647,400	88,647,400
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds (HCA2000/A.R.S. § 36-2913)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Non-Medicaid federal grant monies.		
<b>Purpose of Fund:</b> To support specific federally funded behavioral health programs, including the Mental Health Block Grant and the Substance Abuse Prevention and Treatment Block Grant.		
<b>Funds Expended</b>	106,011,200	192,148,900
<b>Year-End Fund Balance</b>	531,100	531,100
<b>Federal Medicaid Authority (HCA2120/HCA2223 Long Term Care/A.R.S. § 36-2913)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Federal matching funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services that is deposited in the AHCCCS Fund, the Long Term Care System Fund, the Nursing Facility Provider Assessment Fund, or the Delivery System Reform Incentive Payment Fund. Federal matching dollars for the Medicaid in the Public Schools program are accounted for in Federal - Medicaid Direct Services.		
<b>Purpose of Fund:</b> For AHCCCS's administrative costs and for the provision of services to eligible Medicaid populations.		
<b>Funds Expended</b>	14,554,953,300	13,426,977,000
<b>Year-End Fund Balance</b>	56,033,600	56,033,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Health Care Investment Fund (HCA2588/A.R.S. § 36-2999.73)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	267,186,500	453,104,400
<b>Year-End Fund Balance</b>	113,075,700	113,075,700
<b>Hospital Assessment Fund (HCA2576/A.R.S. § 36-2901.09)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> An assessment on hospital revenues, discharges, or beds days.		
<b>Purpose of Fund:</b> For funding the non-federal share of Proposition 204 services and the adult population who became eligible for AHCCCS services on January 1, 2014.		
<b>Funds Expended</b>	547,618,700	548,910,500
<b>Year-End Fund Balance</b>	106,771,800	135,138,400
<b>IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Operating transfers to provide the state matches for the Department of Economic Security Long-Term Care Program, Department of Corrections claims processing for inmates, and county claims for processing inmates. Excludes amounts received from political subdivisions for GME, DSH, APSI and PSI programs.		
<b>Purpose of Fund:</b> To receive and spend monies associated with intergovernmental agreements and interagency service agreements. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>IGA for County Behavioral Health Services Fund (HCA4503/A.R.S. § 36-108.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from local governments and state liquor service fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	76,507,600	74,919,800
<b>Year-End Fund Balance</b>	0	0
<b>Intergovernmental Service Fund (HCA2442/A.R.S. § 36-2927)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from the State of Hawaii.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	12,036,000	14,768,200
<b>Year-End Fund Balance</b>	787,500	787,500
<b>Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources. Federal revenues and expenditures associated with the nursing facility assessment are accounted for in Federal Medicaid Authority.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	29,668,300	32,989,600
<b>Year-End Fund Balance</b>	448,500	228,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Portion of IGA and ISA Fund monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	134,041,600	167,373,400
<b>Year-End Fund Balance</b>	0	0
<b>Prescription Drug Rebate Fund - Federal (HCA2546/A.R.S. § 36-2930)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. Expenditures displayed only include the federal share of disbursements and exclude "contra expenses" recorded in AFIS associated with the federal share of rebate collections.		
<b>Funds Expended</b>	908,537,700	609,060,300
<b>Year-End Fund Balance</b>	137,948,200	68,974,100
<b>Prescription Drug Rebate Fund - State (HCA2546/A.R.S. § 36-2930)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Prescription drug rebate collections and interest from prescription drug rebate late payments.		
<b>Purpose of Fund:</b> 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. Expenditures displayed only include the state share of disbursements from the fund and exclude "contra expenses" recorded in AFIS associated with the state share of rebate collections.		
<b>Funds Expended</b>	174,892,200	165,160,800
<b>Year-End Fund Balance</b>	20,488,000	36,297,900
<b>Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gaming monies received from the Arizona Benefits Fund.		
<b>Purpose of Fund:</b> For unrecovered trauma center readiness and emergency services costs.		
<b>Funds Expended</b>	29,746,600	29,746,600
<b>Year-End Fund Balance</b>	9,576,500	9,576,500
<b>Seriously Mentally Ill Housing Trust Fund (HCA2555/A.R.S. § 41-3955.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To cover related administrative expenses. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	217,300
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Seriously Mentally Ill Housing Trust Fund (HCA2555/A.R.S. § 41-3955.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,419,200	2,500,000
<b>Year-End Fund Balance</b>	10,078,500	9,361,200
<b>Substance Abuse Services Fund (HCA2227/A.R.S. § 36-2005)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,250,200	2,250,200
<b>Year-End Fund Balance</b>	527,200	527,200
<b>Substance Use Disorder Services Fund (HCA2325/A.R.S. § 36-2930.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to the fund, any gifts or donations to the fund, and interest earned on those monies.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,858,000	1,929,000
<b>Third Party Liability and Recovery Fund (HCA3791 Acute Care/A.R.S. § 36-2913)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Collections from third-party payers and revenues from lien and estate recoveries.		
<b>Purpose of Fund:</b> To provide acute medical services to AHCCCS members. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	194,700
<b>Year-End Fund Balance</b>	0	0
<b>Third Party Liability and Recovery Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Collections from third-party payers and revenues from lien and estate recoveries.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	6,161,000	6,161,000
<b>Tobacco Products Tax Fund - Emergency Health Services Account (HCA1304/A.R.S. § 36-776)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
<b>Purpose of Fund:</b> For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
<b>Funds Expended</b>	17,921,600	17,448,300
<b>Year-End Fund Balance</b>	2,799,500	2,799,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Tobacco Products Tax Fund - Proposition 204 Protection Account (HCA1303/A.R.S. § 36-778)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	37,635,400	36,641,400
<b>Year-End Fund Balance</b>	5,138,500	5,138,500
<b>Tobacco Tax and Health Care Fund - Medically Needy Account (HCA1306/A.R.S. § 36-774)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	66,291,400	67,179,700
<b>Year-End Fund Balance</b>	0	0

## Arizona Commission on the Arts

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>SPECIAL LINE ITEMS</b>			
Arts Trust Fund Deposit	0	5,000,000	0
<b>AGENCY TOTAL</b>	<b>0</b>	<b>5,000,000</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	0	5,000,000	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>0</b>	<b>5,000,000</b>	<b>0</b>
Other Non-Appropriated Funds	1,781,100	1,682,400 <sup>1/</sup>	1,626,300
Federal Funds	3,795,600	1,008,300	1,008,300
<b>TOTAL - ALL SOURCES</b>	<b>5,576,700</b>	<b>7,690,700</b>	<b>2,634,600</b>

**AGENCY DESCRIPTION** — The agency promotes arts in the state by offering matching grants to communities and arts organizations, developing programs in-house to showcase artists in all disciplines, and serving as a resource for local artists.

### FOOTNOTES

<sup>1/</sup> Monies appropriated from the General Fund for deposit into the Arts Trust Fund pursuant to the FY 2023 General Appropriation Act are not displayed to avoid double counting of appropriations.

#### Arts Trust Fund Deposit

The Baseline includes no funding from the General Fund in FY 2024 for deposit into the non-appropriated Arts Trust Fund. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2024 to remove one-time funding for the Arts Trust Fund.

Monies in the Arts Trust Fund are used to award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are statutorily used to provide grants to organizations representing handicapped persons or racial or ethnic minorities and organizations representing rural areas.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Arts Trust (HUA3043/A.R.S. § 41-983.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An annual report filing fee from domestic and foreign for-profit corporations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,321,500	1,485,000
<b>Year-End Fund Balance</b>	599,800	314,800
<b>Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Public and private grants, donations, exhibit rentals, admissions, charges for services, and amounts transferred in from the Budget Stabilization Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	459,600	197,400
<b>Year-End Fund Balance</b>	82,900	33,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Coronavirus State and Local Fiscal Recovery Fund (HUA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,000,000	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Grants (HUA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants from the National Endowment for the Arts.		
<b>Purpose of Fund:</b> To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
<b>Funds Expended</b>	1,795,600	1,008,300
<b>Year-End Fund Balance</b>	200	200
<b>State Poet Laureate Fund (HUA2569/A.R.S. § 41-988)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants, and donations.		
<b>Purpose of Fund:</b> To pay costs of the State poet laureate.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,500	2,500

## Board of Athletic Training

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	59,300	75,400	75,400
Employee Related Expenditures	24,200	43,700	43,700
Travel - In State	0	1,200	1,200
Other Operating Expenditures	21,900	37,000	29,700
Equipment	4,400	0	0
<b>AGENCY TOTAL</b>	<b>109,800</b>	<b>157,300</b>	<b>150,000<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Athletic Training Fund	109,800	157,300	150,000
SUBTOTAL - Other Appropriated Funds	109,800	157,300	150,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>109,800</b>	<b>157,300</b>	<b>150,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>109,800</b>	<b>157,300</b>	<b>150,000</b>

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

### FOOTNOTES

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

#### **Operating Budget**

The Baseline includes \$150,000 and 1.5 FTE Positions from the Athletic Training Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### **Remove One-Time E-licensing Costs**

The Baseline includes a decrease of \$(7,300) from the Athletic Training Fund in FY 2024 to remove one-time costs associated with migrating to an e-licensing application.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Athletic Training Fund (BAA2583/A.R.S. § 32-4105)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate athletic trainers, and for board administration.		
<b>Funds Expended</b>	109,800	157,300
<b>Year-End Fund Balance</b>	292,700	290,300



## Attorney General - Department of Law

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	624.7	655.7	655.7
Personal Services	30,765,000	37,171,000	37,171,000
Employee Related Expenditures	11,648,800	16,454,800	16,454,800
Professional and Outside Services	582,900	403,400	403,400
Travel - In State	198,400	257,200	257,200
Travel - Out of State	108,300	113,800	113,800
Other Operating Expenditures	7,806,800	10,401,000	10,227,500
Equipment	961,500	406,600	393,600
<b>OPERATING SUBTOTAL</b>	<b>52,071,700</b>	<b>65,207,800</b>	<b>65,021,300 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Attorney Stipend/Retention Bonus	2,000,000	0	0
Employee Stipend/Retention Bonus	0	3,000,000	0
Capital Postconviction Prosecution	677,200	881,400	881,400
Child and Family Advocacy Centers	600,000	600,000	100,000 <sup>3/</sup>
Colorado City Radio Dispatch System	0	400,000	0
Criminal Division Major Fraud Unit	277,400	1,194,000	1,194,000
Internet Crimes Against Children Enforcement	17,700	1,271,500	1,271,500 <sup>4/</sup>
Expert Witness and Outside Counsel	1,166,500	2,000,000	0
Federalism Unit	767,700	1,318,700	1,318,700
Government Accountability and Special Litigation	1,140,800	1,334,200	1,334,200
Military Airport Planning	81,900	85,000	85,000 <sup>5/</sup>
Missing and Murdered Indigenous Persons Investigations	0	2,000,000	0
Opioid Abatement	0	5,000,000	0
Organized Retail Theft Task Force	471,500	1,570,700	1,570,700 <sup>6/</sup>
Risk Management Interagency Service Agreement	9,091,200	10,703,900	10,703,900
State Grand Jury	171,900	194,100	194,100
Southern Arizona Law Enforcement	1,410,700	1,678,900	1,678,900
Technology Company Antitrust	702,300	0	0
Tobacco Enforcement	97,600	877,600	877,600
Victims' Rights	1,920,200	4,023,400	4,023,400
Victims' Rights Fund Deposit	0	1,400,000	0
Voter Fraud Unit	479,500	563,200	563,200
<b>AGENCY TOTAL</b>	<b>73,145,800</b>	<b>105,304,400</b>	<b>90,817,900 <sup>7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	23,762,600	29,522,900	27,522,900
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	781,200	161,400	161,400
Attorney General Legal Services Cost Allocation Fund	1,572,500	2,326,200	2,326,200
Collection Enforcement Revolving Fund	6,730,500	7,599,300	7,599,300
Consumer Protection - Consumer Fraud Revolving Fund	14,227,200	24,474,500	17,098,500
Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund	0	5,000,000	0
Interagency Service Agreements Fund	14,731,200	18,199,300	18,199,300 <sup>8/</sup>
Internet Crimes Against Children Enforcement Fund	0	900,000	900,000
Risk Management Revolving Fund	9,420,400	13,308,100	13,197,600
Victims' Rights Fund	1,920,200	3,812,700	3,812,700
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>49,383,200</b>	<b>75,781,500</b>	<b>63,295,000</b>

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>SUBTOTAL - Appropriated Funds</b>	<b>73,145,800</b>	<b>105,304,400</b>	<b>90,817,900</b>
Other Non-Appropriated Funds	56,896,500	63,869,800	63,869,800
Federal Funds	6,745,900	10,068,200	10,068,200
<b>TOTAL - ALL SOURCES</b>	<b>136,788,200</b>	<b>179,242,400</b>	<b>164,755,900</b>

**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 24.2 GF and 146 OF FTE Positions funded from Special Line Items in FY 2024.
- 2/ ~~Of the amount appropriated for the attorney general operating lump sum in fiscal year 2021-2022, \$500,000 from the risk management revolving fund is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2023 for the purpose of legal costs associated with the pursuit of criminal prosecutions and for defense in civil cases regarding elections. (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 \$371,500 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, 2025. (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 \$1,570,700 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 2023-2024. (General Appropriation Act footnote)

**Operating Budget**

The Baseline includes \$65,021,300 and 485.5 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$24,245,700
Antitrust Enforcement Revolving Fund	161,400
Attorney General Legal Services Cost Allocation Fund (LSCAF)	2,326,200
Collection Enforcement Revolving Fund (CERF)	7,599,300
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	9,995,700
Interagency Service Agreements (ISA) Fund	18,199,300
Risk Management Revolving Fund	2,493,700

Adjustments are as follows:

**Criminal Division Resources**

The Baseline continues \$2,350,000 from the CPCF Revolving Fund in FY 2024 for funding originally appropriated in the FY 2020 General Appropriation Act for the Criminal Division.

An FY 2020 General Appropriation Act footnote appropriated \$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. *(Please see the FY 2023 Appropriations Report for more information.)*

**Remove One-Time Medicaid Fraud Unit Funding**

The Baseline includes a decrease of \$(76,000) from the CPCF Revolving Fund in FY 2024 to remove one-time

funding for newly-purchased vehicles and equipment for new investigator positions in the Medicaid Fraud Control Unit (MFCU) added in FY 2023.

The MFCU investigates and prosecutes cases involving Medicaid fraud.

**Remove One-Time Equipment Funding**

The Baseline includes a decrease of \$(110,500) from the Risk Management Revolving Fund in FY 2024 to remove one-time funding for equipment to support new FTE Positions added to the Liability Management Section (LMS) in FY 2023.

The LMS provides legal representation for Arizona Department of Administration (ADOA) Risk Management cases. ADOA pays the LMS for outside counsel services related to these cases. *(Please see the Arizona Department of Administration narrative for more information.)*

**Employee Stipend/Retention Bonus**

The Baseline includes no funding in FY 2024 for the Employee Stipend/Retention Bonus line item. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(3,000,000) from the CPCF Revolving Fund in FY 2024 to remove one-time funding for employee stipends and retention bonuses.

Monies in this line item provide funding for stipend and retention bonuses for employees of the Attorney General's Office.

**Capital Postconviction Prosecution**

The Baseline includes \$881,400 and 6 FTE Positions from the General Fund in FY 2024 for Capital Postconviction Prosecution. These amounts are unchanged from FY 2023.

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 2024 for the Child and Family Advocacy Centers line item. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(500,000) from the CPCF Revolving Fund in FY 2024 to remove a 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.

**Colorado City Radio Dispatch System**

The Baseline includes no funding in FY 2024 for the Colorado City Radio Dispatch System line item. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(400,000) from the CPCF Revolving Fund in FY 2024 to remove one-time funding for a radio dispatch system in Colorado City.

Monies in this line item provide funding for the costs to start-up and maintain a digital radio dispatch system in Colorado City.

**Criminal Division Major Fraud Unit**

The Baseline includes \$1,194,000 and 7 FTE Positions from the CPCF Revolving Fund in FY 2024 for the Criminal Division Major Fraud Unit. These amounts are unchanged from FY 2023.

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 \$1,271,500 in FY 2024 for the Internet Crimes Against Children (ICAC) Enforcement line item. This amount consists of:

General Fund	371,500
ICAC Enforcement Fund	900,000

These amounts are unchanged from FY 2023.

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 2024 amount non-lapsing until the end of FY 2025.

#### ***Expert Witness and Outside Counsel***

The Baseline includes no funding in FY 2024 for the Expert Witness and Outside Counsel line item. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(2,000,000) from the CCPF Revolving Fund in FY 2024 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 \$1,318,700 and 8 FTE Positions from the CCPF Revolving Fund in FY 2024 for the Federalism Unit. These amounts are unchanged from FY 2023.

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 \$1,334,200 and 10 FTE Positions from the CCPF Revolving Fund in FY 2024 for the Government Accountability and Special Litigation (GASL) line item. These amounts are unchanged from FY 2023.

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 2024 for Military Airport Planning. These amounts are unchanged from FY 2023.

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.

#### ***Missing and Murdered Indigenous People Investigations***

The Baseline includes no funding in FY 2024 for the Missing and Murdered Indigenous People Investigations line item. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2024 to remove one-time funding for missing and murdered indigenous people investigations.

Monies in this line item provide funding for investigations regarding missing and murdered indigenous people. The FY 2023 appropriation is non-lapsing.

#### ***Opioid Abatement***

The Baseline includes no funding in FY 2024 for the Opioid Abatement line item. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(5,000,000) from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund in FY 2024 to remove one-time opioid abatement funding.

Monies in this line item come from a portion of monies deposited into the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund pursuant to a settlement with opioid distributors. *(Please see the FY 2023 Appropriations Report for more information.)*

#### ***Organized Retail Theft Task Force***

The Baseline includes \$1,570,700 and 9 FTE Positions from the CCPF Revolving Fund in FY 2024 for the Organized Retail Theft Task Force line item. These amounts are unchanged from FY 2023.

The Organized Retail Theft Task Force combats 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. A General Appropriation Act footnote also requires this funding 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 \$10,703,900 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2024 for the Risk Management Interagency Service Agreement. These amounts are unchanged from FY 2023.

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 \$194,100 and 1.6 FTE Positions from the General Fund in FY 2024 for the State Grand Jury. These amounts are unchanged from FY 2023.

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 \$1,678,900 and 16 FTE Positions in FY 2024 for Southern Arizona Law Enforcement. These amounts consist of:

General Fund	1,340,600
CPCF Revolving Fund	338,300

These amounts are unchanged from FY 2023.

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.

**Tobacco Enforcement**

The Baseline includes \$877,600 and 6.6 FTE Positions in FY 2024 for Tobacco Enforcement. These amounts consist of:

General Fund	93,900
CPCF Revolving Fund	783,700

These amounts are unchanged from FY 2023.

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 \$2,077,600 for the Attorney General to enforce the MSA in FY 2024.

**Victims’ Rights**

The Baseline includes \$4,023,400 and 8 FTE Positions in FY 2024 for Victims’ Rights. These amounts consist of:

General Fund	210,700
Victims' Rights Fund	3,812,700

These amounts are unchanged from FY 2023.

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.

**Victims’ Rights Fund Deposit**

The Baseline includes a no funding in FY 2024 for additional funding to support the Victims' Rights Fund. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(1,400,000) from the CPCF Revolving Fund in FY 2024 to remove one-time funding to support the Victims' Rights Fund.

Laws 2022, Chapter 333 appropriated \$1,400,000 from the CPCF Revolving Fund in FY 2023 for deposit into the Victims' Rights Fund to address declining revenues and a structural deficit in the Victims' Rights Fund. The FY 2023 appropriation is non-lapsing.

### **Voter Fraud Unit**

The Baseline includes \$563,200 and 4 FTE Positions from the CPCF Revolving Fund in FY 2024 for the Voter Fraud Unit. These amounts are unchanged from FY 2023.

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.

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### **Other Issues**

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### **Google Settlement Fund Distribution**

In 2020, Arizona sued Google LLC (Google) for deceptive and unfair practices related to obtaining and profiting from user location data. After 2 years of litigation, Arizona received an \$85,000,000 settlement. Based on the terms of the settlement, \$77,250,000 would go to the General Fund and the remaining \$7,750,000 to state's counsel on October 24, 2022. In terms of the latter, that dollar amount has been disbursed to the outside counsel that represented the state in this litigation.

According to the terms of the settlement, of the \$77,250,000 deposited into the General Fund, the Attorney General is to spend or direct \$5,000,000 for educational institutes. These can include an accredited law school that maintains programs for the education of Attorney General staff and judges regarding consumer protection issues and/or a bipartisan association or forum of state Attorneys General that provides programming to current Attorneys General regarding consumer protection issues to develop programs to rectify alleged violations of consumer protection laws and to educate and assist state Attorneys General regarding Consumer Fraud Act cases and digital privacy.

The settlement allows for unreimbursed litigation costs to also be spent out of the \$77,250,000. The Legislature is to spend or direct the remainder of the \$77,250,000 towards education, broadband, and Internet privacy efforts and purposes. The settlement does not define those 3 spending initiatives any further.

While the settlement outlines the uses of these monies, the settlement also requires the Legislature to appropriate these monies for them to be expended. The settlement states that "the failure to comply (with the specified purposes) shall not be a breach by the State."

### **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 1* for a list of agencies and their corresponding FY 2024 Attorney General Legal Services charge. These amounts are unchanged from FY 2023.

*(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 1**

#### **FY 2024 Attorney General Legal Services Charges**

<b>Agency</b>	<b>Charge</b>
Arizona Department of Administration	\$ 127,700
Office of Administrative Hearings	3,000
Arizona 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 State Schools for the Deaf and the Blind	100,200
Commission for the Deaf and the Hard of Hearing	4,100
Arizona 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
Arizona 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
Arizona 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
Department of State - 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 2022 Actual	FY 2023 Estimate
<b>Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,885,900	6,511,800
<b>Year-End Fund Balance</b>	30,601,900	32,256,100
<b>Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
<b>Purpose of Fund:</b> For antitrust enforcement expenses, excluding attorney compensation.		
<b>Funds Expended</b>	781,200	161,400
<b>Year-End Fund Balance</b>	1,172,400	799,700
<b>Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Restricted donations and gifts from individuals and corporations.		
<b>Purpose of Fund:</b> For purposes specified by donors or grantors.		
<b>Funds Expended</b>	6,100	6,000
<b>Year-End Fund Balance</b>	42,900	44,100
<b>Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
<b>Purpose of Fund:</b> To fund non-contracted Attorney General Legal Services.		
<b>Funds Expended</b>	1,572,500	2,326,200
<b>Year-End Fund Balance</b>	869,200	341,500
<b>Child and Family Advocacy Center Fund (AGA2540/A.R.S. § 41-191.11)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Appropriated funds as well as other monies such as private gifts and grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	600,000	650,000
<b>Year-End Fund Balance</b>	100,000	50,000
<b>CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 12.38% 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.		
<b>Purpose of Fund:</b> To enhance prosecutorial efforts of county attorneys.		
<b>Funds Expended</b>	2,898,500	3,049,400
<b>Year-End Fund Balance</b>	494,800	247,400
<b>Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,730,500	7,599,300
<b>Year-End Fund Balance</b>	4,110,000	5,318,100

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	14,227,200	24,474,500
<b>Year-End Fund Balance</b>	35,685,700	24,842,000
<b>Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
<b>Purpose of Fund:</b> 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. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	5,000,000
<b>Year-End Fund Balance</b>	14,373,000	6,537,000
<b>Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
<b>Purpose of Fund:</b> 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. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	529,100	4,000,000
<b>Year-End Fund Balance</b>	14,373,000	6,537,000
<b>Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund (AGA2573/A.R.S. § 44-1531.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected by the Attorney General from court orders, compromises or settlements resulting from violations of consumer protection laws.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,149,600	5,023,800
<b>Year-End Fund Balance</b>	6,422,400	5,080,200
<b>Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To assure funds are available to pay judgments. Future payments are dependent on case settlements.		
<b>Funds Expended</b>	655,200	0
<b>Year-End Fund Balance</b>	2,049,900	374,200



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
<b>Purpose of Fund:</b> For the processing of criminal cases.		
<b>Funds Expended</b>	53,500	118,700
<b>Year-End Fund Balance</b>	179,900	118,800
<b>Federal Grants (AGA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Grants awarded by various federal agencies and state agencies which pass through federal monies.		
<b>Purpose of Fund:</b> To be used in accordance with the terms of the individual grants.		
<b>Funds Expended</b>	6,745,900	10,068,200
<b>Year-End Fund Balance</b>	961,100	1,064,600
<b>Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grant monies and other appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay administrative costs not directly attributable to any single agency program.		
<b>Funds Expended</b>	10,132,900	13,915,900
<b>Year-End Fund Balance</b>	8,274,800	6,583,300
<b>Interagency Service Agreements Fund (AGA2657/A.R.S. § 41-192)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
<b>Purpose of Fund:</b> To provide contracted legal services to state agencies and political subdivisions.		
<b>Funds Expended</b>	14,731,200	18,199,300
<b>Year-End Fund Balance</b>	2,119,000	(1,201,800)
<b>Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Any monies received from state agencies for specialized projects.		
<b>Purpose of Fund:</b> For costs associated with approved projects.		
<b>Funds Expended</b>	29,078,700	29,686,200
<b>Year-End Fund Balance</b>	2,349,000	37,200
<b>Internet Crimes Against Children Enforcement Fund (AGA3217/A.R.S. § 41-199)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.)		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	900,000
<b>Year-End Fund Balance</b>	1,860,000	960,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	46,300	46,300
<b>Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 5.18% 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.		
<b>Purpose of Fund:</b> For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
<b>Funds Expended</b>	907,000	908,000
<b>Year-End Fund Balance</b>	1,600	800
<b>Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
<b>Purpose of Fund:</b> To pay for the legal services ISA contract between the Attorney General and the Arizona Department of Administration.		
<b>Funds Expended</b>	9,420,400	13,308,100
<b>Year-End Fund Balance</b>	696,400	0
<b>Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A \$9 penalty on civil and criminal violations.		
<b>Purpose of Fund:</b> For states and local entities that provide victims' rights services and assistance.		
<b>Funds Expended</b>	1,920,200	3,812,700
<b>Year-End Fund Balance</b>	1,389,300	986,600

## Barbering and Cosmetology Board

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	0.0	29.5	29.5
Personal Services	0	1,170,600	1,170,600
Employee Related Expenditures	0	631,500	631,500
Professional and Outside Services	0	148,300	148,300
Travel - In State	0	38,700	38,700
Travel - Out of State	0	8,800	8,800
Other Operating Expenditures	0	505,700	356,400
Equipment	0	361,200	361,200
<b>AGENCY TOTAL</b>	<b>0</b>	<b>2,864,800</b>	<b>2,715,500</b> <sup>1/2/</sup>

### FUND SOURCES

#### Other Appropriated Funds

Barbering and Cosmetology Fund	0	2,864,800	2,715,500
SUBTOTAL - Other Appropriated Funds	0	2,864,800	2,715,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>0</b>	<b>2,864,800</b>	<b>2,715,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>2,864,800</b>	<b>2,715,500</b>

**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. Please see the Board of Barbers and Board of Cosmetology narratives for information on FY 2022 expenditures.

#### **Operating Budget**

The Baseline includes \$2,715,500 and 29.5 FTE Positions from the Barbering and Cosmetology Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### **Remove One-Time E-Licensing Funding**

The Baseline includes a decrease of \$(149,300) from the Barbering and Cosmetology Fund in FY 2024 for the elimination of one-time e-licensing funding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Barbering and Cosmetology Fund (BCB2017/A.R.S. § 32-505)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate cosmetologists, barbers, salons, cosmetology schools, barber schools, and barbering establishments, and for board administration.		
<b>Funds Expended</b>	0	2,864,800
<b>Year-End Fund Balance</b>	0	1,623,700

## Board of Barbers

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	0.0	0.0
Personal Services	159,500	0	0
Employee Related Expenditures	66,200	0	0
Professional and Outside Services	500	0	0
Travel - In State	700	0	0
Other Operating Expenditures	400	0	0
Equipment	101,000	0	0
<b>AGENCY TOTAL</b>	<b>328,300</b>	<b>0</b>	<b>0</b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Barbers Fund	328,300	0	0
SUBTOTAL - Other Appropriated Funds	328,300	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>328,300</b>	<b>0</b>	<b>0</b>
<b>TOTAL - ALL SOURCES</b>	<b>328,300</b>	<b>0</b>	<b>0</b>

**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 merged with the Board of Barbers and was 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 actuals are reported above. Please see the Barbering and Cosmetology Board section for additional information on FY 2023 and FY 2024 funding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Barbers Fund (BBA2007/A.R.S. § 32-305 [REPEALED])</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	328,300	0
<b>Year-End Fund Balance</b>	782,000	0

## Board of Behavioral Health Examiners

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	17.0	20.0	20.0
Personal Services	999,000	1,208,700	1,208,700
Employee Related Expenditures	353,600	446,600	446,600
Professional and Outside Services	81,400	190,000	190,000
Travel - In State	5,500	20,000	20,000
Travel - Out of State	500	15,000	15,000
Other Operating Expenditures	307,200	223,700	167,000
Equipment	19,100	75,700	75,700
<b>AGENCY TOTAL</b>	<b>1,766,300</b>	<b>2,179,700</b>	<b>2,123,000<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Behavioral Health Examiners Fund	1,766,300	2,179,700	2,123,000
SUBTOTAL - Other Appropriated Funds	1,766,300	2,179,700	2,123,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,766,300</b>	<b>2,179,700</b>	<b>2,123,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,766,300</b>	<b>2,179,700</b>	<b>2,123,000</b>

**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

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

#### Operating Budget

The Baseline includes \$2,123,000 and 20 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time E-licensing Funding

The Baseline includes a decrease of \$(56,700) from the Board of Behavioral Health Examiners Fund in FY 2024 for the elimination of one-time e-licensing funding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
<b>Funds Expended</b>	1,766,300	2,179,700
<b>Year-End Fund Balance</b>	4,896,500	5,413,300

## State Board for Charter Schools

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	24.0	25.0	25.0
Personal Services	1,032,100	1,480,500	1,480,500
Employee Related Expenditures	391,800	395,900	395,900
Professional and Outside Services	166,700	70,500	70,500
Travel - In State	7,200	10,000	10,000
Travel - Out of State	4,200	5,500	5,500
Other Operating Expenditures	457,500	840,900	451,900
Equipment	12,300	524,900	524,900
<b>AGENCY TOTAL</b>	<b>2,071,800</b>	<b>3,328,200</b>	<b>2,939,200 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,071,800	3,328,200	2,939,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,071,800</b>	<b>3,328,200</b>	<b>2,939,200</b>
Other Non-Appropriated Funds	36,500	71,000	71,000
<b>TOTAL - ALL SOURCES</b>	<b>2,108,300</b>	<b>3,399,200</b>	<b>3,010,200</b>

**AGENCY DESCRIPTION** — The board reviews and approves charter school applications, including renewal applications, and monitors the schools that it sponsors for compliance with provisions of their individual charters. It consists of the Superintendent of Public Instruction, 6 members of the general public, 2 members of the business community, a charter school teacher, a charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees over 540 charter schools.

### FOOTNOTES

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

#### Operating Budget

The Baseline includes \$2,939,200 and 25 FTE Positions from the General Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(389,000) from the General Fund in FY 2024 to remove one-time costs associated with replacing the charter school board online platform.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of fees collected and administered by the State Board for Charter Schools.		
<b>Purpose of Fund:</b> To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
<b>Funds Expended</b>	18,000	6,000
<b>Year-End Fund Balance</b>	34,700	40,700
<b>New Charter Application Processing Fund (CHA2568/A.R.S. § 15-183.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of fees collected and administered by the State Board for Charter Schools.		
<b>Purpose of Fund:</b> To fund the processing of applications submitted for new charters.		
<b>Funds Expended</b>	18,500	65,000
<b>Year-End Fund Balance</b>	174,000	174,000

## Department of Child Safety

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3,203.1	3,203.1	3,203.1 <sup>1/</sup>
Personal Services	59,502,600	66,680,600	71,161,100
Employee Related Expenditures	24,011,400	23,830,200	25,490,200
Professional and Outside Services	11,849,100	14,248,300	14,680,300
Travel - In State	310,700	411,400	425,300
Travel - Out of State	42,900	42,900	43,500
Other Operating Expenditures	29,708,900	29,851,700	29,910,100
Equipment	209,500	209,500	209,500
<b>OPERATING SUBTOTAL</b>	<b>125,635,100</b>	<b>135,274,600</b>	<b>141,920,000</b> <sup>2/-10/</sup>
<b>SPECIAL LINE ITEMS</b>			
<b>Additional Operating Resources</b>			
Attorney General Legal Services	25,522,800	25,522,800	25,522,800 <sup>11/</sup>
Caseworkers	110,598,900	119,775,000	119,775,000
General Counsel	130,000	170,400	0
Inspections Bureau	2,447,800	2,628,100	0
New Case Aides	3,229,400	3,232,700	0
Office of Child Welfare Investigations	8,922,800	10,594,100	10,594,100
Records Retention Staff	572,400	614,200	0
Training Resources	8,569,800	9,150,000	9,150,000
<b>Out-of-Home Placements</b>			
Congregate Group Care	102,447,200	125,847,200	100,709,000
Extended Foster Care	15,000,200	17,037,200	17,037,200
Foster Home Placement	42,114,300	51,929,500	51,929,500
Foster Home Recruitment, Study and Supervision	23,630,100	32,753,600	32,753,600
Kinship Care	5,226,900	24,811,200	24,811,200 <sup>12/13/</sup>
<b>Permanent Placements</b>			
Permanent Guardianship Subsidy	12,283,900	12,516,900	12,516,900
Adoption Services	272,783,100	278,258,500	289,358,500
<b>Support Services</b>			
DCS Child Care Subsidy	144,361,800	61,675,400	61,675,400
In-Home Mitigation	25,205,200	28,988,100	28,988,100
Out-of-Home Support Services	94,739,500	122,710,800	122,710,800
Preventive Services	15,148,300	25,148,300	27,648,300
<b>Comprehensive Health Plan</b>			
Comprehensive Health Plan Administration	26,384,600	30,344,800	27,461,200
Comprehensive Health Plan Premium Tax	4,626,000	4,550,900	3,857,300
Comprehensive Health Plan Services	196,234,700	201,703,700	161,546,700
<b>AGENCY TOTAL</b>	<b>1,265,814,800</b>	<b>1,325,238,000</b>	<b>1,269,965,600</b> <sup>14/</sup>
<b>FUND SOURCES</b>			
General Fund	392,082,300	472,867,200	454,503,200
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	931,400	1,459,300	1,459,300
Child Welfare Licensing Fee Fund	297,700	1,020,800	1,020,800
Children and Family Services Training Program Fund	0	208,000	208,000
Federal Child Care and Development Fund Block Grant	130,916,000	40,516,000	40,516,000
Federal Temporary Assistance for Needy Families Block Grant	157,468,100	161,082,200	161,082,200
SUBTOTAL - Other Appropriated Funds	289,613,200	204,286,300	204,286,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>681,695,500</b>	<b>677,153,500</b>	<b>658,789,500</b>

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<u>Expenditure Authority Funds</u>			
Child Safety Expenditure Authority	356,874,000	411,485,100	418,310,900
Comprehensive Health Plan Fund	227,245,300	236,599,400	192,865,200
SUBTOTAL - Expenditure Authority Funds	584,119,300	648,084,500	611,176,100
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,265,814,800</b>	<b>1,325,238,000</b>	<b>1,269,965,600</b>
Other Non-Appropriated Funds	900	0	0
<b>TOTAL - ALL SOURCES</b>	<b>1,265,815,700</b>	<b>1,325,238,000</b>	<b>1,269,965,600</b>

**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 866.5 GF, 420.6 OF, and 523.1 EA FTE Positions funded from Special Line Items in FY 2024.
- 2/ 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)
- 3/ The legislature intends that the department of child safety use its funding to achieve a one hundred percent investigation rate. (General Appropriation Act footnote)
- 4/ 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)
- 5/ 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)
- 6/ 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)
- 7/ For the purposes of this section:
  1. "Long-term case" means any case in which the child has been in an out-of-home placement for at least eighteen months.
  2. "Open report" means a report that is under investigation or awaiting closure by a supervisor. (General Appropriation Act footnote)
- 8/ On or before February 28, 2024 and August 31, 2024, the department of child safety shall present a report to the joint legislative budget committee on the progress made during July 2023 through December 2023 and January 2024 through June 2024, respectively, in meeting the caseload standard and reducing the number of backlog and long-term cases. Each report shall include the number of backlog cases, the number of open reports, the number of long-term cases 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 long-term cases assigned to each field office.



For backlog cases, the department's benchmark is 1,000 cases.

For open reports, the department's benchmark is fewer than 8,000 open reports.

For long-term cases, the department's benchmark is the caseload reported for December 2022.

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)

- 9/ 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, the children and family services training program fund and the comprehensive health plan expenditure authority fund. (General Appropriation Act footnote)
- 10/ On or before December 1, 2023, 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 \$300 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/ On or before March 31, 2024, the department of child safety shall report to the joint legislative budget committee the number of children who are part of the kinship stipend program and reside with a nonrelative caretaker of fictive kinship. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$141,920,000 and 1,392.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<u>FY 2024</u>
General Fund	\$81,798,800
Child Safety Expenditure Authority	33,669,700
Federal TANF Block Grant	25,430,700
Child Welfare Licensing Fee Fund	1,020,800

Adjustments are as follows:

**Additional Operating Resources Funding Shift**

The Baseline includes an increase of \$6,645,400 and 71 FTE Positions in FY 2024 for the operating budget. This amount consists of:

General Fund	3,398,600
Child Safety Expenditure Authority	1,728,600
Federal TANF Block Grant	1,518,200

The Baseline would shift this funding from the General Counsel, Inspections Bureau, New Case Aides, and Records Retention Staff Special Line Items for no net overall change to agency resources. Please refer to the individual line items for more information.

**Additional Operating Resources**

**Attorney General Legal Services**

The Baseline includes \$25,522,800 and 276.2 FTE Positions in FY 2024 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 2023.

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 \$119,775,000 and 1,406 FTE Positions in FY 2024 for caseworkers. These amounts consist of:

General Fund	53,723,400
Children and Family Services Training Program Fund	208,000
Federal TANF Block Grant	33,615,900
Child Safety Expenditure Authority	32,227,700

These amounts are unchanged from FY 2023.

*Background* – 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 2022, DCS had filled 1,236 of these positions, or 170 fewer filled positions than the funded amount.

**General Counsel**

The Baseline includes no funding in FY 2024 for the General Counsel line item. Adjustments are as follows:

**Shift to Operating Budget**

The Baseline includes a decrease of \$(170,400) and (1) FTE Position from the General Fund in FY 2024 to shift funding from the General Counsel line item to the Operating Budget.

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 no funding in FY 2024 for the Inspections Bureau line item. Adjustments are as follows:

**Shift to Operating Budget**

The Baseline includes a decrease of \$(2,628,100) and (31) FTE Positions in FY 2024 to shift funding from the Inspections Bureau line item to the Operating Budget. This amount consists of:

General Fund	(1,595,900)
Federal TANF Block Grant	(185,700)
Child Safety Expenditure Authority	(846,500)

*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 no funding in FY 2024 for the New Case Aides line item. Adjustments are as follows:

**Shift to Operating Budget**

The Baseline includes a decrease of \$(3,232,700) and (34) FTE Positions in FY 2024 to shift funding from the New Case Aides line item to the Operating Budget. This amount consists of:

General Fund	(1,148,900)
Federal TANF Block Grant	(1,332,500)
Child Safety Expenditure Authority	(751,300)

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 \$10,594,100 and 127 FTE Positions in FY 2024 for the Office of Child Welfare Investigations (OCWI). These amounts consist of:

General Fund	10,392,100
Child Safety Expenditure Authority	202,000

These amounts are unchanged from FY 2023.

*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 no funding in FY 2024 for the Records Retention Staff line item. Adjustments are as follows:

**Shift to Operating Budget**

The Baseline includes a decrease of \$(614,200) and (5) FTE Positions in FY 2024 to shift funding from the Records Retention Staff line item to the Operating Budget. This amount consists of:

General Fund	(483,400)
Child Safety Expenditure Authority	(130,800)

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 2024 for Training Resources. This amount consists of:

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

These amounts are unchanged from FY 2023.

*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 2022, DCS reports that 58 ASU/NAU social work students received scholarships, including 32 Bachelors of Social Work (BSW) students and 26 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.

**Congregate Group Care**

The Baseline includes \$100,709,000 in FY 2024 for Congregate Group Care. This amount consists of:

General Fund	38,635,300
Federal TANF Block Grant	21,423,000
Child Safety Expenditure Authority	40,650,700

Adjustments are as follows:

**Table 1**

	Out-of-Home Placements <sup>1/</sup>		
	Dec 2021	Mar 2022	June 2022
Kinship Care <sup>2/</sup>	4,294	3,538	3,538
Foster Home	4,148	3,892	3,291
Congregate Care	2,443	2,486	2,314
Group Home	1,355	1,383	1,144
Emergency Shelter	64	73	68
Behavioral Health Placement	1,024	1,030	1,102
Independent Living	727	643	572
Other <sup>3/</sup>	1,751	2,453	3,544
<b>Total</b>	<b>13,363</b>	<b>13,012</b>	<b>13,259 <sup>4/</sup></b>

- <sup>1/</sup> Includes out-of-home children up through age 17 as well as children 18-21 in Extended Foster Care.
- <sup>2/</sup> Includes unlicensed relative and non-relative placements.
- <sup>3/</sup> Includes runaways, missing children, children with no identified placement, and trial home visits.
- <sup>4/</sup> Latest available data for placement types is from June 2022 and includes "preliminary data" reported by DCS. The most recent Kinship Care data is from March 2022.

**Remove Congregate Care Federal Funding Backfill**

The Baseline includes a decrease of \$(25,138,200) from the General Fund in FY 2024 to remove prior year funding 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.)*

**Funding for FY 2024 Federal Match Rate Changes**

The Baseline includes an increase of \$559,300 from the General Fund and a corresponding decrease of \$(559,300) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E Federal Medical Assistance Percentage (FMAP) rate. There are 6 DCS line items affected by this change.

The FY 2023 budget's 3-year spending plan includes a total General Fund increase of \$7,500,000 in FY 2024 and an additional \$2,500,000 in FY 2025 for the estimated decrease in the base Title IV-E FMAP rate for the 6 line

items. In addition, the federal Omnibus spending bill passed in December 2022 includes an enhanced match rate through December 2023 which offsets those increases by \$(3,225,800) on a one-time basis in FY 2024. Across the 6 line items, the net General Fund FY 2024 increase is \$4,274,200. The Baseline incorporates these changes in the affected line items and reduces Child Safety Expenditure Authority by an equivalent amount.

*Caseload* – According to the latest available data from DCS, in FY 2022, DCS served a monthly average caseload of 2,088 in congregate care placements. At an average monthly cost of \$4,165 per placement, funding in this line is sufficient for an average monthly caseload of 2,517 placements in FY 2024.

*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 \$17,037,200 in FY 2024 for Extended Foster Care. This amount consists of:

General Fund	10,082,800
Child Safety Expenditure Authority	6,954,400

Adjustments are as follows:

**Funding for FY 2024 Federal Match Rate Changes**

The Baseline includes an increase of \$199,500 from the General Fund and a corresponding decrease of \$(199,500) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E FMAP rate.

*Caseload* – According to the latest available data from DCS, in FY 2022, 572 individuals aged 17-21 remained voluntarily in DCS foster care.

*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 2024 for Foster Home Placement. This amount consists of:

General Fund	18,252,900
Federal TANF Block Grant	6,973,100
Child Safety Expenditure Authority	26,703,500

Adjustments are as follows:

**Funding for FY 2024 Federal Match Rate Changes**

The Baseline includes an increase of \$427,400 from the General Fund and a corresponding decrease of \$(427,400) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E FMAP rate.

*Caseload* – According to the latest available data from DCS, in FY 2022, a monthly average of 4,064 clients received licensed foster home services. At an average monthly cost of \$849, the funding in this line item is sufficient for 5,097 foster home placements in FY 2024.

*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 2024 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 2023.

*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 \$24,811,200 in FY 2024 for Kinship Care. This amount consists of:

General Fund	24,311,200
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2023.

*Caseload* – In FY 2022, a monthly average of 5,375 children were placed in unlicensed kinship care. Based on a monthly stipend of \$300, funding in this line item is sufficient for 6,892 kinship placements in FY 2024. DCS reports 5,593 children were placed in unlicensed kinship care in November 2022.

*Background* – This line item funds the Kinship Stipend, which provides a \$300 monthly stipend per child to unlicensed kinship caregivers. Unlicensed kinship caregivers may include relatives as well as non-relative caregivers of fictive kinship. "Fictive kin" are caregivers that have a meaningful relationship with the child but are not related by blood or by marriage.

The Baseline continues a General Appropriation Act footnote that requires DCS to provide the stipend on behalf of all children placed with an unlicensed kinship foster care parent and permits such caregivers to receive the stipend without filing an application. Another General Appropriation Act requires DCS to report to the Joint Legislative Budget Committee by March 31, 2024 on the number of children in the kinship care stipend program residing with non-relative caretaker of fictive kinship.

**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.

<b>Table 2</b>			
<b>Permanent Placements</b>			
	<b>June 2020</b>	<b>June 2021</b>	<b>June 2022</b>
Adoption	32,688	32,735	33,224
Permanent Guardianship	<u>2,723</u>	<u>2,716</u>	<u>2,719</u>
<b>Total</b>	<b>35,411</b>	<b>35,451</b>	<b>35,943</b>

**Permanent Guardianship Subsidy**

The Baseline includes \$12,516,900 in FY 2024 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 2023.

*Caseload* – According to the latest available data from DCS, in FY 2022, a monthly average of 2,771 clients received permanent guardianship subsidies. At an average monthly cost of \$377, the funding in this line item is sufficient to fund 2,770 total placements in FY 2024.

*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.

**Adoption Services**

The Baseline includes \$289,358,500 in FY 2024 for Adoption Services. This amount consists of:

General Fund	83,768,800
Federal TANF Block Grant	22,445,700
Child Safety Expenditure Authority	183,144,000

Adjustments are as follows:

**Technical Adjustment**

The Baseline includes an increase of \$11,100,000 from Child Safety Expenditure Authority to reflect additional ongoing matching federal funding authority agreed to in the FY 2023 budget but inadvertently omitted from the General Appropriation Act. The Baseline also includes an FY 2023 supplemental of the same amount.

**Funding for FY 2024 Federal Match Rate Changes**

The Baseline includes an increase of \$2,803,000 from the General Fund and a corresponding decrease of \$(2,803,000) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E FMAP rate.

*Caseload* – According to the latest available data from DCS, in FY 2022, a monthly average of 33,123 clients received adoption subsidies. The line item also funds non-maintenance-related adoption services of about \$6,500,000 annually, such as non-recurring adoption legal expenses, special services related to pre-existing special needs conditions of the adopted child, and recruitment and placement supports for adoptive families. At an

average monthly cost of \$677, the funding in this line item is sufficient for 33,459 total placements in FY 2024.

*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 2022 for in-home mitigation and out-of-home support services by category.

**Table 3**  
**Support Services**  
**FY 2022 Actual Expenditures by Service Category <sup>1/</sup>**

Services	Amount
Child Care Subsidies	\$ 54,499,000
Comprehensive Health Plan Services	199,156,700
Parent Aide	8,713,700
Supervised Visitation	26,985,700
Transportation	17,735,000
In-Home Services	17,869,600
Preventive Services	15,148,300
Allowances	7,627,100
Counseling and Psychological Services	2,415,600
Substance Use Disorder Treatment	7,495,200
Independent Living Support	11,489,700
Lab Services	9,543,300
Other	12,564,800
<b>Total</b>	<b>\$391,243,700 <sup>2/</sup></b>

<sup>1/</sup> Does not include substance use disorder services spending for Arizona Families F.I.R.S.T. (AFF) recipients who are eligible for AHCCCS.

<sup>2/</sup> Latest available data is from July 2022 as reported by DCS. Numbers may not match the Special Line Item expenditures reported separately by the agency.

### DCS Child Care Subsidy

The Baseline includes \$61,675,400 in FY 2024 for the DCS Child Care Subsidy. This amount consists of:

General Fund	7,171,000
Federal CCDF Block Grant	40,516,000
Child Safety Expenditure Authority	13,988,400

FY 2023 adjustments are as follows:

#### Funding for FY 2024 Federal Match Rate Changes

The Baseline includes an increase of \$171,000 from the General Fund and a corresponding decrease of \$(171,000) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E FMAP rate.

*Caseload* – According to the latest available data from DCS, in FY 2022, a monthly average of 5,533 children received DCS child care. At \$825 monthly, the base funding in this line item is sufficient for an average monthly caseload of 8,726 children in FY 2024.

*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 2024 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 2023.

*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 5,553 new referrals to the in-home services program in FY 2022.

### Out-of-Home Support Services

The Baseline includes \$122,710,800 in FY 2024 for Out-of-Home Support Services. This amount consists of:

General Fund	52,777,200
Federal TANF Block Grant	34,139,600
Child Safety Expenditure Authority	35,794,000

Adjustments are as follows:

#### Funding for FY 2024 Federal Match Rate Changes

The Baseline includes an increase of \$114,000 from the General Fund and subsequent decrease of \$(114,000) from Child Safety Expenditure Authority in FY 2024 to offset an estimated FY 2024 decrease in the Title IV-E FMAP rate.

*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 \$27,648,300 in FY 2024 for Preventive Services. This amount consists of:

General Fund	16,500,000
Child Safety Expenditure Authority	11,148,300

Adjustments are as follows:

#### Healthy Families Expansion

The Baseline includes an increase of \$2,500,000 from the General Fund in FY 2024 to expand the Healthy Families Arizona Program and replace expiring federal grant monies.

The \$2,500,000 FY 2024 increase is part of the FY 2023 3-year budget plan. That same plan provided another \$2,500,000 increase in FY 2025 above FY 2024.

*Background* – This line item funds broad-based prevention programs to reduce the risk of involvement with DCS for at-risk families. The programs include 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 (CHP) 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. This combination of these AHCCCS General Fund and federal funds is deposited into the DCS Comprehensive Health Plan Fund and then appropriated to DCS. *(Please see the FY 2022 Appropriations Report for more detail.)*

The Baseline includes a total decrease of \$(43,734,200) from the Comprehensive Health Plan Fund across the 3 CHP line items. The formula adjustments consist of 0.5% enrollment growth in FY 2024, 3.1% capitation growth, and prior year base adjustments as reflected in the AHCCCS budget.

### Comprehensive Health Plan Administration

The Baseline includes \$27,461,200 from the Comprehensive Health Plan Fund in FY 2024 for Comprehensive Health Plan Administration. Adjustments are as follows:

#### Formula Adjustments

The Baseline includes a decrease of \$(2,883,600) from the Comprehensive Health Plan Fund in FY 2024 for CHP formula adjustments.

*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 \$3,857,300 from the Comprehensive Health Plan Fund in FY 2024 for Comprehensive Health Plan Premium Taxes. Adjustments are as follows:

#### Formula Adjustments

The Baseline includes a decrease of \$(693,600) from the Comprehensive Health Plan Fund in FY 2024 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 \$161,546,700 from the Comprehensive Health Plan Fund in FY 2024 for Comprehensive Health Plan Services. Adjustments are as follows:

#### **Formula Adjustments**

The Baseline includes a decrease of \$(40,157,000) from the Comprehensive Health Plan Fund in FY 2024 for CHP formula 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.

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### **Other Issues**

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This section includes information on the following topics:

- FY 2023 Adjustments
- Long-Term Budget Impacts
- Families First Prevention Services Act

### **FY 2023 Adjustments**

The Baseline assumes DCS General Fund costs for FY 2023 will be \$(19,000,000) lower than the original FY 2023 General Fund appropriation. The \$(19,000,000) surplus is based on the federal government's extension of the enhanced FMAP. The enhanced FMAP will lower DCS' state match expenses for programs funded by Title IV-E monies, such as adoption and foster home placements. A 6.2% enhanced FMAP will be available through March 2023. The federal Consolidated Appropriations Act of 2023 sets an enhanced 5.0% FMAP from April through June 2023. In comparison, the FY 2023 enacted budget assumed the enhanced rate would not be extended into FY 2023. The FY 2024 Baseline does not, however, include an FY 2023 ex-appropriation to account for the savings. Instead, the surplus would be realized through General Fund revertsments.

Separate from the issue above, the Baseline also includes an FY 2023 Expenditure Authority supplemental of \$11,100,000 to reflect additional ongoing matching federal funding authority agreed to in the FY 2023 budget but inadvertently omitted from the General Appropriation Act.

### **Long-Term Budget Impacts**

As part of the FY 2023 budget's 3-year spending plan, Department of Child Safety General Fund costs are projected to increase by \$8,225,800 in FY 2025 above FY 2024. These estimates are based on:

- An increase of \$5,725,800 FY 2025 over FY 2024 resulting from a net decrease in the Title IV-E FMAP rate.
- An increase of \$2,500,000 in FY 2025 over FY 2024 to continue expansion of the Health Families Arizona Program.

### **Family First Prevention Services Act**

The federal Bipartisan Budget Act of 2018 (P.L. 115-123) enacted in February 2018 incorporated provisions from previously introduced legislation called the Family First Prevention Services Act, which makes changes to federal IV-E financing of state and local child welfare services. The major changes include:

- Availability of uncapped IV-E federal reimbursement for in-home preventive services for families of children at risk of being placed in foster care, including mental health and substance abuse prevention and treatment services as well as in-home parent skill-based programs. The federal match rate will be 50% and will only be applied to state expenditures above a state maintenance-of-effort requirement.
- 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 2023 General Appropriation Act footnote requires DCS to report on its implementation of the legislation by December 1, 2022, 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 (QRTF),



- 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. DCS reports that both Specialists have begun working with Foster Home Licensing Team Leads to provide updated data directly to contracted agencies during site visits.
- The department now has 15 contracted QRTP providers and 10 other facilities working to become accredited as of November 2022.

- DCS announced they would cover accreditation fees for congregate care homes to provide trauma informed care, qualifying them as QRTP facilities.
- 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. The department reports that it created a policy and established procedures in FY 2022 to utilize therapeutic foster care services for youth for non-medically necessary placement.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Child Abuse Prevention Fund (CHA2162/A.R.S. § 8-550.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	931,400	1,459,300
<b>Year-End Fund Balance</b>	1,464,800	1,084,700
<b>Child Restraint Fund (CHA2192/A.R.S. § 28-907)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in children under the age of 8 in motor vehicles.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,300	20,000
<b>Child Safety Expenditure Authority (CHA2009/A.R.S. § 41-101.01)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the Department of Child Safety.		
<b>Funds Expended</b>	356,874,000	411,485,100
<b>Year-End Fund Balance</b>	645,900	645,900
<b>Child Welfare Licensing Fee Fund (CHA2994/A.R.S. § 8-467)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> License fees and legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	297,700	1,020,800
<b>Year-End Fund Balance</b>	666,500	657,300

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Children and Family Services Training Program Fund (DCS2173/A.R.S. § 8-503.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	208,000
<b>Year-End Fund Balance</b>	34,600	(155,900)
<b>Client Trust Fund (CHA3152/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DCS.		
<b>Purpose of Fund:</b> To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,047,100	2,273,400
<b>Comprehensive Health Plan Fund (CHA2121/A.R.S. § 8-512, 41-2501)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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, and interest on monies deposited in the Comprehensive Health Plan Expenditure Authority fund.		
<b>Purpose of Fund:</b> To fund the administration of foster children's physical, dental, and behavioral health care.		
<b>Funds Expended</b>	227,245,300	236,599,400
<b>Year-End Fund Balance</b>	4,165,200	0
<b>Economic Security Donations Fund (CHA3145/A.R.S. § 36-571, 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants, gifts, or bequests.		
<b>Purpose of Fund:</b> To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest.		
<b>Funds Expended</b>	900	0
<b>Year-End Fund Balance</b>	57,300	79,000
<b>Federal Child Care and Development Fund Block Grant (CHA2008/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	130,916,000	40,516,000
<b>Year-End Fund Balance</b>	0	0
<b>Federal Temporary Assistance for Needy Families Block Grant (CHA2007/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	157,468,100	161,082,200
<b>Year-End Fund Balance</b>	0	0

## State Board of Chiropractic Examiners

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	226,900	235,700	235,700
Employee Related Expenditures	76,500	102,200	102,200
Professional and Outside Services	34,500	35,000	35,000
Travel - In State	700	2,000	2,000
Travel - Out of State	5,200	15,000	15,000
Other Operating Expenditures	77,600	77,700	74,900
Equipment	10,200	21,100	21,100
<b>AGENCY TOTAL</b>	<b>431,600</b>	<b>488,700</b>	<b>485,900<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Chiropractic Examiners Fund	431,600	488,700	485,900
SUBTOTAL - Other Appropriated Funds	431,600	488,700	485,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>431,600</b>	<b>488,700</b>	<b>485,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>431,600</b>	<b>488,700</b>	<b>485,900</b>

**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

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

#### Operating Budget

The Baseline includes \$485,900 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time E-licensing Funding

The Baseline includes a decrease of \$(2,800) from the Board of Chiropractic Examiners Fund in FY 2024 for the elimination of one-time e-licensing funding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate chiropractors, and for board administration.		
<b>Funds Expended</b>	431,600	488,700
<b>Year-End Fund Balance</b>	597,500	724,300

## Citizens Clean Elections Commission

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	4,530,500	2,267,500	2,267,500
<b>TOTAL - ALL SOURCES</b>	4,530,500	2,267,500	2,267,500

**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% may be spent on voter education.

In FY 2022, the fund had revenues of \$6,078,700 for total available funds of \$34,515,100. This compared to spending of \$4,530,500 in FY 2022. For FY 2023, the commission estimates annual fund revenue will decrease to \$5,626,500, compared to \$2,267,500 in spending. Along with surpluses from prior years, the commission forecasted the fund will have a balance of \$33,343,600 at the end of FY 2023.

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 2022 Actual	FY 2023 Estimate
<b>Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,530,500	2,267,500
<b>Year-End Fund Balance</b>	29,984,600	33,343,600

# Arizona Commerce Authority

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
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
<b>OPERATING SUBTOTAL</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000 <sup>1/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Competes Fund Deposit	55,500,000	5,500,000	5,500,000
Blockchain/Wearable Research	5,000,000	5,000,000	0
Economic Development Marketing and Attraction	0	1,000,000	1,000,000
Major Events Fund Deposit	7,500,000	7,500,000	7,500,000
Water Infrastructure and Commerce Grant Fund Deposit	0	15,000,000	0
<b>Trade Offices</b>			
Asian Trade Offices	0	750,000	750,000
Frankfurt, Germany Trade Office	250,000	500,000	500,000
Israel Trade Office	175,000	300,000	300,000
Mexico Trade Offices	500,000	500,000	500,000
<b>AGENCY TOTAL</b>	<b>78,925,000</b>	<b>46,050,000</b>	<b>26,050,000 <sup>2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	78,925,000	41,050,000	26,050,000
<u>Other Appropriated Funds</u>			
State Web Portal Fund	0	5,000,000	0
SUBTOTAL - Other Appropriated Funds	0	5,000,000	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>78,925,000</b>	<b>46,050,000</b>	<b>26,050,000</b>
Other Non-Appropriated Funds	11,912,000	16,201,900	16,201,900
Federal Funds	2,810,200	48,722,000	48,722,000
<b>TOTAL - ALL SOURCES</b>	<b>93,647,200</b>	<b>110,973,900</b>	<b>90,973,900</b>

**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

- <sup>1/</sup> 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 2023-2024 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)
- <sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### Operating Budget Deposit

The Baseline includes \$10,000,000 from the General Fund in FY 2024 for the operating budget. This amount is unchanged from FY 2023.

### Arizona Competes Fund Deposit

The Baseline includes \$5,500,000 from the General Fund in FY 2024 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2023.

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.

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

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.

#### **Blockchain/Wearable Research**

The Baseline includes no funding in FY 2024 for the Blockchain/Wearable Research line item. Adjustments are as follows:

##### **Remove One Time Funding**

The Baseline includes a decrease of \$(5,000,000) from the State Web Portal Fund in FY 2024 for removal of one-time funding for research into blockchain and wearable technology.

Of the monies in this line item for FY 2023, \$500,000 is to be distributed to applied research centers specializing in blockchain research, \$3,000,000 is dedicated to applied research centers specializing in wearable technology, and the remaining \$1,500,000 is to be distributed to applied research centers in a technology discipline approved by the authority.

#### **Economic Development Marketing and Attraction**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for the Economic Development Marketing and Attraction line item. This amount is unchanged from FY 2023.

Monies in this line item fund marketing campaigns designed to attract industries such as advanced manufacturing to Arizona.

#### **Major Events Fund Deposit**

The Baseline includes \$7,500,000 from the General Fund in FY 2024 to be deposited into the Major Events Fund. This amount is unchanged from FY 2023.

The Major Events Fund was initially created by the FY 2022 Budget Procedures Budget Reconciliation Bill (BRB), which was determined by the Arizona Supreme Court to be unconstitutional. The FY 2023 Budget Implementation BRB re-established the fund in statute. A General Appropriation Act footnote makes the FY 2022 appropriation non-lapsing until the end of FY 2023.

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.

#### **Water Infrastructure and Commerce Grant Fund Deposit**

The Baseline includes no funding in FY 2024 for the Water Infrastructure and Commerce Grant Fund Deposit line item. Adjustments are as follows:

##### **Remove One-Time Deposit**

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2024 for removal of a deposit for the distribution of water infrastructure grants via the Water Infrastructure and Commerce Grant Fund. This fund provides water infrastructure grants to public service corporations acting on behalf of an employer with at least 250 employees and that are located in a county with a population of not less than 400,000 and less than 1,000,000.

#### **Trade Offices**

##### **Asian Trade Offices**

The Baseline includes \$750,000 from the General Fund in FY 2024 for the Asian Trade Offices line item. This amount is unchanged from FY 2023.

Currently, the ACA funds one trade office each in South Korea and Taiwan.

##### **Frankfurt, Germany Trade Office**

The Baseline includes \$500,000 from the General Fund in FY 2024 for the Frankfurt, Germany Trade Office. This amount is unchanged from FY 2023.

##### **Israel Trade Office**

The Baseline includes \$300,000 from the General Fund in FY 2024 for the Israel Trade Office. This amount is unchanged from FY 2023.

**Mexico Trade Offices**

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

The Baseline includes \$500,000 from the General Fund in FY 2024 to operate trade offices in Mexico. This amount is unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Application Fees Fund (CAA3005/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A processing fee equal to 1% of the relevant tax credit being refunded per tax credit application.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	809,100	3,715,100
<b>Year-End Fund Balance</b>	3,612,500	897,400
<b>Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Leftover funds and residual revenue transferred from various funds belonging to the Arizona Department of Commerce.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,200	417,600
<b>Year-End Fund Balance</b>	711,500	585,800
<b>Arizona Commerce Authority Fund (CAA2547/A.R.S. § 41-1506)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An annual deposit of \$10,000,000 in corporate income tax withholding revenues, gifts, grants, and other donations.		
<b>Purpose of Fund:</b> To fund the operating costs of the Authority. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	684,000	684,000
<b>Arizona Competes Fund (CAA2548/A.R.S. § 41-1545.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	113,431,600	104,965,600
<b>Arizona Coronavirus Relief Fund (CAA3002/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	517,600	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Innovation Accelerator Fund (CAA9507/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Funds in the form of loans from the U.S. Department of Treasury under the State Small Business Credit Initiative Act of 2010.		
<b>Purpose of Fund:</b> To provide loans to small businesses and foster business expansion, capital investment, and job creation in Arizona.		
<b>Funds Expended</b>	25,400	3,652,100
<b>Year-End Fund Balance</b>	18,795,700	15,218,300
<b>Arizona Job Training Fund (CAA1237/A.R.S. § 41-1544 [REPEALED])</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 allowed ACA to continue to make grants from the fund until December 31, 2020, and grantees were required to expend all funds by June 20, 2022, when the fund expired. All monies in the fund as of the repeal date were transferred to the General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,113,800	0
<b>Year-End Fund Balance</b>	12,362,600	0
<b>Asian Trade Offices Fund (CAA1024/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To support foreign trade offices in Asia and assist Arizona companies in entering the Asian 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Blockchain/Wearables Fund (CAA1016/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations		
<b>Purpose of Fund:</b> Monies in the fund are for distribution to applied research centers and institutes located in this state that specialize in blockchain or wearable technology. Expenditures are not displayed to avoid double counting the original General Fund appropriations to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,750,000	2,600,000
<b>Coronavirus State and Local Fiscal Recovery Fund (CAA2985/ U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	36,245,300
<b>Year-End Fund Balance</b>	0	(137,600)
<b>Donations Fund (CAA3189/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants, and donations.		
<b>Purpose of Fund:</b> To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
<b>Funds Expended</b>	39,700	51,000
<b>Year-End Fund Balance</b>	36,000	35,000



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Economic Development Fund (CAA1026/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> State and local government grants.		
<i>Purpose of Fund:</i> To assist the agency in its operations.		
Funds Expended	4,488,800	7,850,800
Year-End Fund Balance	(1,042,200)	(721,900)
<b>Economic Development Marketing and Attraction Fund (CAA1003/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To fund a special line item marketing program to attract businesses to the state, particularly advanced manufacturers.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	0
<b>Federal Funds (CAA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<i>Source of Revenue:</i> Federal grants for community development, job training, and home programs.		
<i>Purpose of Fund:</i> To be expended as stipulated by federal statutes authorizing federal grants.		
Funds Expended	2,784,800	8,824,600
Year-End Fund Balance	(622,700)	28,794,200
<b>Frankfurt Germany Fund (CAA1023/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> 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
<b>Institute for Automated Mobility Fund (CAA4080/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Private donations, grant proceeds, and support from other ACA funds.		
<i>Purpose of Fund:</i> 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	323,400	317,400
Year-End Fund Balance	221,400	149,000
<b>Israel Trade Office Fund (CAA1021/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> General Fund as well as donations from public and private entities.		
<i>Purpose of Fund:</i> To support a trade office in Tel Aviv, Israel and assist 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	3,700	3,700
<b>Major Events Fund (CAA9999/A.R.S. § 41-1506.02)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations.		
<i>Purpose of Fund:</i> To support the planning and operation of the competitive bid process for major events in coordination with the office of tourism, destination marketing organizations and local organizing committees. To negotiate and make grants to local organizing committees or equivalent organizations for the operating costs of major events and for other economic development activities associated with major event operations.		
Funds Expended	0	0
Year-End Fund Balance	7,500,000	1,101,200

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Mexico Trade Office Fund (CAA1020/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund, the City of Phoenix, the City of Tucson, Maricopa Association of Governments, and other public and private entities.		
<b>Purpose of Fund:</b> To support 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	426,600	426,600
<b>Non-Federal Grant Fund (CAA3010/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Unrestricted donations.		
<b>Purpose of Fund:</b> To be expended as stipulated by state statutes authorizing grants.		
<b>Funds Expended</b>	75,000	0
<b>Year-End Fund Balance</b>	0	0
<b>RevAZ Fund (CAA9971/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid by private-sector entities for services in conjunction with the federal Manufacturing Extension Partnership.		
<b>Purpose of Fund:</b> To assist in manufacturing sector business development and management.		
<b>Funds Expended</b>	1,656,200	2,850,000
<b>Year-End Fund Balance</b>	513,500	513,500
<b>Rural Broadband Grants Fund (CAA1006/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	600	0
<b>State Web Portal Fund (CAA2531/A.R.S. § 18-421)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, web portal usage fees, private grants or donations, or federal government funding.		
<b>Purpose of Fund:</b> To distribute to applied research centers and the Institute of Automated Mobility who specialize in blockchain, wearable technology or automated mobility research.		
<b>Funds Expended</b>	0	5,000,000
<b>Year-End Fund Balance</b>	0	0
<b>State Workforce Programs (CAA1025/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To carry out workforce-related projects on behalf of the Governor's Office.		
<b>Funds Expended</b>	884,200	0
<b>Year-End Fund Balance</b>	(390,400)	0
<b>Water Infrastructure and Commerce Grant Fund (CAA1090/A.R.S. § 41-1510)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To fund water infrastructure and commerce grant disbursements.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Arizona Community Colleges

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>SPECIAL LINE ITEMS</b>			
Equalization Aid			
Cochise	7,925,300	8,771,400	9,759,600
Graham	18,193,200	19,114,000	19,912,000
Navajo	9,171,000	9,912,900	11,189,600
Yuma/La Paz	616,700	530,200	716,100
<i>Subtotal - Equalization Aid</i>	35,906,200	38,328,500	41,577,300
Operating State Aid			
Cochise	4,373,500	4,230,000	4,428,300
Coconino	1,626,500	1,369,600	1,424,100
Gila	271,500	155,300	155,100
Graham	1,936,100	1,532,300	1,674,800
Mohave	1,205,500	903,000	934,100
Navajo	1,512,300	1,393,400	1,349,900
Pinal	1,356,500	818,200	1,108,100
Santa Cruz	17,100	0	0
Yavapai	590,500	300,400	382,300
Yuma/La Paz	2,391,900	1,898,200	2,276,500
<i>Subtotal - Operating State Aid</i>	15,281,400	12,600,400	13,733,200
STEM and Workforce Programs State Aid			
Cochise	928,400	895,200	954,700
Coconino	371,800	293,800	309,500
Gila	127,200	91,900	88,700
Graham	484,200	361,500	409,700
Maricopa	1,600,000	8,584,900	7,927,600
Mohave	465,700	373,800	378,600
Navajo	319,700	283,600	262,500
Pima	400,000	1,776,600	1,769,000
Pinal	96,500	551,100	656,700
Santa Cruz	29,800	21,800	21,200
Yavapai	699,200	611,100	637,200
Yuma/La Paz	1,027,400	877,500	777,700
<i>Subtotal - STEM and Workforce Programs State Aid</i>	6,549,900	14,722,800	14,193,100
Rural Aid			
Cochise	6,251,000	5,267,500	3,365,600
Coconino	1,907,300	1,343,400	887,000
Gila	652,300	421,800	256,400
Graham	2,483,700	1,633,200	1,118,700
Mohave	2,388,900	1,714,400	1,089,000
Navajo	1,640,200	1,305,600	771,400
Pinal	3,666,000	2,476,600	1,814,400
Santa Cruz	153,000	97,800	56,700
Yavapai	3,586,900	2,782,200	1,799,200
Yuma/La Paz	5,270,700	3,957,500	2,841,600
<i>Subtotal - Rural Aid</i>	28,000,000	21,000,000	14,000,000
Urban Aid			
Maricopa	10,400,000	0	0
Pima	2,600,000	0	0
<i>Subtotal - Urban Aid</i>	13,000,000	0	0 <sup>1/</sup>
Rural County Allocation	4,337,300	4,582,000	4,582,000 <sup>2/</sup>
Rural County Reimbursement Subsidy	1,773,800	1,082,900	1,082,900 <sup>2/</sup>
Tribal Community Colleges	2,856,100	3,014,800	3,014,800 <sup>3/</sup>
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Diné College Remedial Education	1,000,000	1,000,000	1,000,000 <sup>4/</sup>

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
Cochise First Responders Academy	0	6,250,000	0
Navajo Technical University Laboratory	0	4,000,000	0
Diné College Student Center	0	8,000,000	0
<b>AGENCY TOTAL</b>	<b>108,904,700</b>	<b>114,781,400</b>	<b>93,383,300<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	108,904,700	114,781,400	93,383,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>108,904,700</b>	<b>114,781,400</b>	<b>93,383,300</b>
Other Non-Appropriated Funds	76,215,100	70,224,300	70,224,300
<b>TOTAL - ALL SOURCES</b>	<b>185,119,800</b>	<b>185,005,700</b>	<b>163,607,600</b>

**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 2024, that amount is estimated to be \$4,582,000. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 2/ Of the \$1,082,900 appropriated to the rural county reimbursement subsidy line item, Apache county receives \$699,300 and Greenlee county receives \$383,600. (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, 2024, 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 2023-2024 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 \$41,577,300 from the General Fund in FY 2024 for Equalization Aid. Adjustments are as follows:

**Property Value Changes**

The Baseline includes an increase of \$3,248,800 from the General Fund in FY 2024 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

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 6.2% higher in TY 2022 than in the preceding year. Therefore, for the FY 2024 Equalization Aid formula calculation, the

District	FY 2023	Year-over- Year Change	FY 2024
Cochise	\$ 8,771,400	\$988,200	\$ 9,759,600
Graham	19,114,000	798,000	19,912,000
Navajo	9,912,900	1,276,700	11,189,600
Yuma/La Paz	530,200	185,900	716,100
<b>Total</b>	<b>\$38,328,500</b>	<b>\$3,248,800</b>	<b>\$41,577,300</b>

minimum assessed valuation increased 6.2% to approximately \$1.74 billion. (See Table 2 for the calculation of the growth rate.)

Equalization Aid is paid based on the difference between the minimum assessed valuation and the most recent actual assessed valuation for the district. Equalization Aid is calculated at the lesser of \$1.37 per \$100 of the district's assessed valuation or the district's levy rate.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.74 billion in FY 2024), 2) whether the district's dollar change in assessed value was less than the rural districts' average change, and 3) the applicable tax rate.

District	TY 2021 Primary AV	TY 2022 Primary AV	TY 2021-2022 % Growth
Cochise*	\$ 994,800,800	\$ 1,023,219,900	2.9 %
Graham*	239,863,700	282,173,500	17.6 %
Navajo*	911,478,100	918,845,900	0.8 %
Yuma/La Paz*	1,596,348,900	1,683,333,600	5.4 %
Coconino	1,983,520,000	2,077,032,200	4.7 %
Mohave	2,143,344,600	2,298,472,300	7.2 %
Pinal	2,868,880,600	3,118,901,200	8.7 %
Yavapai	<u>3,143,221,200</u>	<u>3,333,228,500</u>	<u>6.0 %</u>
<b>Total</b>	<b>\$13,881,457,800</b>	<b>\$14,735,207,000</b>	<b>6.2 %</b>
<b>Minimum AV</b>	<b>\$1,635,047,200</b>	<b>\$1,735,602,600</b>	<b>6.2 %</b>

\* These districts qualify to receive Equalization Aid under the state funding formula in FY 2024.

**Operating State Aid**

The Baseline includes \$13,733,200 from the General Fund in FY 2024 for Operating State Aid. Adjustments are as follows:

**Enrollment Changes**

The Baseline includes an increase of \$1,132,800 from the General Fund in FY 2024 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a 2,124, or 9.3%, increase in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 3). The 2,124 net FTSE increase consists of a 1,656 FTSE increase in non-dual enrollment students and a 468 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 2024, the last actual FTSE data was from FY 2022.)

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 2024. 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.

	FY 2021 FTSE	FY 2022 FTSE	Percentage Change
<u>Rural Districts</u>			
Cochise	5,620	5,999	6.7%
Coconino	1,491	1,581	6.0%
Gila	472	457	(3.2)%
Graham	1,770	1,994	12.7%
Mohave	1,914	1,941	1.4%
Navajo	1,468	1,375	(6.3)%
Pinal	2,655	3,234	21.8%
Santa Cruz	104	101	(2.9)%
Yavapai	3,062	3,207	4.7%
Yuma/La Paz	<u>4,274</u>	<u>5,065</u>	<u>18.5%</u>
<i>Subtotal</i>	<i>22,830</i>	<i>24,954</i>	<i>9.3%</i>
<u>Urban Districts</u>			
Maricopa	56,417	52,588	(6.8)%
Pima	<u>11,488</u>	<u>11,462</u>	<u>(0.2) %</u>
<b>Total</b>	<b>90,735</b>	<b>89,004</b>	<b>(1.9)%</b>

**STEM and Workforce Programs State Aid**

The Baseline includes \$14,193,100 from the General Fund in FY 2024 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. Adjustments are as follows:

### **Enrollment Changes**

The Baseline includes a decrease of \$(529,700) from the General Fund in FY 2024 to fund decreased formula costs for STEM and Workforce Programs State Aid. This reduction is the result of a net decline in enrollment in FY 2022.

*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 FY 2024 Baseline continues to suspend the inflation adjustment required by statute and provides \$210 per FTSE for districts with 5,000 or less FTSE and \$160 per FTSE for districts with greater than 5,000 FTSE.

### **Rural Aid**

The Baseline includes \$14,000,000 from the General Fund in FY 2024 for Rural Aid. Adjustments are as follows:

#### **Remove One-Time Rural Aid**

The Baseline includes a decrease of \$(7,000,000) from the General Fund in FY 2024 for the elimination of one-time aid to the 10 rural community college districts.

In FY 2023, this funding was allocated to the 10 rural community college districts based on each district's share of actual FY 2021 enrollment.

In FY 2024, rural aid will be allocated based on each district's share of actual FY 2022 enrollment.

### **Rural County Allocation**

The Baseline includes \$4,582,000 from the General Fund in FY 2024 for Rural County Allocation. This amount is unchanged from FY 2023.

*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. In practice, this provision affects Apache and Greenlee Counties. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and that the state will then withhold these

counties' Transaction Privilege Tax (TPT) revenues to offset a portion of that cost.

A.R.S. § 15-1469C prescribes the formula that calculates the amount that is owed by Apache and Greenlee Counties to the out of county community college districts. The formula is based on the number Apache and Greenlee students who attended school in an established community college district, as well as the average operating cost per student of that district. In calculating the TPT withholding for Apache and Greenlee Counties, however, the state only counts the average operating aid per student generated by the primary property tax levy. The difference between the average per student operating cost generated by primary property taxes and the average overall operating cost is effectively absorbed by the state General Fund.

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 2022, the JLBC Staff reported the amount to be \$4,582,000 for FY 2023.

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 \$1,082,900 from the General Fund in FY 2024 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2023.

This line item partially offsets the remaining cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee. The Baseline continues a General Appropriation Act footnote allocating these monies. Of the \$1,082,900 subsidy, \$699,300 is distributed to Apache and \$383,600 to Greenlee. Due to differences in out-of-county enrollment levels, the subsidy partially offsets Apache's costs and fully eliminates Greenlee's costs.

### **Tribal Community Colleges**

The Baseline includes \$3,014,800 from the General Fund in FY 2024 for Tribal Community Colleges. This amount is unchanged from FY 2023.

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.

As described below, each of these amounts will depend on actual FY 2024 TPT revenue collections and the FY 2024 appropriation will adjust automatically.

*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 2024 will depend on FY 2024 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 in FY 2024 for Additional Gila Workforce Development Aid. This amount is unchanged from FY 2023.

*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 2023.

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 2023-2024 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2024.

#### **Cochise First Responders Academy**

The Baseline includes no funding in FY 2024 for the Cochise First Responders Academy. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(6,250,000) from the General Fund in FY 2024 for the elimination of one-time funding for the construction of a Cochise First Responders Academy.

#### **Navajo Technical University Laboratory**

The Baseline includes no funding in FY 2024 for the Navajo Technical University Laboratory. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2024 for the elimination of one-time funding for construction of an environmental testing laboratory at Navajo Technical College.

#### **Diné College Student Center**

The Baseline includes no funding in FY 2024 for the Diné College Student Center. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(8,000,000) from the General Fund in FY 2024 for the elimination of one-time funding for construction of a Diné College Student Center.

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#### **Other Issues**

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#### **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 2024 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 inflation adjustment in the formula in FY 2024 for all community college districts.

**Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, Community College General Fund costs are projected to increase by \$3,209,000 in FY 2025 above FY 2024 spending and to increase by \$3,409,500 in FY 2026 above FY 2025 spending.

These estimates are based on:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2025 and FY 2026).
- An increase of \$3,209,000 for Equalization Aid in FY 2025 spending above FY 2024 and \$3,409,500 in FY 2026 above FY 2025 spending. These estimates assume total Net Assessed Value (NAV) growth of 5.7% in FY 2025 and FY 2026.

**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 3.7% of their revenues (excluding bond proceeds) from state aid.

For FY 2023, base operating revenues from all sources are estimated to be \$1,935,863,900 (See Table 4 for a summary of FY 2023 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 51.3% 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 2022 property tax rates.)

Under A.R.S. § 42-17051, community colleges are allowed to collect 2% more in property tax revenues annually, not

**Table 4**

**Total Estimated Community College Revenues – FY 2023 <sup>1/</sup>**

District	State Aid <sup>2/</sup>	Tuition/Fees	Property Taxes	Grants <sup>3/</sup>	Other <sup>4/</sup>	FY 2023 Total <sup>5/</sup>	FY 2022 Total <sup>6/</sup>	% Change from FY 2022
Cochise	\$18,268,900	\$8,591,100	\$24,861,200	\$18,781,000	\$1,486,200	\$71,998,400	\$79,506,800	(9.4)%
Coconino	2,785,300	6,478,700	10,829,100	8,519,700	621,400	29,234,100	31,436,000	(7.0)%
Gila <sup>7/</sup>	577,100	0	5,590,900	615,400	355,000	7,138,400	6,447,300	10.7%
Graham	22,279,500	6,993,000	7,651,700	10,885,900	4,209,600	52,019,700	56,174,100	(7.4)%
Maricopa	0	186,507,300	613,414,100	313,762,600	20,046,000	1,133,730,000	1,091,060,400	3.9%
Mohave	2,617,400	9,501,400	27,347,200	17,650,000	417,400	57,533,500	53,044,800	8.5%
Navajo	12,611,900	4,300,000	16,084,100	10,700,000	3,903,600	47,599,600	42,534,000	11.9%
Pima	0	41,801,000	130,487,900	64,477,500	10,577,300	247,343,700	250,617,700	(1.3)%
Pinal	3,294,800	5,489,000	64,351,300	20,812,400	5,055,000	99,002,500	98,083,500	0.9%
Santa Cruz <sup>7/</sup>	97,800	10,200	1,756,800	243,000	11,700	2,119,500	1,866,300	13.6%
Yavapai	2,143,800	11,860,000	49,860,100	16,698,100	5,522,600	86,084,600	88,078,400	(2.3)%
Yuma/La Paz	<u>6,385,900</u>	<u>14,867,500</u>	<u>40,792,200</u>	<u>36,821,000</u>	<u>3,203,300</u>	<u>102,069,900</u>	<u>116,156,600</u>	<u>(12.1)%</u>
<b>Total <sup>8/</sup></b>	<b>\$71,062,400</b>	<b>\$296,399,200</b>	<b>\$993,026,600</b>	<b>\$519,966,600</b>	<b>\$55,409,100</b>	<b>\$1,935,863,900</b>	<b>\$1,915,005,900</b>	<b>1.1%</b>

<sup>1/</sup> That data in this table was provided by the Arizona Community College Coordinating Council.  
<sup>2/</sup> State Aid revenue includes Operating State Aid and Equalization Aid.  
<sup>3/</sup> Includes federal coronavirus-related grants.  
<sup>4/</sup> Includes auxiliary programs, interest income, workforce development funds, and transfers.  
<sup>5/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are estimated to be \$2,303,537,800 for FY 2023.  
<sup>6/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are \$2,107,007,600 for FY 2022.  
<sup>7/</sup> 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.  
<sup>8/</sup> Columns may not add to total due to rounding.



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 15.3% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2023 weighted average tuition (weighted for each district’s proportion of the statewide FTSE count) is \$2,511 if a full-time student attends for 30 hours a year. The FY 2023 amount represents a decrease of (2.7)% from FY 2022. (See Table 6 for FY 2023 resident tuition and fee rates.)

**Table 5**  
**Community College Tax Rates – TY 2022**

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from TY 2021
Cochise	\$2.43	\$0.00	\$2.43	(0.4)%
Coconino	0.52	0.00	0.52	18.4%
Gila	0.94	0.00	0.94	(1.8)%
Graham	2.71	0.00	2.71	(12.5)%
Maricopa	1.09	0.10	1.19	(2.5)%
Mohave	1.19	0.00	1.19	(4.0)%
Navajo	1.75	0.00	1.75	0.0%
Pima	1.29	0.00	1.29	1.4%
Pinal	1.87	0.19	2.06	(4.3)%
Santa Cruz	0.45	0.00	0.45	(2.0)%
Yavapai	1.50	0.00	1.50	(4.4)%
Yuma/La Paz	2.10	0.32	2.42	(1.9)%

**Table 6**  
**Community College Resident Tuition and Fees – FY 2023**

District	Average Cost Per Credit Hour	Annual Cost <sup>1/</sup>	% Change from FY 2022
Cochise	\$91	\$2,730	0.0%
Coconino	136	4,068	20.0%
Gila	93	2,790	3.3%
Graham	93	2,790	3.3%
Maricopa	85	2,550	0.0%
Mohave	81	2,430	0.0%
Navajo	85	2,550	3.7%
Pima	89	2,670	2.3%
Pinal	50	1,500	(41.9)%
Santa Cruz	44	1,305	0.0%
Yavapai	78	2,352	3.2%
Yuma/La Paz	92	2,760	2.2%
<b>Weighted Average</b>	<b>\$84</b>	<b>\$2,511</b>	<b>(2.7)%</b>

<sup>1/</sup> Annual cost is for 30 hours a year, or 15 hours per semester.

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they account for approximately 29.7% of community college revenues.

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

**Total Community College Expenditures**

Table 7 shows total budgeted FY 2023 community college expenditures. In FY 2023, total budgeted expenditures are \$2,302,619,400. As mentioned previously, base operating revenues for FY 2023 are \$1,935,863,900; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,303,537,800. Of the total \$2,302,619,400 in budgeted expenditures, \$1,845,463,400, or 80.1%, of these expenditures are from the community colleges’ General and Restricted Funds. This includes \$518,537,100, or 22.5%, for instruction and \$290,216,200, or 12.6%, for institutional support.

Expenditures for auxiliary enterprises, including revenue-generating retail and business services such as parking lots, bookstores, and food service, are \$74,865,400, or 3.3% of the total. Plant Fund expenditures, which generally include capital costs, are \$299,469,600, or 13.0% of the total. The remaining \$82,821,000, or 3.6%, 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.

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 7**

**Community Colleges - FY 2023 Budgeted Expenditures**

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 518,537,100	22.5%
Public Service	119,251,000	5.2%
Academic Support	179,199,400	7.8%
Student Services	348,227,500	15.1%
Institutional Support	290,216,200	12.6%
Operation & Maintenance	67,174,400	2.9%
Scholarships & Grants	236,553,600	10.3%
Contingency	86,304,200	3.7%
<b>Subtotal <sup>1/</sup></b>	<b>\$1,845,463,400</b>	<b>80.1%</b>
Auxiliary Enterprises Fund	\$ 74,865,400	3.3%
Plant Fund	299,469,600	13.0%
Debt Service	82,821,000	3.6%
<b>Total <sup>1/</sup></b>	<b>\$2,302,619,400</b>	<b>100%</b>

<sup>1/</sup> May not add to subtotal and total due to rounding.

Table 8 includes the FY 2023 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 2023.

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.

**Table 8**

**Community College Expenditure Limits – FY 2023**

<u>District</u>	<u>Expenditure Limit</u>	<u>Estimated Expenditures</u>
Cochise	\$69,226,449	\$58,528,942
Coconino	16,739,344	16,739,344
Gila*	5,166,461	4,908,138
Graham	34,492,544	32,767,917
Maricopa	470,676,039	470,676,039
Mohave	25,000,644	25,000,644
Navajo	15,220,497	15,220,497
Pima	137,158,048	137,158,048
Pinal	36,753,233	36,753,233
Santa Cruz*	1,175,815	1,175,815
Yavapai	48,401,894	47,425,710
Yuma/La Paz	55,710,097	51,319,057

\* Indicates provisional community college district

Laws 2022, Chapter 367 reduces the penalty for a community college district that exceeds its FY 2023 expenditure limitation without authorization. For FY 2023, the amount of state aid withheld, based on the percentage of the excess expenditure, will be as follows:

- If the excess expenditures are less than 5% of the limitation, the amount withheld is \$5,000.
- If the excess expenditures are between 5% and 10% of the limitation, the amount withheld is \$15,000.
- If the excess expenditures are between 10% and 12% of the limitation, the amount withheld is \$20,000.
- If the excess expenditures are equal to 12% 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. However, for a provisional community college district, the maximum amount of state aid withheld may not exceed 1% of the district budget.

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>Smart and Safe Arizona Fund (varies by account/A.R.S. § 36-2856)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	44,679,700	38,161,600
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
<b>Funds Expended</b>	1,086,400	1,240,800
<b>Year-End Fund Balance</b>	0	0
<b>Workforce Development Accounts (varies by account/A.R.S. § 15-1472)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund workforce development and training activities at the community college districts.		
<b>Funds Expended</b>	30,449,000	30,821,900
<b>Year-End Fund Balance</b>	0	0

**Constable Ethics Standards and Training Board**

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	310,300	509,400	509,400
<b>TOTAL - ALL SOURCES</b>	<b>310,300</b>	<b>509,400</b>	<b>509,400</b>

**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.

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>Constable Ethics Standards and Training (CNA2346/A.R.S. § 22-138)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees collected for every writ served on behalf of a Justice of the Peace.		
<b>Purpose of Fund:</b> 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
<b>Funds Expended</b>	310,300	509,400
<b>Year-End Fund Balance</b>	727,900	591,000

**Registrar of Contractors**

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	105.6	105.6	105.6
Personal Services	5,692,100	6,775,400	6,775,400
Employee Related Expenditures	2,124,400	2,841,600	2,841,600
Professional and Outside Services	278,400	395,300	395,300
Travel - In State	248,100	301,000	301,000
Travel - Out of State	1,700	11,800	11,800
Other Operating Expenditures	1,606,000	1,894,900	1,894,900
Equipment	277,100	517,000	517,000
<b>OPERATING SUBTOTAL</b>	<b>10,227,800</b>	<b>12,737,000</b>	<b>12,737,000</b>
<b>SPECIAL LINE ITEMS</b>			
Office of Administrative Hearings Costs	346,400	1,017,600	1,017,600
<b>AGENCY TOTAL</b>	<b>10,574,200</b>	<b>13,754,600</b>	<b>13,754,600 <sup>1/</sup></b>

**FUND SOURCES**

Other Appropriated Funds

Registrar of Contractors Fund	10,574,200	13,754,600	13,754,600
SUBTOTAL - Other Appropriated Funds	10,574,200	13,754,600	13,754,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>10,574,200</b>	<b>13,754,600</b>	<b>13,754,600</b>
Other Non-Appropriated Funds	3,512,600	4,666,800	4,666,800
<b>TOTAL - ALL SOURCES</b>	<b>14,086,800</b>	<b>18,421,400</b>	<b>18,421,400</b>

**AGENCY DESCRIPTION** — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

**FOOTNOTES**

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$12,737,000 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

**Office of Administrative Hearings Costs**

The Baseline includes \$1,017,600 from the Registrar of Contractors Fund in FY 2024 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2023.

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

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Registrar of Contractors Cash Bond Fund (RGA3721/A.R.S. § 32-1152)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Cash deposits from contractors filed with the Registrar as an alternative to the filing of surety bonds.		
<b>Purpose of Fund:</b> To pay for legitimate claims of damages caused by a duly licensed contractor.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,902,000	1,902,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies collected from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
<b>Purpose of Fund:</b> To examine, license, investigate and regulate contractors, and for board administration.		
<b>Funds Expended</b>	10,574,200	13,754,600
<b>Year-End Fund Balance</b>	2,962,400	(943,500)
<b>Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,512,600	4,666,800
<b>Year-End Fund Balance</b>	23,222,800	24,824,200

## Corporation Commission

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	300.9	301.9	301.9 <sup>1/</sup>
Personal Services	14,878,800	18,491,900	18,491,900
Employee Related Expenditures	5,629,800	7,168,900	7,168,900
Professional and Outside Services	539,500	426,000	426,000
Travel - In State	178,600	258,600	258,600
Travel - Out of State	119,800	150,500	150,500
Other Operating Expenditures	3,089,800	3,616,000	3,616,000
Equipment	276,700	176,600	176,600
<b>OPERATING SUBTOTAL</b>	<b>24,713,000</b>	<b>30,288,500</b>	<b>30,288,500</b>
<b>SPECIAL LINE ITEMS</b>			
Corporation Filings, Same-Day Service	408,100	417,000	417,000
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>25,121,100</b>	<b>31,085,500</b>	<b>31,085,500 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	623,200	807,200	807,200
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	51,200	58,800	58,800
Investment Management Regulatory and Enforcement Fund	660,200	812,000	812,000
Public Access Fund	5,909,200	7,464,500	7,464,500
Securities Regulatory and Enforcement Fund	4,790,600	5,706,900	5,706,900
Utility Regulation Revolving Fund	13,086,700	16,236,100	16,236,100
SUBTOTAL - Other Appropriated Funds	24,497,900	30,278,300	30,278,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>25,121,100</b>	<b>31,085,500</b>	<b>31,085,500</b>
Other Non-Appropriated Funds	276,000	297,000	297,000
Federal Funds	1,152,100	3,193,500	3,193,500
<b>TOTAL - ALL SOURCES</b>	<b>26,549,200</b>	<b>34,576,000</b>	<b>34,576,000</b>

**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

- <sup>1/</sup> Includes 2 OF FTE Positions funded from Special Line Items in FY 2024.
- <sup>2/</sup> 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)
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<b>Operating Budget</b>	<b>FY 2024</b>
The Baseline includes \$30,288,500 and 299.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:	General Fund \$807,200
	Arizona Arts Trust Fund 58,800
	Investment Management Regulatory and Enforcement Fund 812,000
	Public Access Fund 7,047,500

Securities Regulatory and Enforcement Fund 5,706,900  
 Utility Regulation Revolving Fund 15,856,100

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

These amounts are unchanged from FY 2023.

**Utilities Audits, Studies, Investigations & Hearings**

**Corporation Filings, Same-Day Service**

The Baseline includes \$417,000 and 2 FTE Positions from the Public Access Fund in FY 2024 for Corporation Filings, Same-Day Service. These amounts are unchanged from FY 2023.

The Baseline includes \$380,000 from the Utility Regulation Revolving Fund in FY 2024 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2023.

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 2022 Actual	FY 2023 Estimate
<b>Arizona Arts Trust Fund (CCA3043/A.R.S. § 41-983.01)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	51,200	58,800
<b>Year-End Fund Balance</b>	28,700	0
<b>Federal Funds (CCA2000/A.R.S. § 40-441)</b>		<b>Federal Funds</b>
<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.		
<b>Funds Expended</b>	1,152,100	3,193,500
<b>Year-End Fund Balance</b>	6,134,500	4,441,000
<b>IGA and ISA Fund (CCA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	196,300	297,000
<b>Year-End Fund Balance</b>	90,500	94,000
<b>Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	660,200	812,000
<b>Year-End Fund Balance</b>	2,222,400	2,198,900
<b>Public Access - Money on Deposit Account (CCA2334/A.R.S. § 10-122.01)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,999,000	1,999,000



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Public Access Fund (CCA2333/A.R.S. § 10-122.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees for expedited service for the filing of articles of incorporation and other documents.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,909,200	7,464,500
<b>Year-End Fund Balance</b>	4,255,600	3,560,500
<b>Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
<b>Purpose of Fund:</b> For education, regulatory, investigative, and enforcement operations in the Securities Division.		
<b>Funds Expended</b>	4,790,600	5,706,900
<b>Year-End Fund Balance</b>	28,921,000	34,418,800
<b>Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
<b>Purpose of Fund:</b> For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the division.		
<b>Funds Expended</b>	13,086,700	16,236,100
<b>Year-End Fund Balance</b>	7,444,700	5,525,800
<b>Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid for applications to the Power Plant and Transmission Line Siting Committee for proposed and expanded power plants and transmission lines.		
<b>Purpose of Fund:</b> For costs incurred by the Power Plant and Transmission Line Siting Committee in connection with the activities of the committee.		
<b>Funds Expended</b>	79,700	0
<b>Year-End Fund Balance</b>	2,600	82,600

## State Department of Corrections

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	9,566.0	9,569.0	9,569.0 <sup>1/</sup>
Correctional Officer Personal Services	31,629,700	410,568,300	406,500,300
Health Care Personal Services	150,500	4,142,800	4,142,800
All Other Personal Services	0	77,404,300	77,404,300
<b>Personal Services Subtotal</b>	<b>31,780,200</b>	<b>492,115,400</b>	<b>488,047,400</b>
<b>Employee Related Expenditures</b>	<b>12,263,300</b>	<b>293,672,600</b>	<b>292,655,600</b>
<b>Personal Services and Employee Related Expenditures for Overtime/Compensatory Time</b>	<b>2,748,600</b>	<b>15,540,500</b>	<b>15,540,500</b>
<b>Other Operating Expenditures</b>			
Professional and Outside Services	10,115,500	9,314,600	9,314,600
Travel - In State	327,100	169,000	169,000
Travel - Out of State	87,500	48,300	48,300
Food	32,182,900	37,218,800	37,218,800
Other Operating Expenditures	118,564,500	71,846,000	71,219,200
Equipment	30,460,600	24,122,100	21,479,400
<b>Other Operating Expenditures Subtotal</b>	<b>191,738,100</b>	<b>142,718,800</b>	<b>139,449,300</b>
<b>OPERATING SUBTOTAL</b>	<b>238,530,200 <sup>2/</sup></b>	<b>944,047,300</b>	<b>935,692,800 <sup>3/A/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Community Corrections	4,384,800	27,681,200	27,681,200
Private Prison Per Diem	152,402,500	237,554,100	252,454,100 <sup>5/</sup>
Inmate Health Care Contracted Services	183,737,300	269,681,300	267,719,900 <sup>6/7/</sup>
Medical Staffing Augmentation	3,772,100	0	0
Substance Abuse Treatment	0	6,100,700	5,445,400
Community Treatment Program for Imprisoned Women	0	2,000,000	0
Onetime Vehicle Purchase	0	9,048,400	0
Named Claimants	16,000	0	0
<b>AGENCY TOTAL</b>	<b>582,842,900 <sup>2/</sup></b>	<b>1,496,113,000</b>	<b>1,488,993,400 <sup>8/-16/</sup></b>
<b>FUND SOURCES</b>			
General Fund	545,086,300 <sup>2/</sup>	1,437,963,200	1,435,701,600
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	15,000	555,800	555,800
Corrections Fund	30,312,400	30,967,800	30,312,500
Inmate Store Proceeds Fund	954,100	5,544,200	1,341,500
Penitentiary Land Fund	2,748,800	2,777,600	2,777,600 <sup>17/</sup>
Prison Construction and Operations Fund	0	12,500,100	12,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	2,665,600	2,665,100	2,665,100 <sup>18/</sup>
State Education Fund for Correctional Education	579,300	738,900	738,900 <sup>19/</sup>
Transition Program Fund	481,400	2,400,300	2,400,300
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>37,756,600</b>	<b>58,149,800</b>	<b>53,291,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>582,842,900</b>	<b>1,496,113,000</b>	<b>1,488,993,400</b>
Other Non-Appropriated Funds	61,599,300	73,438,400	73,438,400
Federal Funds	677,802,500 <sup>2/</sup>	10,702,000	7,990,600
<b>TOTAL - ALL SOURCES</b>	<b>1,322,244,700</b>	<b>1,580,253,400</b>	<b>1,570,422,400</b>

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**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.

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**FOOTNOTES**

- 1/ Includes 187 GF FTE Positions funded from Special Line Items in FY 2024.
- 2/ FY 2022 actual expenditures were partially offset by federal Coronavirus Relief Fund and Coronavirus State and Local Fiscal Recovery Fund monies.
- 3/ Of the amount appropriated in the operating lump sum, \$488,047,400 is designated for personal services, and \$292,655,600 is designated for employee-related expenditures AND \$15,540,500 IS DESIGNATED FOR OVERTIME 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)
- 4/ After the department submits an expenditure plan to the joint legislative budget committee, the department may transfer personal services and employee-related expenditures savings from the operating budget to the private prison per diem line item for private prison staff stipends. The amount of any private prison staff stipend may not exceed the amount given to department staff. The expenditure plan is not subject to review by the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ Private prison vendors who contract with this state may use staff vacancy savings to pay for overtime costs without incurring a penalty or staffing offset. (General Appropriation Act footnote)
- 6/ 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)
- 7/ On or before August 1, 2023 and February 1, 2024, the state department of corrections shall submit a report to the joint legislative budget committee on the status of all inmate health care performance measures that are tracked by the department for contract monitoring purposes. Each report must include:
  1. The total number of performance measures, by facility, for which the department is not in substantial compliance.
  2. An explanation for each instance of noncompliance.
  3. The department's plan to meet the performance measures. (General Appropriation Act footnote)
- 8/ Before placing any inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 9/ The state department of corrections shall forward to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives appropriations committees and the director of the joint legislative budget committee a monthly report comparing department expenditures for the month and year-to-date as compared to prior-year expenditures on or before the thirtieth of the following month. The report shall be in the same format as the prior fiscal year and include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. The report shall include the number of filled and vacant correctional officer and medical staff positions departmentwide and by prison complex. (General Appropriation Act footnote)
- 10/ On or before November 1, 2023, the state department of corrections shall provide a report on bed capacity to the joint legislative budget committee. 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, 2022 and June 30, 2023 and the projected capacity for June 30, 2024, 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)
- 11/ If the department develops a plan after its November 1, 2023 report to open or close 100 or more state-operated or private prison rated beds, the department shall submit a plan detailing the proposed bed changes for review by the joint legislative budget committee before implementing these changes. (General Appropriation Act footnote)
- 12/ On or before August 1, 2023, 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 2023-2024. (General Appropriation Act footnote)

- 13/ On or before December 15, 2023 and July 15, 2024, 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)
- 14/ The department shall report actual fiscal year 2022-2023, estimated fiscal year 2023-2024, and requested fiscal year 2024-2025 expenditures as delineated in the prior year when the department submits its fiscal year 2024-2025 budget request pursuant to section 35-113, Arizona Revised Statutes. (General Appropriation Act footnote)
- 15/ **NEW** On or before July 15, 2023, the state department of corrections shall submit a report to the joint legislative budget committee detailing expenditures of monies appropriated in fiscal year 2021-2022 for medical staffing augmentation. The department shall continue to report on July 15 of each year until all monies have been expended. (General Appropriation Act footnote)
- 16/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 17/ 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)
- 18/ 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)
- 19/ Before spending any state education fund for correctional education monies in excess of \$738,900, 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 \$(2,261,600) in FY 2024 for the following:

- \$7,226,800 for net increased costs associated with the third and final year of the phased closure of the Florence prison.
- \$(9,488,400) for the elimination of one-time funding.

### Operating Budget

The Baseline includes \$935,692,800 and 9,382 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$925,980,800
Alcohol Abuse Treatment Fund	250,300
Corrections Fund	3,001,000
Inmate Store Proceeds Fund	1,341,500
Penitentiary Land Fund	715,100
Prison Construction and Operations Fund	2,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	1,165,100
State Education Fund for Correctional Education	738,900

Adjustments are as follows:

### Florence Closure Savings

The Baseline includes a decrease of \$(5,711,800) from the General Fund in FY 2024 for state-funded prison operational savings resulting from the third year of the Florence closure plan.

### Remove One-Time Body Scanner Funding

The Baseline includes a decrease of \$(2,642,700) from the Inmate Store Proceeds Fund in FY 2024 for the elimination of one-time funding to purchase body scanners.

### Operating Budget Transfers

A General Appropriation Act footnote specifies that of the amount appropriated in the Operating Budget, \$488,047,400 is designated for Personal Services and \$292,655,600 is for Employee-Related Expenditures. The Baseline continues this footnote and further designates \$15,540,500 for overtime expenditures. The department is required to submit an expenditure plan to the Joint Legislative Budget Committee for review prior to spending these monies other than for Personal Services and Employee-Related Expenditures.

### Community Corrections

The Baseline includes \$27,681,200 and 184 FTE Positions in FY 2024 for Community Corrections. These amounts consist of:

General Fund	24,975,400
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,300

These amounts are unchanged from FY 2023.

**Background** – Monies in this line item are used for several different community corrections programs as described below. In addition to the \$27,681,200 in FY 2024 appropriated funds, ADC projects that they will utilize an additional \$3,182,500 in non-appropriated funds for these activities in FY 2024.

As of December 14, 2022, ADC has responsibility for 5,126 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.

See *Table 1* for detail on the FY 2022 expenditures from the line item.

	<u>Approp.</u>	<u>Non-Approp.</u>	<u>Total</u>
Comm. Supervision	\$ 0	\$19,706,600	\$19,706,600
Transition Program	491,000	0	491,000
Maricopa Reentry	1,934,000	711,300	2,645,300
Pima Reentry	1,271,800	2,015,000	3,286,800
Mental Health	0	0	0
Transition Program			
Other/Overhead	<u>688,000</u>	<u>108,100</u>	<u>796,100</u>
<b>Total</b>	<b>\$4,384,800</b>	<b>\$22,541,000</b>	<b>\$26,925,800</b>

<sup>1/</sup> Non-Appropriated Expenditures include the effect of the end of FY 2022 shift from the General Fund to the federal Coronavirus State and Local Fiscal Recovery Fund.

**Private Prison Per Diem**

The Baseline includes \$252,454,100 in FY 2024 for Private Prison Per Diem. This amount consists of:

General Fund	223,080,100
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

Adjustments are as follows:

**Florence Replacement Beds**

The Baseline includes an increase of \$14,900,000 from the General Fund in FY 2024 for the third and final year costs of new private prison beds to replace beds removed from service in the partial Florence prison closure. ADC expects to complete the Florence closure and fully utilize these new private prison beds by the end of FY 2023.

**Background** – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 11,168 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. Of the 7 existing private prison contracts, 4 (Marana, Kingman, Phoenix West and Florence West) are solely for management services as the state owns those facilities.

**Inmate Health Care Contracted Services**

The Baseline includes \$267,719,900 in FY 2024 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	256,219,900
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

Adjustments are as follows:

**Florence Closure Savings**

The Baseline includes a decrease of \$(1,961,400) from the General Fund in FY 2024 for assumed contract savings from a reduced state-prison inmate population resulting from the third and final year of the partial closure of the Florence prison.

*Background* – The state contracts with a private company to provide health care to inmates in state-operated prisons. In May 2022 ADC awarded a new inmate health care contract at an annual cost of \$279,700,000. The contract took effect in October 2022 and is for 5 years with a renewal option for an additional 5 years.

In addition to appropriated funding, ADC receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. In FY 2022, the department received \$12,559,300 in Medicaid reimbursement. If ADC receives the same level of Medicaid reimbursement in FY 2024, the Baseline is sufficient to fund \$280,279,200 in costs.

**Substance Abuse Treatment**

The Baseline includes \$5,445,400 and 3 FTE Positions from the General Fund in FY 2024 for Substance Abuse Treatment. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(655,300) from the Corrections Fund in FY 2024 for the elimination of one-time equipment and startup funding.

This line item provides ADC with specified funding for substance abuse treatment. This includes funding for ADC programs and to contract with private vendors to provide treatment.

**Community Treatment Program for Imprisoned Women**

The Baseline includes no funding in FY 2024 for the Community Treatment Program for Imprisoned Women. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2024 for the elimination of one-time funding.

This line item provides funding for ADC to contract with a private vendor to house inmates that have given birth in prison, and to provide specialized treatment and services.

**One-Time Vehicle Purchase**

The Baseline includes no funding in FY 2024 for One-Time Vehicle Purchase. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(9,048,400) in FY 2024 for vehicle purchases. This amount consists of:

General Fund	(7,488,400)
Inmate Store Proceeds Fund	(1,560,000)

**Other Issues**

This section includes information on the following topics:

- Transition Program
- Bed Capacity Issues
  - Inmate Growth Rate
  - Bed Capacity
  - Bed Surplus/Shortfall

**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 2022, the program saved a total of 248,693 bed days. In that same year, the Transition Program Fund received revenue of about \$5,309,600 from all sources. Of this amount, \$4,227,800 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 2022 were on average \$2 per inmate per day, or \$491,000 total.

surplus became a 11,102-operating bed surplus. Because beds are divided by gender and security level, this figure may not fully reflect system capacity. (Please see *Table 3 for more information.*)

**Bed Capacity Issues**

Inmate Growth Rate

On June 30, 2022, the total inmate population was 33,371. This was a decrease of (2,583) inmates since the June 30, 2021 population of 35,954. *Table 2* shows the year-end populations from FY 2018 to FY 2023.

<u>Year</u>	<u>Population</u>
FY 2018	42,113
FY 2019	42,312
FY 2020	40,151
FY 2021	35,954
FY 2022	33,371
FY 2023 (as of December 14)	33,874

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 39,188 public and private beds on June 30, 2022, an increase of 216 beds since June 30, 2021.
- 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 2022, the department decreased its total operating capacity by (734) beds, from 45,207 to 44,473.

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 1,898 as of June 30, 2022, an increase of 61 from June 30, 2021.

Bed Surplus/Shortfall

At the end of FY 2022, the department had a total rated bed surplus of 5,817. After adjusting for the 5,285 temporary beds in the overall ADC system, the rated bed

**Table 3**

**Fiscal Year-End Operating Capacity**

State	FY 2022 Actual			FY 2023 Estimate			FY 2024 Estimate		
	Rated	Temp.	Operating	Rated	Temp.	Operating	Rated	Temp.	Operating
			Capacity			Capacity			Capacity
Douglas	1,905	140	2,045	1,905	140	2,045	1,905	140	2,045
Eyman	3,984	1,833	5,817	3,984	1,753	5,737	3,984	1,833	5,817
Florence	794	421	1,215	794	421	1,215	794	421	1,215
Perryville	4,214	141	4,355	4,214	141	4,355	4,214	141	4,355
Phoenix	552	202	754	552	202	754	552	202	754
Lewis	5,104	870	5,974	5,104	870	5,974	5,104	870	5,974
Safford	1,453	160	1,613	1,453	160	1,613	1,453	160	1,613
Tucson	4,600	516	5,116	4,600	516	5,116	4,600	516	5,116
Winslow	1,626	0	1,626	1,626	0	1,626	1,626	0	1,626
Yuma	4,350	340	4,690	4,350	340	4,690	4,350	340	4,690
<b>Subtotal</b>	<b>28,582</b>	<b>4,623</b>	<b>33,205</b>	<b>28,582</b>	<b>4,543</b>	<b>33,125</b>	<b>28,582</b>	<b>4,623</b>	<b>33,205</b>
<b>Private (Per Diem)</b>									
Kingman (\$53.75)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$65.02 – 89.95)	400	100	500	400	-	400	400	-	500
Marana (\$59.35)	500	-	500	500	-	500	500	-	500
Florence West (\$59.29 – 74.50)	600	150	750	600	150	750	600	150	750
Florence II (\$84.03)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$80.83)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
La Palma (\$88.62)	2,706	-	2,706	2,706	-	2,706	2,706	-	2,706
<b>Subtotal <sup>1/</sup></b>	<b>10,606</b>	<b>662</b>	<b>11,268</b>	<b>10,606</b>	<b>562</b>	<b>11,168</b>	<b>10,606</b>	<b>562</b>	<b>11,268</b>
<b>Total - All beds <sup>2/</sup></b>	<b>39,188</b>	<b>5,285</b>	<b>44,473</b>	<b>39,188</b>	<b>5,105</b>	<b>44,293</b>	<b>39,188</b>	<b>5,285</b>	<b>44,473</b>
<b>State Prison Population</b>									
Female	3,063		3,063	3,200		3,200	3,300		3,300
Male	22,331		22,331	21,200		21,200	21,800		21,600
Subtotal	25,394		25,394	24,400		24,400	25,100		24,900
<b>Private Prison Population</b>									
Male	7,977		7,977	9,800		9,800	9,900		9,900
<b>Total Population <sup>3/4/</sup></b>	<b>33,371</b>		<b>33,371</b>	<b>34,200</b>		<b>34,200</b>	<b>35,000</b>		<b>35,000</b>
<b>Bed Surplus/(Shortfall)</b>									
	5,817		11,102	4,988		10,093	4,188		9,293
Male	4,555		8,213	3,863		8,827	3,163		8,127
Female	1,262		1,353	1,125		1,266	1,025		1,166
<b>Bed Surplus/(Shortfall) (% of Beds)</b>	<b>15%</b>		<b>25%</b>	<b>13%</b>		<b>23%</b>	<b>11%</b>		<b>21%</b>

<sup>1/</sup> 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.

<sup>2/</sup> Excludes special use beds totaling 1,898 as of June 30, 2022.

<sup>3/</sup> The chart excludes prisoners awaiting transfer from county jail.

<sup>4/</sup> The chart reflects the inmate population under an assumption of a 2.5% population growth in FY 2023 over FY 2022 and 2.0% growth in FY 2024 over FY 2023.



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses.		
<b>Purpose of Fund:</b> To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
<b>Funds Expended</b>	15,000	555,800
<b>Year-End Fund Balance</b>	1,742,300	1,582,500
<b>Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	39,707,500	45,740,300
<b>Year-End Fund Balance</b>	18,246,400	23,006,100
<b>Community Corrections Enhancement Fund (DCA2395/ARS § 31-418)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay for costs related to community corrections.		
<b>Funds Expended</b>	272,600	405,000
<b>Year-End Fund Balance</b>	814,100	909,900
<b>Coronavirus Relief Fund (DCA2975/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	10,467,600	0
<b>Year-End Fund Balance</b>	0	0
<b>Coronavirus State and Local Fiscal Recovery Fund (DCA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	664,654,000	1,204,200
<b>Year-End Fund Balance</b>	0	0
<b>Corrections Fund (DCA2088/A.R.S. § 41-1641)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	30,312,400	30,967,800
<b>Year-End Fund Balance</b>	15,523,500	16,147,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For capital projects and preventive maintenance (up to 8% of the annual expenditures).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	9,620,100	15,183,000
<b>Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Law enforcement related federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,680,900	9,497,800
<b>Year-End Fund Balance</b>	894,900	1,900,000
<b>Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	22,800	516,100
<b>Year-End Fund Balance</b>	1,319,700	1,979,200
<b>Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Profit resulting from the privatization of inmate stores.		
<b>Purpose of Fund:</b> To fund inmate education. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	954,100	5,544,200
<b>Year-End Fund Balance</b>	14,696,900	13,803,500
<b>Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Profit resulting from the privatization of inmate stores.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	7,640,400	5,280,300
<b>Year-End Fund Balance</b>	14,696,900	13,803,500
<b>Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Intergovernmental agreements between ADC and other state and local entities.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	1,905,200	9,291,500
<b>Year-End Fund Balance</b>	9,261,800	5,313,200
<b>Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,748,800	2,777,600
<b>Year-End Fund Balance</b>	6,249,400	6,598,300

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
<b>Purpose of Fund:</b> To pay for any costs related to prison overcrowding and department support and maintenance.		
<b>Funds Expended</b>	0	12,500,100
<b>Year-End Fund Balance</b>	27,980,200	25,880,100
<b>Special Services Fund (DCA3187/A.R.S. § 41-1604.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenues that are generated by the inmate use of technology, including telephone systems, kiosks and tablets.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	7,903,900	8,251,400
<b>Year-End Fund Balance</b>	11,542,100	8,370,500
<b>State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide a continuous source of monies for the benefit and support of state penal institutions.		
<b>Funds Expended</b>	2,665,600	2,665,100
<b>Year-End Fund Balance</b>	4,205,700	5,376,100
<b>State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
<b>Purpose of Fund:</b> To provide support for rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole.		
<b>Funds Expended</b>	4,015,000	3,830,200
<b>Year-End Fund Balance</b>	5,296,300	5,651,200
<b>State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> "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.		
<b>Purpose of Fund:</b> To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
<b>Funds Expended</b>	579,300	738,900
<b>Year-End Fund Balance</b>	846,100	525,200
<b>Statewide Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
<b>Funds Expended</b>	131,900	123,600
<b>Year-End Fund Balance</b>	57,700	54,100

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Transition Program Fund (DCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)</b>		<b>Appropriated</b>
<p><b>Source of Revenue:</b> 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.</p> <p><b>Purpose of Fund:</b> To pay for costs related to the administration of the Transition Program and for transition program services.</p>		
<b>Funds Expended</b>	481,400	2,400,300
<b>Year-End Fund Balance</b>	9,160,200	10,102,600

## Board of Cosmetology

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	24.5	0.0	0.0
Personal Services	673,100	0	0
Employee Related Expenditures	321,100	0	0
Professional and Outside Services	216,300	0	0
Travel - In State	12,300	0	0
Other Operating Expenditures	399,400	0	0
Equipment	42,200	0	0
<b>AGENCY TOTAL</b>	<b>1,664,400</b>	<b>0</b>	<b>0</b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Cosmetology Fund	1,664,400	0	0
SUBTOTAL - Other Appropriated Funds	1,664,400	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,664,400</b>	<b>0</b>	<b>0</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,664,400</b>	<b>0</b>	<b>0</b>

**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 merged with the Board of Barbers and was 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 actuals are reported above. Please see the Barbering and Cosmetology Board section for additional information on FY 2023 and FY 2024 funding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Cosmetology Fund (CBA2017/A.R.S. § 32-505 [REPEALED])</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, 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.		
<b>Funds Expended</b>	1,664,400	0
<b>Year-End Fund Balance</b>	14,797,600	0

## County Funding

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>SPECIAL LINE ITEMS</b>			
Coordinated Reentry Planning Services	10,000,000	7,000,000	7,000,000
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
<b>AGENCY TOTAL</b>	<b>20,650,700</b>	<b>17,650,700</b>	<b>17,650,700</b>
<b>FUND SOURCES</b>			
General Fund	20,650,700	17,650,700	17,650,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>20,650,700</b>	<b>17,650,700</b>	<b>17,650,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>20,650,700</b>	<b>17,650,700</b>	<b>17,650,700</b>

**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.

### Coordinated Reentry Planning Services

The Baseline includes \$7,000,000 from the General Fund in FY 2024 for Coordinated Reentry Planning Services. This amount is unchanged from FY 2023.

This line item provides funding to 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 included \$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 2024 for the Elected Officials Retirement Plan (EORP) Offset. This amount is unchanged from FY 2023.

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. See the FY 2019 Appropriations Report for more information.

### Small County Assistance

The Baseline includes \$7,650,650 from the General Fund in FY 2024 for assistance to small counties. This amount is unchanged from FY 2023.

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.

Table 1

#### Distribution and County Population

County	Ongoing Distribution	2020 Census Population
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
<b>Total</b>	<b>\$7,650,650</b>	<b>7,151,392</b>

#### 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 2024, 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 Budget Committee (JLBC) on the intended amount and sources of funds by October 1, 2023. (See *County Flexible Revenue Report* section below for more information.)

**County Expenditure Limits**

Article 9, Section 20 of the Arizona Constitution establishes the process for determining a county's expenditure limits. Section 20 directs the Economic Estimates Commission to determine and publish prior to April 1 of each year the expenditure limitation for the following fiscal year for each county. The expenditure limits are determined by adjusting the amount of actual payments of local revenues for each such political subdivision for FY 1980 to reflect the changes in the population of each political subdivision and the cost of living.

The governing board of any political subdivision may not authorize expenditures of local revenues more than the limit set by the Commission, except in certain circumstances outlined in Section 20 including natural and man-made disasters. Section 20 also permits the expenditure limits to be overridden, subject to voter approval, on either a one-time basis or permanently by raising the spending base. (Please see *Article 9, Section 20 of the Arizona Constitution* for additional information.)

Table 3 on the next page shows county expenditure limits set by the Commission for FY 2023 along with the FY 2020 expenditure limits and county expenditures that were subject to the expenditure limit in FY 2020.

**County Flexible Revenue Report**

The FY 2023 Local Government Budget Reconciliation Bill permits counties with a population of less than 250,000 according to the 2020 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 2023. 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, 2022.

Of the 12 eligible counties, 3 reported using the flexibility in FY 2023:

- Apache County: \$1,050,000 from the Library District, Post-Secondary Education District, Community 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.

The following 9 counties indicated that they are not utilizing this provision: Cochise, Gila, Graham, Greenlee, Mohave, Navajo, Santa Cruz, Yavapai, and Yuma.

Table 2 shows the utilization of the county flexibility language in FY 2022 and FY 2023.

	<b>FY 2022</b>	<b>FY 2023</b>
Apache	\$ 900,000	\$1,050,000
Cochise	-	-
Coconino	\$1,250,000	1,250,000
Gila	-	-
Graham	-	-
Greenlee	-	-
La Paz	1,250,000	1,250,000
Maricopa	-	-
Mohave	1,250,000	-
Navajo	300,000	-
Pima	-	-
Pinal	-	-
Santa Cruz	-	-
Yavapai	-	-
Yuma	-	-
<b>Total</b>	<b>\$4,950,000</b>	<b>\$3,550,000</b>

**Table 3**

**County Expenditure Limits <sup>1/</sup>**

<u>County</u>	<u>Fiscal Year</u>	<u>Expenditure Limits</u>	<u>Expenditures Subject to Limit</u>
Apache	2019	\$ 17,101,000	\$ 17,069,800
Cochise	2021	71,394,700	59,617,600
Coconino	2017	58,875,400	58,875,400
Gila	2021	45,269,700	42,541,200
Graham	2021	17,091,400	13,078,600
Greenlee	2020	14,044,00	13,539,600
La Paz	2020	32,437,400	18,084,800
Maricopa	2021	1,485,908,700	1,451,715,700
Mohave	2021	209,605,200	102,597,600
Navajo	2021	51,600,700	35,690,700
Pima	2021	612,081,900	599,956,000
Pinal	2020	280,135,800	151,693,000
Santa Cruz	2019	23,956,900	23,956,900
Yavapai	2020	129,293,700	122,537,200
Yuma	2021	106,181,600	83,003,400

<sup>1/</sup> Amounts based on individual county Comprehensive Annual Financial Reports (CAFR), which are typically completed after county audits are conducted. The listed Fiscal Year indicates the most recent available data.



## Arizona Criminal Justice Commission

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	530,900	640,200	640,200
Employee Related Expenditures	189,900	199,400	199,400
Professional and Outside Services	155,900	277,800	277,800
Travel - In State	2,300	18,000	18,000
Travel - Out of State	13,200	43,000	43,000
Other Operating Expenditures	148,100	202,700	202,700
Equipment	2,600	1,000	1,000
<b>OPERATING SUBTOTAL</b>	<b>1,042,900</b>	<b>1,382,100</b>	<b>1,382,100</b>
<b>SPECIAL LINE ITEMS</b>			
Major Incident Regional Law Enforcement Task Force	0	600,000	600,000
Rural County Diversion Programs	0	10,000,000	0
State Aid to County Attorneys	695,300	973,700	973,700
State Aid to Indigent Defense	693,400	700,000	700,000
State Aid for Juvenile Dependency Proceedings Fund Deposit	0	2,000,000	2,000,000
Victim Compensation and Assistance	1,774,700	6,224,600	6,224,600
<b>AGENCY TOTAL</b>	<b>4,206,300</b>	<b>21,880,400</b>	<b>11,880,400<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	0	14,600,000	4,600,000
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	485,000	708,900	708,900
Drug and Gang Prevention Resource Center Fund	557,900	647,100	647,100
State Aid to County Attorneys Fund	695,300	973,700	973,700 <sup>2/</sup>
State Aid to Indigent Defense Fund	693,400	700,000	700,000
Victim Compensation and Assistance Fund	1,774,700	4,250,700	4,250,700 <sup>3/</sup>
SUBTOTAL - Other Appropriated Funds	4,206,300	7,280,400	7,280,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,206,300</b>	<b>21,880,400</b>	<b>11,880,400</b>
Other Non-Appropriated Funds	3,650,500	4,262,000	4,262,000
Federal Funds	11,547,100	22,982,500	11,816,800
<b>TOTAL - ALL SOURCES</b>	<b>19,403,900</b>	<b>49,124,900</b>	<b>27,959,200</b>

**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 3.52% of Criminal Justice Enhancement Fund (CJEF) monies.

### FOOTNOTES

- <sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>2/</sup> All monies received by the Arizona criminal justice commission in excess of \$973,700 in fiscal year 2023-2024 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 2023-2024, the Arizona criminal justice commission shall report the intended use of the monies to the joint legislative budget committee. (General Appropriation Act footnote)
- <sup>3/</sup> All victim compensation and assistance fund monies received by the Arizona criminal justice commission in excess of \$4,250,700 in fiscal year 2023-2024 are appropriated to the crime victims program. Before spending any victim compensation and assistance fund monies in excess of \$4,250,700 in fiscal year 2023-2024, 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 \$1,382,100 and 11 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<u>FY 2024</u>
Criminal Justice Enhancement Fund (CJEF)	\$708,900
Drug and Gang Prevention Resource Center Fund	647,100
Victim Compensation and Assistance Fund	26,100

These amounts are unchanged from FY 2023.

### **Major Incident Regional Law Enforcement Task Force**

The Baseline includes \$600,000 from the General Fund in FY 2024 for the Major Incident Regional Law Enforcement Task Force. This amount is unchanged from FY 2023.

Monies in this line item are for distribution to regional law enforcement task forces to investigate instances of critical force incidents pursuant to A.R.S. § 41-1762. The requirements under this section have a delayed effective date beginning on July 1, 2025. *(Please see the Department of Public Safety narrative for more details on the Major Incident Regional Law Enforcement Task Forces.)*

### **Rural County Diversion Programs**

The Baseline includes no funding in FY 2024 for Rural County Diversion Programs. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2024 to remove one-time funding for Rural County Diversion Programs.

An FY 2023 General Appropriation Act footnote requires this funding to be used as grants to county attorney offices in counties with populations less than 900,000 according to the 2020 Decennial Census to establish and operate alternative prosecution and diversion programs that are based on evidence-based practices pertaining to diversion from prosecution and alternatives to prosecution. The footnote also requires ACJC to adopt criteria for distributing grants to eligible counties and prohibits the monies from being used to supplant existing monies for alternative prosecution and diversion programs.

By September 30, 2023, ACJC is required to submit a report to the JLBC on the use of the monies and the

outcomes obtained by the alternative prosecution and diversion programs in FY 2023. This funding is non-lapsing.

Diversion is a pre-adjudication authority that county prosecutors can use to divert an individual from being charged with a crime through programs such as rehabilitation and counseling. Upon successful completion of a diversion program, charges are typically dismissed or not filed. Reentry programs differ in that they are for post-adjudication and include services for individuals who have already been charged and/or prosecuted of a crime. Services such as counseling and drug treatment provided through reentry programs are intended to aid an individual as they reenter society to not recidivate.

### **State Aid to County Attorneys**

The Baseline includes \$973,700 from the State Aid to County Attorneys Fund in FY 2024 for State Aid to County Attorneys. This amount is unchanged from FY 2023.

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 2024 for State Aid to Indigent Defense. This amount is unchanged from FY 2023.

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.

**State Aid for Juvenile Dependency Proceedings Fund Deposit**

The Baseline includes \$2,000,000 from the General Fund in FY 2024 for State Aid for Juvenile Dependency Proceedings Fund Deposit. This amount is unchanged from FY 2023.

The FY 2023 Criminal Justice Budget Reconciliation Bill (BRB) established the State Aid for Juvenile Dependency Proceedings Fund administered by ACJC consisting of legislative appropriations to provide state aid to county public defenders, legal defenders, and contract indigent defense counsel for the processing of juvenile dependency cases. By September 1 of each fiscal year, ACJC is required to distribute monies in the fund to each eligible county in which the 3-year average of juvenile dependency case filings in the county Superior Court exceeds the 3-year average filings for FY 2013 - FY 2015. Allocations are based on the proportional share of the increase in petitions for each county.

**Victim Compensation and Assistance**

The Baseline includes \$6,224,600 in FY 2024 for Victim Compensation and Assistance. These amounts consist of:

General Fund	2,000,000
Victim Compensation and Assistance Fund	4,224,600

These amounts are unchanged from FY 2023. This line item provides funding for 2 crime victim grant programs: the Victim Compensation Program and the Victim Assistance Program. Victim compensation monies are distributed to county compensation boards that award cash compensation to crime victims for specified expenses resulting from their victimization. Revenues for victim compensation grant monies come from 3 sources: a \$9 penalty on criminal and civil violations, monies collected from a 10% assessment of a worker's gross compensation, and unclaimed victim restitution. Victim assistance monies are granted to local government and not-for-profit agencies on a competitive basis and are used for operating expenses related to their victim assistance programs. Revenues for victim assistance grants come from community supervision fees and interstate compact fees.

**Other Issues**

**Criminal Justice Enhancement Fund**

The Criminal Justice Enhancement Fund receives revenues from penalties on fines, violations, forfeitures and

penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. CJEF monies are distributed on a percentage basis to various state entities.

Laws 2022, Chapter 311 removed AZPOST as a recipient of CJEF funding and redistributed that funding to the remaining recipients proportionally. *(Please see the Department of Public Safety narrative for more details on the funding for AZPOST.)*

Table 1 shows the FY 2022 amounts transferred, the previous and new distribution percentages, an estimate for the new allocation amounts based on the FY 2022 amounts, and the appropriation status of the funds and programs receiving CJEF monies. *(See individual agency pages for detailed information on each recipient.)*

<b>Funds Transferred <sup>1/</sup></b>	<b>Previous % of CJEF</b>	<b>FY 2022 Transfers <sup>2/</sup></b>	<b>New % of CJEF</b>	<b>Est. Transfers Under Ch 311 <sup>3/</sup></b>	<b>Approp.</b>
<b>Attorney General</b>					
AZ Prosecuting Attorneys Advisory Council (4)	3.45	\$ 866,300	5.18	\$ 1,355,800	no
County Attorneys (7)	10.66	2,450,600	12.38	3,240,400	no
<b>Arizona Criminal Justice Commission</b>					
Operation Costs (10)	1.79	509,300	3.52	921,300	yes
<b>Department of Public Safety</b>					
Forensics Fund (1,11)	21.71	6,703,800	25.15	6,582,800	yes
Peace Officers' Training Fund (3) <sup>4/</sup>	18.97	4,763,500	-	-	no
State/Local Grants (6)	8.29	2,081,700	10.01	2,620,000	<sup>5/</sup>
<b>Department of Juvenile Corrections (2)</b>					
	1.84	462,000	3.57	934,400	yes
<b>State Treasurer</b>					
County Sheriffs (9)	13.34	3,327,400	15.06	3,941,800	no
<b>Supreme Court</b>					
Case Processing (8)	6.86	1,722,600	8.59	2,248,400	yes
Juvenile Crime (5)	10.66	2,676,800	12.38	3,240,400	yes
Community Punishment Program (12)	2.43	<u>610,200</u>	4.16	<u>1,088,900</u>	yes
<b>Total Funds Distributed <sup>6/</sup></b>		<b>\$26,174,300</b>		<b>\$26,174,300</b>	

<sup>1/</sup> The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401D.  
<sup>2/</sup> The FY 2022 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.  
<sup>3/</sup> The estimated transfers reflect what the distribution would have been in FY 2022 had the provisions of Laws 2022, Chapter 311 been in effect at the time.  
<sup>4/</sup> Laws 2022, Chapter 311 removes AZPOST as a recipient of CJEF funding and redistributes that allocation to the remaining recipients.  
<sup>5/</sup> Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.  
<sup>6/</sup> Total does not sum due to rounding.

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>Coronavirus State and Local Fiscal Recovery Fund (JCA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	34,300	11,165,700
<b>Year-End Fund Balance</b>	1,165,700	0
<b>Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 3.52% 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.		
<b>Purpose of Fund:</b> For operating costs of ACJC.		
<b>Funds Expended</b>	485,000	708,900
<b>Year-End Fund Balance</b>	1,119,900	1,526,200

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A 3.52% 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.		
<b>Purpose of Fund:</b> For operating costs of ACJC.		
<b>Funds Expended</b>	504,900	5,000
<b>Year-End Fund Balance</b>	1,119,900	1,526,200
<b>Drug and Gang Enforcement Fund (JCA2516/A.R.S. § 41-2402)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,145,600	4,257,000
<b>Year-End Fund Balance</b>	4,462,700	4,115,200
<b>Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	557,900	647,100
<b>Year-End Fund Balance</b>	583,000	591,100
<b>Employee Recognition Fund (JCA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	300	300
<b>Federal Grants (JCA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Revenue from federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	11,512,800	11,816,800
<b>Year-End Fund Balance</b>	10,083,400	10,908,300
<b>Fingerprint Clearance Card Fund (JCA2433/A.R.S. § 41-1758.06)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees charged to applicants or contract providers for a fingerprint clearance card.		
<b>Purpose of Fund:</b> To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,145,500	977,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>IGA and ISA Fund (JCA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various Intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	42,300	42,300
<b>State Aid for Juvenile Dependency Proceedings Fund (JCA2040/A.R.S. § 41-2410)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to the fund by the Legislature.		
<b>Purpose of Fund:</b> To provide state aid to county public defenders, legal defenders and contract indigent defense counsel for the processing of juvenile dependency cases. ACJC administers the fund and distributes the monies to each eligible county in which the 3-year average of the total juvenile dependency case filings in the Superior Court in the county exceeds the 3-year average juvenile dependency case filings in the Superior Court of the county for Fiscal Years 2013, 2014 and 2015 based on the proportional share of the increase in petitions for each county. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	693,300	973,700
<b>Year-End Fund Balance</b>	57,400	(166,300)
<b>State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide state aid to county public defenders, legal defenders for the processing of criminal cases.		
<b>Funds Expended</b>	693,400	700,000
<b>Year-End Fund Balance</b>	275,400	426,400
<b>Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To establish, maintain and support programs that compensate and assist victims of crime.		
<b>Funds Expended</b>	1,774,700	4,250,700
<b>Year-End Fund Balance</b>	4,837,000	4,086,300

## Arizona State Schools for the Deaf and the Blind

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>PROGRAM BUDGET</b>			
Administration/Statewide	7,905,800	9,667,500	9,667,500
Phoenix Day School for the Deaf	10,306,400	12,651,300	12,098,200
Preschool/Outreach Programs	6,092,200	7,181,200	7,181,200
Regional Cooperatives	14,279,200	20,125,900	20,125,900
Tucson Campus	11,889,700	12,520,600	11,967,500
<b>AGENCY TOTAL</b>	<b>50,473,300</b>	<b>62,146,500</b>	<b>61,040,300</b>
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	562.2	562.2	562.2
Personal Services	19,401,000	23,541,900	23,541,900
Employee Related Expenditures	8,124,700	8,003,200	8,003,200
Professional and Outside Services	2,846,300	3,403,000	3,403,000
Travel - In State	64,300	158,200	158,200
Travel - Out of State	0	8,800	8,800
Other Operating Expenditures	5,075,100	5,979,000	4,872,800
Equipment	316,800	557,500	557,500
<b>OPERATING SUBTOTAL</b>	<b>35,828,200</b>	<b>41,651,600</b>	<b>40,545,400</b>
<b>SPECIAL LINE ITEMS</b>			
School Bus/Agency Vehicle Replacement	365,900	369,000	369,000
Cooperative Services	14,279,200	20,125,900	20,125,900 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>50,473,300</b>	<b>62,146,500</b>	<b>61,040,300 <sup>2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	22,986,200	26,677,900	25,571,700
<u>Other Appropriated Funds</u>			
Cooperative Services Fund	14,279,200	20,125,900	20,125,900
Schools for the Deaf and the Blind Fund	13,207,900	15,342,700	15,342,700 <sup>3/</sup>
SUBTOTAL - Other Appropriated Funds	27,487,100	35,468,600	35,468,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>50,473,300</b>	<b>62,146,500</b>	<b>61,040,300</b>
Other Non-Appropriated Funds	2,285,100	2,722,800	2,722,800
Federal Funds	3,062,700	3,233,900	3,233,900
<b>TOTAL - ALL SOURCES</b>	<b>55,821,100</b>	<b>68,103,200</b>	<b>66,997,000</b>

**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 November 2022, ASDB served approximately 2,068 children: 346 students in the K-12 programs (115 in Tucson and 231 in Phoenix), 97 children in preschools, 531 infant/toddlers in regional areas, and 1,094 children through the 5 existing regional cooperatives.

### FOOTNOTES

- <sup>1/</sup> Before spending any cooperative services fund monies in excess of \$20,125,900 in fiscal year 2023-2024, 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)
- <sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program

3/ Before spending any schools for the deaf and the blind fund monies in excess of \$15,342,700 in fiscal year 2023-2024, 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 \$40,545,400 and 562.2 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<u>FY 2024</u>
General Fund	\$25,202,700
Schools for the Deaf and the Blind Fund	15,342,700

Adjustments are as follows:

**Remove-One Time Funding**

The Baseline includes a decrease of \$(1,106,200) from the General Fund in FY 2024 to remove one-time funding for transportation support.

**Assistive Technology Devices**

The Baseline includes no change in funding from the General Fund in FY 2024 for assistive technology devices. The Baseline includes a total of \$253,100 from the General Fund in FY 2024 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 2024 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

*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.

**School Bus/Agency Vehicle Replacement**

The Baseline includes \$369,000 from the General Fund in FY 2024 for School Bus/Agency Vehicle Replacement. This amount is unchanged from FY 2023.

Monies in this line item are used for the purchase of new school buses and agency vehicles. According to the Arizona Department of Administration - School Facilities Division 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 \$20,125,900 from the Cooperative Services Fund in FY 2024 for Cooperative Services. This amount is unchanged from FY 2023.

*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 November 2022 was 1,094.

The regional cooperatives, like ASDB's site-based programs, are funded by Special Education Vouchers paid by the Arizona Department of Education pursuant to A.R.S. § 15-1202. The program is also funded by tuition monies paid by participating districts (the district pays tuition for services offered when the district receives the voucher instead of ASDB) as well as district membership fees.

The monies in this line item represent the total estimated monies available for the program from vouchers, tuition, and district membership fees deposited in the Cooperative Services Fund. If available revenues exceed the original appropriation, a General Appropriation Act footnote stipulates that ASDB submit a report to JLBC detailing the intended use of the monies.

**Other Issues**

**Auditor General Report**

In September 2022, the Auditor General published a performance audit and sunset review of ASDB to assess its processes for meeting its responsibility to educate students in Arizona with sensory impairments. The report



found that ASDB may be collecting more revenue than necessary to administer the Cooperative Services Program, provides students throughout the state with educational and support services.

The Auditor General recommends that ASDB develop and implement policies and procedures to periodically review the appropriateness of its Cooperative Services Program Fees.

Additionally, the report found that ASDB has not developed a multi-year capital plan and budget which

limits its ability to effectively plan for, prioritize, and address its capital improvement needs, including buildings that are vacant, underutilized, or that present health and safety concerns.

The Auditor General recommends that ASDB implement a comprehensive, multi-year capital plan to better address its capital needs.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	2,113,600	1,944,200
<b>Year-End Fund Balance</b>	4,871,500	6,502,500
<b>Cooperative Services Fund (SDA4221/A.R.S § 15-1202)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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 the Blind. Funds are used to support educational programs and supplemental services offered at the 5 state regional cooperatives.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	14,279,200	20,125,900
<b>Year-End Fund Balance</b>	8,706,400	9,101,700
<b>Enterprise Fund (SDA4222/A.R.S. § 15-1323)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from fees, rentals, and other charges from the non-school use of facilities.		
<b>Purpose of Fund:</b> To defray the costs of operating those facilities (i.e. auditorium).		
<b>Funds Expended</b>	52,100	90,300
<b>Year-End Fund Balance</b>	315,200	360,700
<b>Federal Grants (SDA2000/A.R.S. § 15-1303)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes authorizing the federal grants.		
<b>Funds Expended</b>	3,033,300	3,233,900
<b>Year-End Fund Balance</b>	1,416,100	2,621,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Governor's Emergency Education Relief Fund (SDA2980/U.S. P.L. 116-136)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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	29,400	0
Year-End Fund Balance	0	0
<b>Instructional Improvement Fund (SDA2492/A.R.S. § 15-979)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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
<b>Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> "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.		
<b>Purpose of Fund:</b> To cover the cost of educating students receiving special education services at ASDB.		
Funds Expended	13,207,900	15,342,700
Year-End Fund Balance	3,951,900	2,728,700
<b>State Grants (SDA2011/A.R.S. § 15-1303)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
<b>Purpose of Fund:</b> To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
Funds Expended	82,100	645,700
Year-End Fund Balance	809,700	617,200
<b>Telecommunication Fund for the Deaf (SDA2047/A.R.S. § 36-1947)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
<b>Purpose of Fund:</b> To supplement funding to ASDB's Early Childhood and Family Education Program.		
Funds Expended	0	0
Year-End Fund Balance	561,100	561,100
<b>Trust Fund (SDA3148/A.R.S. § 15-1303)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
<b>Purpose of Fund:</b> Spent at the discretion of ASDB.		
Funds Expended	37,300	42,600
Year-End Fund Balance	224,200	181,600

## Commission for the Deaf and the Hard of Hearing

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	17.0	21.0	21.0
Personal Services	1,220,100	1,410,800	1,410,800
Employee Related Expenditures	455,700	536,000	536,000
Professional and Outside Services	498,900	1,147,700	1,147,700
Travel - In State	1,000	12,000	12,000
Travel - Out of State	3,700	19,000	19,000
Other Operating Expenditures	1,043,200	1,268,500	1,268,500
Equipment	146,600	250,000	250,000
<b>OPERATING SUBTOTAL</b>	<b>3,369,200</b>	<b>4,644,000</b>	<b>4,644,000</b>
<b>SPECIAL LINE ITEMS</b>			
Ageing Individuals Research	0	115,000	0
American Sign Language User Support	0	15,000	0
Support Services for the Deaf-Blind	84,100	192,000	192,000
<b>AGENCY TOTAL</b>	<b>3,453,300</b>	<b>4,966,000</b>	<b>4,836,000<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Telecommunication Fund for the Deaf	3,453,300	4,966,000	4,836,000
SUBTOTAL - Other Appropriated Funds	3,453,300	4,966,000	4,836,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,453,300</b>	<b>4,966,000</b>	<b>4,836,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>3,453,300</b>	<b>4,966,000</b>	<b>4,836,000</b>

**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 \$4,644,400 and 21 FTE Positions from the Telecommunication Fund for the Deaf in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

#### Aging Individuals Research

The Baseline includes no funding in FY 2024 for the Aging Individuals Research line item. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(115,000) from the Telecommunication Fund for the Deaf in FY 2024 to remove one-time funding for Aging Individuals Research.

Monies in this line item shall be used as a one-time expense to contract with a university or college in the state of Arizona, or an approved vendor under ADOA state contract, to research issues impact Deaf, Hard of Hearing, and Deaf-Blind aging individuals.

#### American Sign Language User Support

The Baseline includes no funding in FY 2024 for the American Sign Language User Support line item. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(15,000) from the Telecommunication Fund for the Deaf in FY 2024 to remove one-time funding for American Sign Language User Support.

Monies in this line item shall be used as a one-time expense to pilot an American Sign Language user support group for family members and caregivers.

Monies in this line item fund a support services program (SSP) which provides 5 hours per week of support services to 35 deaf-blind adults at no cost to the individual. Deafblindness is any combination of visual and auditory loss which requires special strategies and skills. Examples of support services provided include transportation assistance, sighted guides, independent living assistance, and communication facilitators.

**Support Services for the Deaf-Blind**

The Baseline includes \$192,000 from the Telecommunication Fund for the Deaf in FY 2024 for the Support Services for the Deaf-Blind line item. This amount is unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Private Grants (DFA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue received from grants and donations from non-governmental agencies such as foundation and private donors.		
<b>Purpose of Fund:</b> Monies used to pay for conferences, program, or other activities that are sponsored by donor organizations.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	13,100	19,600
<b>Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,453,300	4,966,000
<b>Year-End Fund Balance</b>	9,452,700	7,540,700

**State Board of Dental Examiners**

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	691,800	773,600	773,600
Employee Related Expenditures	278,100	335,400	335,400
Professional and Outside Services	361,400	481,000	481,000
Travel - In State	3,800	3,200	3,200
Travel - Out of State	0	5,500	5,500
Other Operating Expenditures	299,000	262,800	262,800
Equipment	117,800	76,000	41,800
<b>AGENCY TOTAL</b>	<b>1,751,900</b>	<b>1,937,500</b>	<b>1,903,300 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,751,900	1,937,500	1,903,300
SUBTOTAL - Other Appropriated Funds	1,751,900	1,937,500	1,903,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,751,900</b>	<b>1,937,500</b>	<b>1,903,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,751,900</b>	<b>1,937,500</b>	<b>1,903,300</b>

**AGENCY DESCRIPTION** — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

**FOOTNOTES**

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

**Operating Budget**

The Baseline includes \$1,903,300 and 11 FTE Positions from the Dental Board Fund in FY 2024 for the operating budget. Adjustments are as follows:

**Remove One-Time E-Licensing Funding**

The Baseline includes a decrease of \$(34,200) from the Dental Board Fund in FY 2024 for the elimination of one-time e-licensing funding.

**Other Issues**

**Auditor General Report**

In September 2022 the Auditor General published a State Board of Dental Examiners performance audit and sunset review that included recommendations for improvements to the board's policies and procedures for enforcement actions, complaint resolution, conflict-of-interest requirements, and reviewing applications.

In terms of budget-related issues, the report found that 32 of 35 complaints were not resolved within 180 days and recommended that the board assess whether the current number of contract investigators is sufficient to improve the timeliness of resolving complaints. In addition, the audit found that the board has not evaluated the appropriateness of each fee it assesses. The report recommends that the board determine its legal authority to review its fees and implement written policies and procedures to periodically compare its operating costs to its fund revenues to determine the appropriate level of licensing fees.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Dental Board Fund (DXA2020/A.R.S. § 32-1212)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
<b>Funds Expended</b>	1,751,900	1,937,500
<b>Year-End Fund Balance</b>	2,975,700	1,976,000

## Arizona Early Childhood Development and Health Board

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	138,124,600	224,272,100	277,618,300
Federal Funds	6,488,700	49,363,800	37,748,600
<b>TOTAL - ALL SOURCES</b>	<b>144,613,300</b>	<b>273,635,900</b>	<b>315,366,900</b>

**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 2022, ECDHB’s largest expenditure was **Child Care Scholarships** at \$59.6 million, as displayed in *Table 1*, serving an average of 6,687 children monthly, up from 5,920 in FY 2021.

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 125 filled FTE Positions from the \$18,101,000 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 2022 ECDH Fund Expenditures by Category <sup>1/</sup> (\$ in Millions)

Expenditure Category	Amount	Percent
Child Care Scholarships	\$59.6	43%
Family Support	30.5	22%
Health	16.6	12%
Administration	10.3	7%
Professional Development	5.9	4%
Community Awareness	2.6	2%
Research & Evaluation	3.5	3%
System Coordination	1.1	1%
Other Funds (Grants, Gifts, etc.)	8.1	6%
<b>Total</b>	<b>\$138.1 <sup>2/</sup></b>	<b>100%</b>

<sup>1/</sup> Does not include federal grant expenditures.

<sup>2/</sup> Total does not sum due to rounding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A 4¢ tax per cigarette as well as various increases on other tobacco products.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Available</b>		
Balance Forward	325,724,700	316,669,700
Revenue:		
Administrative Costs Account	12,079,400	11,970,000
Program Account	108,714,900	107,730,000
Other (Donations/Grants)	<u>8,275,300</u>	<u>80,727,600</u>
<b>Total Funds Available</b>	<b>454,794,300</b>	<b>517,097,300</b>
Expenditures:		
Administrative Expenditures	14,309,900	17,066,100
Program Expenditures	115,724,900	126,069,400
Other (Donations/Grants)	<u>8,089,800</u>	<u>81,136,600</u>
<b>Total Funds Expended</b>	<b>138,124,600</b>	<b>224,272,100</b>
<b>Year-End Fund Balance</b>	<b>316,669,700</b>	<b>292,825,200</b>
<b>Federal Grants (CDA2000/A.R.S. § 8-1182)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal Funds.		
<b>Purpose of Fund:</b> To fund early comprehensive childhood systems.		
<b>Funds Expended</b>	6,488,700	49,363,800
<b>Year-End Fund Balance</b>	(3,697,800)	299,700



## Office of Economic Opportunity

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	334,200	342,000	342,000
Employee Related Expenditures	118,000	122,700	122,700
Professional and Outside Services	0	16,700	16,700
Travel - In State	0	600	600
Travel - Out of State	0	3,100	3,100
Other Operating Expenditures	6,900	38,900	38,900
Equipment	0	1,800	1,800
<b>AGENCY TOTAL</b>	<b>459,100</b>	<b>525,800</b>	<b>525,800<sup>1</sup></b>
<b>FUND SOURCES</b>			
General Fund	459,100	525,800	525,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>459,100</b>	<b>525,800</b>	<b>525,800</b>
Other Non-Appropriated Funds	5,514,700	9,561,500	9,561,500
Federal Funds	2,370,400	7,108,700	7,108,700
<b>TOTAL - ALL SOURCES</b>	<b>8,344,200</b>	<b>17,196,000</b>	<b>17,196,000</b>

**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 \$525,800 and 5 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

#### Other Issues

#### Auditor General Report

In September 2022, the Auditor General published a performance audit and sunset review for the Office of Economic Opportunity (OEO) and Arizona Finance Authority (AFA) to determine if the office met its statutory requirements and complied with applicable expenditure requirements.

Specifically, the audit found the office lacked evidence demonstrating that the benefits it received from the Arizona Commerce Authority (ACA) were commensurate with the costs paid to ACA. The office also allocated some of these costs between FY 2020 and FY 2022 to federal programs possibly contrary to federal requirements. The audit recommended that the office develop and implement processes to ensure costs and benefits are aligned and to comply with federal cost allocation requirements.

The audit also found that the AFA board did not have internal controls for managing certain activities of the Arizona Industrial Development Authority (AIDA), including its conduit bond program. The audit found AIDA's FY 2021 costs were at least 70% higher than the other state conduit entities reviewed by the Auditor General. The audit recommended the AIDA Board of Directors should develop internal controls for AIDA's

activities and analyze the conduit bond program's operational costs to identify cost-saving opportunities.

**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 Greater Arizona Development Authority (GADA), and administers the state's Private Activity Bond (PAB) authorization. Prior to FY 2023, AFA housed the Water Infrastructure Finance Authority (WIFA). Laws 2022, Chapter 366 established WIFA as an independent entity from the AFA. All WIFA funds previously administered by AFA are now overseen by the WIFA board and are reported in a separate section of the Baseline. (See the Water Infrastructure Finance Authority section 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 2022 Actual	FY 2023 Estimate
<b>Arizona Finance Authority Operations Fund (FAA5352/A.R.S. § 41-5352)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations, unrestricted and available monies of WIFA and GADA, proceeds from the bond issuances of AIDA, donations, loans, or gifts to the Authority.		
<i>Purpose of Fund:</i> To fund the operations of AFA. Oversees the state's private activity bond authorization and the operations of WIFA and GADA.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,511,000	2,513,200
<b>Arizona Industrial Development Authority Fund (FAA9973/A.R.S. § 41-5356)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Filing and application fees related to the issuance of private activity bonds and investment income.		
<i>Purpose of Fund:</i> To pay for the operations of the Arizona Industrial Development Authority, including the review and approval of certain corporate bond financing projects. Revenues remaining in the fund at the end of the fiscal year are transferred to the Office of Economic Opportunity's Economic Development Fund and the Department of Housing's Housing Trust Fund. This fund is not held in a state account, so its expenditures and fund balances are not displayed.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Economic Development Fund (EOA3777/A.R.S. § 41-5302)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To fund projects as determined by the director of OEO.		
<b>Funds Expended</b>	3,424,900	8,172,000
<b>Year-End Fund Balance</b>	14,030,200	9,156,000
<b>Federal Grants (EOA2000/A.R.S. § 49-1203)</b>		<b>Federal Funds</b>
<i>Source of Revenue:</i> Federal grants related to water supply management, employment and population statistical analysis, Workforce Innovation and Opportunity Act (WIOA) monies, and other programs.		
<i>Purpose of Fund:</i> To be used as specified by federal law.		
<b>Funds Expended</b>	2,370,400	7,108,700
<b>Year-End Fund Balance</b>	525,300	535,200

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Greater Arizona Development Authority Revolving Fund (FAA2311/A.R.S. § 41-2254)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
<b>Purpose of Fund:</b> To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with \$20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for GADA's operating costs, as well as technical and financial assistance to communities. The expenditures displayed below represent administrative costs.		
<b>Funds Expended</b>	24,800	24,800
<b>Year-End Fund Balance</b>	12,854,600	12,873,800
<b>IGA and ISA Fund (EOA2500/A.R.S. § 41-5303)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	72,200	70,000
<b>Year-End Fund Balance</b>	257,800	257,800
<b>Office of Economic Opportunity Operations Fund (EOA9903/A.R.S. § 41-5302)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the operational costs of the office.		
<b>Funds Expended</b>	1,992,800	1,294,700
<b>Year-End Fund Balance</b>	2,528,000	3,297,300

## Department of Economic Security

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4,381.8	4,476.8	4,533.8 <sup>1/</sup>
Personal Services	80,045,600	96,238,400	156,204,200
Employee Related Expenditures	33,216,400	38,223,700	62,565,000
Professional and Outside Services	21,448,900	32,067,700	57,839,900
Travel - In State	52,100	79,700	131,900
Travel - Out of State	114,300	134,500	134,500
Other Operating Expenditures	151,302,000	27,062,500	39,097,700
Equipment	2,347,300	2,139,500	5,765,500
<b>OPERATING SUBTOTAL</b>	<b>288,526,600</b>	<b>195,946,000</b>	<b>321,738,700 <sup>2/3/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
Attorney General Legal Services	9,672,600	11,379,800	11,379,800
<b>Aging and Adult Services</b>			
Adult Services	11,205,900	12,731,900	10,731,900
Community and Emergency Services	3,724,000	3,724,000	3,724,000
Coordinated Homeless Services	2,522,600	2,522,600	3,522,600 <sup>4/</sup>
Coordinated Hunger Services	1,754,600	2,254,600	2,254,600
Domestic Violence Prevention	12,195,000	14,004,000	14,004,000 <sup>5/6/</sup>
Sexual Violence Services	8,000,000	0	0
Long-Term Care Ombudsman	1,000,000	1,000,000	1,000,000
After School and Summer Youth Program	500,000	0	0
<b>Benefits and Medical Eligibility</b>			
TANF Cash Benefits	22,736,400	22,736,400	22,736,400
Pandemic Emergency Assistance	14,546,500	0	0
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
<b>Child Support Enforcement</b>			
County Participation	8,539,700	8,539,700	8,539,700
<b>Developmental Disabilities <sup>7/-9/</sup></b>			
DDD Administration	46,168,200	47,049,900	0
DDD Premium Tax Payment	50,493,200	52,819,500	61,199,900
Case Management - Medicaid	71,050,000	91,429,800	104,597,100 <sup>10/</sup>
Home and Community Based Services - Medicaid	1,833,110,600	2,450,165,900	2,349,691,300 <sup>11/</sup>
Institutional Services - Medicaid	38,587,200	42,821,600	47,171,500
Physical and Behavioral Health Services - Medicaid	505,535,800	528,255,700	541,328,700
Medicare Clawback Payments	4,661,200	5,710,300	6,055,500
Targeted Case Management - Medicaid	8,773,900	13,144,600	15,321,600
State Match Transfer from AHCCCS	0	821,118,700	982,330,300
Case Management - State-Only	6,211,400	6,354,000	6,354,000 <sup>10/</sup>
Cost Effectiveness Study - Client Services	1,220,000	8,420,000	8,420,000 <sup>12/</sup>
Home and Community Based Services - State-Only	13,589,000	14,089,000	14,089,000
Arizona Early Intervention Program	6,319,000	9,719,000	14,119,000
State-Funded Long Term Care Services	36,652,300	42,678,300	43,534,700
Group Home Monitoring Program	0	1,200,000	1,200,000
<b>Employment and Rehabilitative Services</b>			
Child Care Subsidy	1,217,865,800	187,080,200	187,080,200 <sup>13/14/</sup>
Independent Living Rehabilitation Services	1,289,400	1,289,400	1,289,400
JOBS	11,005,600	11,005,600	11,005,600

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
Rehabilitation Services	7,249,100	7,249,100	7,249,100
Workforce Innovation and Opportunity Act Services	72,502,200	55,006,900	85,824,200 <sup>15/</sup>
Return to Work Grants	7,500,000	0	0
<b>AGENCY TOTAL</b>	<b>4,329,388,100</b>	<b>4,676,126,800</b>	<b>4,892,173,100 <sup>16/-19/</sup></b>
<b>FUND SOURCES</b>			
General Fund	748,605,700	1,079,053,000	1,184,628,200
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	17,204,700	17,683,300	17,683,300
Domestic Violence Services Fund	2,191,300	4,000,300	4,000,300
Federal CCDF Block Grant	1,230,052,800	200,010,200	200,010,200
Federal Pandemic Emergency Assistance Fund	14,546,500	0	0
Federal TANF Block Grant	65,405,800	66,591,200	66,591,200
Long Term Care System Fund (Non-Federal Matched)	27,537,000	33,289,500	33,864,200
Public Assistance Collections Fund	0	430,400	430,400
Sexual Violence Service Fund	8,000,000	0	0
Special Administration Fund	4,512,600	4,643,200	4,643,200
Spinal and Head Injuries Trust Fund	2,336,000	2,388,200	2,388,200
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	79,849,700	56,293,500	87,110,800
SUBTOTAL - Other Appropriated Funds	1,451,636,400	386,329,800	417,721,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,200,242,100</b>	<b>1,465,382,800</b>	<b>1,602,350,000</b>
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund	41,033,100	43,047,000	43,047,000
Health Care Investment Fund	26,863,200	54,370,500	54,412,300
Long Term Care System Fund (Federal Match)	2,061,249,700	3,113,326,500	3,192,363,800
SUBTOTAL - Expenditure Authority Funds	2,129,146,000	3,210,744,000	3,289,823,100
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>4,329,388,100</b>	<b>4,676,126,800</b>	<b>4,892,173,100</b>
Other Non-Appropriated Funds	186,727,500	246,970,800	246,970,800
Federal Funds	3,246,245,500	2,522,647,300	2,522,647,300
<b>TOTAL - ALL SOURCES</b>	<b>7,762,361,100</b>	<b>7,445,744,900</b>	<b>7,661,791,200</b>

**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 1,684.6 EA FTE Positions funded from Special Line Items in FY 2024.
- 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 \$17,683,300 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/ **NEW:** Before expending the \$1,000,000 for homeless youth services within the coordinated homeless services line item, the department shall submit an expenditure plan to the joint legislative budget committee for review. (General Appropriation Act footnote)
- 5/ All domestic violence services fund monies in excess of \$4,000,300 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 \$4,000,300 to the joint legislative budget committee. (General Appropriation Act footnote)

- 6/ On or before December 15, 2023, the department of economic security shall report to the joint legislative budget committee the amount of state and federal monies available statewide for domestic violence prevention funding. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)
- 7/ The 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)
- 8/ Before implementing developmental disabilities or long-term care statewide provider rate adjustments that are not already specifically authorized by the legislature, court mandates or changes to federal law, the department shall submit a report for review by the joint legislative budget committee that includes, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 9/ On or before September 1, 2024, 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 2023-2024 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, 2024, 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 2023-2024. (General Appropriation Act footnote)
- 10/ 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, except that transfers from the state match transfer from AHCCCS line item into those line items do not require a report for review. (General Appropriation Act footnote)
- 11/ The amount appropriated for the home and community based services - medicaid line item includes \$115,793,900 from expenditure authority to implement the American rescue plan act of 2021 (P.L. 117-2) home and community-based services spending plan in fiscal year 2023-2024. The department may not use these monies for marketing purposes and any direct payments or grants provided with the monies shall include a notification to the recipient that the monies are onetime funding. Beginning on or before July 31, 2023, the department shall provide quarterly reports to the joint legislative budget committee at the same time that the information is provided to the centers for medicare and medicaid services reflecting any changes to the department's spending plan. Of the amount appropriated for the home and community based services - medicaid line item, \$115,793,900 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 12/ On or before November 30, 2023 and November 30, 2024, the department of economic security shall submit a report to the joint legislative budget committee regarding expenditures from the cost effectiveness study - client services line item in the previous fiscal year. The report shall include the number of clients and total amounts spent from the line item in each setting type along with expenditures for those clients in other line items. The report shall also include cost effectiveness spending in other line items. (General Appropriation Act footnote)
- 13/ On or before September 15, 2023 and March 15, 2024, 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 (P.L. 117-2). 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)
- 14/ 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)

- 15/ All workforce investment act grant monies that are received by this state in excess of \$87,110,800 are appropriated to the workforce innovation and opportunity act services line item. Before spending these increased monies, the department shall report the intended use of monies in excess of \$87,110,800 to the joint legislative budget committee. (General Appropriation Act footnote)
- 16/ On or after April 1, 2024, 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. This appropriation must be fully reimbursed on or before September 1, 2024 and must be reimbursed in full as part of the closing process for fiscal year 2023-2024. The department shall notify the joint legislative budget committee of the reimbursement on or before September 1, 2024. The appropriation may not be used for additional programmatic expenditures. (General Appropriation Act footnote)
- 17/ 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)
- 18/ 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)
- 19/ 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 2024 General Fund spending increases by \$105,575,200 or 9.8% above the FY 2023 appropriation. This amount includes:

- \$103,848,500 for DDD formula adjustments.
- \$1,000,000 for homeless youth assistance.
- \$4,400,000 for Arizona Early Intervention Program (AzEIP) provider rate increases.
- \$(3,673,300) to remove one-time funding.

Families (TANF) Block Grant	
Federal Child Care and Development Fund (CCDF) Block Grant	12,912,000
Long Term Care System Fund (EA)	86,783,800
Public Assistance Collections Fund	339,100
Special Administration Fund	2,207,100
Spinal and Head Injuries Trust Fund	608,200
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	1,276,600

Adjustments are as follows:

**Administrative Funding Transfer**

The Baseline includes an increase of \$47,049,900 and 345 FTE Positions in FY 2024 to transfer administrative resources for the Developmental Disabilities program to the overall department operating budget. These amounts consist of:

General Fund	18,086,500
Long Term Care System Fund (EA)	28,963,400

This shift budgets all direct and indirect DD administrative costs within the department's overall operating budget, similar to the budgeting of administration within DES' other programmatic divisions. (Please see DDD)

**Operating Budget**

The Baseline includes \$321,738,700 and 2,410.4 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$152,783,200
Child Support Enforcement Administration Fund	14,055,300
Child Support Enforcement Administration Fund (EA)	28,113,700
Federal Temporary Assistance for Needy	21,659,700

Administration in Developmental Disabilities for a corresponding decrease.)

**Expenditure Authority and Formula Adjustments**

The Baseline includes an increase of \$80,416,100 in FY 2024 for an expenditure authority adjustment, as well as standard DD formula adjustments. This amount consists of:

General Fund	22,595,700
Long Term Care System Fund (EA)	57,820,400

**Remove One-Time Building System Upgrade**

The Baseline includes a decrease of \$(272,800) from the General Fund in FY 2024 to remove one-time funding for the purchase of a software program that provides a centralized platform that allows the department to track the operational, financial, and environmental metrics for its buildings.

**Remove One-Time IT Security Upgrades**

The Baseline includes a decrease of \$(1,400,500) from the General Fund in FY 2024 to remove one-time funding for the upgrading of staff and resources to improve the security of the department's information technology systems.

**Administration**

**Attorney General Legal Services**

The Baseline includes \$11,379,800 and 157.9 FTE Positions in FY 2024 for Attorney General (AG) Legal Services. This amount consists of:

General Fund	1,125,400
Child Support Enforcement Administration Fund	2,573,700
Child Support Enforcement Administration Fund (EA)	7,447,900
Federal TANF Block Grant	106,400
Federal CCDF Block Grant	18,000
Public Assistance Collections Fund	91,300
Special Administration Fund	5,200
Spinal and Head Injuries Trust Fund	1,900
Workforce Investment Act Grant	10,000

These amounts are unchanged from FY 2023.

**Aging and Adult Services**

**Adult Services**

The Baseline includes \$10,731,900 from the General Fund in FY 2024 for Adult Services. Adjustments are as follows:

**Remove One-Time Area Agencies on Aging Increase**

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2024 to remove one-time funding for provider rate increases.

This line item provides an array of support services to elderly persons, as shown in *Table 1*.

Table 1	
Services	Adult Services FY 2023
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
FY 2022 Provider Rate Increase	1,000,000
FY 2023 Provider Rate Increase Ongoing	1,000,000
FY 2023 Provider Rate Increase One-Time	<u>2,000,000</u>
<b>Total</b>	<b>\$12,731,900</b>

**Community and Emergency Services**

The Baseline includes \$3,724,000 from the Federal TANF Block Grant in FY 2024 for Community and Emergency Services. This amount is unchanged from FY 2023.

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 2022, this line item provided short-term crisis services to 8,634 households and energy assistance to 25,961 households.

**Coordinated Homeless Services**

The Baseline includes \$3,522,600 in FY 2024 for Coordinated Homeless Services programs. This amount consists of:

General Fund	1,873,100
Federal TANF Block Grant	1,649,500

Adjustments are as follows:



### Homeless Youth General Fund Backfill

The Baseline includes an increase of \$1,000,000 from the General Fund in FY 2024 for a homeless youth assistance General Fund backfill. The department distributes the monies to organizations that provide assistance to unaccompanied youth aged 18-24 experiencing homelessness. This increase was included in the 3-year spending plan associated with the enacted FY 2022 budget. The spending plan established the program would be funded via Federal Funds in FY 2022 and FY 2023 and with the General Fund beginning in FY 2024. The FY 2024 Baseline adds a footnote requiring the department to have an expenditure plan be reviewed before the monies can be spent.

In FY 2022, this line item provided emergency shelter services to 22,093 individuals, rapid re-housing services to 1,983 individuals, and homeless prevention services to 2,633 individuals.

### Coordinated Hunger Services

The Baseline includes \$2,254,600 in FY 2024 for Coordinated Hunger Services programs. This amount consists of:

General Fund	1,754,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2023.

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 2022, this funding assisted in the distribution of 69 million pounds of produce.

### Domestic Violence Prevention

The Baseline includes \$14,004,000 in FY 2024 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,200
Federal TANF Block Grant	6,620,500
Domestic Violence Services Fund	4,000,300
Special Administration Fund	100,000

These amounts are unchanged from FY 2023.

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.

### Long-Term Care Ombudsman

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for Long-Term Care Ombudsman services. This amount is unchanged from FY 2023.

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.

### Benefits and Medical Eligibility

#### TANF Cash Benefits

The Baseline includes \$22,736,400 from the Federal TANF Block Grant in FY 2024 for TANF Cash Benefits. This amount is unchanged from FY 2023.

The budgeted amount would be able to fund an average of 15,750 individuals at \$100 per month. As of October 2022, the program serves 11,798 individuals.

Additionally, 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 budgeted amount would be able to fund an average of 390 Diversion clients at \$817 per month. As of October 2022, the TANF Diversion program serves 311 clients.

At October 2022 levels, the total cost would be \$17,206,600, or \$(5,529,800) below the budgeted 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).*

**Tribal Pass-Through Funding**

The Baseline includes \$4,680,300 from the General Fund in FY 2024 for Tribal Pass-Through Funding. This amount is unchanged from FY 2023.

Monies in this line item are passed through to Native American tribes operating their own TANF programs.

CSEA Fund	1,054,300
CSEA Fund (EA)	7,485,400

These amounts are unchanged from FY 2023.

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.

**Child Support Enforcement**

The Division of Child Support Enforcement (DCSE) Baseline 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.

**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 2022, the Division of Developmental Disabilities served 47,552 clients, which includes 38,090 clients in the LTC program, 5,309 in Targeted Case Management, and 4,153 clients in the state-only program. The primary disabilities as reported by DES are shown in *Table 3*.

<u>Sources</u>	<u>FY 2024</u>
State Share of Retained Earnings	\$ 4,162,100
Federal Incentive Payments	6,702,500
Fees	2,871,000
Excess Appropriation Authority <sup>1/</sup>	3,572,700
Administration (Non-Appropriated)	<u>3,115,600</u>
<b>Total</b>	<b>\$20,423,900</b>
<u>Uses</u>	
DCSE Administration (DES Operating)	\$13,680,300
Attorney General Legal Services	2,573,700
County Participation	1,054,300
Administration (Non-Appropriated)	<u>3,115,600</u>
<b>Total</b>	<b>\$20,423,900</b>

<sup>1/</sup> This line is the difference between appropriation authority and expected revenues.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Intellectual Disability	16,129	33.9%
At Risk	10,677	22.5%
Autism	15,309	32.2%
Cerebral Palsy	3,479	7.3%
Epilepsy	<u>1,958</u>	4.1%
<b>Total</b>	<b>47,552</b>	

**County Participation**

The Baseline includes \$8,539,700 in FY 2024 for County Participation. This amount consists of:

**Overall DDD Adjustments**

The Baseline includes an increase of \$103,848,500 from the General Fund in FY 2024 for DDD formula changes. These adjustments are based on standard Baseline formula assumptions of 4.5% caseload growth and a 3.1% capitation rate increase. Changes are described in further detail below.

**Caseload Growth**

The Baseline includes an increase of \$16,455,600 from the General Fund in FY 2024 for DD caseload changes.

Compared to June 2022, LTC caseloads are expected to grow by 4.5% to 40,279 members by June 2023 (this amount excludes state-only clients). The 4.5% caseload growth is based on recent growth within the program. Average annual growth was 4.5% from FY 2017 to FY 2022.

Table 4 shows the number of clients by placement setting for DDD enrollees in June 2022, and the estimated growth in FY 2023 and FY 2024.

<b>Placement</b>	<b>FY 22</b>	<b>FY 23 Est</b>	<b>FY 24 Est</b>
Home	33,441	34,988	36,562
Group Home	3,405	3,563	3,723
Developmental Home	1,544	1,616	1,689
Institution	107	112	117
<b>Total</b>	<b>38,497</b>	<b>40,279</b>	<b>42,091</b>

<sup>1/</sup> Numbers are based on the department's estimates of placement settings proportionally adjusted for the Baseline's overall caseload estimates.

**Capitation Rate Adjustments**

The Baseline includes an increase of \$20,941,100 from the General Fund in FY 2024 for a 3.1% capitation rate increase beginning October 1, 2023. Capitation rates include adjustments for medical inflation, utilization of services, and other factors. The 3.1% growth assumption is based on an average medical inflation of 2.9% in FY 2022 and FY 2023 that has continued to grow at a rate above 3% since April 2022.

Table 5 shows how the capitation adjustment is allocated by service category in FY 2023.

**FMAP Adjustment**

The Baseline includes an increase of \$65,824,900 to the General Fund in FY 2024 associated with the regular 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 2024, the blended Medicaid FMAP is projected to decrease to 67.12%, down from 69.67% in FY 2023. These figures do not include the 6.2% enhanced match rate from the Families First Coronavirus Response Act or the enhanced match rates from the 2023 Consolidated Appropriations Act.

The 2020 Families First Coronavirus Response Act temporarily increased the regular Medicaid match rate by

**Table 5**

**DDD ALTCS Capitation Growth**

	<b>FY 2023 Capitation Rate <sup>1/</sup></b>	<b>Assumed Growth Rate</b>	<b>FY 2024 Capitation Rate</b>
Administration <sup>2/</sup>	251.6	3.1%	259.4
Premium Tax	120.8	3.1%	124.5
Case Management	206.5	3.1%	212.9
HCBS <sup>3/</sup>	4,350.2	3.1%	4,485.0
Institutional Care <sup>4/</sup>	93.1	3.1%	96.0
Integrated Care <sup>5/</sup>	1,017.7	3.1%	1,049.2
<b>Total</b>	<b>6,039.9</b>	<b>3.1%</b>	<b>6,227.1</b>

- <sup>1/</sup> Rate effective October 1, 2022.
- <sup>2/</sup> The Administration line is allocated to the overall DES operating budget.
- <sup>3/</sup> HCBS line includes PMPM rates for HCBS and Risk Contingency.
- <sup>4/</sup> Institutional Care rate is net of client's share of cost.
- <sup>5/</sup> Integrated care funding is allocated to the Physical and Behavioral Health Services line item.

6.2% retroactive to January 1, 2020. The 6.2% enhanced match is effective through March 2023. In addition, pursuant to a provision in the 2023 Consolidated Appropriations Act, DDD will receive a 5.0% increase to the regular federal match rate in April 2023 through June 2023, a 2.5% increase in July 2023 through September 2023, and a 1.5% increase in October 2023 through December 2023.

The FY 2024 Baseline does reflect new reversion savings in FY 2023 as the original budget for FY 2023 did not account for any additional enhanced match rates. (Please see FY 2023 Adjustments in Other Issues for more information.)

**Medicare Clawback**

The Baseline includes an increase of \$345,200 from the General Fund in FY 2024 for adjustments associated with Medicare Clawback Payments.

**Room and Board**

The Baseline includes an increase of \$281,700 from the General Fund in FY 2024 for adjustments associated with caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses.

**DDD Administration**

The Baseline includes no funding in FY 2024 for DDD Administration. Adjustments are as follows:

**Administrative Funding Transfer**

The Baseline includes a decrease of \$(47,049,900) and (345) FTE Positions in FY 2024 for a reorganization of the DES budget. These amounts consist of:

General Fund	(18,086,500)
Long Term Care System Fund (EA)	(28,963,400)

(Please see the Operating Budget section for additional information.)

**DDD Premium Tax Payment**

The Baseline includes \$61,199,900 in FY 2024 for the DDD Premium Tax Payment. This amount consists of:

General Fund	19,532,600
Long Term Care System Fund (EA)	41,667,300

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$8,380,400 in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	3,513,800
Long Term Care System Fund (EA)	4,866,600

*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 \$104,597,100 and 1,080.9 FTE Positions in FY 2024 for Case Management - Medicaid. These amounts consist of:

General Fund	33,383,300
Long Term Care System Fund (EA)	71,213,800

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$13,167,300 and 51 FTE Positions in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	5,617,900
Long Term Care System Fund (EA)	7,549,400

*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 \$2,349,691,300 and 221.2 FTE Positions in FY 2024 for Home and Community Based Services - Medicaid. These amounts consist of:

General Fund	709,749,500
Long Term Care System Fund (EA)	1,629,196,600
Health Care Investment Fund	10,745,200

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$63,731,500 in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	56,609,100
Long Term Care System Fund (EA)	7,125,500
Health Care Investment Fund	(3,100)

**American Rescue Plan HCBS Adjustment**

The Baseline includes a decrease of \$(164,206,100) from the Long Term Care System Fund Expenditure Authority in FY 2024 to adjust funding for home- and community-based services (HCBS). This consists of a decrease of \$(280,000,000) to remove one-time funding in FY 2023 and an increase of \$115,793,900 for the remaining amount to be spent in FY 2024. FY 2024 is the final year of funding for the ARPA HCBS program.

On March 11, 2021, the American Rescue Plan Act (ARPA) gave state Medicaid agencies the ability to spend on HCBS with an enhanced match percentage. The prior year's FY 2023 enacted budget added a footnote requiring the department to provide quarterly reports to the JLBC reflecting changes to the HCBS Spending Plan. In its October 2022 report, the department indicated it has primarily allocated the monies to one-time provider payments. The FY 2023 enacted budget also specifies the appropriation may not be used for marketing purposes, directs the department to include notification that monies are one-time, and exempts the appropriation from lapsing.

*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 \$47,171,500 and 383 FTE Positions in FY 2024 for Medicaid Institutional Services. These amounts consist of:

General Fund	15,055,300
Long Term Care System Fund (EA)	32,116,200

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$4,349,900 in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	1,560,600
Long Term Care System Fund (EA)	2,789,300

*Background* – Monies in this line item fund Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF-IIDs) or other nursing facilities, both private and state-operated, including ATP-Coolidge (ATP-C). Including residents of the state-operated group homes (SOGHs), DES reports that ATP-C had an enrollment of 58 in FY 2023, a decrease of (4) from FY 2022.

Statute requires DES to annually provide their plans for ATP-C to the JLBC for review. The department closed all but 1 of the SOGHs in November 2022. As of this writing, 7 of 9 residents transferred to an ICF-IID at ATP-C with approval from their guardians. At the remaining SOGH, 1 resident plans to transfer to an ICF-IID and 1 resident plans to transfer to a setting outside of the ATP-C campus.

**Physical and Behavioral Health Services - Medicaid**

The Baseline includes \$541,328,700 and 77 FTE Positions in FY 2024 for Physical and Behavioral Health Services - Medicaid. These amounts consist of:

General Fund	159,139,200
Long Term Care System Fund (EA)	338,522,400
Health Care Investment Fund	43,667,100

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$13,073,000 in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	12,093,600
Long Term Care System Fund (EA)	934,500
Health Care Investment Fund	44,900

*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 \$6,055,500 from the General Fund in FY 2024 for Medicare Clawback Payments. Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$345,200 from the General Fund in FY 2024 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 \$15,321,600 and 140.6 FTE Positions in FY 2024 for Targeted Case Management (TCM) - Medicaid. These amounts consist of:

General Fund	4,788,200
Long Term Care System Fund (EA)	10,533,400

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$2,177,000 and 6 FTE Positions in FY 2024 for standard formula adjustments. This amount consists of:

General Fund	1,230,900
Long Term Care System Fund (EA)	946,100

*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 5,424 clients received TCM services in FY 2022.

**State Match Transfer from AHCCCS**

The Baseline includes \$982,330,300 from the Long Term Care System Fund Expenditure Authority in FY 2024 for a

state match transfer from the Arizona Health Care Cost Containment System (AHCCCS). Adjustments are as follows:

**Administrative Pass-Through Adjustment**

The Baseline includes an increase of \$161,211,600 from the Long Term Care System Fund Expenditure Authority in FY 2024 for a state match transfer from AHCCCS. The adjustment is to bring the total amount in line with the department's FY 2024 General Fund appropriation for Medicaid line items within DDD and General Fund monies for DDD in the operating budget.

Because DES needs to send its General Fund match to AHCCCS to fund DDD, this expenditure authority is to clarify the department is not spending beyond its budget load when it spends those monies returned from AHCCCS with Federal Funds.

**Case Management - State-Only**

The Baseline includes \$6,354,000 and 60.8 FTE Positions from the General Fund in FY 2024 for Case Management - State-Only. These amounts are unchanged from FY 2023.

*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 4,013 DDD state-only clients received case management state-only services in FY 2022.

**Cost-Effectiveness Study - Client Services**

The Baseline includes \$8,420,000 in FY 2024 for Cost-Effectiveness Study (CES) - Client Services. This amount consists of:

General Fund	7,200,000
Special Administration Fund	1,220,000

These amounts are unchanged from FY 2023.

*Background* – 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 for more information.)

In FY 2022, an average of 134 individuals per month had costs of care that exceeded CES thresholds. The aggregate amount above the thresholds covered with state-only funds was \$6,329,900. These amounts do not include the final 2 months of the fiscal year due to claims processing times.

**Home and Community Based Services - State-Only**

The Baseline includes \$14,089,000 from the General Fund in FY 2024 for State-Only Home and Community Based Services. This amount is unchanged from FY 2023.

*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 \$14,119,000 from the General Fund in FY 2024 for the Arizona Early Intervention Program (AzEIP). Adjustments are as follows:

**Provider Rate Increases**

The Baseline includes an increase of \$4,400,000 from the General Fund in FY 2024 for a provider rate increase. This increase was included in the 3-year spending plan associated with the enacted FY 2023 budget. The spending plan also includes an additional \$4,400,000 increase in FY 2025.

*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 2024. As a result, the total AzEIP funding available is \$24,001,000 in FY 2024.

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 1,925 DDD-eligible children enrolled in the AzEIP program in FY 2022. DES reports there were 16,035 new referrals to AzEIP in FY 2022 and 5,380 referred children were determined eligible.

**State-Funded Long Term Care Services**

The Baseline includes \$43,534,700 and 2 FTE Positions in FY 2024 for State-Funded Long Term Care Services. These amounts consist of:

General Fund	9,670,500
Long Term Care System Fund	33,864,200

Adjustments are as follows:

**Formula Adjustments**

The Baseline includes an increase of \$856,400 in FY 2024 for standard caseload growth in ALTCS-eligible DD clients receiving residential services with room and board expenses. This amount consists of:

General Fund	281,700
Long Term Care System Fund	574,700

*Background* – This line item primarily funds room and board expenses (e.g., rent and food) for DDD clients in residential settings. Room and board costs for home and community-based settings are ineligible for Federal Funds reimbursement from AHCCCS.

**Group Home Monitoring Program**

The Baseline includes \$1,200,000 from the General Fund in FY 2024 for the Group Home Monitoring Program. This amount is unchanged from FY 2023.

*Background* – Laws 2022, Chapter 316 authorizes the pilot program to last for 3 years and be contracted to the entity designated to operate the Protection and Advocacy System for Persons with Developmental Disabilities. The entity will monitor group homes for those with complex needs, determining whether clients' needs from their person-centered service plans are being met, services are reducing negative behaviors, and all physical interventions used by group home staff are appropriate. The entity will also investigate complaints and report on all observations and outcomes each year. The entity will report to the Governor, the President of the Senate, and the Speaker of the House by December 31, 2025 on systemic issues and recommendations.

**Employment and Rehabilitation Services**

**Child Care Subsidy**

The Baseline includes \$187,080,200 from the Federal CCDF Block Grant in FY 2024 for child care subsidies. This amount is unchanged from FY 2023.

*Background* – This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 85% of the state median income that were below 165% of the FPL at the time of application, and the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment. DES also processes DCS child care payments, but those monies are appropriated in DCS' budget. (For more information on state funded child care, please refer to the Child Care Program Summary on the JLBC website.)

In addition to the \$187,020,200 in this line item, DES was also appropriated \$1,086,612,800 on a one-time basis in FY 2022 to provide the Department with spending authority for child care monies provided to Arizona as part of federal COVID legislation. The appropriation was non-lapsing. As of October 2022, the department reports spending approximately \$367,600,000 of the one-time funding. This funding will be available through September 30, 2023.

*Subsidy Rates* – As of November 2022, the department has established rates that are at the 75<sup>th</sup> percentile of the department's 2018 market rate survey for all age categories. We estimate that the average monthly reimbursement per child is \$492 at the current rate.

*Caseloads* – According to the department, the estimated number of children receiving child care services in June 2022 was 18,070 (see Table 6) excluding ECDHB- and DCS-related child care.

Category	FY 22	FY 23 est	FY 24 est
TANF	530	460	460
Low-Income Working	16,070	16,327	16,327
Transitional Child Care	<u>1,470</u>	<u>1,300</u>	<u>1,300</u>
<b>Total Served</b>	<b>18,070</b>	<b>18,087</b>	<b>18,087</b>

**Independent Living Rehabilitation Services**

The Baseline includes \$1,289,400 in FY 2024 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 2023.

*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 719 clients in FY 2024 at an average Total Funds cost per client of \$2,645. In addition to these clients, the division is also expected to serve 180 Independent Living clients at an average annual cost of \$2,360 per client using federal Social Services Block Grant monies.

**JOBS**

The Baseline includes \$11,005,600 in FY 2024 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 2023.

*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 7* highlights total estimated expenditures for the JOBS line item.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 9,544,900
Job Training	687,500
FLSA Supplement	2,100
Work-Related Transportation	771,000
Job Search Stipends	<u>300,000</u>
<b>Total</b>	<b>\$11,305,600</b>

**Rehabilitation Services**

The Baseline includes \$7,249,100 in FY 2024 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 2023.

*Background* – This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. The program is expected to serve up to 8,400 clients in FY 2023 at an average Total Funds cost of \$12,800 per client.

Third-party partnerships with government and non-governmental agencies provide portions of the state match.

**Workforce Innovation and Opportunity Act Services**

The Baseline includes \$85,824,200 from the Workforce Investment Act Grant in FY 2024 for the Workforce Innovation and Opportunity Act Services line item. Adjustments are as follows:

**Base Adjustment**

The Baseline includes an increase of \$30,817,300 from the Workforce Investment Act Grant in FY 2024 for a base adjustment. The adjustment is to bring the total amount in line with the department's most recent 2022 award. The Baseline modifies a footnote to reflect this base adjustment.

*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 2024 is shown in *Table 8*.

<u>Category</u>	<u>Amount</u>
WIOA Line Item	\$85,824,200
Operating Budget	1,276,600
AG Legal Services	<u>10,000</u>
<b>Total</b>	<b>\$87,110,800</b>

**Other Issues**

This section includes information on the following topics:

- FY 2023 Adjustments
- Statutory Changes
- Long-Term Budget Impacts
- Unemployment Insurance Benefits Replacement
- Federal TANF Block Grant



### **FY 2023 Adjustments**

The Baseline assumes that DES General Fund formula expenses for FY 2023 will be \$(195,000,000) lower than the original FY 2023 General Fund appropriation. The \$(195,000,000) surplus is based on the federal government's extension of the enhanced FMAP associated with the COVID-19 public health emergency. The FY 2023 enacted budget assumed the enhanced rate would not be extended into FY 2023. However, the 6.2% enhanced rate is currently available through March 2023, as well as a 5.0% enhanced rate in April 2023 through June 2023. (See *Overall DDD Adjustments in Developmental Disabilities for additional information on the enhanced match rates.*)

The FY 2024 Baseline does not, however, include an FY 2023 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 \$147,620,900 in FY 2025 above FY 2024 and \$82,499,900 in FY 2026 above FY 2025.

The FY 2025 amount includes:

- 4.5% DDD caseload growth, 3.1% capitation growth, and an estimated 66.13% FMAP.
- The loss of the FY 2024 enhanced match rates.
- \$4,400,000 for AzEIP provider rate increases.

The FY 2026 amount includes:

- 4.5% DDD caseload growth, 3.1% capitation growth, and an estimated 66.27% FMAP.
- \$(1,200,000) to remove funding for the group home monitoring pilot program.

### **Unemployment Insurance Benefits Replacement**

The 3-year spending plan associated with the FY 2023 enacted budget assumed the Executive would spend \$18,600,000 in FY 2024 and \$24,500,000 in FY 2025 from federal American Rescue Plan Act (ARPA) monies for a UI Benefits System Replacement. These monies do not appear in the General Appropriation Act because they are non-appropriated Federal Funds. Including other non-appropriated UI funds committed to the project, the Executive previously estimated the total project cost would be \$73,500,000. The project is intended to ensure timely benefit delivery and provide more flexibility in adapting to changes in federal standards. The UI legacy system has been in place for over 30 years. The project investment justification (PIJ) received approval from the Information Technology Authorization Committee (ITAC) in November 2022.

### **Federal TANF Block Grant**

The Baseline appropriates \$227,673,400 of the state's Federal TANF Block Grant monies in FY 2024. *Table 9* shows expected yearly revenues, expenditures, and fund balances across 2 agencies.

Table 9			
TANF Block Grant Spending			
	FY 2022	FY 2023	FY 2024
	Actual	Estimated	Estimated
<b>Revenues</b>			
Beginning Balance	\$ 21,062,600	\$ 21,287,300	\$ 16,712,500
TANF Base Revenues	<u>223,098,600</u>	<u>223,098,600</u>	<u>223,098,600</u>
Total TANF Available	<b>\$244,161,200</b>	<b>\$244,385,900</b>	<b>\$239,811,100</b>
<b>Expenditures</b>			
Department of Child Safety	\$157,468,100	\$161,082,200	\$161,082,200
<b>Department of Economic Security</b>			
TANF Cash Benefits	\$ 22,736,400	\$ 22,736,400	\$ 22,736,400
All Other TANF Expenditures	<u>42,669,400</u>	<u>43,854,800</u>	<u>43,854,800</u>
<b>TOTAL - DEPARTMENT OF ECONOMIC SECURITY</b>	<b>\$ 65,405,800</b>	<b>\$ 66,591,200</b>	<b>\$ 66,591,200</b>
<b>TOTAL - STATEWIDE</b>	<b>\$222,873,900</b>	<b>\$227,673,400</b>	<b>\$227,673,400</b>
Ending Balance	\$ 21,287,300	\$ 16,712,500	\$ 12,137,700

SUMMARY OF FUNDS	FY 2022	FY 2023
	Actual	Estimate
<b>Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the statewide Child Support Enforcement program. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	41,033,100	43,047,000
Year-End Fund Balance	16,824,700	2,448,000
<b>Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State Share of Retained Earnings from child support collections, federal incentives, and fees.		
<b>Purpose of Fund:</b> To fund the statewide Child Support Enforcement program. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	17,204,700	17,683,300
Year-End Fund Balance	0	0
<b>Client Trust Fund (DEA3152/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
<b>Purpose of Fund:</b> 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
<b>Coronavirus Relief Fund (DEA2975/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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, 2021.		
Funds Expended	453,400	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Coronavirus State and Local Fiscal Recovery Fund (DEA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	68,604,500	205,000
<b>Year-End Fund Balance</b>	0	0
<b>Crisis Contingency and Safety Net Fund (DEA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	478,700	0
<b>Year-End Fund Balance</b>	0	0
<b>Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Consists of client monies, such as Social Security, earnings, etc.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,600	5,600
<b>Year-End Fund Balance</b>	1,573,400	1,575,200
<b>Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
<b>Funds Expended</b>	3,500	3,500
<b>Year-End Fund Balance</b>	31,100	28,100
<b>Domestic Violence Services Fund (DEA2160/A.R.S. § 36-3002)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund grants to qualified shelters for victims of domestic violence.		
<b>Funds Expended</b>	2,191,300	4,000,300
<b>Year-End Fund Balance</b>	2,717,700	1,391,200
<b>Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants, gifts, or bequests.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	66,700	66,700

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Economic Security Capital Investment Fund (DEA2093/A.R.S. § 4-116)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
<b>Purpose of Fund:</b> To be used by the department for buildings, equipment, and other capital investments.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	585,300	637,200
<b>Employee Recognition Fund (DEA2449/A.R.S § 38-613)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs or for the specified purpose for which they were donated.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,200	2,200
<b>Family Caregiver Grant Program Fund (DEA2347/A.R.S. § 46-343)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, and donations.		
<b>Purpose of Fund:</b> Grants provided to individuals who are caring for and supporting a qualifying family member.		
<b>Funds Expended</b>	51,300	830,000
<b>Year-End Fund Balance</b>	830,000	0
<b>Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,230,052,800	200,010,200
<b>Year-End Fund Balance</b>	80,217,000	55,118,200
<b>Federal Grants (DEA2000/A.R.S. § 41-101.01)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Supplemental Nutrition Assistance Program (SNAP) administration, the Social Services Block Grant, and DCYF Expenditure Authority.		
<b>Funds Expended</b>	3,177,187,600	2,522,442,300
<b>Year-End Fund Balance</b>	115,679,100	27,958,400
<b>Federal Pandemic Emergency Assistance Fund (DEA2955/A.R.S. § 35-152)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from the federal American Rescue Plan Act of 2021 to states administering a TANF program.		
<b>Purpose of Fund:</b> To be used for administrative costs and non-recurrent short-term benefits.		
<b>Funds Expended</b>	14,546,500	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	65,405,800	66,591,200
<b>Year-End Fund Balance</b>	21,287,300	20,326,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Health Care Investment Fund (DEA2588/A.R.S. § 36-2999.73)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	26,863,200	54,370,500
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (DEA2500/§ 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and intergovernmental agreements between state agencies and local governments.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	56,700	56,700
<b>Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> Federal Medicaid Authority monies.		
<b>Purpose of Fund:</b> To fund administrative and program costs associated with the Long Term Care system.		
<b>Funds Expended</b>	2,061,249,700	3,113,326,500
<b>Year-End Fund Balance</b>	197,443,700	0
<b>Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	27,537,000	33,289,500
<b>Year-End Fund Balance</b>	0	0
<b>Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Includes contributions from income tax refunds and other donations and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	39,900	40,000
<b>Year-End Fund Balance</b>	89,000	95,300
<b>Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To improve public assistance collection activities.		
<b>Funds Expended</b>	0	430,400
<b>Year-End Fund Balance</b>	489,700	100,500
<b>Revenue From State or Local Agency Fund (DEA3193/A.R.S. § 41-1954)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,342,700	2,090,600
<b>Year-End Fund Balance</b>	3,426,900	4,388,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Sexual Violence Service Fund (DEA2190/A.R.S. § 36-3102)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, grants, and contributions.		
<b>Purpose of Fund:</b> Grants provided to service providers for victims of sexual violence.		
<b>Funds Expended</b>	8,000,000	0
<b>Year-End Fund Balance</b>	0	0
<b>Special Administration Fund (DEA2066/A.R.S. § 23-705)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
<b>Purpose of Fund:</b> To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
<b>Funds Expended</b>	4,512,600	4,643,200
<b>Year-End Fund Balance</b>	5,412,800	5,292,000
<b>Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Includes contributions from income tax refunds and other donations and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	136,200	100,100
<b>Year-End Fund Balance</b>	0	0
<b>Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,336,000	2,388,200
<b>Year-End Fund Balance</b>	9,200	(783,700)
<b>Statewide Cost Allocation Plan Fund (DEA1030/A.R.S. § 41-1954)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal reimbursement.		
<b>Purpose of Fund:</b> General operations.		
<b>Funds Expended</b>	0	1,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	183,669,600	243,901,000
<b>Year-End Fund Balance</b>	1,456,320,600	1,593,686,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Workforce Investment Act Grant (DEA2010/U.S. P.L. 113-128)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
<b>Funds Expended</b>	79,849,700	56,293,500
<b>Year-End Fund Balance</b>	98,045,500	98,045,500

# State Board of Education

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	19.0	23.0	23.0 <sup>1/</sup>
Personal Services	1,055,000	1,825,800	1,798,700
Employee Related Expenditures	406,300	304,600	304,600
Professional and Outside Services	255,000	600,100	600,100
Travel - In State	3,800	25,500	25,500
Travel - Out of State	5,500	15,000	15,000
Other Operating Expenditures	232,300	376,700	376,700
Equipment	21,800	34,500	34,500
<b>OPERATING SUBTOTAL</b>	<b>1,979,700</b>	<b>3,182,200</b>	<b>3,155,100 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Empowerment Scholarship Account Appeals	149,900	225,400	221,600
<b>AGENCY TOTAL</b>	<b>2,129,600</b>	<b>3,407,600</b>	<b>3,376,700</b>
<b>FUND SOURCES</b>			
General Fund	2,129,600	3,407,600	3,376,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,129,600</b>	<b>3,407,600</b>	<b>3,376,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>2,129,600</b>	<b>3,407,600</b>	<b>3,376,700</b>

**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

<sup>1/</sup> Includes 2 GF FTE Positions funded from Special Line Items in FY 2024.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### Operating Budget

The Baseline includes \$3,155,100 and 21 FTE Positions from the General Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time Educator Misconduct

The Baseline includes a decrease of \$(23,300) from the General Fund in FY 2024 budget for the elimination of one-time educator misconduct funding.

#### Remove One-Time Development and Implementation

The Baseline includes a decrease of \$(3,800) from the General Fund in the FY 2024 budget for the elimination of one-time policy development and implementation staff funding.

### Arizona Empowerment Scholarship Account Appeals

The Baseline includes \$221,600 and 2 FTE Positions from the General Fund in FY 2024 for Arizona Empowerment Scholarship Account (ESA) Appeals. Adjustments are as follows:

#### Remove One-Time Appeals Process Implementation

The Baseline includes a decrease of \$(3,800) from the General Fund in FY 2024 for the elimination of one-time appeals process implementation funding.

This line item includes funding to provide administrative support for the rulemaking process and the appeals process, as well as Attorney General legal services for the appeals program.



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.

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>Donations Fund (EBA2025/A.R.S § 15-204)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts, grants, and donations.		
<b>Purpose of Fund:</b> To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	600	600

## Department of Education

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	202.9	229.9	232.9
Personal Services	4,273,300	5,261,100	5,261,100
Employee Related Expenditures	1,532,900	1,845,100	1,845,100
Professional and Outside Services	963,800	1,057,500	1,057,500
Travel - In State	8,900	21,100	21,100
Travel - Out of State	8,000	30,000	30,000
Other Operating Expenditures	2,807,100	2,858,200	2,858,200
Equipment	13,500	8,500	8,500
<b>OPERATING SUBTOTAL</b>	<b>9,607,500</b>	<b>11,081,500</b>	<b>11,081,500</b> <sup>2/3/D/D/</sup>
<b>SPECIAL LINE ITEMS</b>			
<b>Formula Programs</b>			
Basic State Aid	5,386,065,800	6,517,782,700	7,010,233,200 <sup>4/-10/</sup>
State Aid Supplement	75,000,000	75,000,000	75,000,000 <sup>11/</sup>
Results-Based Funding	0	68,600,000	68,600,000 <sup>12/</sup>
Special Education Fund	0	36,029,200	36,029,200
Other State Aid to Districts	126,000	983,900	983,900
Classroom Site Fund	962,508,400	946,524,800	946,524,800 <sup>13/</sup>
Instructional Improvement Fund	42,492,800	60,425,700	60,425,700 <sup>14/</sup>
<b>Property Tax Relief</b>			
Additional State Aid	343,499,100	510,093,700	509,801,100
<b>Non-Formula Programs</b>			
Accountability and Achievement Testing	17,906,700	20,442,300	16,442,300 <sup>15/16/</sup>
Adult Education	4,869,200	21,519,100	24,849,100 <sup>17/</sup>
Adult Education and Workforce Development Administration	0	250,000	0
Alternative Teacher Development Program	500,000	500,000	1,000,000
Arizona Empowerment Scholarship Account Administration	2,176,400	4,551,600	4,551,600
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
Childhood Trauma Awareness and Prevention Training Grants	0	100,000	0
Code Writers Initiative Program	0	1,000,000	0
College Credit by Examination Incentive Program	7,472,100	7,472,100	7,472,100
College Placement Exam Fee Waiver	687,700	1,265,800	1,265,800
Computer Science Professional Development Program	1,000,000	1,000,000	1,000,000
CTED Certification Exam Fee Reimbursement	0	0	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 <sup>18/-20/</sup>
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 <sup>21/</sup>
Early Literacy	12,000,000	12,000,000	18,880,000 <sup>22/</sup>
Education Learning and Accountability System	5,362,000	5,447,100	5,447,100
English Learner Administration	6,516,800	6,597,100	6,597,100 <sup>23/</sup>
Foster Home Youth Transitional Housing	0	10,000,000	0
Geographic Literacy	100,000	100,000	100,000 <sup>24/</sup>
Gifted Assessments	340,600	850,000	850,000
Invest in Postsecondary Success Program Fund Deposit	0	1,000,000	0
Jobs for Arizona Graduates	100,000	100,000	500,000 <sup>25/</sup>
Office of Indian Education	0	5,000,000	0
Onetime Electronic Incident Prevention Programs	0	150,000	0
School Safety Program	11,016,500	81,992,600	81,992,600 <sup>26/27/</sup>

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
State Block Grant for Vocational Education	11,521,700	11,774,700	11,774,700
Student Level Data Access	221,200	357,900	357,900
Teacher Certification	1,351,000	2,554,500	2,554,500
Teacher Professional Development Pilot	57,400	0	0
Tribal College Dual Enrollment Program	124,500	325,000	325,000
<b>AGENCY TOTAL</b>	<b>6,909,583,800</b>	<b>8,429,831,700</b>	<b>8,912,599,600</b> <sup>28/-31/</sup>
<b>FUND SOURCES</b>			
General Fund	5,443,551,900	6,923,894,300	7,393,633,100
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	221,200	357,900	357,900
Department of Education Professional Development Revolving Fund	42,300	0	0
Education Sales Tax - Accountability	3,483,400	7,000,000	7,000,000
Permanent State School Fund	309,482,500	328,895,600	341,924,700
Teacher Certification Fund	1,211,400	2,527,900	2,527,900
Tribal College Dual Enrollment Program Fund	124,500	325,000	325,000
SUBTOTAL - Other Appropriated Funds	314,565,300	339,106,400	352,135,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,758,117,200</b>	<b>7,263,000,700</b>	<b>7,745,768,600</b>
<u>Expenditure Authority Funds</u>			
Classroom Site Fund	962,508,400	946,524,800	946,524,800
Education Sales Tax - Basic State Aid	135,423,800	150,380,500	150,380,500
Education Sales Tax - Character Education	207,100	200,000	200,000
Education Sales Tax - Failing Schools Tutoring Fund	830,800	1,500,000	1,500,000
Education Sales Tax - School Safety	10,003,700	7,800,000	7,800,000
Instructional Improvement Fund	42,492,800	60,425,700	60,425,700
SUBTOTAL - Expenditure Authority Funds	1,151,466,600	1,166,831,000	1,166,831,000
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>6,909,583,800</b>	<b>8,429,831,700</b>	<b>8,912,599,600</b>
Other Non-Appropriated Funds	18,129,500	21,465,100	21,465,100
Federal Funds	2,452,053,500	2,461,763,000	2,461,763,000
<b>TOTAL - ALL SOURCES</b>	<b>9,379,766,800</b>	<b>10,913,059,800</b>	<b>11,395,827,700</b>

**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 142.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2024.
- D/ 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)
- D/ The amount appropriated for the department of education'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)
- 2/ 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)
- 3/ 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)

- 4/ Laws 2022, Chapter 313 appropriated \$800,727,700 from the General fund for the K-12 rollover.
- 5/ 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 \$341,924,700 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 2023-2024. (General Appropriation Act footnote)
- 6/ 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)
- 7/ 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)
- 8/ 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 under section 15-971, Arizona Revised Statutes, 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)
- 9/ Laws 2022, Chapter 313 appropriated \$89,000,000 in FY 2024 and \$118,000,000 in FY 2025 from the General Fund for increases to District Additional Assistance and Charter Additional Assistance.
- 10/ Laws 2022, Chapter 313 appropriated \$63,000,000 in FY 2024 and \$100,000,000 in FY 2025 from the General Fund for increases to the Free and Reduced-Price Lunch (FRPL) weight.
- 11/ Laws 2015, 1<sup>st</sup> 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/ 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 2022-2023 to the results-based funding program for fiscal year 2022-2023 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 2022-2023 reverts to the state general fund on June 30, 2023. (General Appropriation Act footnote)
- 13/ Any monies available to the department of education for the classroom site fund pursuant to section 37-521, subsection B, paragraph 4, Arizona Revised Statutes, 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, Arizona Revised Statutes, and section 42 5029.02, subsection A, paragraph 10, Arizona Revised Statutes. (General Appropriation Act footnote)
- 14/ 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)
- 15/ 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)
- 16/ 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)
- 17/ The appropriated amount for adult education includes \$7,700,000 for the continuing high school and workforce training program established by section 15-217.01, Arizona Revised Statutes, \$6,000,000 for deposit in the adult workforce diploma program fund established by section 15-217.02, subsection B, Arizona Revised Statutes and \$6,000,000 for deposit in the community college adult education workforce development program fund established by section 15-217.03, subsection C, 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, 2025. (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/ **NEW:** Before spending the \$6,880,000 increase in the appropriated amount for the early literacy line item for literacy coaches, kindergarten entry assessments, dyslexia training, and science of reading exams, the department of education shall submit an expenditure plan to the joint legislative budget committee for its review. (General Appropriation Act footnote)
- 23/ 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)
- 24/ 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)
- 25/ 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)
- 26/ The amount appropriated for the school safety program IN STATE FISCAL YEAR 2022-2023 ~~includes~~ INCLUDED an increase of \$50,000,000 for additional school safety grants. In allocating the \$50,000,000 increase, the department of education shall first distribute monies to schools on the school safety program waiting list to receive grants for the costs of placing school resource officers on school campuses. The awarded grants may not supplant funding provided by local governments for school resource officers. If the total cost of funding ~~new~~ grants for school resource officer costs is less than \$50,000,000, the department may allocate the remaining monies to grants to schools for the costs of placing school counselors and social workers on school campuses pursuant section 15-154, Arizona Revised Statutes. (General Appropriation Act footnote)
- 27/ 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)
- 28/ After review by the joint legislative budget committee, in fiscal year 2023-2024, the department of education may use a portion of its fiscal year 2023-2024 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 2022-2023. (General Appropriation Act footnote)
- 29/ 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)
- 30/ 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)
- 31/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Table 1**

**FY 2024 Basic State Aid Formula Summary (estimated)**

**General Fund**

FY 2023 Appropriation	\$6,038,506,600
Enrollment Growth	402,495,100
2.0% Inflator	157,690,700
Property Taxes from New Construction	(44,585,300)
Endowment Earnings	(13,029,100)
Rollover Payoff	(65,000,000)
DAA/CAA Increase	29,000,000
FRPL Weight	13,000,000
Veterans Property Tax Exemption	(150,000)
<b>FY 2024 Baseline</b>	<b>\$6,517,928,000</b>

**Permanent State School Fund**

FY 2023 Appropriation	\$ 328,895,600
Estimated FY 2024 Growth	<u>13,029,100</u>
<b>FY 2024 Baseline</b>	<b>\$ 341,924,700</b>

**Education Sales Tax**

FY 2024 Baseline	\$ 150,380,500
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**Local Property Taxes <sup>1</sup>**

FY 2024 Baseline - estimated	<u>\$2,578,193,800</u>
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**Grand Total (all sources)**

**\$9,588,427,000**

<sup>1/</sup> Non-appropriated, so excluded from appropriated totals.

- An increase of \$3,080,000 for adult education.
- An increase of \$1,500,000 for a kindergarten entry assessment.
- An increase of \$1,280,000 for dyslexia screening.
- An increase of \$1,000,000 for a science of reading exam.
- An increase of \$1,000,000 for CTED certification exam fee reimbursement.
- A decrease of \$(1,000,000) for a veterans property tax exemption.
- An increase of \$500,000 for the Alternative Teacher Development Program.
- An increase of \$400,000 for the Jobs for Arizona Graduates program.
- A decrease of \$(86,250,000) to remove other funding from the FY 2023 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 \$309,301,300 in FY 2025 above FY 2024 and \$544,907,200 in FY 2026 above FY 2025. (See *Other Issues for more information.*)

**Summary**

ADE's FY 2024 General Fund spending increases by \$469,738,800, or 6.8% above the FY 2023 appropriation. The Baseline includes the following funding changes:

**Standard Formula Adjustments**

- An increase of \$402,495,100 for enrollment growth of 11,488 pupils (1.0% above FY 2023).
- An increase of \$157,690,700 for a 2.0% inflator.
- A decrease of \$(44,585,300) for local property tax growth due to new construction
- Increased Homeowner's Rebate expenses of \$557,400.
- A decrease of \$(13,029,100) to offset higher available endowment earnings under Proposition 123.

**Other Adjustments**

The Baseline also includes other adjustments in accordance with the 3-year spending plan associated with the enacted FY 2023 budget:

- An increase of \$29,000,000 to increase the per pupil amounts in the District Additional Assistance (DAA) and Charter Additional Assistance (CAA) formulas pursuant to section 127 of the FY 2023 General Appropriation Act.
- An increase of \$13,000,000 to increase the Group B weight for students eligible for the federal Free and Reduced-Price Lunch (FRPL) program pursuant to section 127 of the FY 2023 General Appropriation Act.
- An increase of \$3,100,000 for literacy coaches.

**Operating Budget**

The Baseline includes \$11,081,500 and 55.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$9,228,600
Teacher Certification Fund	152,900
Education Sales Tax - Failing Schools	
Tutoring Fund	1,500,000
Education Sales Tax - Character Education	200,000

These amounts are unchanged from FY 2023.

**Formula Programs**

**Basic State Aid**

The Baseline includes \$7,010,233,200 in FY 2024 for Basic State Aid. This amount consists of:

General Fund	6,517,928,000
Permanent State School Fund	341,924,700
Education Sales Tax - Basic State Aid	150,380,500

The \$7,010,233,200 total does not include local property taxes that will help fund K-12 formula costs for FY 2024, as they are non-appropriated (see *Table 1*).

Adjustments are as follows:

**Enrollment Growth**

The Baseline includes an increase of \$402,495,100 from the General Fund in FY 2024 for enrollment growth. The \$402,495,100 increase consists of:

- An increase of \$424,987,600 for enrollment growth in the ESA program. The enacted budget assumed that enrollment in the ESA program would reach 13,200 in FY 2023 and did not include any enrollment increases in the program associated with universal ESA eligibility, which was enacted as part of separate legislation outside of the budget (Laws 2022, Chapter 388.) We assume that final enrollment in the Universal ESA program reaches 42,700 in FY 2023 and 52,500 in FY 2024. Under the above assumptions, total ESA enrollment (including participants in the original program) would increase to 68,380 in FY 2024, or an increase of 55,180 above the enacted FY 2023 budget. (See *Universal Empowerment Scholarship Eligibility in Other Issues for more information on ESA enrollment projections*).
- A decrease of \$(22,492,500) for lower public school enrollment than projected in the FY 2023 budget. The enacted budget assumed public school Average Daily Membership would reach 1,106,238, or an increase of 0.9% above final FY 2022 ADM. Based on preliminary enrollment information from ADE, the Baseline assumes that FY 2023 public school enrollment will instead be 1,101,685, or only 0.5% higher than final FY 2022 ADM. The Baseline further assumes that public school enrollment reaches 1,101,705 in FY 2024, or flat in comparison to FY 2023. While public school enrollment would be flat in aggregate, district enrollment is assumed to decline by (1.0)%, while charters would grow by 4.0% based on recent trends.

Total enrollment across ESAs and public schools would reach an estimated 1,158,597 in FY 2023 (4.6% increase above FY 2022) and 1,170,085 in FY 2024 (1.0% increase

above FY 2023) (See *Table 2*). We estimate that the 4.6% enrollment growth in FY 2023 will result in ADE formula expenses exceeding the original FY 2023 General Fund Appropriation (See *Other Issues* for more information).

**2.0% Inflation Adjustment**

The Baseline includes an increase of \$157,690,700 from the General Fund in FY 2024 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.

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. For calendar year 2022, the current estimated increase in the GDP price deflator is 7.01%. The Baseline therefore includes the minimum required 2.0% adjustment. 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 \$(44,585,300) from the General Fund in FY 2024 due to a 2.01% 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) by an estimated \$44,585,300 in FY 2024. It also will decrease state costs by \$(44,585,300), since QTR revenues offset state formula costs on a dollar for dollar basis.

We estimate that statewide NAV for property already on the tax rolls (“existing property”) will increase by 2.98% in FY 2024, resulting in a net 4.99% NAV increase for new construction and existing property combined for FY 2024.

The 2.98% NAV increase for existing property will not affect net QTR collections in FY 2024 because A.R.S. § 41-

**Table 2**

**K-12 Enrollment Estimates (Unweighted)**

Fiscal Year	District	Charter	Public Subtotal	Original ESA	Universal ESA	ESA Subtotal	Grand Total	Change	% Change
2017	915,797	179,788	1,095,585	3,360	0	3,360	1,098,945	9,444	0.9%
2018	913,665	189,869	1,103,534	5,042	0	5,042	1,108,576	9,631	0.9%
2019	906,004	201,757	1,107,761	6,450	0	6,450	1,114,211	5,635	0.5%
2020	907,121	208,438	1,115,559	7,781	0	7,781	1,123,340	9,129	0.8%
2021	857,139	220,678	1,077,817	9,777	0	9,777	1,087,594	(35,746)	(3.2)%
2022	875,517	220,379	1,095,896	11,699	0	11,699	1,107,595	20,082	1.8%
2023 est	875,114	226,571	1,101,685	14,212	42,700	56,912	1,158,597	51,002	4.6%
2024 est	866,154	235,551	1,101,705	15,880	52,500	68,380	1,170,085	11,488	1.0%
2025 est	856,930	244,752	1,101,682	17,548	57,400	74,948	1,176,630	6,545	0.6%
2026 est	847,540	254,196	1,101,736	19,215	62,200	81,415	1,183,151	6,521	0.6%

1276 (the "Truth in Taxation" or "TNT" law) requires the QTR to be adjusted each year to offset NAV changes for existing properties. As a result, the QTR will decrease to \$3.3274 (from \$3.4266 currently) in FY 2024 to offset the estimated 2.98% NAV increase for existing property (see Table 3).

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 2023	FY 2024
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.7133	\$1.6637
• Unified districts and elementary districts not located within a high school district	\$3.4266	\$3.3274

### Veterans Property Tax Exemption

The Baseline includes a decrease of \$(150,000) from the General Fund in FY 2024 associated with Proposition 130, which establishes a property tax exemption for veterans with disabilities in direct proportion to the percentage rating of the veteran's disability. The exemption is estimated to reduce statewide net assessed value for existing property by \$(99.0) million. Under Truth-in-Taxation, the reduction net assessed value will result in the QTR being higher than it otherwise would be in the absence of the exemption, generating additional QTR revenues from newly constructed property.

Proposition 130 will also serve to reduce Homeowner's Rebate expenses by an estimated \$(850,000). Including the Homeowner's Rebate savings, the total General Fund impact of Proposition 130 on ADE is a General Fund savings of \$(1,000,000). (See the Additional State Aid line item for more information).

### Endowment Earnings Growth

The Baseline includes a decrease of \$(13,029,100) from the General Fund and an increase of \$13,029,100 from the Permanent State School Fund in FY 2024 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 \$341,924,700 for FY 2024, which would be \$13,029,100 more than the \$328,895,600 total assumed for FY 2023 (see Table 4).

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, 1<sup>st</sup> 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 Other Issues section on Endowment Earnings and Proposition 123 Background on JLBC website for more information).

Source	FY 2023	FY 2024	Change
Original 2.5%	\$72,263,000	\$72,263,000	\$0
Prop 123 4.4%	<u>256,632,600</u>	<u>269,661,700</u>	<u>13,029,100</u>
<b>Total</b>	<b>\$328,895,600</b>	<b>\$341,924,700</b>	<b>\$13,029,100</b>

<sup>1/</sup> These earnings also fund the Classroom Site Fund (see Table 8).

### Rollover

The Baseline includes a decrease of \$(65,000,000) from the General Fund in FY 2024 to eliminate one-time funding to reduce the K-12 rollover. The FY 2023 budget allocated \$65,000,000 on a one-time basis in FY 2023 to eliminate the rollover for districts with more than 2,000 but less than 4,000 pupils, which reduced the ongoing K-12 rollover from \$865,727,700 to \$800,727,700.

The Baseline would continue the ongoing \$800,727,700 rollover amount in FY 2024. The FY 2024 General Appropriation Act would advance appropriate \$800,727,700 from the General Fund in FY 2025 to fund the \$800,727,700 deferred obligation from FY 2024.

### Additional Assistance Formula Increase

The Baseline includes an increase of \$29,000,000 from the General Fund in FY 2024 to increase the per pupil formula amounts for District Additional Assistance (DAA) and Charter Additional Assistance (CAA) in FY 2024. The DAA allocation is \$23,122,000 while the CAA allocation is \$5,878,000. Based on current DAA/CAA enrollment, these allocations are sufficient for an average increase in Additional Assistance funding of \$26 per pupil for both districts and charter schools. These monies were advance-appropriated in Section 127 of the FY 2023 General Appropriation Act, and therefore will not appear in the FY 2024 General Appropriation Act.

Section 128 of the FY 2023 General Appropriation Act appropriates \$118,000,000 in FY 2025 (\$29,000,000 increase above FY 2024) for further increases to the DAA/CAA formulas in that year and continues to be allocated proportionately on a per-pupil basis.

### Free and Reduced-Price Lunch Weight Increase

The Baseline includes an increase of \$13,000,000 from the General Fund in FY 2024 to increase funding for the Group



B weight for children eligible for the federal Free and Reduced-Price Lunch (FRPL) program (primarily includes children in families with incomes that are 185% or less of the Federal Poverty Level). The associated per pupil funding increase from the weight is an estimated \$22 in FY 2024. These monies were advanced appropriated in Section 127 of the FY 2023 General Appropriation Act, and therefore will not appear in the FY 2024 General Appropriation Act.

Section 128 of the General Appropriation Act appropriates \$100,000,000 in FY 2025 (\$37,000,000 increase above FY 2024) for further increase to the FRPL weight in that year.

### **State Aid Supplement**

The Baseline includes \$75,000,000 from the General Fund in FY 2024 for State Aid Supplement funding. This amount is unchanged from FY 2023.

Laws 2015, 1<sup>st</sup> 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 monies are distributed to districts and charter schools based on weight student counts, adjustments for nonresident pupils attending district schools. 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 2024 for Results-Based Funding. This amount is unchanged from FY 2023.

*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 2023 K-12 Education bill (Laws 2022, Chapter 317) 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 statewide assessment scores in the top 13% among other schools with at least 60% FRPL eligibility.
  - Alternative High Schools with statewide assessment 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 statewide assessment scores in the top 13% statewide.
  - Schools with FRPL eligibility of at least 60% and statewide assessment scores in the top 27% in comparison to other schools with FRPL-eligibility of at least 60%.

These session law provisions continue to notwithstanding A.R.S. § 15-249.08 in FY 2024, which would otherwise make schools eligible for program funding in FY 2024 if they had a letter designation of A in the prior fiscal year (FY 2023) under the State Board of Education's A-F performance rating system pursuant to A.R.S. § 15-241. The State Board of Education will not determine letter grades for FY 2023 until November 1, 2023. As a result, the cost of the statutory formula for FY 2024 is unknown.

The Baseline continues to include a General Appropriation Act Footnote 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 2024 to this program, if needed, without JLBC review, to address any FY 2023 shortfalls.

### **Special Education Fund**

The Baseline includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2024 for the Special Education Fund Line Item. These amounts are unchanged from FY 2023.

*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 2024 for Other State Aid to Districts. This amount is unchanged from FY 2023.

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 \$946,524,800 in FY 2024 from Classroom Site Fund (CSF) expenditure authority for the Classroom Site Fund. This amount is unchanged from FY 2023.

*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. The amount in this line item will be updated when the JLBC Staff calculates the FY 2024 CSF per pupil amount on March 30, 2023 pursuant to A.R.S. § 15-977G1.

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 \$60,425,700 from Instructional Improvement Fund Expenditure Authority in FY 2024 for the Instructional Improvement Fund. This amount is unchanged from FY 2023.

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 \$509,801,100 from the General Fund in FY 2024 for Additional State Aid, otherwise known as the Homeowners' Rebate program. Adjustments are as follows:

##### **Prior Year Base Adjustment**

The Baseline includes a decrease of \$(16,278,400) from the General Fund in FY 2024 to reflect lower-than-budgeted costs for Additional State Aid for FY 2023. The FY 2023 budget assumed that Additional State Aid would cost \$510,093,700 for FY 2023 for the Homeowner's Rebate and 1% Cap combined. The actual combined cost, however, is \$493,815,300 as reported by the Arizona Department of Revenue (DOR) in October 2022 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2024 therefore will be \$(16,278,400) less than the FY 2023 appropriation.

##### **Decrease Commercial Assessment Ratio**

The Baseline includes an increase of \$4,600,000 from the General Fund in FY 2024 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 17.5% in FY 2023 to 17.0% in FY 2024. 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 \$4,600,000 for this change in FY 2024.

Laws 2022, Chapter 171 further reduces the commercial assessment ratio to 15.5% in FY 2027 and 15.0% in FY 2028.

##### **Veterans Property Tax Exemption**

The Baseline includes a decrease of \$(850,000) from the General Fund in FY 2024 for reduced Homeowner's Rebate expenses associated with Proposition 130, which establishes a property tax exemption for veterans with disabilities in direct proportion to the percentage rating of the veteran's disability. The exemption reduces Homeowner's rebate expenses because eligible veterans

will pay lower school district taxes and thereby receive a proportionately lower rebate on their property tax bills. (See the Basic State Aid line item for more information).

**New Homes**

The Baseline includes an increase of \$12,235,800 from the General Fund in FY 2024 for increased Additional State Aid costs associated with new home construction. The \$12,235,800 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2024.

*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.

**Non-Formula Programs**

**Accountability and Achievement Testing**

The Baseline includes \$16,442,300 and 24.4 FTE Positions in FY 2024 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,442,300
Education Sales Tax - Accountability	7,000,000

Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2024 to remove one-time funding for

ADE's achievement testing contracts. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*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 2023:

- 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.
- 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 \$24,849,100 and 4 FTE Positions from the General Fund in FY 2024 for Adult Education. Adjustments are as follows:

**Increase Continuing High School Program Enrollment**

The Baseline includes an increase of \$3,080,000 from the General Fund in FY 2024 to fund an additional 400 enrollees in the Continuing High School and Workforce Training program. Pursuant to A.R.S. § 15-217.01, the total number of students authorized to be served by the program will increase from 600 in FY 2023 to 1,000 in FY 2024. Given the \$7,700 per student statutory funding level, the additional 400 enrollees will generate additional costs of \$3,080,000 in FY 2024 above FY 2023. The 3-year spending plan associated with the enacted FY 2023 budget included funding for the enrollment increase.

**Administrative Funding Transfer**

The Baseline includes an increase of \$250,000 and 1 FTE Position from the General Fund in FY 2024 to transfer administrative funding from the Adult Education and Workforce Development Administration line item to Adult

Education. This change will fund administrative and programmatic expenses for the Continuing High School and Workforce Training program, the Adult Workforce Diploma Program, and the Community College Adult Education Workforce Development Program in the same line item, similar to all other adult education programs. The 3-year spending plan associated with the enacted FY 2023 budget assumes the administrative allocation for these programs will be reduced to \$150,000 in FY 2025.

*Background* – The Adult Education program in ADE 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.

The Baseline would continue a General Appropriation Act footnote that stipulates minimum allocations to specific Adult Education programs:

- \$7,700,000 is for the Continuing High School and Workforce Training Program established in A.R.S. § 15-217.01. The program provides \$7,700 per student to districts and charter schools that contract with a nonprofit organization to provide adults with alternative study services that lead to a high school diploma and industry-recognized credentials. No more than 1,000 students may participate in the program in FY 2024.
- \$6,000,000 is for deposit in the Adult Workforce Diploma Program Fund established in A.R.S. § 15-217.02. The Adult Workforce Diploma Program is established to assist adults in earning a high school diploma and earning career and technical skills in a campus-based, online, or blended format. Payments to providers range from \$250 to \$1,000 per program milestone completed by participating students.
- \$6,000,000 is for deposit in the Community College Adult Education Workforce Development Program Fund established in A.R.S. § 15-217.03. The Community College Adult Education Workforce Development Program authorizes Community College Districts to establish programs for adults to provide a high school diploma or high school equivalency diploma and an industry-recognized credential or community college degree. Participating community college districts may receive up to \$3,000 per full-time student and may use a portion of the monies to provide support services to participating adults, such as transportation and child care.

### ***Adult Education and Workforce Development Administration***

The Baseline includes no funding in FY 2024 for Adult Education and Workforce Development Administration. Adjustments are as follows:

#### **Administrative Funding Transfer**

The Baseline includes a decrease of \$(250,000) and 1 FTE Position from the General Fund in FY 2024 to transfer funding from this line item to the Adult Education line item (*See Adult Education Special Line Item for additional information*).

### ***Alternative Teacher Development Program***

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for an Alternative Teacher Development Program. Adjustments are as follows:

#### **Increased Funding**

The Baseline includes an increase of \$500,000 from the General Fund in FY 2024 for the Alternative Teacher Development Program. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

*Background* – 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 \$4,551,600 and 52 FTE Positions from the General Fund in FY 2024 for Arizona Empowerment Scholarship Account Administration. These amounts are unchanged from FY 2023.

*Background* – 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 2024 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2023.

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 \$5,445,100 to public schools from the fund in FY 2022, including unspent prior year monies.

### **Childhood Trauma Awareness and Prevention Training Grants**

The Baseline includes no funding in FY 2024 for Childhood Trauma Awareness and Prevention Training Grants. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2024 to remove one-time funding for Childhood Trauma Awareness and Prevention Training Grants. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – This line item funds grants to a nonprofit organization that provides childhood trauma awareness and prevention training to certificated teachers and public school administrators in this state.

### **Code Writers Initiative Program**

The Baseline includes no funding in FY 2024 for the Code Writers Initiative Program. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2024 to remove one-time funding for the Code Writers Initiative Program. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – This line item funds the Code Writers Initiative Program established in A.R.S. § 15-249.17. The program provides competitive grants to schools that instruct Native American students in computer code writing.

### **College Credit by Examination Incentive Program**

The Baseline includes \$7,472,100 from the General Fund in FY 2024 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2023.

*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 (e.g. Advanced Placement) 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.

For FY 2022, ADE reports that districts and charter schools qualified for \$6,257,900 in program awards. This amount includes \$5,201,700 for awards for 17,339 exams passed in schools with less than 50% FRPL-eligibility (\$300 per exam) and \$1,056,200 for 2,352 exams passed in schools with 50% or more FRPL-eligibility (\$450 per exam). Given that the \$6,257,900 of awards was lower than the \$7,472,100 appropriation for that year, eligible schools received the full award amount without proration.

### **College Placement Exam Fee Waiver**

The Baseline includes \$1,265,800 from the General Fund in FY 2024 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2023.

*Background* – This line item funds out-of-pocket expenses for college placement exams taken by students who are FRPL-eligible. ADE currently covers \$53 per regular Advanced Placement Exam and \$101 per AP Seminar and AP Research Exam, resulting in a net cost of \$0 for the qualifying student.

### **Computer Science Professional Development Program**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for a Computer Science Professional Development Program. This amount is unchanged from FY 2023.

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. Grant monies may be used to provide training for prospective computer science teachers. The program 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 Certification Exam Fee Reimbursement**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for CTED Certification Exam Fee Reimbursement. Adjustments are as follows:

##### **Increase Funding**

The Baseline includes an increase of \$1,000,000 from the General Fund in FY 2024 for CTED Certification Exam Fee Reimbursement. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

*Background* – This line item funds a deposit in the Industry-Recognized Certification and Licensure Reimbursement Fund established by A.R.S. § 15-1265. Monies in the fund are used to eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for FRPL-eligible students. To qualify, eligible students must pass a certificate or license exam related to a career and technical education program and apply to their CTED to receive reimbursement. If monies in the fund are insufficient to fund all eligible exams, the reimbursement is reduced in proportion to each exam's cost.

#### **CTED Completion Grants**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for CTED Completion Grants. This amount is unchanged from FY 2023.

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 2025).

#### **CTED Soft Capital and Equipment**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2023.

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 2024.

#### **Early Literacy**

The Baseline includes \$18,880,000 and 3 FTE Positions from the General Fund in FY 2024 for Early Literacy. Adjustments are as follows:

##### **Literacy Coaches**

The Baseline includes an increase of \$3,100,000 from the General Fund in FY 2024 for literacy coaches. Based on an FY 2022 Executive Budget recommendation, these coaches would provide additional literacy support to K-3 students in the 50 districts and charter schools with the lowest reading scores on the statewide assessment. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

##### **Kindergarten Entry Assessment**

The Baseline includes an increase of \$1,500,000 from the General Fund in FY 2024 for a kindergarten entry assessment. A.R.S. § 15-701 authorizes the State Board of Education to adopt a statewide kindergarten entry evaluation tool to administer to kindergarten pupils within 45 days of enrollment. These monies would pay for the cost of the assessment. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

##### **Dyslexia Screening**

The Baseline includes an increase of \$1,280,000 and 3 FTE Positions from the General Fund in FY 2024 for dyslexia screening and training. The K-3 reading program established A.R.S. § 15-211 (also called "Move On When Reading" (MOWR)) requires that each district and charter

school has at least one K-3 teacher that has received training in screening, intervention, accommodation, use of technology, and advocacy for students with dyslexia pursuant to A.R.S. § 15-219. These monies would pay for ADE's costs of administering the trainings and 3 FTE Positions within the K-3 Reading Program. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

#### **Science of Reading Exam**

The Baseline includes an increase of \$1,000,000 from the General Fund in FY 2024 for a science of reading exam. A.R.S. § 15-501.01 requires, beginning August 1, 2025, that all certificated teachers providing literacy instruction in grades K-5 receive a literacy endorsement within 3 years of certification. The endorsement shall require the teacher to pass a literacy instruction assessment in the science of reading. These monies would cover each teacher's cost of taking the exam. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

*Background* – This line item funds the following early literacy programming:

- Deposits in the Early Literacy Grant Program Fund (ELGPF) established A.R.S. § 15-249.09. The fund provides grants to schools with at least 90% FRPL-eligibility on a per pupil basis to improve reading proficiency among K-3 pupils. Eligible expenses include literacy coaches and literacy specialists, reading curricula, kindergarten readiness assessments, summer programs, or tutoring.
- Literacy coaches to assist low-performing schools.
- Costs of administering the kindergarten entry assessment authorized by A.R.S. § 15-701.
- Dyslexia trainings required by the K-3 Reading Program established by A.R.S. § 15-211.
- Fees associated with the Science of Reading exam for K-5 literacy instructions pursuant to A.R.S. § 15-501.01.

The Baseline would add a new footnote that requires ADE to submit an expenditure plan for review before spending the \$6,880,000 increase in FY 2024 for literacy coaches, kindergarten entry assessments, dyslexia trainings, and science of reading exams.

#### **Education Learning and Accountability System**

The Baseline includes \$5,447,100 and 24.2 FTE Positions from the General Fund in FY 2024 for the Education Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2023.

*Background* – The monies in this line item are for continued maintenance and operation of ELAS, 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 \$6,597,100 and 13.5 FTE Positions from the General Fund in FY 2024 for English Learner Administration. These amounts are unchanged from FY 2023.

*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.)

#### **Foster Home Youth Transitional Housing**

The Baseline includes no funding in FY 2024 for Foster Home Youth Transitional Housing. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2024 to remove funding for a one-time distribution to the East Valley Institute of Technology (EVIT) for a transitional housing unit. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – A General Appropriation Act footnote stipulates that EVIT shall use the monies in this line item to construct and furnish a 64-bed transitional housing unit for foster youths who are 17-21 years of age and who need stable housing to obtain a high school diploma or GED and are earning an industry certification in a program offered by EVIT.

### **Geographic Literacy**

The Baseline includes \$100,000 from the General Fund in FY 2024 for Geographic Literacy. This amount is unchanged from FY 2023.

Based upon a footnote, the program funds a statewide geographic alliance for strengthening geographic literacy in this state.

### **Gifted Assessments**

The Baseline includes \$850,000 from the General Fund in FY 2024 for Gifted Assessments. This amount is unchanged from FY 2023.

*Background* – Monies in this line item are used for a contract between ADE and a vendor to administer a gifted screening assessment that is available to all 2<sup>nd</sup> graders in Arizona public schools at no charge.

### **Invest in Postsecondary Success Program Fund Deposit**

The Baseline includes no funding in FY 2024 for an Invest in Postsecondary Success Program Fund Deposit. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2024 to remove funding for a one-time deposit in the Invest in Postsecondary Success Program Fund. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – The monies in this line item are deposited in the Invest in Postsecondary Success Program Fund established in A.R.S. § 15-249.18. ADE shall use monies in the fund to contract with a nonprofit vendor that establishes college match savings accounts in which a student's contributions are matched by \$8 for each dollar the student deposits per academic year.

### **Jobs for Arizona Graduates**

The Baseline includes \$500,000 from the General Fund in FY 2024 for a Jobs for Arizona Graduates program. Adjustments are as follows:

#### **Increased Funding**

The Baseline includes an increase of \$400,000 from the General Fund in FY 2024 for the Jobs for Arizona Graduates Program. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase

was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

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.

### **Office of Indian Education**

The Baseline includes no funding in FY 2024 for the Office of Indian Education. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2024 to remove a one-time distribution to the Office of Indian Education. The appropriation was non-lapsing. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – A.R.S. § 15-244 stipulates that the Office of Indian Education shall provide technical assistance to school and Indian nations on curricula and instructional materials to meet the educational needs of Native American pupils.

### **Onetime Electronic Incident Prevention Programs**

The Baseline includes no funding in FY 2024 for Onetime Electronic Incident Prevention Programs. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(150,000) from the General Fund in FY 2024 to remove funding for onetime electronic incident prevention programs. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – A General Appropriation Act footnote stipulates that ADE shall use the monies in this line item to provide school safety grants to schools to procure and implement an electronic incident prevention program.

### **School Safety Program**

The Baseline includes \$81,992,600 and 4 FTE Positions in FY 2024 for the School Safety program. These amounts consist of:



General Fund	74,192,600
Education Sales Tax - School Safety	7,800,000

These amounts are unchanged from FY 2023.

*Background* – The School Safety Program established in A.R.S. § 15-154 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 by the Department of Education and is subject to review and approval by the State Board of Education pursuant to A.R.S. § 15-154. School district and charter schools receive funding for up to a 3-year period and may annually submit a modified spending plan if they are approved for a grant.

As of October 2022, ADE reports that school safety grants are funding a total of 613 positions at 676 school sites (some positions serve multiple sites), including 309 school counselors, 169 social workers, 133 SROs, and 2 juvenile probation officers. These positions are currently funded by the state monies in this line item as well as one-time federal pandemic funds allocated by ADE. The department received SBE's approval in October 2022 to open the grant to currently non-participating schools beginning January 2023. The department is also opening the grant cycle for currently participating schools to receive a 3-year extension on their existing grants beginning in FY 2024.

**State Block Grant for Vocational Education**

The Baseline includes \$11,774,700 and 27 FTE Positions from the General Fund in FY 2024 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2023.

*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 \$357,900 from the Department of Education Empowerment Scholarship Account Fund in FY

2024 for Student Level Data Access. This amount is unchanged from FY 2023.

*Background* – This line item provides funding for ADE's costs associated with providing student level data access pursuant to A.R.S. § 15-1043, which 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 \$2,554,500 and 22.9 FTE Positions in FY 2024 for Teacher Certification. These amounts consist of:

General Fund	179,500
Teacher Certification Fund	2,375,000

These amounts are unchanged from FY 2023.

*Background* – 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.

**Tribal College Dual Enrollment Program**

The Baseline includes \$325,000 from the Tribal College Dual Enrollment Program Fund in FY 2024 for the Tribal College Dual Enrollment Program. This amount is unchanged from FY 2023.

*Background* – 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 2023 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Universal Empowerment Scholarship Eligibility

### Ballot Proposition

- Endowment Earnings
- Proposition 123
- Aggregate Expenditure Limit
- Education Sales Tax

### Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

### **FY 2023 Supplemental**

The Baseline includes a supplemental appropriation of \$200,000,000 from the General Fund in FY 2023 for higher-than-budgeted K-12 formula expenses. This amount consists of:

- An increase of \$274,063,300 for higher ESA enrollment. The enacted budget did not include funding adjustments for enrollment increases for universal eligibility for the ESA program as enacted in Laws 2022, Chapter 388. The Baseline assumes that total ESA program expenses (original and universal) reach \$474,231,400 in FY 2023 (an increase of \$274,063,300 in comparison to the \$200,168,100 originally budgeted) based on an estimated 56,912 ESA program enrollees by the end of FY 2023, including 42,700 enrollees in the universal ESA program. (*See Universal Empowerment Scholarship Eligibility Other Issues section for additional information*).
- A decrease of \$(57,784,900) for lower-than-budgeted public school formula costs. The enacted budget assumed public school enrollment would reach 1,106,328 in FY 2023, an increase of 0.9% above final FY 2022 ADM. As of November FY 2022, actual public school ADM is only 1,097,263, or 0.1% above FY 2022. We assume that final FY 2023 ADM will only be 1,101,685, or 0.5% above FY 2022.
- A decrease of \$(16,278,400) for lower-than-budgeted expenses for the Homeowner's Rebate and 1% cap (additional state aid). According to the Department of Revenue, the Homeowner's Rebate and 1% cap combined cost in FY 2023 will be \$493,815,300, which is \$(16,278,400) below the original FY 2023 appropriation.

The actual amount of the supplemental could be higher or lower depending on how actual ESA and public school enrollment compare to the assumptions outlined above.

### **Statutory Changes**

The Baseline would:

#### *Formula Requirements*

- 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.
- As permanent law, allocate \$13,000,000 to increase Group B weight in Basic State Aid formula for children eligible for the federal Free-and Reduced Price Lunch (FRPL) program.
- As permanent law, allocate \$23,122,000 to increase District Additional Assistance (DAA) per pupil formula allocations.
- As permanent law, allocate \$5,878,000 to increase Charter Additional Assistance (CAA) per pupil formula allocations.
- As permanent law, updates the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2024.

#### *Results-Based Funding*

- As session law, continue to notwithstanding A.R.S. § 15-249.08 to fund Results-Based Funding in FY 2024 as follows:
  - \$225 per pupil to schools with statewide assessment scores in the top 13% statewide
  - \$225 per pupil to schools with statewide assessment scores between the top 13% and 27% among schools with at least 60% FRPL-eligibility
  - \$400 per pupil to schools with statewide assessment scores in the top 13% among schools with at least 60% FRPL-eligibility
  - \$400 per pupil for alternative schools in the top 27% among schools with at least 60% FRPL-eligibility.

#### *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.

### **Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$309,301,300 in FY 2025 above FY 2024 and \$544,907,200 in FY 2026 above FY 2025. These estimates are based on:

- Enrollment growth of 0.6% in FY 2025 and FY 2026. The 0.6% estimate assumes total enrollment in the ESA program would grow to 74,948 in FY 2025 and 81,415 in FY 2026, while total public school enrollment would be 1,101,682 in FY 2025 and 1,101,736 in FY 2026.
- GDP inflators of 2.0% for FY 2025 and FY 2026. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.0% for FY 2025 and FY 2026.
- General Fund decrease of \$(13,214,700) in FY 2025 and an increase of \$282,876,400 in FY 2026 for endowment earnings changes. The General Fund increase in FY 2026 assumes the increase in land trust endowment earnings distributions from 2.5% to 6.9% required by Proposition 123 would expire in FY 2026.
- An increase of \$4,600,000 each of FY 2025 and FY 2026 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.
- An increase of \$29,000,000 in FY 2025 above FY 2024 for further increases to the DAA/CAA formulas pursuant to Section 128 of the FY 2023 General Appropriation Act.
- An increase of \$37,000,000 in FY 2025 above FY 2024 for additional increases to the Group B weight for FRPL-eligible pupils pursuant to section 128 of the FY 2023 General Appropriation Act.
- A decrease of \$(100,000) in FY 2025 to remove Adult Education administrative funding designated as one-time.

### **Universal Empowerment Scholarship Eligibility**

Laws 2022, Chapter 388 expanded eligibility for the Empowerment Scholarship Account program to include any student who is a resident of Arizona and who is eligible to enroll in a public school. The enacted FY 2023 budget did not include any adjustments to Basic State Aid funding to account for universal ESAs program, as the program was enacted in separate legislation (Chapter 388).

The Baseline assumes that enrollment in the universal ESA program will reach 42,700 by the end of FY 2023. By comparison, as of December 2022, ADE reported that it had made disbursements to approximately 29,400 ESA accounts and that an additional 900 individuals applied and were either awaiting disbursement or having their applications reviewed. Statute permits individuals to apply for enrollment in the ESA program at any point during the year.

We further expect universal ESA enrollment would increase to 52,500 in FY 2024, 57,400 in FY 2025, and 62,200 in FY 2026. Under these assumptions, we estimate

that total General Fund spending on the universal ESA program would reach \$256,000,000 in FY 2023, \$376,000,000 in FY 2024, \$421,000,000 in FY 2025, and \$465,000,000 in FY 2026. These amounts are in addition to expenditures on the original ESA program, which reached \$176,000,000 in FY 2022.

We consider our estimates to be highly speculative because the future participation rate of newly-eligible students is difficult to determine in advance. As a result, the actual impact on ESA program spending could be significantly higher or lower than our estimates. We estimate that the universe of eligible students includes the following 3 groups:

- 60,000 or more private school students. The National Center for Education Statistics reported that Arizona's private school enrollment reached 59,171 for FY 2020 (latest data available).
- 40,000 or more current homeschooled pupils. The Arizona Families for Home Education estimates that there are at least 38,000 homeschooled pupils in Arizona.
- 859,000 current public school students who did not meet the categorical eligibility criteria (e.g. special education eligibility, residing within the attendance boundaries of a D or F school, etc.) prior to enactment of Chapter 388.

We expect that most of the growth in universal ESA participation will likely occur among current private school and home school students because they have already decided to opt out of the public school system and would be likely to receive a financial gain from ESA program participation.

There could be additional ESA participation among the newly-eligible 859,000 public schoolers, but we would expect their participation rate would be lower than existing private schoolers and homeschooled, as public schoolers would have to change their current school and would potentially face out-of-pocket education expenses (tuition, tutoring, etc.) if the cost of their private school or homeschool exceeds the value of their ESA award. As well, private schools would face at least short-term capacity constraints in adding significant numbers of public school students to their facilities.

In addition, we estimate that the net impact to Basic State Aid from a pupil switching from a public school to the ESA program in FY 2024 is approximately \$500 due to partially offsetting savings from public school ADM declines. As a result, we expect most of the fiscal impact of universal ESAs to be associated with current private school and homeschool students.

## Endowment Earnings

In FY 2022, endowment earnings from state trust lands funded \$430,496,900 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 2023, public schools will receive an estimated \$460,940,200 of expendable land trust monies from the State Land Department and State Treasurer combined. That total includes \$58,493,600 from the Land Department and \$402,446,600 from the State Treasurer. Under the Baseline, we estimate total endowment earnings will increase to \$481,372,200 in FY 2024 and \$502,095,300 in FY 2025. In FY 2026, earnings distributed would decrease to \$227,228,100 as a result of the expiration of the 4.4% factor in that year (see Table 5).

**Table 5**  
Source of K-12 Endowment Earnings by Fiscal Year  
(\$ in Millions)

Source	2022	2023	2024	2025	2026
Land Department	58.5	58.5	58.5	58.5	58.5
Treasurer	372.0	402.4	422.9	443.6	168.7
<b>Total</b>	<b>430.5</b>	<b>460.9</b>	<b>481.4</b>	<b>502.1</b>	<b>227.2</b>

1/ Final year prior to Proposition 123.

Table 6 shows K-12 endowment earning uses. In FY 2024, the \$481,372,200 of expendable earnings would include \$341,924,700 for Basic State Aid and the remaining \$139,447,500 would be deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. Under the Baseline, the amount distributed for Basic State Aid would be \$355,139,400 in FY 2025 (increase of \$13,214,700 above FY 2024) and \$72,263,000 in FY 2026 (decrease of \$(282,876,400) compared with FY 2025) as a result of the expiration of the 4.4% factor from Proposition 123. A.R.S. § 37-521 stipulates that the distribution of endowment earnings from the 2.5% distribution may not exceed \$72,263,000.

The \$(282,876,400) decrease in endowment earnings distributions to Basic State Aid in FY 2026 would require a corresponding General Fund increase of the same amount under current state statute. Without a statutory change to the Basic State Aid formula, ADE would have no legal authority to reduce Basic State Aid allocations to account for the \$(282,876,400), meaning by default the General Fund would have to backfill the reduced endowment earnings distribution on a dollar-for-dollar basis.

The Legislature, however, could reduce or eliminate this backfill requirement by either 1) reauthorizing the current 6.9% distribution level via a legislatively-referred ballot measure to amend the state constitution or 2) offsetting the backfill with other adjustments in spending. Under Proposition 301, the Legislature would not be permitted to reduce either the Base Level or Transportation Support Level funding, as both amounts must be adjusted annually for inflation. As a result, the Legislature’s main options

within the funding formula would be reductions to District Additional Assistance or Charter Additional Assistance. The Legislature would also have the option of reducing or discontinuing the \$75,000,000 state aid supplement funding that was advance-appropriated in companion legislation with Proposition 123. (See *Proposition 123 Background on JLBC Website for more information*).

K-12 funding for the next fiscal year by twice the current year inflation amount.

The Baseline K-12 spending level would constitute approximately 47.0% of total state General Fund appropriations in FY 2024, 47.4% in FY 2025, and 49.7% in FY 2026. (Please see the *FY 2017 Appropriations Report for more information on Proposition 123*.)

**Table 6**  
Use of K-12 Endowment Earnings by Fiscal Year  
(\$ in Millions)

Source	2022	2023	2024	2025	2026
Basic State Aid	309.5	328.9	341.9	355.1	72.3
Classroom Site Fund	121.0	132.0	139.4	147.0	154.9
<b>Total</b>	<b>430.5</b>	<b>460.9</b>	<b>481.4</b>	<b>502.1</b>	<b>227.2</b>

**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 2025, 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

**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. Pursuant to House Concurrent Resolution 2039, the Legislature authorized district expenditures of \$1,154,029,000 above the AEL for FY 2022.

For FY 2023, ADE has reported that budgeted district expenditures exceed the AEL by \$1,385,809,600. To override the limit, the Legislature would need to adopt a concurrent resolution by March 1, 2023.

A permanent increase in the AEL would require a voter-approved change to the State Constitution.

**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 7

**Education Sales Tax Monies  
(FY 2023 Estimate)  
(\$ in Millions)**

**EDUCATION SALES TAX REVENUES**

<u>Recipient</u>	<u>Amount</u>	<u>Comment</u>
Universities	123.3	Receive 12% of monies remaining after Basic State Aid distribution is deducted.
Community Colleges	30.8	Receive 3% of monies after BSA distribution.
Tribal Colleges	1.2	Same formula as for community colleges.
Income Tax Credit	<u>25.0</u>	For income tax credit authorized by A.R.S. § 43.1072.01.
<b>Subtotal - Non-ADE Programs</b>	<b>\$180.4</b>	
Basic State Aid Distribution	\$64.1	
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	<u>744.3</u>	Receives all monies remaining after other distributions are made.
<b>Subtotal - ADE Programs</b>	<b>\$911.1</b>	
<b>Total - Prop 301 Sales Tax</b>	<b>\$1,091.5</b>	
<b>CLASSROOM SITE FUND REVENUES (ALL SOURCES)</b>		
Education Sales Tax (from above)	744.3	
Prop 301/CSF - Land Trust	128.5	
Prop 301/CSF - Carry-Forward	<u>123.3</u>	
<b>Total - Classroom Site Fund</b>	<b>\$996.3<sup>1/</sup></b>	

<sup>1/</sup> Total estimated disbursements reported for FY 2023 in JLBC's Classroom Site Fund memo from March 2022. Amounts may not add due to rounding.

Table 7 shows how education sales tax revenues are earmarked in FY 2023. 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 \$744,264,700 (68.2%) of the \$1,091,495,300 of estimated collections for FY 2022

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 2023 are \$996,341,900

**Basic State Aid Formula Description**

Basic State Aid funding is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula "equalizes" formula funding among school districts, enabling them all to spend approximately the same amount of formula money per pupil from state and local sources combined. (Non-formula funding, such as from bonds and overrides, is not equalized.) Districts with a very strong local property tax base can generate their entire formula funding entitlement from local property

taxes alone. Most school districts, however, require "Basic State Aid" monies to receive full formula funding.

The equalization formula for school districts consists of 3 components: the Base Support Level (BSL), Transportation Support Level (TSL), and District Additional Assistance (DAA). BSL and DAA funding are computed by multiplying specific dollar amounts in statute by a school district's student count, adjusted for various weights. The TSL instead is computed by multiplying specific dollar amounts per route mile in statute by a district's pupil transportation route miles. The sum of the 3 formula components equals what is referred to as a school district's "equalization base," which is its total funding entitlement under the K-12 equalization funding formula.

After a school district's equalization base is determined, its net assessed property value (NAV) is multiplied by the statutory "Qualifying Tax Rate" (QTR) (A.R.S. § 15-971B) to determine the portion of its formula funding that is assumed to come from QTR taxes. This amount is then subtracted from its equalization base.

If the district's combined QTR 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 2022 Actual	FY 2023 Estimate
<b>Adult Workforce Diploma Program Fund (EDA1125/A.R.S. § 15-217.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, and other donations.		
<b>Purpose of Fund:</b> To pay approved program providers in the Adult Workforce Diploma Program pursuant to A.R.S. § 15-217.02E. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>American Civics Education Fund (EDA2612/Laws 2018, Chapter 289)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the American Civics Education pilot program established by Laws 2018, Chapter 289. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	276,400	138,200
<b>Arizona Agricultural Youth Organization Special Plate Fund (EDA2651/A.R.S. § 15-791)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	170,200	170,200
<b>Year-End Fund Balance</b>	0	2,300
<b>Arizona English Language Learner Fund (EDA2535/A.R.S. § 15-756.04)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,832,800	1,348,100
<b>Arizona Industry Credentials Incentive Fund (EDA2685/A.R.S. § 15-249.15)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	6,634,400	3,600,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	172,800	173,800
<b>Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.02.		
<b>Funds Expended</b>	47,100	47,100
<b>Year-End Fund Balance</b>	0	900
<b>Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated from the Automation Projects Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,228,600	625,300
<b>Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for Character Education license plates.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	22,300	22,300
<b>Year-End Fund Balance</b>	0	600
<b>Classroom Site Fund (EDA2471/A.R.S. § 15-977)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	962,508,400	946,524,800
<b>Year-End Fund Balance</b>	156,525,200	100,000,000
<b>College Credit by Examination Development Fund (EDA2641/A.R.S. § 15-249.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,241,700	1,266,000



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Community College Adult Education Workforce Development Program Fund</b> (EDA1124/A.R.S. § 15-217.03)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and any other monies.		
<b>Purpose of Fund:</b> To provide up to \$3,000 per full-time equivalent student to each community college district participating in the Community College Adult Education Workforce Development Program. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Computer Science Professional Development Program Fund</b> (EDA2635/A.R.S. § 15-249.12)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,732,600	4,376,600
<b>Department of Education Empowerment Scholarship Account Fund</b> (EDA2570/A.R.S. § 15-2402)		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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		
<b>Funds Expended</b>	221,200	357,900
<b>Year-End Fund Balance</b>	8,537,200	8,179,300
<b>Department of Education Empowerment Scholarship Account Fund</b> (EDA2570/A.R.S. § 15-2402)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Prior year carry-forward from monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Department of Education Production Revolving Fund</b> (EDA4211/A.R.S. § 15-237)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Print shop collections from in-house and interagency publishing.		
<b>Purpose of Fund:</b> To fund agency print shop expenditures.		
<b>Funds Expended</b>	796,700	1,068,600
<b>Year-End Fund Balance</b>	685,700	317,100
<b>Department of Education Professional Development Revolving Fund</b> (EDA2580/A.R.S. § 15-237.01)		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition paid for professional development, pursuant to A.R.S. § 15-237.01.		
<b>Purpose of Fund:</b> To offset the cost of providing professional development.		
<b>Funds Expended</b>	42,300	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Early Literacy Program Fund (EDA2181/A.R.S. § 15-249.09)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Legislative appropriations from the state General Fund.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Education Commodity Fund (EDA4210/A.R.S. § 15-1152)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Fees from school districts participating in the federal Food Commodities Program.		
<i>Purpose of Fund:</i> To pay for costs of administering the federal Food Commodities Program.		
<b>Funds Expended</b>	258,400	884,200
<b>Year-End Fund Balance</b>	933,300	472,300
<b>Education Donations Fund (EDA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Grants received by the department from foundations or other private sector donors.		
<i>Purpose of Fund:</i> To help pay for conferences, programs or other activities sponsored by donor organizations.		
<b>Funds Expended</b>	84,400	28,300
<b>Year-End Fund Balance</b>	9,100	30,800
<b>Education Sales Tax - Accountability (EDA1114/A.R.S. § 42-5029.02A7)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A7.		
<i>Purpose of Fund:</i> 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.		
<b>Funds Expended</b>	3,483,400	7,000,000
<b>Year-End Fund Balance</b>	11,467,700	5,760,700
<b>Education Sales Tax - Basic State Aid (EDA1115/A.R.S. 42-5029.02A1 and A.R.S. § 42-5029.02A5)</b>		<b>Expenditure Authority</b>
<i>Source of Revenue:</i> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A1 and A.R.S. § 42-5029.02A5.		
<i>Purpose of Fund:</i> For increased cost of basic state aid due to additional school days and teacher salary increases.		
<b>Funds Expended</b>	135,423,800	150,380,500
<b>Year-End Fund Balance</b>	14,956,700	14,956,700
<b>Education Sales Tax - Character Education (EDA1117/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154.01)</b>		<b>Expenditure Authority</b>
<i>Source of Revenue:</i> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
<i>Purpose of Fund:</i> To provide state matching grants to any public school that teaches a character education curriculum pursuant to A.R.S. § 15-719.		
<b>Funds Expended</b>	207,100	200,000
<b>Year-End Fund Balance</b>	236,800	201,100
<b>Education Sales Tax - Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)</b>		<b>Expenditure Authority</b>
<i>Source of Revenue:</i> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A8.		
<i>Purpose of Fund:</i> To fund tutoring for students who attend "failing" schools and to purchase materials designed to help students meet Arizona Academic Standards, pursuant to A.R.S. § 15-241.		
<b>Funds Expended</b>	830,800	1,500,000
<b>Year-End Fund Balance</b>	4,242,900	4,628,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Education Sales Tax - School Safety</b> (EDA1116/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154)		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
<b>Purpose of Fund:</b> To provide grants to schools for the costs of placing school resource officers, juvenile probation officers, school counselors, and school social workers on school campuses.		
<b>Funds Expended</b>	10,003,700	7,800,000
<b>Year-End Fund Balance</b>	15,602,400	13,402,400
<b>Extraordinary Special Education Needs</b> (EDA2483/A.R.S. § 15-774)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,400,800	1,700,400
<b>Federal Funds</b> (EDA2000/A.R.S. § 35-142)		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes that authorize the Federal grants.		
<b>Funds Expended</b>	2,442,722,000	2,453,663,000
<b>Year-End Fund Balance</b>	0	2,944,900
<b>Golden Rule Special Plate Fund</b> (EDA2366/A.R.S. § 15-243)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for Golden Rule license plates.		
<b>Purpose of Fund:</b> To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
<b>Funds Expended</b>	228,400	228,400
<b>Year-End Fund Balance</b>	0	1,600
<b>Governor's Emergency Education Relief Fund</b> (EDA2980/U.S. P.L. 116-136)		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	9,331,500	8,100,000
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund</b> (EDA2500/A.R.S. § 35-142E)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
<b>Funds Expended</b>	2,824,300	2,164,100
<b>Year-End Fund Balance</b>	5,085,500	5,626,400
<b>Indirect Cost Recovery Fund</b> (EDA9000/A.R.S. § 35-142)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
<b>Purpose of Fund:</b> To fund overhead and other indirect costs associated with state level administration of federal programs.		
<b>Funds Expended</b>	10,273,600	10,237,200
<b>Year-End Fund Balance</b>	5,686,600	3,899,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Industry-Recognized Certification and Licensure Reimbursement Fund (EDA2780/A.R.S. § 15-1265)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, and other donations.		
<b>Purpose of Fund:</b> To eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for students eligible for Free or Reduced-Price Lunches.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
<b>Funds Expended</b>	42,492,800	60,425,700
<b>Year-End Fund Balance</b>	20,746,100	14,746,100
<b>Internal Services Fund (EDA4209/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
<b>Purpose of Fund:</b> Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
<b>Funds Expended</b>	3,424,100	6,614,700
<b>Year-End Fund Balance</b>	1,843,000	954,900
<b>Invest in Postsecondary Success Program Fund (EDA2196/A.R.S. § 15-249.18)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To administer the Invest in Postsecondary Success Program and for distributing monies to a contracted vendor that administers college match savings accounts. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Permanent State School Fund (EDA3138/A.R.S. § 37-521)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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, up to \$72,263,000 of expendable earnings in the fund are available for Basic State Aid. Expendable earnings beyond the \$72,263,000 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.		
<b>Purpose of Fund:</b> To support common schools.		
<b>Funds Expended</b>	309,482,500	328,895,600
<b>Year-End Fund Balance</b>	7,963,500	7,963,500
<b>Results-Based Funding Fund (EDA2151/A.R.S. § 15-249.08)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,259,600	3,259,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Special Education Fund (EDA1009/A.R.S. § 15-1182)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	10,967,900	8,683,900
<b>Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
<b>Purpose of Fund:</b> To provide monies for operation of the department's Teacher Certification program.		
<b>Funds Expended</b>	1,211,400	2,527,900
<b>Year-End Fund Balance</b>	1,683,700	1,260,800
<b>Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	124,500	325,000
<b>Year-End Fund Balance</b>	672,800	672,800

## Department of Emergency and Military Affairs

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>PROGRAM BUDGET</b>			
Administration	1,424,000	211,853,000	2,648,000
Emergency Management	7,835,900	8,409,100	8,535,200
Military Affairs	3,670,100	20,537,500	7,237,500
<b>AGENCY TOTAL</b>	<b>12,930,000</b>	<b>240,799,600</b>	<b>18,420,700</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	72.6	72.6	72.6 <sup>1/</sup>
Personal Services	1,900,600	2,362,700	2,362,700
Employee Related Expenditures	569,300	703,100	703,100
Professional and Outside Services	35,500	25,400	25,400
Travel - In State	15,900	12,500	12,500
Travel - Out of State	3,400	0	0
Other Operating Expenditures	772,500	2,413,200	2,413,200
Equipment	19,300	26,200	26,200
<b>OPERATING SUBTOTAL</b>	<b>3,316,500</b>	<b>5,543,100</b>	<b>5,543,100</b>
<b>SPECIAL LINE ITEMS</b>			
Emergency Management Matching Funds	1,454,900	1,544,900	1,544,900
Governor's Emergency Fund	4,000,000	4,000,000	4,000,000 <sup>2/</sup>
Nuclear Emergency Management Program	1,622,400	1,987,400	2,113,500
Military Airport Planning	70,200	90,000	90,000 <sup>3/</sup>
Border Security Fund Allocations	0	209,205,000	0 <sup>4/</sup>
Federal Government Matching Repayment	0	759,200	759,200
National Guard Cyber Response Revolving Fund Deposit	300,000	0	0
National Guard Matching Funds	1,889,500	3,370,000	3,370,000 <sup>5/</sup>
National Guard Tuition Reimbursement	276,500	1,000,000	1,000,000 <sup>6/</sup>
One-Time Maintenance Backfill	0	13,300,000	0
<b>AGENCY TOTAL</b>	<b>12,930,000</b>	<b>240,799,600</b>	<b>18,420,700 <sup>7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	11,307,600	29,607,200	16,307,200
<u>Other Appropriated Funds</u>			
Border Security Fund	0	209,205,000	0
Nuclear Emergency Management Fund	1,622,400	1,987,400	2,113,500
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>1,622,400</b>	<b>211,192,400</b>	<b>2,113,500</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>12,930,000</b>	<b>240,799,600</b>	<b>18,420,700</b>
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	1,058,000	336,604,900	319,000
Federal Funds	71,884,900	113,873,300	108,201,600
<b>TOTAL - ALL SOURCES</b>	<b>85,872,900</b>	<b>691,277,800</b>	<b>126,941,300</b>

**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

<sup>1/</sup> Includes 1 GF and 8.5 OF FTE Positions funded from Special Line Items in FY 2024.

<sup>2/</sup> 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/ Please refer to the narrative for the Border Security Fund Allocations line item for details regarding the allocations of the \$209,205,000 appropriated in FY 2023.
- 5/ The \$3,370,000 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 2023-2024 monies remaining unexpended and unencumbered on December 31, 2024 revert to the state general fund. (General Appropriation Act footnote)
- 6/ The appropriated amount for the national guard tuition reimbursement line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until September 30, 2024. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as a Lump Sum by Program with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$5,543,100 and 63.1 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

**Emergency Management Matching Funds**

The Baseline includes \$1,544,900 from the General Fund in FY 2024 for Emergency Management Matching Funds. This amount is unchanged from FY 2023.

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 2022, DEMA was awarded \$8,223,900 by the federal government.

In FY 2022, the state match for these monies was funded by \$758,700 from the General Fund operating budget appropriation, \$1,403,000 from the Emergency Management Matching Funds line item appropriation, \$930,800 of the Nuclear Emergency Management Fund appropriation, and a \$5,131,400 match from the local government sub-recipients.

In FY 2023, DEMA expects to receive \$10,762,900 in EMPG funds.

**Governor's Emergency Fund**

The Baseline includes \$4,000,000 from the General Fund in FY 2024 for the Governor's Emergency Fund. This amount is unchanged from FY 2023.

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 \$2,113,500 and 8.5 FTE Positions from the Nuclear Emergency Management Fund (NEMF) in FY 2024 for the Nuclear Emergency Management Program line item. Adjustments are as follows:

**New NEMF Assessment**

The Baseline includes an increase of \$126,100 from NEMF in FY 2024 for a new NEMF assessment.

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the NEMF appropriation. The Legislature enacts this revised fee level in a bill outside of the budget process.

DEMA has provided recommendations for the FY 2024 and FY 2025 NEMF funding levels. The DEMA recommendations for FY 2024 and FY 2025 include an increase of \$126,100 in FY 2024 and an increase of \$62,500 in FY 2025 above the FY 2024 level for DEMA. The Baseline increases NEMF funding to the department by \$126,100 in FY 2024 based on the DEMA recommendations. The final amount, which typically reflects the DEMA recommendation, will be determined in the 2023 Legislative Session as part of separate legislation. As a result, these monies will not appear in the General Appropriation Act.

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 2024 for Military Airport Planning. These amounts are unchanged from FY 2023.

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 2022, the fund had an unreserved balance of \$437,600.

### **Border Security Fund Allocations**

The Baseline includes no funding in FY 2024 for the Border Security Fund Allocations. line item. Adjustments are as follows:

#### **Remove One-Time Border Security Funding**

The Baseline includes a decrease of \$(209,205,000) from the Border Security Fund in FY 2024 to remove funding for one-time allocations.

Laws 2022, Chapter 321 diverts \$209,205,000 of transaction privilege tax (TPT) revenues in FY 2023 from the General Fund to the Border Security Fund. Section 110 of the FY 2023 General Appropriation Act appropriates the \$209,205,000 to DEMA and allocates the funding for various purposes. (The Border Security Fund is otherwise a non-appropriated fund). DEMA is required to allocate the FY 2023 appropriation in consultation with the Department of Public Safety (DPS) as follows:

- \$20,000,000 to distribute to Cochise County for up to 20% of the costs to construct a county jail.
- \$15,000,000 to reimburse a county or local law enforcement agency for costs incurred for participating in a program with the U.S. Immigration and Customs Enforcement (ICE).
- \$10,000,000 for deposit into the Antihuman Trafficking Grant Fund. Of this amount, \$2,000,000 is for the DPS Arizona County Terrorism Information Center (ACTIC) and \$8,000,000 is for grants of up to \$500,000 to local law enforcement agencies for programs that reduce human trafficking.

- \$30,000,000 for distribution to cities, towns or counties for costs associated with prosecuting and imprisoning individuals charged with border-related crimes.
- \$10,000,000 for costs incurred by the Arizona National Guard in the Southern Arizona border region.
- \$10,000,000 for emergency health care and testing for immigrants along the southern border.
- \$15,000,000 for transportation of individuals seeking asylum to other states in the U.S.
- \$53,405,000 to distribute to ADOA for deputy sheriff compensation, including a \$10,000 retention bonus paid over 2 years and a \$5,000 signing bonus paid over 1 year.
- \$800,000 for the chain of command in the Arizona State Guard.
- \$30,000,000 for construction costs of a state emergency operations center.
- \$15,000,000 to distribute to DPS for the construction of a southern border coordinated response center.

The allocations listed above are exempt from lapsing. DEMA is required to submit a quarterly report, in consultation with the Arizona Department of Homeland Security and DPS, to JLBC on the status of the project allocations and until the monies are fully expended. In addition, the budget permits DEMA to transfer spending authority between and within the allocations listed above. Before making a transfer, the department is required to submit the proposed transfer to JLBC for review.

In addition to the \$209,205,000 diversion described above, Laws 2022, Chapter 334 diverted \$335,000,000 of transaction privilege tax (TPT) revenues from the General Fund to the Border Security Fund in FY 2023 for other purposes. DEMA is required to use these monies to construct and maintain a physical border fence, to purchase or install border security technologies, including cameras, sensors, drones, software and other surveillance equipment, and to pay associated administrative costs. DEMA is required to submit the same quarterly report as required for the \$209,205,000 allocation described above.

*Table 1* delineates the total amount of TPT diversions made to the Border Security Fund in FY 2023 by purpose.

### **Federal Government Matching Repayment**

The Baseline includes \$759,200 from the General Fund in FY 2024 for the Federal Government Matching Repayment line item. This amount is unchanged from FY 2023.



**Table 1**

**Border Security Fund Allocations**

	<u>FY 2023 Allocation</u>
<i>Laws 2022, Chapter 313</i>	
Cochise County Jail	\$20,000,000
Local ICE Reimbursement	15,000,000
Antihuman Trafficking Grant Fund	10,000,000
Local Prosecution Costs	30,000,000
Arizona National Guard	10,000,000
Emergency Testing and Care	10,000,000
Asylum Transportation	15,000,000
Deputy Sheriff Compensation	53,405,000
State Guard – Chain of Command	800,000
Emergency Operations Center	30,000,000
Coordinated Response Center	<u>15,000,000</u>
<b>Subtotal</b>	<b>\$209,205,000</b>
<i>Laws 2022, Chapter 334</i>	
Border Fence and Border Security Technologies	\$335,000,000
<b>Total</b>	<b>\$544,205,000</b>

The line item provides ongoing funding to provide a full 100% state match for federal dollars received to fund employee salaries and facility maintenance.

**National Guard Matching Funds**

The Baseline includes \$3,370,000 from the General Fund in FY 2024 for the National Guard Matching Funds line item. This amount is unchanged from FY 2023.

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 2024 monies remaining unexpended and unencumbered on December 31, 2024 revert to the state General Fund.

In FY 2022, DEMA received \$45,440,100 in National Guard Military Operations and Maintenance Projects monies. Of this amount, \$1,935,400 required a 50% match, or \$967,700; \$3,950,300 required a 25% match, or \$987,600;

and \$3,488,700 required a 5.5% match, or \$191,900, for a total required match of \$2,147,200.

**National Guard Tuition Reimbursement**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for the National Guard Tuition Reimbursement line item. This amount is unchanged from FY 2023.

DEMA estimates that the \$1,000,000 appropriation will provide tuition reimbursement to 369 National Guardsmen. The Baseline exempts monies in this line item from lapsing until September 30, 2024.

**One-Time Maintenance Backfill**

The Baseline includes no funding in FY 2024 for the One-Time Maintenance Backfill line item. Adjustments are as follows:

**Remove One-Time Maintenance Funding**

The Baseline includes a decrease of \$(13,300,000) from the General Fund in FY 2024 to remove one-time costs associated with resolving a deferred maintenance backlog at the National Guard readiness centers facilities to prevent facility closures.

**Other Issues**

**Auditor General Report**

In September 2022, the Auditor General published a DEMA performance audit and sunset review that included recommendations for improvements to track the status and completion of corrective actions for emergency-response deficiencies and implement conflict-of-interest policies and procedures to ensure compliance with Arizona requirements.

The audit found the department currently does not have a grants management system in place to ensure that EMPG applications undergo a supervisory review. Consequently, the audit recommended the department adopt eCivis or a similar grants management system for reviewing and approving the EMPG applications from state and local entities. The department's budget may be impacted by the cost of procuring and/or maintaining a new grants management system.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Anti-Human Trafficking Grant Fund (MAA2606/A.R.S. § 26-106)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To distribute to programs to reduce human trafficking in the state of Arizona.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Border Security Fund (MAA2655/A.R.S. § 26-105)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants and other donations.		
<b>Purpose of Fund:</b> 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. Some expenditures are not displayed to avoid double counting the General Fund. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	209,205,000
<b>Year-End Fund Balance</b>	0	0
<b>Border Security Fund (MAA2655/A.R.S. § 26-105)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants and other donations.		
<b>Purpose of Fund:</b> 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. Some expenditures are not displayed to avoid double counting the General Fund. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	335,000,000
<b>Year-End Fund Balance</b>	34,210,300	0
<b>Camp Navajo Fund (MAA2106/A.R.S. § 26-152)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	13,466,700	11,554,400
<b>Year-End Fund Balance</b>	10,170,100	9,612,100
<b>Coronavirus Relief Fund (MAA2975/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	176,800	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Crisis Contingency and Safety Net Fund (MAA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	82,200	82,200
<b>Emergency Management Assistance Compact Revolving Fund (MAA2602/A.R.S. § 26-403)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay costs incurred by the state while assisting other states with emergencies or natural disasters.		
<b>Funds Expended</b>	1,030,100	0
<b>Year-End Fund Balance</b>	267,900	267,900
<b>Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal program grants.		
<b>Purpose of Fund:</b> To pay for the federal share of emergency planning, response and management programs.		
<b>Funds Expended</b>	11,274,200	32,756,900
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds - Military (MAA2000 B/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal service contracts for security, maintenance and operations of the National Guard.		
<b>Purpose of Fund:</b> To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
<b>Funds Expended</b>	45,440,100	66,937,500
<b>Year-End Fund Balance</b>	(83,900)	3,273,600
<b>Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal FEMA Grants and Non-Appropriated Funds.		
<b>Purpose of Fund:</b> To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
<b>Funds Expended</b>	769,700	1,013,800
<b>Year-End Fund Balance</b>	186,000	186,000
<b>Interagency Service Agreement Fund (MAA2500/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Funds from federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	757,400	1,610,700
<b>Year-End Fund Balance</b>	1,464,400	536,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Military Installation Fund (MAA1010/A.R.S. § 26-262)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,117,100	437,600
<b>Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
<b>Funds Expended</b>	27,900	352,000
<b>Year-End Fund Balance</b>	339,400	3,400
<b>National Guard Cyber Response Revolving Fund (MAA2619/A.R.S. § 26-183)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	281,700	300,000
<b>National Guard Fund (MAA2140/A.R.S. § 26-152)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For general operating expenses of the National Guard and maintenance and capital improvements to any National Guard facility.		
<b>Funds Expended</b>	0	457,800
<b>Year-End Fund Balance</b>	466,400	175,600
<b>Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
<b>Purpose of Fund:</b> To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.		
<b>Funds Expended</b>	1,622,400	1,987,400
<b>Year-End Fund Balance</b>	2,826,100	3,106,600
<b>State Armory Property Fund (MAA2146/A.R.S. § 26-231)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of surplus armory property.		
<b>Purpose of Fund:</b> For the construction and capital improvement of National Guard armories.		
<b>Funds Expended</b>	0	795,100
<b>Year-End Fund Balance</b>	960,200	165,100

## Department of Environmental Quality

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	322.0	355.7	355.7
Personal Services	17,605,800	26,548,500	26,548,500
Employee Related Expenditures	6,136,100	9,543,600	9,543,600
Professional and Outside Services	3,858,300	7,082,000	6,601,500
Travel - In State	302,500	509,400	509,400
Travel - Out of State	16,000	102,000	102,000
Other Operating Expenditures	12,268,200	18,163,000	17,163,000
Equipment	24,100	82,000	82,000
<b>OPERATING SUBTOTAL</b>	<b>40,211,000</b>	<b>62,030,500</b>	<b>60,550,000</b>
<b>SPECIAL LINE ITEMS</b>			
Direct Potable Reuse of Treated Wastewater Program	0	1,500,000	1,500,000
Water Quality Fee Fund Deposit	0	6,400,000	0
Emissions Control Contractor Payment	21,134,200	26,219,500	26,219,500
WQARF Priority Site Remediation	15,000,000	15,000,000	15,000,000 <sup>1/2/</sup>
Safe Drinking Water Program	1,634,400	1,998,500	1,998,500
<b>AGENCY TOTAL</b>	<b>77,979,600</b>	<b>113,148,500</b>	<b>105,268,000 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	15,000,000	22,900,000	16,500,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	4,486,300	5,830,900	5,830,900
Emergency Response Fund	87,600	528,300	132,800
Emissions Inspection Fund	24,850,100	30,484,400	30,484,400
Hazardous Waste Management Fund	1,711,500	1,946,600	1,946,600
Indirect Cost Fund	13,968,600	18,629,000	18,629,000 <sup>4/</sup>
Permit Administration Fund	4,375,500	7,285,600	7,285,600 <sup>5/</sup>
Recycling Fund	1,464,500	2,522,400	1,522,400
Safe Drinking Water Program Fund	1,992,500	1,998,500	1,998,500
Solid Waste Fee Fund	1,713,900	2,674,600	2,589,600
Voluntary Vehicle Repair and Retrofit Program Fund	526,600	0	0
Water Quality Fee Fund	7,802,500	18,348,200	18,348,200
SUBTOTAL - Other Appropriated Funds	62,979,600	90,248,500	88,768,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>77,979,600</b>	<b>113,148,500</b>	<b>105,268,000</b>
Other Non-Appropriated Funds	60,270,100	75,873,200	75,873,200
Federal Funds	15,179,600	19,382,300	19,382,300
<b>TOTAL - ALL SOURCES</b>	<b>153,429,300</b>	<b>208,404,000</b>	<b>200,523,500</b>

**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

<sup>1/</sup> A.R.S. § 49-282 as limited by the Environment Budget Reconciliation Bill requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it is shown here as a General Fund expenditure.

- 2/ The department of environmental quality shall report annually on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. The department shall submit the fiscal year 2023-2024 report to the joint legislative budget committee on or before September 1, 2023. 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 2023-2024. In addition, the department and the WQARF advisory board shall prepare and submit to the joint legislative budget committee, on or before October 1, 2023, 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 2022-2023, indicate whether the current stage of remediation is anticipated to be completed in fiscal year 2023-2024 and indicate the anticipated stage of remediation at each listed site at the end of fiscal year 2023-2024, assuming fiscal year 2023-2024 funding levels. The department and the WQARF 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 monies in the department of environmental quality indirect cost fund, including the beginning balance, that are in excess of \$18,629,000 in fiscal year 2023-2024 are appropriated to the department. Before spending indirect cost fund monies in excess of \$18,629,000 in fiscal year 2023-2024, 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 \$7,285,600 in fiscal year 2023-2024 are appropriated to the department. Before spending permit administration fund monies in excess of \$7,285,600 in fiscal year 2023-2024, 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 \$60,550,000 and 355.7 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
Air Quality Fund	\$5,830,900
Emergency Response Fund	132,800
Emissions Inspection Fund	4,264,900
Hazardous Waste Management Fund	1,946,600
Indirect Cost Fund	18,629,000
Permit Administration Fund	7,285,600
Recycling Fund	1,522,400
Solid Waste Fee Fund	2,589,600
Water Quality Fee Fund	18,348,200

Adjustments are as follows:

#### **Remove One-Time Transfer to DFFM for Biomass Recovery**

The Baseline includes a decrease of \$(1,000,000) from the Recycling Fund in FY 2024 to remove a one-time transfer for biomass recovery.

#### **Remove One-Time Coal Combustion Residuals Program Funding**

The Baseline includes a decrease of \$(85,000) from the Solid Waste Fee Fund in FY 2024 to remove funding for one-time contracting services associated with the state-administered Coal Combustions Residuals Program.

### **Remove One-Time Firefighting Foam Removal Funding**

The Baseline includes a decrease of \$(395,500) from the Emergency Response Fund in FY 2024 to remove one-time funding associated with removing stockpiles of foam containing aqueous film forming foams containing Polyfluoroalkyl Substances (PFAS). Laws 2019, Chapter 222 prohibited the use of these foams by fire districts for extinguishing wildfires.

### **Direct Potable Reuse of Treated Wastewater Program**

The Baseline includes \$1,500,000 from the General Fund in FY 2024 for the Direct Potable Reuse of Treated Wastewater Program line item. This amount is unchanged from FY 2023.

The FY 2023 enacted budget included a one-time increase of \$1,500,000 from the General Fund in FY 2023 for first-year funding of the Direct Potable Reuse of Treated Wastewater Program. The 3-year spending plan associated with the enacted budget continued this one-time appropriation in FY 2024, but not beyond that.

The FY 2023 Environment Budget Reconciliation Bill (BRB) requires the ADEQ Director to establish rules and permit fees sufficient to administer the program by December 31, 2024 and states that program revenues are to be deposited into the Water Quality Fee Fund. (*Please see Other Issues for more information.*)

### **Water Quality Fee Fund Deposit**

The Baseline includes no funding in FY 2024 for Water Quality Fee Fund Deposit. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(6,400,000) from the General Fund in FY 2024 to remove a one-time deposit into the Water Quality Fee Fund.

Monies in this line item were to address a funding shortfall in the Water Quality Fee Fund.

### **Emissions Control Contractor Payment**

The Baseline includes \$26,219,500 from the Emissions Inspection Fund in FY 2024 for Emissions Control Contractor Payment. This amount is unchanged from FY 2023.

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.

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 BRB provision requiring ADEQ to charge emissions inspection fees in FY 2024 that are no greater than those charged in FY 2023 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 is currently setting rules 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 \$1,998,500 from the Safe Drinking Water Program Fund in FY 2024 for the Safe Drinking Water Program. This amount is unchanged from FY 2023.

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 2024 for Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount is unchanged from FY 2023.

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 2022, the WQARF program received \$15,000,000 from the General Fund and \$1,993,700 from fee revenues pursuant to A.R.S. § 49-288 for a total of \$16,993,700.

The Baseline continues the Environment BRB provision 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.

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### **Other Issues**

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### **Statutory Changes**

The Baseline would:

- As session law, continues to allow the department to utilize up to \$6,531,000 from the UST Fund in FY 2024 for department administrative expenses and for sewage remediation.

- 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.
- As session law, continues to charge fees that are not greater than the FY 2023 level of vehicle emissions inspection fees in FY 2024.

**Long-Term Budget Impacts**

As part of the FY 2024 budget's 3-year spending plan, DEQ's General Fund costs are projected to decrease by \$(1,500,000) in FY 2025 below FY 2024 for removal of funding used to establish the Direct Potable Reuse of Treated Wastewater Program.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Air Quality Fund (EVA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from the \$1.50 fee assessed on motor vehicle registration, as well as gifts, grants, donations, and legislative appropriations.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	4,486,300	5,830,900
<b>Year-End Fund Balance</b>	9,603,800	11,450,800
<b>Emergency Response Fund (EVA3031/A.R.S. § 49-132)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives 10% of the department's Hazardous Waste Management Fund's revenues, hazardous waste fees, fees associated with issuing and modifying permits for hazardous waste treatment, storage, or disposal facilities, and legislative and federal appropriations.		
<b>Purpose of Fund:</b> 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 annual funds transferred from the Hazardous Waste Management Fund are used for staffing local emergency planning committees and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
<b>Funds Expended</b>	87,600	528,300
<b>Year-End Fund Balance</b>	975,700	595,700
<b>Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	24,850,100	30,484,400
<b>Year-End Fund Balance</b>	10,278,000	8,797,000
<b>Employee Recognition Fund (EVA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs.		
<b>Funds Expended</b>	1,300	1,000
<b>Year-End Fund Balance</b>	1,200	1,200
<b>Federal Funds (EVA2000/A.R.S. § 49-104)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants related to water quality management, Underground Storage Tank enforcement provisions, air pollution control, research projects, and other programs.		
<b>Purpose of Fund:</b> To be used as specified by federal law.		
<b>Funds Expended</b>	15,179,600	19,382,300
<b>Year-End Fund Balance</b>	0	0



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
<b>Purpose of Fund:</b> 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. There is an annual statutory transfer of 10% of the revenues to the Emergency Response Fund. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
<b>Funds Expended</b>	1,711,500	1,946,600
<b>Year-End Fund Balance</b>	895,300	280,700
<b>IGA and ISA Fund (EVA2500/A.R.S. § 49-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and intergovernmental agreements between state agencies and local governments.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	6,105,800	2,282,200
<b>Year-End Fund Balance</b>	0	0
<b>Indirect Cost Fund (EVA9000/A.R.S. § 49-115)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies are generated from assessments to the department's appropriated and non-appropriated funds, including federal grants.		
<b>Purpose of Fund:</b> To pay departmentwide administrative personnel and overhead costs that are not directly allocated to the budget of the contributing programs. A budget footnote requires ADEQ to report the intended use of any monies in excess of the amount appropriated for the year.		
<b>Funds Expended</b>	13,968,600	18,629,000
<b>Year-End Fund Balance</b>	4,893,800	4,653,600
<b>Institutional and Engineering Control Fund (EVA2563/A.R.S. § 49-159)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
<b>Funds Expended</b>	28,000	37,400
<b>Year-End Fund Balance</b>	86,200	75,100
<b>Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged to public water systems serving up to 10,000 persons for the Monitoring Assistance program.		
<b>Purpose of Fund:</b> The Monitoring Assistance program collects and analyzes samples from public water systems to ensure they meet federal Safe Drinking Water Act requirements. Monies in this fund are used to pay contractors to conduct the analysis, laboratories for program-related work, and the administrative costs allowed for in the program's statutes. Administrative expenditures are limited annually to the lesser of 15% of deposited funds for the year, or \$184,000. If the fund has a surplus in excess of \$200,000 after executing the previous year's contract, funds will be used to reduce the fee charged for the subsequent year. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
<b>Funds Expended</b>	514,600	836,200
<b>Year-End Fund Balance</b>	446,000	560,200
<b>Permit Administration Fund (EVA2328/A.R.S. § 49-455)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Permit fees collected from the state's air pollution control programs and interest.		
<b>Purpose of Fund:</b> To develop and administer permit programs and to conduct inspections as required by the Clean Air Act. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
<b>Funds Expended</b>	4,375,500	7,285,600
<b>Year-End Fund Balance</b>	3,951,300	2,077,200

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Recycling Fund (EVA2289/A.R.S. § 49-837)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Landfill disposal (tipping) fees and legislative appropriations.		
<b>Purpose of Fund:</b> 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. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
<b>Funds Expended</b>	1,464,500	2,522,400
<b>Year-End Fund Balance</b>	2,070,500	2,153,900
<b>Safe Drinking Water Program Fund (EVA4150/A.R.S. § 49-360)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The first \$1,800,000 received from Public Water System (PWS) tax revenue.		
<b>Purpose of Fund:</b> To fund programs related to the department's responsibilities for potable water systems and ensuring safe drinking water. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
<b>Funds Expended</b>	1,992,500	1,998,500
<b>Year-End Fund Balance</b>	698,800	500,300
<b>Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees from solid or special waste management, landfill registration and disposal fees, fees for coal combustion residuals, quarterly deposits from the Department of Revenue's waste tire fund, donations, and legislative appropriations.		
<b>Purpose of Fund:</b> To pay solid waste program costs, including waste tire removal expenses, special waste facility staff education, special waste management compliance monitoring, coal combustion residuals program, and used oil handling education and enforcement.		
<b>Funds Expended</b>	1,713,900	2,674,600
<b>Year-End Fund Balance</b>	1,431,800	45,100
<b>Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
<b>Purpose of Fund:</b> For administration of court settlements, judgments, or consent decrees.		
<b>Funds Expended</b>	0	200
<b>Year-End Fund Balance</b>	513,900	513,700
<b>Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 1¢ per gallon excise tax on gasoline.		
<b>Purpose of Fund:</b> 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 Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	30,340,000	13,199,900
<b>Underground Storage Tank Revolving Fund (EVA2271/A.R.S. § 49-1015A)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A 1¢ per gallon excise tax on gasoline.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	35,312,100	50,665,300
<b>Year-End Fund Balance</b>	30,340,000	13,199,900
<b>Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
<b>Purpose of Fund:</b> To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
<b>Funds Expended</b>	598,900	615,400
<b>Year-End Fund Balance</b>	361,900	355,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Voluntary Vehicle Repair and Retrofit Program Fund (EVA2365/A.R.S. § 49-558.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
<b>Purpose of Fund:</b> To provide monies for programs intended to repair or retrofit vehicles that fail emissions tests. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	526,600	0
<b>Year-End Fund Balance</b>	1,886,700	392,700
<b>Voluntary Vehicle Repair and Retrofit Program Fund (EVA2365/A.R.S. § 49-558.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
<b>Purpose of Fund:</b> To provide monies for programs intended to repair or retrofit vehicles that fail emissions tests. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	1,543,300	2,862,100
<b>Year-End Fund Balance</b>	1,886,700	392,700
<b>Water Quality Assurance Revolving Fund (EVA2221/A.R.S. § 49-282)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and ground water 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	16,166,100	18,573,400
<b>Year-End Fund Balance</b>	9,255,600	7,658,600
<b>Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and fees received from water quality regulatory programs, including fees for technical review of Aquifer Protection Permits (APP), reclaimed water permits and Arizona Discharge Elimination System (AZDPES) permits, engineering reviews of drinking water facilities, wastewater and sewage collection systems, and the review and certification of potable water systems, sewage treatment plants and their operating personnel, and to establish a permit for direct potable reuse of treated wastewater. Revenues also come from annual fees paid by APP and AZDPES permittees.		
<b>Purpose of Fund:</b> To pay the costs of water quality programs. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
<b>Funds Expended</b>	7,802,500	18,348,200
<b>Year-End Fund Balance</b>	4,078,900	(1,001,400)

## Governor's Office of Equal Opportunity

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	91,500	127,900	127,900
Employee Related Expenditures	27,700	52,900	52,900
Travel - In State	0	1,200	1,200
Other Operating Expenditures	43,900	27,900	27,900
Equipment	1,500	1,500	1,500
<b>AGENCY TOTAL</b>	<b>164,600</b>	<b>211,400</b>	<b>211,400<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Personnel Division Fund	164,600	211,400	211,400
SUBTOTAL - Other Appropriated Funds	164,600	211,400	211,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>164,600</b>	<b>211,400</b>	<b>211,400</b>
<b>TOTAL - ALL SOURCES</b>	<b>164,600</b>	<b>211,400</b>	<b>211,400</b>

**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 \$211,400 and 4 FTE Positions from the Personnel Division Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Personnel Division Fund (OEO1107/A.R.S. § 41-750)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 0.38% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	164,600	211,400
<b>Year-End Fund Balance</b>	60,200	60,200

## State Board of Equalization

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	189,900	301,400	301,400
Employee Related Expenditures	82,600	94,800	94,800
Professional and Outside Services	4,500	35,000	35,000
Travel - In State	4,800	16,000	16,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	300,800	320,700	270,700
Equipment	36,500	15,000	15,000
<b>AGENCY TOTAL</b>	<b>619,100</b>	<b>787,900</b>	<b>737,900<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	619,100	787,900	737,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>619,100</b>	<b>787,900</b>	<b>737,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>619,100</b>	<b>787,900</b>	<b>737,900</b>

**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

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

### Operating Budget

The Baseline includes \$737,900 and 7 FTE Positions from the General Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(50,000) from the General Fund in FY 2024 to remove one-time funding for software upgrades for the appeals application.

## Board of Executive Clemency

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	14.5	14.5	14.5
Personal Services	635,600	764,300	764,300
Employee Related Expenditures	219,900	277,300	277,300
Professional and Outside Services	5,700	32,400	32,400
Travel - In State	300	13,600	13,600
Travel - Out of State	800	0	0
Other Operating Expenditures	275,000	239,200	239,200
Equipment	15,100	10,000	10,000
<b>AGENCY TOTAL</b>	<b>1,152,400</b>	<b>1,336,800</b>	<b>1,336,800 <sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,152,400	1,336,800	1,336,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,152,400</b>	<b>1,336,800</b>	<b>1,336,800</b>
Other Non-Appropriated Funds	23,400	24,500	24,500
<b>TOTAL - ALL SOURCES</b>	<b>1,175,800</b>	<b>1,361,300</b>	<b>1,361,300</b>

**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 recissions. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for eligible offenders.

### FOOTNOTES

- 1/ On or before November 1, 2023, 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 2022-2023. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$1,336,800 and 14.5 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

### Caseload Data

Pursuant to a footnote in the FY 2023 General Appropriation Act, the board submitted a report on its FY 2022 caseload. The board conducted 2,629 case hearings in FY 2022, as described below:

- Phases 1 and 2 Commutation (208): 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 (2): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (26): 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 (2): The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- Parole (287): 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 (1,288): These hearings are conducted when an offender has violated the terms of community supervision.
- Probable Cause (816): 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.

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>IGA and ISA Fund (PPA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	23,400	24,500
<b>Year-End Fund Balance</b>	100	100

## Arizona Exposition and State Fair Board

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	1,633,000	4,884,500	4,884,500
Employee Related Expenditures	531,600	1,000,300	1,000,300
Professional and Outside Services	60,800	350,400	350,400
Travel - In State	11,100	8,100	8,100
Travel - Out of State	9,600	10,000	10,000
Other Operating Expenditures	6,183,900	12,715,300	9,715,300
Equipment	95,800	88,200	88,200
<b>AGENCY TOTAL</b>	<b>8,525,800</b>	<b>19,056,800</b>	<b>16,056,800 <sup>1/2/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Arizona Exposition and State Fair Fund	8,525,800	19,056,800	16,056,800
SUBTOTAL - Other Appropriated Funds	8,525,800	19,056,800	16,056,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>8,525,800</b>	<b>19,056,800</b>	<b>16,056,800</b>
Federal Funds	2,000,000	1,925,000	1,925,000
<b>TOTAL - ALL SOURCES</b>	<b>10,525,800</b>	<b>20,981,800</b>	<b>17,981,800</b>

**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/ Of the monies in the Arizona exposition and state fair board operating budget, \$2,000,000 shall be spent for enhanced state fair operations. Before spending monies in the operating budget on capital projects, the board shall report the scope, purpose and estimated cost of the capital improvements to the joint committee on capital review. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

#### Operating Budget

The Baseline includes \$16,056,800 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(3,000,000) from the Arizona Exposition and State Fair Fund in FY 2024 to remove one-time funding for enhanced state fair operations.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.		
<b>Purpose of Fund:</b> For operating costs of the State Fair.		
<b>Funds Expended</b>	8,525,800	19,056,800
<b>Year-End Fund Balance</b>	14,186,200	17,805,700



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Coronavirus State and Local Fiscal Recovery Fund (CLA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,000,000	1,925,000
<b>Year-End Fund Balance</b>	0	0

## Arizona Department of Forestry and Fire Management

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	213.0	235.5	235.5 <sup>1/</sup>
Personal Services	1,731,700	2,410,200	2,410,200
Employee Related Expenditures	667,600	939,500	939,500
Professional and Outside Services	39,700	51,600	51,600
Travel - In State	42,500	55,300	55,300
Travel - Out of State	3,200	4,200	4,200
Other Operating Expenditures	265,900	367,500	367,500
Equipment	65,800	108,900	108,900
<b>OPERATING SUBTOTAL</b>	<b>2,816,400</b>	<b>3,937,200</b>	<b>3,937,200</b>
<b>SPECIAL LINE ITEMS</b>			
Environmental County Grants	250,000	250,000	250,000
Fire Suppression	3,200,000	3,200,000	3,200,000 <sup>2/</sup>
Gila River Nonnative Species Eradication	0	5,000,000	0
Hazardous Vegetation Removal	1,209,500	3,040,300	3,040,300 <sup>3/</sup>
Inmate Firefighting Crews	781,400	869,600	869,600
Post-Release Firefighting Crews	777,200	1,282,700	1,282,700
Mount Lemmon Fire District Renovation	0	2,230,900	0
Nonnative Vegetation Species Eradication	1,000,000	1,000,000	1,000,000 <sup>4/</sup>
Rural Fire District Reimbursement	30,500	0	0
State Fire Marshal	1,035,800	2,059,400	1,795,600
State Fire School	275,800	289,100	289,100
US Forest Service Land Thinning	0	2,150,900	1,660,900
Wildfire Emergency Response	26,813,400	65,000,000	0
Wildfire Mitigation	8,893,300	39,163,300	33,005,700
<b>AGENCY TOTAL</b>	<b>47,083,300</b>	<b>129,473,400</b>	<b>50,331,100 <sup>5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	47,083,300	129,473,400	50,331,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>47,083,300</b>	<b>129,473,400</b>	<b>50,331,100</b>
Other Non-Appropriated Funds	90,663,800	100,766,800	100,766,800
<b>TOTAL - ALL SOURCES</b>	<b>137,747,100</b>	<b>230,240,200</b>	<b>151,097,900</b>

**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 (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.

### FOOTNOTES

- <sup>1/</sup> Includes 192.5 GF FTE Positions funded from Special Line Items in FY 2024.
- <sup>2/</sup> 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.
- <sup>3/</sup> 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, 2025. (General Appropriation Act footnote)
- <sup>4/</sup> 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)

### **Operating Budget**

The Baseline includes \$3,937,200 and 43 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

### **Environmental County Grants**

The Baseline includes \$250,000 from the General Fund in FY 2024 for Environmental County Grants. This amount is unchanged from FY 2023.

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 2024 for Fire Suppression. This amount is unchanged from FY 2023.

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.)*

### **Gila River Nonnative Species Eradication**

The Baseline includes no funding in FY 2024 for the Gila River Nonnative Species Eradication line item. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2024 for removal of funding for nonnative species eradication projects along specified portions of the Gila River. The FY 2023 budget assumed the Executive will allocate \$5,000,000 from the Coronavirus State Fiscal Recovery Fund for the same purpose in both FY 2024 and FY 2025.

Monies in this line item fund nonnative vegetation species eradication projects, including projects to replace nonnative vegetation species with native vegetation species and restoring habitat for wildlife, in and along the portion of the Gila River between the western boundary of the city of Avondale and the bridge over the Gila River at State Route 85. An FY 2023 General Appropriation Act footnote permits DFFM to subcontract for the eradication and other required services for the projects.

Another FY 2023 footnote requires the department to report by September 1 of 2023, 2024 and 2025 on the expected amount and purpose of expenditures and provide follow-up on areas previously treated with funding from the line item and whether the nonnative species have returned.

Monies in this item are non-lapsing through June 30, 2025, and all monies remaining unencumbered or unexpended for the purposes of this section on that date revert to the state General Fund.

### **Hazardous Vegetation Removal**

The Baseline includes \$3,040,300 from the General Fund in FY 2024 for a Hazardous Vegetation Removal program. This amount is unchanged from FY 2023.

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 \$869,600 and 13 FTE Positions from the General Fund in FY 2024 for Inmate Firefighting Crews. These amounts are unchanged from FY 2023.

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 \$1,282,700 and 20 FTE Positions from the General Fund in FY 2024 for Post-Release Firefighting Crews. These amounts are unchanged from FY 2023.

Monies in this line item provide firefighting training for recently released inmates who previously participated in Inmate Firefighting Crews (*see Inmate Firefighting Crews line item*). The Post-Release Firefighting Program allows program participants to work towards completing their wildland firefighting certification following release from Department of Corrections custody.

#### **Mount Lemmon Fire District Renovation**

The Baseline includes no funding in FY 2024 for the Mount Lemmon Fire District Renovation. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(2,230,900) from the General Fund in FY 2024 for removal of one-time funding for distribution to the Mount Lemmon Fire District to be used to renovate its headquarters.

#### **Nonnative Vegetation Species Eradication**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for the Nonnative Vegetation Species Eradication line item. This amount is unchanged from FY 2023.

The FY 2020 General Appropriation Act appropriated \$1,000,000 from the General Fund to DFFM to deposit in the Nonnative Vegetation Species Eradication Fund in each fiscal year of FY 2021 through FY 2029. Because these monies were advanced appropriated in the FY 2020 General Appropriation Act, these appropriations will not appear in subsequent General Appropriation Act bills.

Monies in this line item are used to provide grants to other state agencies, cities, towns, counties, Indian tribes, and other political subdivisions and nonprofit organizations to fund projects that will assist in the prevention of wildfires and flooding and promote restoration of wildlife habitats by removing nonnative vegetation and replacing it with native vegetation. Saltcedar plants are an example of a nonnative vegetation species.

#### **State Fire Marshal**

The Baseline includes \$1,795,600 and 19.5 FTE Positions from the General Fund in FY 2024 for the State Fire Marshal. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(263,800) from the General Fund in FY 2024 for removal of one-time funding.

Of this amount, \$23,800 is for equipment costs associated with hiring additional fire marshals and \$240,000 is for one-time vehicle acquisition, operation, and replacement charges.

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 \$289,100 and 1 FTE Position from the General Fund in FY 2024 for the State Fire School. These amounts are unchanged from FY 2023.

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 \$89,100 and 1 FTE Position is used for liaison work with the Arizona State Fire Training Committee and other firefighter training activities.

#### **US Forest Service Land Thinning**

The Baseline includes \$1,660,900 and 17 FTE Positions from the General Fund in FY 2024 for the US Forest Service Land Thinning line item. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(490,000) from the General Fund in FY 2024 for removal of funding for one-time vehicle purchases.

Monies in this line item fund administrative costs for partnerships with the U.S. Forest Service to thin forests on federal land. DFFM anticipates clearing 19,000 acres with this funding.

#### **Wildfire Emergency Response**

The Baseline includes no funding in FY 2024 for Wildfire Emergency Response. Adjustments are as follows:

##### **Remove One-Time Wildfire Emergency Response Funding**

The Baseline includes a decrease of \$(65,000,000) from the General Fund in FY 2024 for removal of one-time wildfire emergency response funding.

The FY 2023 appropriation is in addition to, and for the same purposes as, Laws 2021, 1<sup>st</sup> Special Session, Chapter 1, which appropriated \$75,000,000 from the General Fund

in FY 2021 for the Wildfire Emergency Response line item. 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.

An FY 2023 General Appropriation Act footnote states that the FY 2023 appropriation shall be used for the same purposes and is subject to the restrictions as those outlined above. The footnote also states that the FY 2023 appropriation is exempt from lapsing through June 30, 2025. A separate footnote states that of the monies in the FY 2023 appropriation, \$3,000,000 shall be used for purposes related to the Woodbury Fire.

With the FY 2021 supplemental of \$75,000,000 and the FY 2023 appropriation of \$65,000,000, DFFM had \$140,000,000 available to expend. Through November 2022, DFFM reported spending \$39,512,259 of the appropriation, of which \$17,145,723 was expended in the fire suppression category. Capital and flooding mitigation projects make up the other 2 significant expenditure categories, with \$6,470,689 and \$13,355,881 in expenditures, respectively. The final \$2,539,966 in expenditures fall under financial assistance to landowners. Through November 2022, DFFM reported total encumbrances of \$56,295,034.

### **Wildfire Mitigation**

The Baseline includes \$33,005,700 and 122 FTE Positions from the General Fund in FY 2024 for the Wildfire Mitigation line item. Adjustments are as follows:

#### **Continue 3-Year Funding Plan**

The Baseline includes a decrease of \$(6,157,600) from the General Fund in FY 2024 for continuation of the 3-year funding plan as outlined in the FY 2022 budget.

Monies in this line item are to be used for personnel, operating costs, equipment, and contracted services to mitigate future fires. In FY 2024, DFFM expects to allocate the funding as follows:

- \$8,585,100 for 122 DFFM staff to oversee the work of 10 crews of 72 inmates working to remove hazardous vegetation.
- \$3,045,500 for inmate crews and corrections staff.
- \$2,375,100 for Department of Transportation program costs, general operating costs, and other equipment and maintenance.
- \$10,000,000 for contracted personnel to support wildfire mitigation efforts.
- \$9,000,000 for external project grants.

*(See the Wildfire Mitigation section of the DFFM narrative in the FY 2023 Appropriations Report for more information on prior appropriations to this line item.)*

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### **Other Issues**

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#### **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 2022, DFFM reports using roughly \$11,600,000 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 2022 Actual	FY 2023 Estimate
<b>Arson Detection Reward Fund (FFM2169/A.R.S. § 37-1387)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, court-imposed fines, and monies from forfeiture of bail posted for arson convictions.		
<b>Purpose of Fund:</b> To provide rewards for information leading to convictions of arson cases.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	108,500	112,500
<b>Cooperative Forestry Fund (FFM2232/A.R.S. § 37-1306)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
<b>Purpose of Fund:</b> To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
<b>Funds Expended</b>	9,395,500	11,353,000
<b>Year-End Fund Balance</b>	2,430,200	2,485,400
<b>Fire Suppression Revolving Fund (FFM2360/A.R.S. § 37-1305)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	77,955,700	85,751,400
<b>Year-End Fund Balance</b>	140,300	269,700
<b>IGA and ISA Fund (FFM2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	2,521,000	2,811,600
<b>Year-End Fund Balance</b>	4,084,500	2,825,900
<b>Indirect Cost Recovery Fund (FFM9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees from the Negotiated Indirect Cost Rate Agreement with the U.S. Forest Service.		
<b>Purpose of Fund:</b> To offset the costs of the department's overhead personnel.		
<b>Funds Expended</b>	791,600	850,800
<b>Year-End Fund Balance</b>	288,300	287,500
<b>Nonnative Vegetation Species Eradication Fund (FFM2456/A.R.S. § 37-1309)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,318,500	2,462,700

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Trampoline Court Safety Fund (FFM2578/A.R.S. § 37-1422)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged to owners of trampoline courts.		
<b>Purpose of Fund:</b> To implement and maintain the registry of trampoline courts operating in Arizona.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	10,400	11,700

# State Board of Funeral Directors and Embalmers

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	168,400	233,900	233,900
Employee Related Expenditures	50,500	113,700	113,700
Professional and Outside Services	0	51,900	51,900
Travel - In State	2,000	5,000	5,000
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	91,900	85,300	67,300
Equipment	19,600	0	0
<b>AGENCY TOTAL</b>	<b>332,400</b>	<b>494,800</b>	<b>476,800<sup>1/</sup></b>

## FUND SOURCES

### Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	332,400	494,800	476,800
SUBTOTAL - Other Appropriated Funds	332,400	494,800	476,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>332,400</b>	<b>494,800</b>	<b>476,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>332,400</b>	<b>494,800</b>	<b>476,800</b>

**AGENCY DESCRIPTION** — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, alkaline hydrolysis facilities and operators, crematories and cremators, and funeral homes and funeral directors. This agency is one of several housed within the Arizona Department of Administration Central Services Bureau. Laws 2022, Chapter 279 continues the Arizona Board of Funeral Directors' and Embalmers' Board until March 31, 2023 and then transfers the board's responsibilities to a funeral services regulating authority that will register rather than license persons and businesses.

## FOOTNOTES

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

### Operating Budget

The Baseline includes \$476,800 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2024 for the operating budget. Adjustments are as follows:

### Remove One-Time Funding for E-licensing

The Baseline includes a decrease of \$(18,000) from the Board of Funeral Directors' and Embalmers' Fund in FY 2024 for the elimination of funds for one-time e-licensing costs.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.		
<b>Funds Expended</b>	332,400	494,800
<b>Year-End Fund Balance</b>	865,200	845,600



# Arizona Game and Fish Department

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	15,081,500	20,015,900	20,015,900
Employee Related Expenditures	13,393,100	15,666,500	15,666,500
Professional and Outside Services	1,364,000	1,208,500	1,208,500
Travel - In State	191,500	269,400	269,400
Travel - Out of State	41,000	43,700	43,700
Other Operating Expenditures	10,562,900	10,555,600	9,065,200
Equipment	801,100	1,169,400	1,169,400
<b>OPERATING SUBTOTAL</b>	<b>41,435,100</b>	<b>48,929,000</b>	<b>47,438,600</b>
<b>SPECIAL LINE ITEMS</b>			
Pittman-Robertson/Dingell-Johnson Act	3,058,000	3,058,000	3,058,000
<b>AGENCY TOTAL</b>	<b>44,493,100</b>	<b>51,987,000</b>	<b>50,496,600 <sup>1/</sup></b>

## FUND SOURCES

### Other Appropriated Funds

Capital Improvement Fund	1,001,200	1,001,200	1,001,200
Game and Fish Fund	39,472,500	45,353,600	43,863,200
Game, Non-Game, Fish and Endangered Species Fund	287,700	389,200	389,200
Watercraft Licensing Fund	3,731,700	5,226,800	5,226,800
Wildlife Endowment Fund	0	16,200	16,200
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>44,493,100</b>	<b>51,987,000</b>	<b>50,496,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>44,493,100</b>	<b>51,987,000</b>	<b>50,496,600</b>
Other Non-Appropriated Funds	33,043,800	43,541,700	43,541,700
Federal Funds	44,290,900	55,691,900	55,691,900
<b>TOTAL - ALL SOURCES</b>	<b>121,827,800</b>	<b>151,220,600</b>	<b>149,730,200</b>

**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 \$47,438,600 and 273.5 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	FY 2024
Capital Improvement Fund	\$1,001,200
Game and Fish Fund	40,805,200
Game, Non-Game, Fish and Endangered Species Fund	389,200
Watercraft Licensing Fund	5,226,800
Wildlife Endowment Fund	16,200

Adjustments are as follows:

### **Remove One-Time Drought Mitigation Funding**

The Baseline includes a decrease of \$(1,490,400) from the Game and Fish Fund in FY 2024 for removal of one-time monies to alleviate the impact of drought conditions.

### **Pittman-Robertson/Dingell-Johnson Act**

The Baseline includes \$3,058,000 from the Game and Fish Fund in FY 2024 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2023.

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 2022 Actual	FY 2023 Estimate
<b>Arizona Game and Fish Department Fleet Operations Fund (GFA9902/A.R.S. § 17-275)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Revenues received from the fees charged to the department for having vehicles in the state motor vehicle fleet.		
<i>Purpose of Fund:</i> To make payments to ADOT to maintain and operate the Game and Fish motor vehicle fleet.		
<b>Funds Expended</b>	0	1,547,900
<b>Year-End Fund Balance</b>	0	0
<b>Arizona Game and Fish Department Fleet Vehicle Replacement Fund (GFA9901/A.R.S. § 17-274)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Revenues received from the fees charged to the department for having vehicles in the state motor vehicle fleet.		
<i>Purpose of Fund:</i> To make payments to ADOT to acquire and replace Game and Fish vehicles and equipment.		
<b>Funds Expended</b>	0	1,417,500
<b>Year-End Fund Balance</b>	0	1,127,900
<b>Big Game Permit Fund (GFA3712/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> License fees for hunting permits.		
<i>Purpose of Fund:</i> Holding account for license fees from hunters who are unable to obtain big game hunting permits through the lottery system.		
<b>Funds Expended</b>	357,600	0
<b>Year-End Fund Balance</b>	0	0
<b>Capital Improvement Fund (GFA2203/A.R.S. § 17-292)</b>		<b>Appropriated</b>
<i>Source of Revenue:</i> Transfers from the Conservation Development Fund.		
<i>Purpose of Fund:</i> To acquire, construct, improve and renovate department facilities.		
<b>Funds Expended</b>	1,001,200	1,001,200
<b>Year-End Fund Balance</b>	98,100	98,100
<b>Conservation Development Fund (GFA2062/A.R.S. § 17-282)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
<i>Purpose of Fund:</i> To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
<b>Funds Expended</b>	1,859,700	1,459,700
<b>Year-End Fund Balance</b>	2,056,300	2,008,400
<b>Federal Funds (GFA2000/A.R.S. § 17-231)</b>		<b>Federal Funds</b>
<i>Source of Revenue:</i> Revenue from federal grants.		
<i>Purpose of Fund:</i> To be used as specified by the federal grants. The fund also generates interest owed to the federal government that is paid on a quarterly basis.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,500	5,500
<b>Federal Revolving Fund (GFA2028/A.R.S. § 17-406)</b>		<b>Federal Funds</b>
<i>Source of Revenue:</i> Funds received from the federal government for deposit and appropriated state matching money.		
<i>Purpose of Fund:</i> For projects approved in compliance with the provisions of the restoration acts known as the Pittman-Robertson Act and the Dingell-Johnson/Wallop-Breaux Act and other wildlife projects in which the cost may be partially or wholly reimbursed from Federal Funds.		
<b>Funds Expended</b>	44,201,100	55,490,200
<b>Year-End Fund Balance</b>	571,700	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	64,100	67,400
<b>Year-End Fund Balance</b>	137,800	70,400
<b>Game and Fish Fund (GFA2027/A.R.S. § 17-261)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	39,472,500	45,353,600
<b>Year-End Fund Balance</b>	31,777,500	26,951,500
<b>Game and Fish In-Lieu Fee Program Restoration Endowment Trust Fund (GFA3167/A.R.S. § 17-265)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	89,800	201,700
<b>Year-End Fund Balance</b>	4,502,000	4,603,100
<b>Game and Fish Publications Revolving Fund (GFA4007/A.R.S. § 17-269)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales of agency publications, including Wildlife Views magazine and various field guides.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	226,500	223,500
<b>Year-End Fund Balance</b>	104,300	95,000
<b>Game and Fish Special Stamp Collection Fund - For CA (GFA3709/A.R.S. § 17-343)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Handling of licenses and special use permits on waters shared with California.		
<b>Purpose of Fund:</b> To remit proceeds to California on an annual basis pursuant to an agreement between AZGFD and the California Game and Fish Commission.		
<b>Funds Expended</b>	41,700	0
<b>Year-End Fund Balance</b>	0	0
<b>Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
<b>Funds Expended</b>	4,093,000	4,523,600
<b>Year-End Fund Balance</b>	16,494,900	16,491,300

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
<b>Purpose of Fund:</b> To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
<b>Funds Expended</b>	287,700	389,200
<b>Year-End Fund Balance</b>	942,200	853,900
<b>Heritage Fund - Acquisition Fund (GFA2294/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	632,800	3,883,200
<b>Year-End Fund Balance</b>	9,616,300	8,133,100
<b>Heritage Fund - Administration Fund (GFA2292/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For administrative costs as determined by the Game and Fish Commission allocation of interest earnings.		
<b>Funds Expended</b>	113,500	40,000
<b>Year-End Fund Balance</b>	77,300	87,300
<b>Heritage Fund - Environmental Education Fund (GFA2290/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For purposes related to environmental education.		
<b>Funds Expended</b>	519,700	601,900
<b>Year-End Fund Balance</b>	209,900	108,000
<b>Heritage Fund - Habitat Evaluation or Habitat Protection Fund (GFA2291/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For purposes related to habitat protection.		
<b>Funds Expended</b>	1,385,100	1,647,300
<b>Year-End Fund Balance</b>	1,153,800	1,006,500
<b>Heritage Fund - Identification, Inventory, Protection and Management (GFA2295/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,221,500	4,650,600
<b>Year-End Fund Balance</b>	3,047,300	1,996,700

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Heritage Fund - Public Access Fund (GFA2293/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For purposes related to public access expenses, including maintenance and operations.		
<b>Funds Expended</b>	466,000	580,700
<b>Year-End Fund Balance</b>	343,100	262,400
<b>Heritage Fund - Urban Wildlife and Urban Life Habitat Fund (GFA2296/A.R.S. § 17-298)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For purposes related to urban wildlife and urban wildlife habitat programs.		
<b>Funds Expended</b>	1,414,600	2,101,600
<b>Year-End Fund Balance</b>	1,747,000	1,145,400
<b>IGA and ISA Fund (GFA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	17,300	17,300
<b>Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> This fund consists of revenue generated by billing federal aid for indirect costs.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	9,154,500	9,667,300
<b>Year-End Fund Balance</b>	1,070,500	372,600
<b>Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide funding for habitat management.		
<b>Funds Expended</b>	48,400	0
<b>Year-End Fund Balance</b>	74,900	74,900
<b>Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fishing license fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	34,400	34,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,628,200	1,978,200
<b>Year-End Fund Balance</b>	2,248,000	2,301,100
<b>Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,731,700	5,226,800
<b>Year-End Fund Balance</b>	7,548,600	7,095,700
<b>Wildlife Conservation Enterprise Fund (GFA2029/A.R.S. § 17-231)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Project grants from state and local governments, private entities and federal entities.		
<b>Purpose of Fund:</b> For wildlife conservation and monitoring projects, primarily related to wildlife crossing and fencing along highway projects.		
<b>Funds Expended</b>	61,600	0
<b>Year-End Fund Balance</b>	382,100	382,100
<b>Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
<b>Purpose of Fund:</b> To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
<b>Funds Expended</b>	6,671,100	8,951,900
<b>Year-End Fund Balance</b>	10,475,900	9,215,600
<b>Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Sales of benefactor and lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
<b>Purpose of Fund:</b> To provide funding for wildlife conservation and management.		
<b>Funds Expended</b>	0	16,200
<b>Year-End Fund Balance</b>	4,562,900	5,008,500
<b>Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
<b>Purpose of Fund:</b> To provide funding for wildlife habitat restoration and improvement projects.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	400	400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	84,200	199,400
<b>Year-End Fund Balance</b>	148,800	98,700

## Department of Gaming

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	155.8	155.8	155.8 <sup>1/</sup>
Personal Services	3,801,100	5,002,700	5,002,700
Employee Related Expenditures	1,400,500	1,738,900	1,738,900
Professional and Outside Services	775,300	1,000,000	1,000,000
Travel – In State	206,600	280,000	280,000
Travel – Out of State	21,500	55,000	55,000
Other Operating Expenditures	1,642,700	5,368,500	5,368,500
Equipment	401,800	295,000	295,000
<b>OPERATING SUBTOTAL</b>	<b>8,249,500</b>	<b>13,740,100</b>	<b>13,740,100</b>
<b>SPECIAL LINE ITEMS</b>			
Additional Operating Expenses	0	0	1,080,000 <sup>2/</sup>
Arizona Breeders' Award	250,000	250,000	250,000
Casino Operations Certification	1,933,700	2,308,700	2,308,700
Contract Veterinarian	0	175,000	175,000 <sup>3/</sup>
County Fairs Livestock and Agriculture Promotion	5,759,500	6,029,500	6,029,500 <sup>4/</sup>
Division of Racing	1,627,400	2,431,200	2,431,200
Horseracing Integrity and Safety Act Assessment	0	355,100	355,100 <sup>5/</sup>
Problem Gambling	1,762,700	3,320,000	3,560,000
Racetrack Purse and Maintenance and Operations Funding	5,000,000	5,396,900	5,396,900 <sup>6/</sup>
Racing Purse Enhancement	5,000,000	5,000,000	5,000,000 <sup>7/</sup>
<b>AGENCY TOTAL</b>	<b>29,582,800</b>	<b>39,006,500</b>	<b>40,326,500 <sup>8/9/</sup></b>
<b>FUND SOURCES</b>			
General Fund	15,759,500	16,956,500	16,956,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	9,567,400	16,610,000	17,930,000
Fantasy Sports Contest Fund	144,900	150,100	150,100
Racing Regulation Fund	1,793,800	2,576,600	2,576,600
Racing Regulation Fund - Unarmed Combat Subaccount	83,600	104,600	104,600
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,933,600	2,308,700	2,308,700
SUBTOTAL - Other Appropriated Funds	13,823,300	22,050,000	23,370,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>29,582,800</b>	<b>39,006,500</b>	<b>40,326,500</b>
Other Non-Appropriated Funds	3,488,000	3,715,000	3,715,000
<b>TOTAL - ALL SOURCES</b>	<b>33,070,800</b>	<b>42,721,500</b>	<b>44,041,500</b>

**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

<sup>1/</sup> Includes 73.5 OF FTE Positions funded from Special Line Items in FY 2024.

<sup>2/</sup> On or before October 1, 2023, 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 the expected amount and purpose of expenditures from the additional operating expenses line item for fiscal year 2023-2024. The report shall include the projected line item detail. (General Appropriation Act footnote)



- 3/ On or before the final day of each quarter of fiscal year 2023-2024, the department of gaming shall report to the members of the joint legislative budget committee on the number of equine deaths and injuries that occurred as a result of a horse race and the commercial live racing facility where each incident occurred. The report shall include the number of pre-race inspections performed by a veterinarian employed by or contracted with this state. (General Appropriation Act footnote)
- 4/ 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)
- 5/ The amount appropriated to the horseracing integrity and safety act assessment line item shall be distributed to commercial live racing permittees during fiscal year 2023-2024 to pay the calendar year 2023 assessment levied by the horseracing integrity and safety authority. If the appropriated amount for the horseracing integrity act assessment line item is insufficient to fund all assessments levied by the horseracing integrity and safety authority, the department shall reduce the distribution amounts on a proportional basis in order to cap total statewide distributions at \$355,100. The distributions for fiscal year 2023-2024 are estimated to be \$309,300 to a commercial live racing permittee located in Maricopa county and \$45,800 to a commercial live racing permittee located in Yavapai county. (General Appropriation Act footnote)
- 6/ The appropriation made in the racetrack purse and maintenance and operations funding line item shall be distributed to commercial live racing permittees to enhance the general purse structure and for track maintenance and operations. From the amount appropriated in the racetrack purse and maintenance and operations funding line item, the department of gaming shall allocate the monies as follows:
  1. \$4,231,800 to a commercial live racing permittee located in Maricopa county.
  2. \$815,600 to a commercial live racing permittee located in Yavapai county.
  3. \$349,500 to a commercial live racing permittee located in Pima county. (General Appropriation Act footnote)
- 7/ 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)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ On or before August 1, 2023, 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 the expected amount and purpose of expenditures from the event wagering fund established by section 5-1318, Arizona Revised Statutes, for fiscal year 2023-2024. 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 \$14,820,100 in FY 2024 for administrative expenses, which consists of \$14,670,000 from the Arizona Benefits Fund and \$150,100 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 2023, Gaming has the authority to spend \$13,740,100 for administrative expenses. This consists of \$13,590,000 from the FY 2023 Arizona Benefits Fund Operating appropriation which used the 9% tribal gaming revenue forecast at the time of the enacted budget. In addition, Gaming was appropriated \$150,100 from the Fantasy Sports Contest Fund.

The Baseline increases Gaming's FY 2024 Arizona Benefits Fund expenditure authority by \$1,080,000 to a level of \$14,670,000 due to an expected increase of tribal gaming revenues. 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 allocates this funding increase to the Additional Operating Expenses line item in FY 2024. The Baseline includes a General Appropriation Act footnote requiring the department to report on any new administrative spending from this line item.

#### **Problem Gambling**

The Baseline includes \$3,560,000 in FY 2024 for Problem Gambling, which consists of \$3,260,000 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 2023, Gaming has the authority to spend \$3,020,000, based on the FY 2023 Arizona Benefits Fund Problem Gaming appropriation which used the 2% tribal gaming revenue forecast at the time of the enacted budget. In FY 2024, 2% of tribal gaming revenues are forecasted to be \$3,260,000, due to a projected increase in tribal contributions.

As a result, the Baseline increases Gaming's FY 2024 Arizona Benefits Fund expenditure authority by \$240,000 to a level of \$3,260,000. 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 \$3,706,800 in FY 2023 and \$2,523,700 in FY 2024 from the Event Wagering Fund. *(See Other Issues – Event Wagering/Fantasy Sports Forecast section for additional details.)*

The Baseline includes a General Appropriation Act footnote requiring the department to report on administrative spending from the Event Wagering Fund.

**Operating Budget**

The Baseline includes \$13,740,100 and 82.3 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
Arizona Benefits Fund	\$13,590,000
Fantasy Sports Contest Fund	150,100

These amounts are unchanged from FY 2023.

**Additional Operating Expenses**

The Baseline includes \$1,080,000 from the Arizona Benefits Fund in FY 2024 for additional operating expenses. FY 2024 adjustments are as follows:

**Align Appropriation with 9% of Gaming Revenues**

The budget includes an increase of \$1,080,000 from the Arizona Benefits Fund in FY 2024 to align the appropriation level for the department's administrative expenses with 9% of anticipated FY 2024 tribal gaming contributions. *(See discussion above.)*

The agency may use this additional appropriation for administrative costs of regulating gaming. In FY 2024, 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 2024 for the Arizona Breeders’ Award. This amount is unchanged from FY 2023.

This line item funds awards to the breeder of every winning horse foaled in the state. In FY 2024, this line item will fund awards equal to 25% of the purse won by the horse.

**Casino Operations Certification**

The Baseline includes \$2,308,700 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2024 for Casino Operations Certification. These amounts are unchanged from FY 2023.

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.

**Contract Veterinarian**

The Baseline includes \$175,000 from the General Fund in FY 2024 for a Contract Veterinarian. This amount is unchanged from FY 2023.

Monies in the line item are to be used to contract a veterinarian and veterinarian's assistant to assist with pre-race inspections of horses in an effort to reduce the number of horse fatalities as a result of racing in the state. A General Appropriation Act footnote requires the department to report on a quarterly basis the number of equine deaths and injuries that occur as a result of a horse race and the commercial live racing facility where each incident occurred. The report must also include the number of pre-race inspections performed by a veterinarian employed by or contracting with the state.

### **County Fairs Livestock and Agriculture Promotion**

The Baseline includes \$6,029,500 from the General Fund in FY 2024 for County Fairs Livestock and Agriculture Promotion. This amount is unchanged from FY 2023.

Monies in this line item are deposited in the County Fairs Livestock and Agriculture Promotion Fund in the Office of the Governor.

### **Division of Racing**

The Baseline includes \$2,431,200 and 40.5 FTE Positions in FY 2024 for operating costs associated with the Division of Racing. These amounts consist of:

Racing Regulation Fund	2,326,600
Racing Regulation Fund- Unarmed Combat Subaccount	104,600

These amounts are unchanged from FY 2023.

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 budget continues to include \$104,600 from the Racing Regulation Fund - Unarmed Combat Subaccount in FY 2024 as part of the Division of Racing line item to provide funding for the Division of Boxing and Mixed Martial Arts.

### **Horseracing Integrity and Safety Act Assessment**

The Baseline includes \$355,100 from the General Fund in FY 2024 for the Horseracing Integrity and Safety Act Assessment line item. This amount is unchanged from FY 2023.

Beginning in 2022, the federal Horseracing Integrity and Safety Authority charges an annual regulatory fee based on the previous year's racing starts and purses. Monies in this line item are to be distributed to commercial live

racing permittees to pay this fee. A General Appropriation Act footnote directs the department to distribute \$309,300 to a commercial live racing permittee located in Maricopa County and \$45,800 to a commercial live racing permittee located in Yavapai County.

### **Problem Gambling**

The Baseline includes \$3,560,000 and 5 FTE Positions in FY 2024 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	3,260,000
State Lottery Fund	300,000

Adjustments are as follows:

#### **Align Appropriation with 2% of Gaming Revenues**

The Baseline includes an increase of \$240,000 from the Arizona Benefits Fund in FY 2024 to align the appropriation level for the Problem Gambling line item with 2% of anticipated FY 2024 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 \$5,396,900 from the General Fund in FY 2024 for a Racetrack Purse and Maintenance and Operations Fund line item. This amount is unchanged from FY 2023.

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 the monies to commercial live racing permittees as follows:

- \$4,231,800 to a commercial live racing permittee located in Maricopa County.
- \$815,600 to a commercial live racing permittee located in Yavapai County.
- \$349,500 to a commercial live racing permittee located in Pima County.

### **Racing Purse Enhancement**

The Baseline includes \$5,000,000 from the General Fund in FY 2024 for a Racing Purse Enhancement line item. This amount is unchanged from FY 2023.

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.

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**Other Issues**

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**Statutory Changes**

The Baseline would, as session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2024 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 October 2022, 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**

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 a \$150,000 license renewal fee in FY 2023 and FY 2024. Due to a timing issue, the FY 2022 initial license revenue from these entities (\$750,000 fee) will also be deposited in FY 2023.
- Overall event wagering handle (total betting activity) will grow by 10% in FY 2023, 8% in FY 2024, and 5% in each of FY 2025 and FY 2026.

- Licensee net win percentage will equal 7.5% of overall handle (same level as FY 2022)
- Licensees will deduct free bet activity at a level of 4% of overall handle (same level as FY 2022).
- The JLBC Staff forecasts \$22,713,600 in FY 2024 General Fund event wagering revenues after accounting for the 10% set aside for Department of Gaming administrative expenses.

The Baseline also includes a revenue forecast for fantasy sports contests, which assumes \$250,000 of total license and privilege fee revenue in FY 2024. After accounting for the 10% set aside for Department of Gaming administrative expenses, this would translate into \$225,000 of FY 2024 General Fund revenue from fantasy sports contests.

Actual FY 2022 Collections

As noted above, due to timing issues, the department did not report on the amount of license fee revenue collected during FY 2022.

In FY 2022, the department reported \$16,982,800 in combined privilege fee revenues from event wagering and fantasy sports contests. Of this amount, \$10,437,000 was transferred to the General Fund during FY 2022. The department reports that any excess revenues retained by the agency during FY 2022 (above the 10% administrative set aside) will be transferred to the General Fund in FY 2023.

**Tribal Gaming Revenues**

In FY 2022, state tribal gaming revenues were \$123,645,400. The Baseline projects that state tribal gaming revenues will increase to a level of \$150,900,000 in FY 2023 and increase to a level of \$163,000,000 in FY 2024. These revenue estimates are from the department's FY 2024 budget request. In the first quarter of FY 2023, tribal gaming contributions into the Arizona Benefits Fund were \$41.6 million. *(See Table 1 for more info.)*

<b>Tribal Gaming Distributions Pursuant to Proposition 202 <sup>1/</sup></b>				
<b>Recipient</b>	<b>Proposition 202 Formula</b>	<b>FY 2022 Actuals <sup>1/</sup></b>	<b>FY 2023 Projected <sup>1/</sup></b>	<b>FY 2024 Projected</b>
State Government Distribution	88% of total	\$ 123,645,400	\$ 150,900,000 <sup>2/</sup>	\$163,000,000 <sup>2/</sup>
Local Government Distribution <sup>3/</sup>	12% of total	<u>15,082,100</u>	<u>20,577,300</u>	<u>22,227,300</u>
<b>Total</b>	<b>100% of total</b>	<b>\$138,727,500</b>	<b>\$171,477,300</b>	<b>\$185,227,300</b>
<b><u>Allocation of State Government's Share</u></b>				
<b><u>Department of Gaming</u></b>				
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 9,828,100	\$ 13,581,000 <sup>4/</sup>	\$ 14,670,000 <sup>4/</sup>
Department of Gaming Problem Gambling	2%	<u>2,184,000</u>	<u>3,018,000 <sup>5/</sup></u>	<u>3,260,000 <sup>5/</sup></u>
<b>Subtotal-Department of Gaming</b>		<b>\$12,012,100</b>	<b>\$16,599,000</b>	<b>\$17,930,000</b>
<b><u>Other Distributions</u></b>				
Instructional Improvement Fund (Department of Education)	56% of remainder	63,213,700	75,208,500	81,239,200
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	30,812,400	37,604,300	40,619,600
Arizona Wildlife Conservation Fund	8% of remainder	8,803,600	10,744,100	11,605,600
Tourism Fund	8% of remainder	<u>8,803,600</u>	<u>10,744,100</u>	<u>11,605,600</u>
<b>Subtotal-Other Distributions</b>		<b>\$111,633,300</b>	<b>\$134,301,000</b>	<b>\$145,070,000</b>
<b>Total</b>		<b>\$123,645,400</b>	<b>\$150,900,000</b>	<b>\$163,000,000</b>
<sup>1/</sup> The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts. <sup>2/</sup> Based on an ADG projection, the Baseline projects a 23.6% increase in FY 2023 and an 8.0% increase in FY 2024 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. <sup>3/</sup> Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years. <sup>4/</sup> While the FY 2023 appropriation includes \$13,590,000 and the FY 2024 Baseline includes \$14,670,000, 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. <sup>5/</sup> While the FY 2023 appropriation includes \$3,020,000 and the FY 2024 Baseline includes \$3,260,000, 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.				

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>2021 Compact Trust Fund (GMA2021/A.R.S. § 5-605)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Contributions from certain Indian Tribes pursuant to the 2021 Tribal-State compact amendments. The department's FY 2024 budget request did not include revenue data for this fund.		
<b>Purpose of Fund:</b> 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 2024 budget request did not include expenditure data for this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	9,567,400	16,610,000
<b>Year-End Fund Balance</b>	8,124,700	8,124,700

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Breeders' Award Fund (GMA2206/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,886,800	1,900,000
<b>Year-End Fund Balance</b>	193,900	10,000
<b>Event Wagering Fund (GMA2330/A.R.S. § 5-1318)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the regulatory and enforcement costs associated with event wagering in the state. By the 25 <sup>th</sup> of each month, the Department of Gaming must transfer 90% of the previous month's fund revenue to the General Fund. The department may not spend more than 10% of fund revenues on regulatory and enforcement costs.		
<b>Funds Expended</b>	1,458,200	1,660,000
<b>Year-End Fund Balance</b>	18,833,400	1,377,800
<b>Fantasy Sports Contest Fund (GMA2320/A.R.S. § 5-1212)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the regulatory and enforcement costs associated with Fantasy Sports Contests in the state. The Department of Gaming may retain up to 10% of fantasy sports contest revenues for regulatory and enforcement costs each fiscal year, with any remaining year-end balance transferred to the General Fund.		
<b>Funds Expended</b>	144,900	150,100
<b>Year-End Fund Balance</b>	224,300	0
<b>IGA and ISA Fund (GMA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	99,800	100,000
<b>Year-End Fund Balance</b>	14,100	1,100
<b>Racing Commission Bond Deposit Fund (GMA3720/A.R.S. § 5-107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> There are no revenues in this fund. The fund holds bonds posted by commercial racing permit holders until the permittee withdraws their permit.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	55,600	55,600
<b>Racing Investigation Fund (GMA2369/A.R.S. § 41-705)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	27,800	30,000
<b>Year-End Fund Balance</b>	17,500	10,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Racing Regulation Fund (GMA2556/A.R.S. § 5-113.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,793,800	2,576,600
<b>Year-End Fund Balance</b>	2,890,400	2,882,800
<b>Racing Regulation Fund - Unarmed Combat Subaccount (GMA2559/A.R.S. § 5-226)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees established by the Boxing Commission for unarmed combat events.		
<b>Purpose of Fund:</b> To pay for the administration and regulation of unarmed combat events hosted in Arizona.		
<b>Funds Expended</b>	83,600	104,600
<b>Year-End Fund Balance</b>	294,100	588,600
<b>Retired Racehorse Adoption Fund (GMA2015/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
<b>Purpose of Fund:</b> To provide funding for grants to non-profit organizations for the promotion and adoption of retired racehorses.		
<b>Funds Expended</b>	15,400	25,000
<b>Year-End Fund Balance</b>	2,200	2,200
<b>State Lottery Fund (GMA2122/A.R.S. § 5-571)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Funds transferred from the State Lottery Fund.		
<b>Purpose of Fund:</b> Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
<b>Funds Expended</b>	300,000	300,000
<b>Year-End Fund Balance</b>	400	400
<b>Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
<b>Purpose of Fund:</b> Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
<b>Funds Expended</b>	1,933,600	2,308,700
<b>Year-End Fund Balance</b>	1,199,400	885,700

# Office of the Governor

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	7,859,000	7,776,100	7,776,100 <sup>1/2/</sup>
<b>SPECIAL LINE ITEMS</b>			
Foster Youth Education Success Fund Deposit	1,500,000	1,500,000	1,500,000
<b>AGENCY TOTAL</b>	<b>9,359,000</b>	<b>9,276,100</b>	<b>9,276,100 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	9,359,000	9,276,100	9,276,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>9,359,000</b>	<b>9,276,100</b>	<b>9,276,100</b>
Other Non-Appropriated Funds	7,160,600	11,605,100	11,605,100
Federal Funds	2,187,988,500	1,254,302,800	1,254,302,800
<b>TOTAL - ALL SOURCES</b>	<b>2,204,508,100</b>	<b>1,275,184,000</b>	<b>1,275,184,000</b>

**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 \$7,776,100 for fiscal year 2023-2024 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 \$7,776,100 from the General Fund in FY 2024 for the operating budget. This amount is unchanged from FY 2023.

The Foster Youth Education Success Program was established to improve the educational outcomes of children in Arizona’s foster care system.

### Foster Youth Education Success Fund Deposit

The Baseline includes \$1,500,000 from the General Fund in FY 2024 for the Foster Youth Education Success Fund Deposit. This amount is unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Coronavirus Relief Fund (GVA2975/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	98,662,300	11,967,400
<b>Year-End Fund Balance</b>	11,967,400	0



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Coronavirus State and Local Fiscal Recovery Fund (DEA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,047,679,700	1,153,080,800
<b>Year-End Fund Balance</b>	0	0
<b>County Fairs Livestock and Agriculture Promotion Fund (GVA2037/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations.		
<b>Purpose of Fund:</b> 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 the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	668,800	1,348,300
<b>Crisis Contingency and Safety Net Fund (GVA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> 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. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,000	3,000
<b>Drug Treatment and Education Fund (GVA2277/A.R.S. § 13-901.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fifty per cent of the monies deposited in the Judiciary Drug Treatment and Education Fund shall be distributed to the Arizona Parents Commission on Drug Education and Prevention established by A.R.S. § 41-1604.17		
<b>Purpose of Fund:</b> To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
<b>Funds Expended</b>	4,737,500	6,524,300
<b>Year-End Fund Balance</b>	529,500	287,200
<b>Federal Grants (GVA2000/A.R.S. § 4-101.01)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	27,508,900	33,216,500
<b>Year-End Fund Balance</b>	300	845,600
<b>Foster Youth Education Success Fund (GVA1400/A.R.S. § 41-108)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations. Public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> To improve the educational outcomes of children in Arizona's foster care system. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Governor's Emergency Education Relief Fund (DTA2980/U.S. P.L. 116-136)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	14,137,600	56,038,100
<b>Year-End Fund Balance</b>	0	0
<b>Governor's Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	145,200	292,100
<b>Year-End Fund Balance</b>	257,100	120,500
<b>IGA and ISA Fund (GVA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	1,220,100	2,087,200
<b>Year-End Fund Balance</b>	2,038,400	1,051,200
<b>Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	664,900	2,490,000
<b>Year-End Fund Balance</b>	9,543,600	8,904,600
<b>Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	392,900	211,500
<b>Year-End Fund Balance</b>	159,100	144,300

## Governor's Office of Strategic Planning and Budgeting

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,691,200	1,747,500	1,747,500
Employee Related Expenditures	524,700	682,500	682,500
Professional and Outside Services	108,200	121,200	121,200
Travel - In State	2,800	800	800
Travel - Out of State	5,100	6,900	6,900
Other Operating Expenditures	291,500	398,300	398,300
Equipment	27,300	4,200	4,200
<b>AGENCY TOTAL</b>	<b>2,650,800</b>	<b>2,961,400</b>	<b>2,961,400 <sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,650,800	2,961,400	2,961,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,650,800</b>	<b>2,961,400</b>	<b>2,961,400</b>
<b>TOTAL - ALL SOURCES</b>	<b>2,650,800</b>	<b>2,961,400</b>	<b>2,961,400</b>

**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

- <sup>1/</sup> 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)
- <sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$2,961,400 and 22 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

## Department of Health Services

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,135.5	1,141.5	1,141.5 <sup>1/</sup>
Personal Services	20,148,900	28,583,300	28,583,300
Employee Related Expenditures	7,826,600	11,818,600	11,818,600
Professional and Outside Services	2,096,200	2,090,100	2,090,100
Travel - In State	395,000	526,100	526,100
Travel - Out of State	18,600	111,200	111,200
Other Operating Expenditures	15,553,500	17,085,600	17,085,600
Equipment	458,300	707,400	707,400
<b>OPERATING SUBTOTAL</b>	<b>46,497,100</b>	<b>60,922,300</b>	<b>60,922,300 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Arizona State Hospital-Operating	61,334,200	83,608,500	76,508,500 <sup>3/</sup>
Arizona State Hospital-Restoration to Competency	900,000	900,000	900,000
Arizona State Hospital-Sexually Violent Persons	9,321,400	10,951,800	10,951,800
Accelerated Nursing Programs	0	50,000,000	0
Adult Cystic Fibrosis Care	78,900	105,200	105,200
AIDS Reporting and Surveillance	924,500	1,000,000	1,000,000
Alzheimer's Disease Research	3,625,000	3,625,000	3,625,000 <sup>4/</sup>
Behavioral Health Care Provider Loan Repayment Program	0	2,000,000	1,000,000
Biomedical Research Support	1,500,600	2,000,000	2,000,000 <sup>5/</sup>
Breast and Cervical Cancer and Bone Density Screening	538,700	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	392,400	590,700	590,700
Family Health Pilot Program	197,100	3,000,000	0
Folic Acid Program	367,600	400,000	400,000
High Risk Perinatal Services	1,664,400	2,343,400	2,343,400
Homeless Pregnant Women Services	200,000	500,000	100,000 <sup>6/</sup>
Medical Student Loan Fund Deposit	2,000,000	0	0
Newborn Screening Program	5,490,500	12,388,500	12,388,500
Nonrenal Disease Management	0	198,000	198,000 <sup>7/</sup>
Arizona Nurse Education Investment Pilot Program	0	15,000,000	15,000,000
Nursing Care Special Projects	14,200	200,000	200,000
Poison Control Centers Funding	485,500	990,000	990,000
Preceptor Grant Program for Graduate Students	0	500,000	500,000 <sup>8/</sup>
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
Renal Transplant Drugs	137,300	183,000	183,000
Rural Prenatal Services	0	0	0
Radiation Regulation	2,145,600	0	0
<b>AGENCY TOTAL</b>	<b>138,040,000</b>	<b>253,075,800</b>	<b>191,575,800 <sup>9/10/</sup></b>
<b>FUND SOURCES</b>			
General Fund	91,866,300	194,834,300	133,434,300
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	2,785,400	3,145,800	3,145,800
ASH Land Earnings Fund	650,000	650,000	650,000
Child Fatality Review Fund	179,800	196,500	196,500
Disease Control Research Fund	924,500	1,000,000	1,000,000
Emergency Medical Services Operating Fund	2,647,100	4,167,900	4,167,900
Environmental Laboratory Licensure Revolving Fund	529,100	1,001,700	1,001,700
Federal Child Care and Development Fund Block Grant	1,683,700	998,600	998,600

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
Health Services Licensing Fund	13,637,000	16,960,500	16,960,500
Health Services Lottery Monies Fund	200,000	200,000	100,000
Indirect Cost Fund	10,938,300	12,298,700	12,298,700
Newborn Screening Program Fund	5,540,300	12,821,300	12,821,300
Nursing Care Institution Resident Protection Revolving Fund	14,200	238,200	238,200
Prescription Drug Rebate Fund	2,500,000	0	0
Tobacco Tax and Health Care Fund - Medically Needy Account	592,600	700,000	700,000
Vital Records Electronic Systems Fund	3,351,700	3,862,300	3,862,300
SUBTOTAL - Other Appropriated Funds	46,173,700	58,241,500	58,141,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>138,040,000</b>	<b>253,075,800</b>	<b>191,575,800</b>
Other Non-Appropriated Funds	64,450,100	105,698,200	105,698,200
Federal Funds	687,896,000	568,954,800	568,954,800
<b>TOTAL - ALL SOURCES</b>	<b>890,386,100</b>	<b>927,728,800</b>	<b>866,228,800</b>

**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 2024.
- 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. On or before September 1, 2024, the department of health services, 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 the suicide prevention coordinator's accomplishments in fiscal year 2023-2024. (General Appropriation Act footnote)
- 3/ In addition to the appropriation for the department of health services, earnings on state lands and interest on the investment of the permanent state land funds are appropriated to the Arizona state hospital in compliance with the enabling act and the Constitution of Arizona. (General Appropriation Act footnote)
- 4/ The 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)
- 5/ 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, 2025. (General Appropriation Act footnote)
- 6/ 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)

- 7/ 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)
- 8/ The amount appropriated to the department of health services for the preceptor grant program for graduate students is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. Any monies remaining unexpended on July 1, 2026 revert to the state general fund. (General Appropriation Act footnote)
- 9/ 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. Each 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)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$60,922,300 and 387.4 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<u>FY 2024</u>
General Fund	\$20,965,100
Child Fatality Review Fund	196,500
Emergency Medical Services (EMS) Operating Fund	4,167,900
Environmental Laboratory Licensure Revolving Fund	1,001,700
Federal Child Care and Development Fund (CCDF) Block Grant	998,600
Health Services Licensing Fund	16,960,500
DHS Indirect Cost Fund	12,298,700
Newborn Screening Program Fund	432,800
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,862,300

These amounts are unchanged from FY 2023.

**Arizona State Hospital**

**ASH - Operating**

The Baseline includes \$76,508,500 and 616.5 FTE Positions in FY 2024 for the ASH operating budget. These amounts consist of:

General Fund	73,612,700
ASH Fund	2,245,800
ASH Land Earnings Fund	650,000

Adjustments are as follows:

**Remove One-Time Surveillance System Replacement**

The Baseline includes a decrease of \$(7,100,000) from the General Fund in FY 2024 for the elimination of one-time funding to replace the ASH surveillance system. The FY 2023 budget required ASH to replace the current system with a system that includes both audio and visual capabilities.

*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 2022, ASH had an average daily census of 103 patients in its civil commitment unit, 110 patients in its forensic unit, and 110 Sexually Violent Persons (SVPs), for a total of 323 patients.

**ASH - Restoration to Competency**

The Baseline includes \$900,000 from the ASH Fund in FY 2024 for ASH - Restoration to Competency. This amount is unchanged from FY 2023.

*Background* – This line item funds direct costs associated with the Restoration to Competency program while all other indirect costs are included in the Arizona State Hospital - Operating line item.

ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. In FY 2022, there was an average daily census of 5 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

The FY 2024 Baseline continues a provision to exempt county expenditures on Restoration to Competency from county expenditure limitations.

### **ASH - Sexually Violent Persons**

The Baseline includes \$10,951,800 and 112.5 FTE Positions from the General Fund in FY 2024 for ASH - Sexually Violent Persons. These amounts are unchanged from FY 2023.

*Background* – This line item funds direct costs associated with the Sexually Violent Persons program while all other indirect costs are included in the Arizona State Hospital - Operating line item.

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 2022, ASH had an average daily census of 110 Sexually Violent Persons(SVPs).

## **Public Health/Family Health**

### **Accelerated Nursing Programs**

The Baseline includes no funding in FY 2024 for Accelerated Nursing Programs. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(50,000,000) from the General Fund in FY 2024 to remove one-time funding to expand the number of nursing degrees.

The FY 2023 budget appropriated \$50,000,000 one-time to DHS to expand nursing programs. Of this amount, the FY 2023 Health Care BRB required DHS to distribute \$6,000,000 to a private university with a health sciences campus located in Phoenix that offers a 12-month accelerated nursing program. The recipient will use the monies for capital costs associated with adding a new cohort of accelerated nursing students.

DHS will distribute the remaining \$44,000,000 to public and private universities and community colleges located in Arizona for the purpose of expanding program capacity. The department is required to give priority to programs that can be completed within 12 months, but programs up to 18 months in length are also eligible for funding. Each institution receiving monies must use at least 80% of the award to provide scholarships and no more than 20% may be used for administrative expenses, including the cost of hiring faculty and purchasing equipment. The monies may not be used for capital costs.

The FY 2023 Health Care BRB also stipulated that scholarship recipients agree to practice nursing in Arizona for at least 4 years after graduation from an accelerated nursing program. DHS is required to compile information from each institution and submit an annual report to JLBC and OSPB on October 1 of each year through 2030. The report will include data on the number of students receiving scholarships, the number of nurses who are currently completing the 4-year service commitment, and the number of students who have reimbursed the institution for not completing the service requirement.

An FY 2023 General Appropriation Act footnote makes these monies non-lapsing through FY 2024. Any unspent monies at the end of FY 2024 will revert to the General Fund.

### **Adult Cystic Fibrosis Care**

The Baseline includes \$105,200 from the General Fund in FY 2024 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2023.

In FY 2022, this line item provided contracted care and treatment services through Phoenix Children’s Hospital for 39 individuals with cystic fibrosis.

### **AIDS Reporting and Surveillance**

The Baseline includes \$1,000,000 from the Disease Control Research Fund in FY 2024 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2023.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The program also includes \$875,000 to provide medications under the Arizona AIDS Drug Assistance Program (ADAP), which also receives Federal Funds for the medications. The ADAP program served approximately 3,047 clients in FY 2022.

### **Alzheimer’s Disease Research**

The Baseline includes \$3,625,000 from the General Fund in FY 2024 for Alzheimer’s Disease Research. This amount is unchanged from FY 2023.

*Background* – DHS distributes funding in the line item to the Arizona Alzheimer’s Consortium (AAC). The AAC provides dollar-for-dollar matching grants to universities, hospitals, and research centers for research on the causes of Alzheimer’s disease.

**Behavioral Health Care Provider Loan Repayment Program**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for the Behavioral Health Care Provider Loan Repayment Program. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2024 to remove one-time funding for a loan repayment program for health care providers who practice in behavioral health facilities in Arizona.

A.R.S. § 36-2175 establishes the program to provide loan repayment assistance to providers who agree to serve in behavioral health facilities for at least 2 years, with priority given to applicants who intend to practice in the Arizona State Hospital or a behavioral health residential facility. For the first 2 years of service, the maximum award is \$50,000. For each subsequent year, the maximum award is \$25,000.

**Biomedical Research Support**

The Baseline includes \$2,000,000 from the General Fund in FY 2024 for Biomedical Research Support. This amount is unchanged from FY 2023.

*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 Baseline 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 2024 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2023.

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 2024 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2023.

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 no funding in FY 2024 for a Family Health Pilot Program. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2024 to eliminate one-time funding for the Family Health Pilot Program.

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. The final FY 2023 budget increased FY 2023 one-time funding to \$3,000,000. The Baseline removes this funding 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. *(Please see the FY 2023 General Appropriation Act and the FY 2023 Appropriations Report for the specific distribution requirements.)*

**Folic Acid Program**

The Baseline includes \$400,000 from the TTHCF - Medically Needy Account in FY 2024 for the Folic Acid Program. This amount is unchanged from FY 2023.

This line item provides funding for the distribution of folic acid to women of childbearing age to help prevent birth defects. In FY 2022, 28,708 women received folic acid education and multivitamins.



### **High Risk Perinatal Services**

The Baseline includes \$2,343,400 from the General Fund in FY 2024 for High Risk Perinatal Services. This amount is unchanged from FY 2023.

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 \$100,000 in FY 2024 from the Health Services Lottery Monies Fund for Homeless Pregnant Women Services. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(400,000) from the General Fund in FY 2024 to eliminate a one-time funding increase for the Homeless Pregnant Women Services program. This amount consists of:

General Fund	(300,000)
Health Services Lottery Monies Fund	(100,000)

The 3-year spending plan included one-time appropriations of \$100,000 from the Health Services Lottery Monies Fund in FY 2022 and FY 2023, and \$300,000 from the General Fund in FY 2023.

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 2024 Baseline continues a provision to permit the department to use the Health Services Lottery Monies Fund for Homeless Pregnant Women Services.

### **Newborn Screening Program**

The Baseline includes \$12,388,500 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2024 for the Newborn Screening Program. These amounts are unchanged from FY 2023.

The FY 2022 Health Budget Reconciliation Bill (BRB) required 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 2022, the program provided screening for 78,871 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 2024 for Nonrenal Disease Management. This amount is unchanged from FY 2023.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

### **Arizona Nurse Education Investment Pilot Program**

The Baseline includes \$15,000,000 from the General Fund in FY 2024 for the Arizona Nurse Education Investment Pilot Program. This amount is unchanged from FY 2023.

A.R.S. § 36-1802 requires these monies to be deposited into the Arizona Nurse Education Investment Pilot Program Fund to increase the capacity of nursing education programs in Arizona. DHS allocates these monies to the Arizona Board of Regents and community college districts based on the number of nursing students graduating in FY 2022, which includes programs for nursing assistants, licensed practical nurses, registered nurses, and advanced practice nurses. Recipients may use the monies to pay operating costs necessary to increase the number of faculty members teaching in nursing programs and for capital expenses directly related to additional faculty and students.

The 3-year budget plan includes \$15,000,000 from the General Fund for this line item in FY 2023, FY 2024, and FY 2025. These monies will be removed in FY 2026. Any monies remaining in the fund at the end of FY 2026 will revert to the General Fund.

### ***Nursing Care Special Projects***

The Baseline includes \$200,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2024 for special projects related to long-term care facilities. This amount is unchanged from FY 2023.

*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 2024 for Poison Control Centers. This amount is unchanged from FY 2023.

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 2022. 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 \$500,000 to the UA Poison Control Center in FY 2022.

### ***Preceptor Grant Program for Graduate Students***

The Baseline includes \$500,000 from the General Fund in FY 2024 for a Preceptor Grant Program for Graduate Students. This amount is unchanged from FY 2023.

A.R.S. § 36-1806 establishes this program to expand the capacity of preceptor training for graduate students pursuing degrees as physicians in allopathic or osteopathic medicine, advanced practice nurses, physician assistants, or dentists. In the nursing profession, preceptors are licensed clinicians who supervise nursing students completing their clinical hours. DHS is required to allocate the monies to the 5 largest statewide nonprofit organization representing these professions in proportion to the number of active licenses within each.

The organizations will distribute monies to physicians, certified nurse midwives, registered nurse anesthetists, clinical nurse specialists, registered nurses, physician

assistants, and dentists who serve as volunteer preceptors who provide sufficient evidence of completing a preceptorship with a graduate student. Awards will be distributed on a first-come first-serve basis at a maximum of \$1,000 per preceptor per calendar year, with priority given to primary care preceptorships in rural areas of the state.

The 3-year budget plan includes \$500,000 from the General Fund for this line item in FY 2023, FY 2024, and FY 2025. These monies will be removed in FY 2026.

The Baseline includes a footnote making these monies non lapsing through FY 2026. Any monies remaining unspent at the end of FY 2026 will revert to the General Fund.

### ***Renal Dental Care and Nutrition Supplements***

The Baseline includes \$300,000 from the TTHCF - Medically Needy Account in FY 2024 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2023.

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 2024 for Renal Transplant Drugs. This amount is unchanged from FY 2023.

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 2022, 68 people received anti-rejection medication assistance.

### ***Rural Prenatal Services***

The Baseline includes no funding in FY 2024 for Rural Prenatal Services. This amount is unchanged from FY 2023.

This line item funds 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 \$500,000 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.

- As session law, continue to notwithstanding A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services. (See *Homeless Pregnant Women Services for more information.*)

At the time of this writing, DHS has not expended the FY 2022 appropriation of \$500,000 due to timing issues. DHS has until June 30, 2023, to expend these funds.

**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.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Alzheimer’s Disease Research Fund (HSA2255/A.R.S. § 36-123.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 Alzheimer’s Disease Research Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	500	0
<b>Year-End Fund Balance</b>	15,500	26,500
<b>Arizona Nurse Education Investment Pilot Program Fund (HSA4200/A.R.S. § 36-1802)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, private donations, grants and federal monies.		
<b>Purpose of Fund:</b> To increase the capacity of nursing education programs in this state by fostering collaboration among this state’s education and health care communities and the state and federal governments. Any monies remaining in the fund on July 1, 2026, will revert to the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Arizona State Hospital Charitable Trust Fund (HSA9985/A.R.S. § 36-218)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from contracts and lease agreements on Arizona State Hospital property.		
<b>Purpose of Fund:</b> To benefit persons with mental illness in this state.		
<b>Funds Expended</b>	86,200	100,000
<b>Year-End Fund Balance</b>	46,600	36,600
<b>Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
<b>Funds Expended</b>	2,785,400	3,145,800
<b>Year-End Fund Balance</b>	3,277,400	3,356,800

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>ASH Land Earnings Fund (HSA3128/A.R.S. § 36-211)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For the benefit and support of the Arizona State Hospital.		
<b>Funds Expended</b>	650,000	650,000
<b>Year-End Fund Balance</b>	2,115,400	2,543,700
<b>Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For breast and cervical cancer screening and diagnostic and outreach services.		
<b>Funds Expended</b>	5,200	500,000
<b>Year-End Fund Balance</b>	1,026,900	664,900
<b>Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$200,000. Any revenue collected in excess of \$200,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Child Safety.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	179,800	196,500
<b>Year-End Fund Balance</b>	266,800	241,900
<b>Childhood Cancer and Rare Childhood Disease Research Fund (HSA2560/A.R.S. § 36-121)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 Childhood Cancer and Rare Childhood Disease Research Fund.		
<b>Purpose of Fund:</b> To support childhood cancer research.		
<b>Funds Expended</b>	0	32,000
<b>Year-End Fund Balance</b>	29,300	26,600
<b>Coronavirus Relief Fund (HSA2975/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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, 2021.		
<b>Funds Expended</b>	57,548,800	9,202,500
<b>Year-End Fund Balance</b>	9,202,500	0
<b>Coronavirus State and Local Fiscal Recovery Fund (HSA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	102,583,600	0
<b>Year-End Fund Balance</b>	89,300	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Crisis Contingency and Safety Net Fund (HSA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> 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. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Disease Control Research Fund (HSA2090/A.R.S. § 36-274)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide funding for AIDS Reporting and Surveillance. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	924,500	1,000,000
<b>Year-End Fund Balance</b>	4,289,600	3,102,700
<b>Disease Control Research Fund (HSA2090/A.R.S. § 36-274)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,288,800	3,000,000
<b>Year-End Fund Balance</b>	4,289,600	3,102,700
<b>Donations - DHS (HSA3010/2025/A.R.S. § 36-132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Individual donations for various health related purposes.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	638,100	1,320,000
<b>Year-End Fund Balance</b>	2,493,900	1,180,300
<b>Donations - Statewide (HSA2025/A.R.S. § 36-132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Individual donations from employee recognition events.		
<b>Purpose of Fund:</b> Employee recognition purposes.		
<b>Funds Expended</b>	6,000	6,000
<b>Year-End Fund Balance</b>	6,500	4,800
<b>Drug Disposal Education and Awareness Fund (HSA2230/A.R.S. § 36-123.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations and contributions from private persons and organizations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	10,000	10,000
<b>Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund local and state emergency medical services systems.		
<b>Funds Expended</b>	2,647,100	4,167,900
<b>Year-End Fund Balance</b>	1,184,900	593,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
<b>Purpose of Fund:</b> For costs associated with licensing environmental laboratories by the Department of Health Services.		
<b>Funds Expended</b>	529,100	1,001,700
<b>Year-End Fund Balance</b>	865,100	565,200
<b>Federal Child Care and Development Block Grant (HSA2008/U.S. P.L 104-193)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> To provide reduced licensing fees for child care centers, via an intergovernmental service agreement with the Department of Economic Security. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	0	4,965,800
<b>Year-End Fund Balance</b>	(47,700)	0
<b>Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> 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. Please see the Federal Funds portion of the fund for additional information.		
<b>Funds Expended</b>	1,683,700	998,600
<b>Year-End Fund Balance</b>	(47,700)	0
<b>Federal Funds (HSA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Grants and reimbursements from the federal government.		
<b>Purpose of Fund:</b> To provide health services in accordance with the terms of each specific grant.		
<b>Funds Expended</b>	527,763,600	554,786,500
<b>Year-End Fund Balance</b>	10,011,600	10,011,600
<b>Health Services Licensure Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	13,637,000	16,960,500
<b>Year-End Fund Balance</b>	5,474,300	2,513,800
<b>Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State Lottery monies.		
<b>Purpose of Fund:</b> To fund grants for homeless pregnant women services. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	200,000	200,000
<b>Year-End Fund Balance</b>	4,823,500	2,486,000
<b>Health Services Lottery Monies Fund (HSA4250/A.R.S. § 36-108.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> State Lottery monies.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,906,000	10,247,100
<b>Year-End Fund Balance</b>	4,823,500	2,486,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>IGA and ISA Fund (HSA4500/A.R.S. § 36-108.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> To fund services which DHS has agreed to perform in IGAs and ISAs with state and local public agencies.		
<b>Funds Expended</b>	7,437,800	13,129,000
<b>Year-End Fund Balance</b>	15,259,000	7,676,000
<b>Indirect Cost Fund (HSA9001/A.R.S. § 36-108)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
<b>Purpose of Fund:</b> To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
<b>Funds Expended</b>	10,938,300	12,298,700
<b>Year-End Fund Balance</b>	1,438,700	746,600
<b>Internal Services Fund (HSA4202/A.R.S. § 36-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges from other DHS funds.		
<b>Purpose of Fund:</b> Revolving Fund used by DHS warehouse for the purchase of goods.		
<b>Funds Expended</b>	(49,100)	0
<b>Year-End Fund Balance</b>	52,100	52,100
<b>Justice Reinvestment Fund (HSA1121/A.R.S. § 36-2863)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,323,300	14,044,200
<b>Year-End Fund Balance</b>	9,782,700	4,928,500
<b>Laser Safety Fund (HSA2388/A.R.S. § 32-3234)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
<b>Purpose of Fund:</b> To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health-related purposes.		
<b>Funds Expended</b>	55,400	52,000
<b>Year-End Fund Balance</b>	97,600	137,800
<b>Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	21,417,200	20,741,600
<b>Year-End Fund Balance</b>	27,119,500	18,377,900

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Medical Student Loan Fund (HSA3306/A.R.S. § 15-1725)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	(67,500)	0
<b>Year-End Fund Balance</b>	0	0
<b>Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees paid to DHS for newborn screening services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,540,300	12,821,300
<b>Year-End Fund Balance</b>	1,703,700	4,300
<b>Nursing Care Institution Resident Protection Revolving Fund (HSA2329/A.R.S. § 36-431.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
<b>Purpose of Fund:</b> For the protection of the health and property of residents of nursing care facilities that are found deficient.		
<b>Funds Expended</b>	14,200	238,200
<b>Year-End Fund Balance</b>	2,392,700	2,204,500
<b>Oral Health Fund (HSA3038/A.R.S. § 36-138)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from AHCCCS contracts for dental services.		
<b>Purpose of Fund:</b> To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
<b>Funds Expended</b>	122,900	398,500
<b>Year-End Fund Balance</b>	667,200	373,900
<b>Prescription Drug Rebate Fund (HSA2546/A.R.S. § 36-2930)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Prescription drug rebate collections and interest from prescription drug rebate late payments.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,500,000	0
<b>Year-End Fund Balance</b>	1,000,000	1,000,000
<b>Public Health Emergencies Fund (HSA2775/A.R.S. § 36-122)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To fund public health emergency responses in the state following an emergency declaration by the Governor.		
<b>Funds Expended</b>	383,200	500,000
<b>Year-End Fund Balance</b>	1,392,700	892,700



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Smart and Safe Arizona Fund (HSA1120/A.R.S. § 36-2856)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	7,878,700	7,972,300
<b>Year-End Fund Balance</b>	337,600	365,300
<b>Smoke-Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,636,500	2,595,000
<b>Year-End Fund Balance</b>	755,800	801,200
<b>Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	11,128,600	21,775,000
<b>Year-End Fund Balance</b>	16,127,700	9,137,100
<b>Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
<b>Purpose of Fund:</b> Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.		
<b>Funds Expended</b>	3,252,300	9,285,500
<b>Year-End Fund Balance</b>	5,534,000	3,498,500
<b>Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the Folic Acid Program and Renal Dental Care and Nutrition Supplements line items.		
<b>Funds Expended</b>	592,600	700,000
<b>Year-End Fund Balance</b>	345,500	345,500
<b>Trauma Recovery Center Fund (HSA4260/A.R.S. § 36-4102)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, grants and contributions.		
<b>Purpose of Fund:</b> The department, in consultation with a national alliance that supports trauma recovery centers, establishes priorities for the fund to provide grants to trauma recovery centers.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)</b>		<b>Appropriated</b>
<p><b>Source of Revenue:</b> 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.</p> <p><b>Purpose of Fund:</b> To develop and operate a new vital records automated system.</p>		
<b>Funds Expended</b>	3,351,700	3,862,300
<b>Year-End Fund Balance</b>	1,064,000	481,700
<b>Workforce Data Repository Fund (HSA9999/A.R.S. § 36-172)</b>		<b>Non-Appropriated</b>
<p><b>Source of Revenue:</b> Legislative appropriations, fees, grants, and donations.</p> <p><b>Purpose of Fund:</b> To maintain a health professionals workforce data repository containing data transferred to the department from health regulatory boards.</p>		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Arizona Historical Society

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	50.9	50.9	50.9 <sup>1/</sup>
Personal Services	1,090,100	1,470,500	1,470,500
Employee Related Expenditures	420,200	634,800	634,800
Professional and Outside Services	51,900	35,000	35,000
Travel - In State	14,700	12,300	12,300
Travel - Out of State	300	6,500	6,500
Other Operating Expenditures	757,200	264,300	264,300
Equipment	0	4,200	4,200
<b>OPERATING SUBTOTAL</b>	<b>2,334,400</b>	<b>2,427,600</b>	<b>2,427,600 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Field Services and Grants	59,700	63,800	63,800
Papago Park Museum	473,500	723,300	723,300
<b>AGENCY TOTAL</b>	<b>2,867,600</b>	<b>3,214,700</b>	<b>3,214,700</b>
<b>FUND SOURCES</b>			
General Fund	2,867,600	3,214,700	3,214,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,867,600</b>	<b>3,214,700</b>	<b>3,214,700</b>
Other Non-Appropriated Funds	314,600	1,314,000	1,488,200
Federal Funds	668,900	30,000	30,000
<b>TOTAL - ALL SOURCES</b>	<b>3,851,100</b>	<b>4,558,700</b>	<b>4,732,900</b>

**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

<sup>1/</sup> Includes 10.5 GF FTE Positions funded from Special Line Items in FY 2024.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### Operating Budget

The Baseline includes \$2,427,600 and 40.4 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

#### Field Services and Grants

The Baseline includes \$63,800 and 0.5 FTE Positions from the General Fund in FY 2024 for Field Services and Grants. These amounts are unchanged from FY 2023.

#### Papago Park Museum

The Baseline includes \$723,300 and 10 FTE Positions from the General Fund in FY 2024 for the Papago Park Museum. These amounts are unchanged from FY 2023.

This line item funds the operation and maintenance of the Papago Park Museum (Tempe).

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Federal Grants (HIA2000/A.R.S. § 41-821)</b>		<b>Federal Funds</b>
<i>Source of Revenue:</i> Federal grants.		
<i>Purpose of Fund:</i> To be used in accordance with the requirements of each grant.		
<b>Funds Expended</b>	668,900	30,000
<b>Year-End Fund Balance</b>	31,000	51,000
<b>Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> For enhancing the programs of the society, or operating or improving its facilities.		
<b>Funds Expended</b>	122,200	639,600
<b>Year-End Fund Balance</b>	739,300	623,400
<b>Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Reproduction charges.		
<i>Purpose of Fund:</i> To preserve and restore historic photographs.		
<b>Funds Expended</b>	6,600	23,000
<b>Year-End Fund Balance</b>	73,900	92,200
<b>Private Fund (HIA9447/A.R.S. § 41-821)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> For operating expenses.		
<b>Funds Expended</b>	185,800	651,400
<b>Year-End Fund Balance</b>	3,294,700	3,051,800
<b>Trust Fund (HIA9450/A.R.S. § 41-821)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> For operating expenses.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	147,500	147,900

## Prescott Historical Society of Arizona

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	578,900	638,900	638,900
Employee Related Expenditures	200,900	283,400	283,400
Other Operating Expenditures	69,000	93,800	93,800
<b>AGENCY TOTAL</b>	<b>848,800</b>	<b>1,016,100</b>	<b>1,016,100 <sup>1/</sup></b>

<b>FUND SOURCES</b>			
General Fund	848,800	1,016,100	1,016,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>848,800</b>	<b>1,016,100</b>	<b>1,016,100</b>
Other Non-Appropriated Funds	682,100	1,050,300	1,050,300
<b>TOTAL - ALL SOURCES</b>	<b>1,530,900</b>	<b>2,066,400</b>	<b>2,066,400</b>

**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

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

### Operating Budget

The Baseline includes \$1,016,100 and 13 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
<b>Funds Expended</b>	682,100	1,050,300
<b>Year-End Fund Balance</b>	16,300	30,700

## Arizona Department of Homeland Security

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	0.0	20.0	20.0 <sup>1/</sup>
<b>OPERATING SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>SPECIAL LINE ITEMS</b>			
Statewide Information Security and Privacy Operations and Controls	0	11,930,300	10,739,800
Cybersecurity Software	0	2,000,000	0
Statewide Cybersecurity Grants	0	10,000,000	10,000,000 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>0</b>	<b>23,930,300</b>	<b>20,739,800 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	0	12,000,000	10,000,000
<u>Other Appropriated Funds</u>			
Information Technology Fund	0	11,930,300	10,739,800
SUBTOTAL - Other Appropriated Funds	0	11,930,300	10,739,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>0</b>	<b>23,930,300</b>	<b>20,739,800</b>
Federal Funds	25,146,900	26,474,600	26,474,600
<b>TOTAL - ALL SOURCES</b>	<b>25,146,900</b>	<b>50,404,900</b>	<b>47,214,400</b>

**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. In FY 2023, the department took responsibility of Statewide Information Security and Privacy Operations and Controls.

### FOOTNOTES

- 1/ Includes 20 OF FTE Positions funded from Special Line Items in FY 2024.
- 2/ Of the amount appropriated for statewide cybersecurity grants, the Arizona department of homeland security may spend up to \$310,000 for grant administration. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum with Special Line Items by Agency.

#### **Statewide Information Security and Privacy Operations and Controls**

The Baseline includes \$10,793,800 and 20 FTE Positions from the Information Technology (IT) Fund in FY 2024 for Statewide Information Security and Privacy Operations and Controls. Adjustments are as follows:

##### **Eliminate One-Time Funding**

The Baseline includes a decrease of \$(1,190,500) from the IT Fund in FY 2024 to remove one-time additional cyber security resources for state employee teleworking.

The Statewide Information Security and Privacy Office (SISPO) in the department performs strategic planning, policy development, risk assessment, facilitation, and coordination to protect the state's information resources.

The IT Fund receives revenue from a 0.61% pro-rata charge on agency payroll.

#### **Cybersecurity Software**

The Baseline includes no funding in FY 2024 for Cybersecurity Software. Adjustments are as follows:

##### **Eliminate One-Time Funding**

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2024 to remove one-time cybersecurity software.

Pursuant to a FY 2023 budget footnote, the department shall procure through a competitive process security software that detects security threats by using at least 2 specified testing mechanisms.

**Statewide Cybersecurity Grants**

The Baseline includes \$10,000,000 from the General Fund in FY 2024 for statewide cybersecurity grants. This amount is unchanged from FY 2023.

The line item funds a grant program to provide local political subdivisions with resources for cybersecurity readiness and tools. A budget footnote allows the department to use up to \$310,000 of the appropriation to administer the grant program.

**Other Issues**

**Agency Background**

Prior to FY 2023, the Arizona Department of Homeland Security existed but did not have an appropriated operating budget and department's only funding sources consisted of non-appropriated monies to distribute as grants to state agencies and local governments. Laws 2022, Chapter 50 transfers the state's Information Security and Privacy Office from the Arizona Department of Administration (ADOA) to the department.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Federal Funds (HLA2000/A.R.S. § 41-4254)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Grants received from the U.S. Department of Homeland Security.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	25,146,900	26,474,600
<b>Year-End Fund Balance</b>	200	200
<b>Information Technology Fund (HLA2152/A.R.S. § 18-401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A pro rata share of 0.61% 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).		
<b>Purpose of Fund:</b> Monies from the Information Technology (IT) Fund support the operation of the Statewide Information Security and Privacy Office (SISPO). Monies also provide personnel funding for statewide IT planning, coordinating, oversight, and consulting at the Arizona Department of Administration.		
<b>Funds Expended</b>	0	11,930,300
<b>Year-End Fund Balance</b>	0	0

**Board of Homeopathic and Integrated Medicine Examiners**

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	20,100	24,900	24,900
Employee Related Expenditures	9,200	10,000	10,000
Other Operating Expenditures	16,900	17,000	17,000
<b>AGENCY TOTAL</b>	<b>46,200</b>	<b>51,900</b>	<b>51,900<sup>1/</sup></b>

**FUND SOURCES**

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	46,200	51,900	51,900
SUBTOTAL - Other Appropriated Funds	46,200	51,900	51,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>46,200</b>	<b>51,900</b>	<b>51,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>46,200</b>	<b>51,900</b>	<b>51,900</b>

**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**

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

**Operating Budget**

The Baseline includes \$51,900 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate homeopaths, and for board administration.		
<b>Funds Expended</b>	46,200	51,900
<b>Year-End Fund Balance</b>	55,200	47,300



## Arizona Department of Housing

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	202,200	233,100	233,100
Employee Related Expenditures	79,000	86,300	86,300
Professional and Outside Services	0	1,700	1,700
Travel - In State	2,600	7,900	7,900
Other Operating Expenditures	33,100	37,900	37,900
Equipment	5,800	500	500
<b>OPERATING SUBTOTAL</b>	<b>322,700</b>	<b>367,400</b>	<b>367,400</b>
<b>SPECIAL LINE ITEMS</b>			
Homeless Services Grant Pilot	0	10,000,000	0
Housing Trust Fund Deposit	0	60,000,000	0
<b>AGENCY TOTAL</b>	<b>322,700</b>	<b>70,367,400</b>	<b>367,400 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	0	70,000,000	0
<u>Other Appropriated Funds</u>			
Housing Trust Fund	322,700	367,400	367,400
SUBTOTAL - Other Appropriated Funds	322,700	367,400	367,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>322,700</b>	<b>70,367,400</b>	<b>367,400</b>
Other Non-Appropriated Funds	30,711,200	35,898,200	35,898,200
Federal Funds	150,080,700	228,771,600	154,172,200
<b>TOTAL - ALL SOURCES</b>	<b>181,114,600</b>	<b>335,037,200</b>	<b>190,437,800</b>

**AGENCY DESCRIPTION** — The department annually administers approximately \$180 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

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

#### Operating Budget

The Baseline includes \$367,400 and 3 FTE Positions from the Housing Trust Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

#### Homeless Services Grant Pilot

The Baseline includes no funding in FY 2024 for a Homeless Services Grant Pilot. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2024 for the elimination of one-time funding for a homeless services grant pilot program.

An FY 2023 General Appropriation Act footnote required the appropriation be used to establish a grant program for cities, towns, and counties for programs designed to reduce homelessness. In addition to meeting specified program requirements, participating cities, towns, and counties must provide a dollar-for-dollar local match for each grant dollar received. Cities, towns and counties that have an established program meeting program requirements are given priority by the department.

### Housing Trust Fund Deposit

The Baseline includes no funding in FY 2024 for a Housing Trust Fund deposit. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(60,000,000) from the General Fund in FY 2024 for the elimination of a one-time deposit into the Housing Trust Fund.

An FY 2023 General Appropriation Act footnote required that these monies be distributed in the form of grants, not loans, to cities, towns, and counties in Arizona, with set-aside allocations as follows:

- \$20,000,000 of the appropriation must be distributed to projects in counties other than Maricopa and Pima counties.
- \$4,000,000 of the appropriation must be distributed in the Navajo and Hopi tribal nations.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>CDBG-CV CARES Act Fund (HDA2976/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Monies received by the state from the Federal COVID-19 response legislation for the Community Development Block Grant program.		
<b>Purpose of Fund:</b> To provide housing, permanent jobs, public services, or new or improved infrastructure to prevent, prepare for and respond to the COVID-19 pandemic.		
<b>Funds Expended</b>	17,525,500	0
<b>Year-End Fund Balance</b>	3,100	3,100
<b>Consumer Recovery Fund (HDA3090/A.R.S. § 41-4041)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	709,900	758,500
<b>Coronavirus State and Local Fiscal Recovery Fund (HDA2985/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Monies received by the state from the Federal COVID-19 response legislation for the State and Local Fiscal Recovery program.		
<b>Purpose of Fund:</b> Provides funding to respond to the pandemic and its negative economic impacts, provide premium pay to workers performing essential work, restore cuts in public services caused by pandemic-induced revenue losses and avoid additional cuts, and invest in water, sewer, or broadband infrastructure.		
<b>Funds Expended</b>	15,400,600	74,599,400
<b>Year-End Fund Balance</b>	7,349,400	0
<b>Crisis Contingency and Safety Net Fund (HDA3240/A.R.S. § 41-110)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, public or private gifts, grants and donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>DPS-FBI Fingerprint Fund (HDA2159/A.R.S. § 41-1750)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenues include fees collected from fingerprint clearance cards.		
<b>Purpose of Fund:</b> Revenues are transferred to the Department of Public Safety (DPS) to process fingerprint clearance cards.		
<b>Funds Expended</b>	6,300	6,300
<b>Year-End Fund Balance</b>	2,500	3,200

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Federal Funds (HDA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal Funds for affordable housing programs.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes authorizing the federal grants.		
<b>Funds Expended</b>	89,061,900	88,800,400
<b>Year-End Fund Balance</b>	2,944,800	2,733,900
<b>Federal Grant - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,228,900	1,356,500
<b>Home ARPA Fund (HDA8610/A.R.S. § 41-3955)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Monies received by the state from the Federal HOME-American Recover Plan Act (HOME-ARP).		
<b>Purpose of Fund:</b> To assist in providing supportive services, non-congregate shelter, rental housing, nonprofit operating an capacity building assistance, and planning and administration.		
<b>Funds Expended</b>	1,000	1,000
<b>Year-End Fund Balance</b>	500	1,000
<b>Home Investment Partnership Act Fund (HDA1410/A.R.S § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Monies received by the state from the U.S. Department of Housing and Urban development (HUD).		
<b>Purpose of Fund:</b> Provide decent affordable housing to lower income households, expand the capacity of nonprofit housing providers, strengthen the ability of state and local governments to provide housing, leverage private sector participation.		
<b>Funds Expended</b>	2,292,500	3,060,700
<b>Year-End Fund Balance</b>	10,482,000	12,344,100
<b>Homeowner's Assistance Fund (HDA2986/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal Funds appropriated in the American Rescue Plan Act		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	25,680,200	62,190,300
<b>Year-End Fund Balance</b>	171,304,100	109,113,800
<b>Housing Choice Voucher Emergency Housing Fund (HDA3202/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal Funds for housing assistance		
<b>Purpose of Fund:</b> To provide rental assistance to individuals and families who are experiencing homelessness or are at risk of experiencing homelessness.		
<b>Funds Expended</b>	14,400	15,200
<b>Year-End Fund Balance</b>	218,300	336,900
<b>Housing Program Fund (HDA2200/A.R.S. § 41-3957)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay the costs of administering the programs from which the deposits are received and for other department programs.		
<b>Funds Expended</b>	7,824,600	10,608,200
<b>Year-End Fund Balance</b>	26,951,500	30,859,800

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Housing Stability Counseling Fund (HDA9919/A.R.S § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Monies received by the state from the Federal American Rescue Plan.		
<b>Purpose of Fund:</b> To support housing counseling for households facing housing instability, such as eviction, default, foreclosure loss of income or homelessness.		
<b>Funds Expended</b>	104,600	104,600
<b>Year-End Fund Balance</b>	55,300	110,600
<b>Housing Trust Fund (HDA2235/A.R.S. § 41-3955)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	322,700	367,400
<b>Year-End Fund Balance</b>	39,116,800	30,486,500
<b>Housing Trust Fund (HDA2235/A.R.S. § 41-3955)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	17,562,600	20,566,200
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (HDA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements to the department from the Arizona Department of Economic Security for the administration of the Federal Low-Income Housing Energy Assistance Program (LIHEAP).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,280,800	4,677,000
<b>Year-End Fund Balance</b>	0	0
<b>Manufactured Housing Cash Bond Fund (HDA3722/A.R.S. § 41-4029)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	667,700	667,700
<b>Military Transitional Housing Fund (HDA9999/A.R.S. § 41-3955.02)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies.		
<b>Purpose of Fund:</b> To provide transitional housing opportunities for military members separating from the military in newly constructed housing facilities. The department may not use more than 10% of fund monies to administer the fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Mobile Home Relocation Fund (HDA2237/A.R.S. § 33-1476.02)</b>		<b>Non-Appropriated</b>
<p><b>Source of Revenue:</b> 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><b>Purpose of Fund:</b> 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>		
<b>Funds Expended</b>	36,900	40,500
<b>Year-End Fund Balance</b>	7,666,400	7,666,000

## Independent Redistricting Commission

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6.0	0.0	6.0
Personal Services	504,000	0	0
Employee Related Expenditures	144,000	0	0
Professional and Outside Services	4,367,100	0	0
Travel - In State	21,000	0	0
Travel - Out of State	100	0	0
Other Operating Expenditures	859,200	0	0
Equipment	23,000	0	0
<b>AGENCY TOTAL</b>	<b>5,918,400</b>	<b>0</b>	<b>1,500,000 <sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	5,918,400	0	1,500,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,918,400</b>	<b>0</b>	<b>1,500,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>5,918,400</b>	<b>0</b>	<b>1,500,000</b>

**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

- <sup>1/</sup> 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)
- <sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$1,500,000 from the General Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Operating Expenses

The Baseline includes an increase of \$1,500,000 from the General Fund in FY 2024 for redistricting cycle funding.

The commission 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 the prior 2020 cycle funding and the FY 2023 Appropriations Report for the 2010 cycle).

The 3-year spending plan of the FY 2023 budget included no new funding for IRC in FY 2023 given the non-lapsing nature of the FY 2022 appropriation. The 3-year spending plan also added back \$1,500,000 in FY 2024 for any additional expenses that IRC may incur.

<u>Fiscal Year</u>	<u>Appropriation</u>
FY 2021 (Laws 2020, Ch. 58)	\$ 500,000
FY 2022 (Laws 2021, Ch. 408)	<u>7,900,000</u>
<b>Subtotal</b>	<b>\$8,400,000</b>

## Industrial Commission of Arizona

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	236.6	236.6	236.6 <sup>1/</sup>
Personal Services	9,194,900	10,900,800	10,900,800
Employee Related Expenditures	3,433,600	3,883,300	3,883,300
Professional and Outside Services	1,273,500	1,516,100	1,516,100
Travel - In State	106,600	113,900	113,900
Travel - Out of State	9,500	40,800	40,800
Other Operating Expenditures	4,029,500	5,302,900	5,302,900
Equipment	200,300	218,900	218,900
<b>OPERATING SUBTOTAL</b>	<b>18,247,900</b>	<b>21,976,700</b>	<b>21,976,700</b>
<b>SPECIAL LINE ITEMS</b>			
Municipal Firefighter Reimbursement Administration	95,000	84,600	84,600 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>18,342,900</b>	<b>22,061,300</b>	<b>22,061,300 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	95,000	84,600	84,600
<u>Other Appropriated Funds</u>			
Administrative Fund	18,247,900	21,976,700	21,976,700
SUBTOTAL - Other Appropriated Funds	18,247,900	21,976,700	21,976,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>18,342,900</b>	<b>22,061,300</b>	<b>22,061,300</b>
Other Non-Appropriated Funds	16,413,300	21,418,500	21,418,500
Federal Funds	2,995,500	3,501,500	3,501,500
<b>TOTAL - ALL SOURCES</b>	<b>37,751,700</b>	<b>46,981,300</b>	<b>46,981,300</b>

**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 2024.
- 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 \$21,976,700 and 235.6 FTE Positions from the Administrative Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

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.

#### Municipal Firefighter Reimbursement Administration

The Baseline includes \$84,600 and 1 FTE Position from the General Fund in FY 2024 for the Municipal Firefighter Reimbursement Administration line item. These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Administrative Fund (ICA2177/A.R.S. § 23-1081)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Annual tax on workers' compensation premiums that cannot exceed 3%.		
<b>Purpose of Fund:</b> For all expenses of the Industrial Commission in carrying out its powers and duties.		
<b>Funds Expended</b>	18,247,900	21,976,700
<b>Year-End Fund Balance</b>	5,553,200	3,165,400
<b>Federal Grants (ICA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,995,500	3,501,500
<b>Year-End Fund Balance</b>	92,300	654,800
<b>Municipal Firefighters Cancer Reimbursement Fund (ICA2182/A.R.S § 23-1702)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees collected from cities and towns that receive state shared revenues. Total fees collected may not exceed \$15,000,000		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	5,000,000
<b>Year-End Fund Balance</b>	15,053,200	25,128,200
<b>Proposition 206 Fair Wages and Healthy Families Fund (ICA2185/A.R.S § 23-364)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees levied against violators of minimum wage and paid sick leave.		
<b>Purpose of Fund:</b> To enforce minimum wage and paid sick leave requirements.		
<b>Funds Expended</b>	0	15,000
<b>Year-End Fund Balance</b>	9,600	9,600
<b>Revolving Fund (ICA2002/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	61,700	177,500
<b>Year-End Fund Balance</b>	283,500	283,500
<b>Special Fund (ICA2180/A.R.S. § 23-1065)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	16,351,600	16,226,000
<b>Year-End Fund Balance</b>	632,700	1,149,000



## Department of Insurance and Financial Institutions

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	151.4	152.4	152.4 <sup>1/</sup>
Personal Services	6,211,600	6,881,100	6,881,100
Employee Related Expenditures	2,326,500	2,681,900	2,681,900
Professional and Outside Services	233,400	224,900	224,900
Travel - In State	2,600	3,600	3,600
Travel - Out of State	12,900	19,200	19,200
Other Operating Expenditures	1,478,500	1,476,100	1,476,100
Equipment	333,300	396,700	396,700
<b>OPERATING SUBTOTAL</b>	<b>10,598,800</b>	<b>11,683,500</b>	<b>11,683,500 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Information Technology Upgrades	0	700,000	0
Insurance Fraud Unit	1,460,100	1,851,400	1,851,400
Reimbursable Programs	0	50,000	50,000 <sup>3/</sup>
Local Grants	957,700	957,700	957,700 <sup>4/</sup>
Arizona Vehicle Theft Task Force	4,343,500	4,452,600	4,452,600 <sup>5/</sup>
ATA Operating Budget	24,800	699,400	699,400
<b>AGENCY TOTAL</b>	<b>17,384,900</b>	<b>20,394,600</b>	<b>19,694,600 <sup>6/7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	7,380,800	8,213,000	8,213,000
<u>Other Appropriated Funds</u>			
Automobile Theft Authority Fund	5,954,000	6,159,700	6,159,700
Financial Services Fund	3,999,800	5,971,600	5,271,600
Revolving Fund	50,300	50,300	50,300
SUBTOTAL - Other Appropriated Funds	10,004,100	12,181,600	11,481,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>17,384,900</b>	<b>20,394,600</b>	<b>19,694,600</b>
Other Non-Appropriated Funds	19,353,700	19,612,700	19,612,700
<b>TOTAL - ALL SOURCES</b>	<b>36,738,600</b>	<b>40,007,300</b>	<b>39,307,300</b>

**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

- <sup>1/</sup> Includes 9 GF and 6 OF FTE Positions from Special Line Items in FY 2024.
- <sup>2/</sup> Includes \$135,200 in expenditures for Mental Health Omnibus from non-lapsing appropriation authorized by Laws 2020, Chapter 4. The department reports spending \$157,300 for this purpose in each of FY 2023 and FY 2024.
- <sup>3/</sup> 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)
- <sup>4/</sup> 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 \$11,683,500 and 137.4 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$6,361,600
Financial Services Fund	5,271,600
Department Revolving Fund	50,300

These amounts are unchanged from FY 2023.

**Information Technology Upgrades**

The Baseline includes no funding in FY 2024 for the Information Technology Upgrades line item. Adjustments are as follows:

**Remove One-Time IT Upgrade Funding**

The Baseline includes a decrease of \$(700,000) from the Financial Services Fund in FY 2024 for removal of funding for upgrades to the department's Financial Institutions and Enterprises licensing IT system.

**Insurance Fraud Unit**

The Baseline includes \$1,851,400 and 9 FTE Positions from the General Fund in FY 2024 for the Insurance Fraud Unit. These amounts are unchanged from FY 2023.

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 2024 for Reimbursable Programs. This amount is unchanged from FY 2023.

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 \$957,700 from the ATA Fund in FY 2024 for Local Grants. This amount is unchanged from FY 2023.

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 \$4,452,600 from the ATA Fund in FY 2024 for the Arizona Vehicle Theft Task Force. This amount is unchanged from FY 2023.

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 \$699,400 and 6 FTE Positions from the ATA Fund in FY 2024 for the Automobile Theft Authority Operating Budget. These amounts are unchanged from FY 2023.

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 2022 Actual	FY 2023 Estimate
<b>Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 an other account, which includes all other types of property and casualty insurance other than automobile and workers' compensation.		
<b>Funds Expended</b>	10,143,500	10,143,500
<b>Year-End Fund Balance</b>	210,515,000	210,515,000
<b>Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	94,200	94,200
<b>Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,954,000	6,159,700
<b>Year-End Fund Balance</b>	8,829,300	9,876,700
<b>Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	575,800	640,400
<b>Year-End Fund Balance</b>	470,700	687,300
<b>Federal Funds (IDA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Monies from federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	118,800	146,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Financial Services Fund (BDA1998/A.R.S. § 6-991.21)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Loan originator licensing and renewal fees. Similar fees are also deposited in the Mortgage Recovery Fund.		
<b>Purpose of Fund:</b> To supervise and regulate loan originators and to be used for the general operating expenses of the department.		
<b>Funds Expended</b>	3,999,800	5,971,600
<b>Year-End Fund Balance</b>	22,766,500	27,454,100
<b>Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	206,300	570,500
<b>Year-End Fund Balance</b>	438,400	400,000
<b>Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	181,500	195,900
<b>Year-End Fund Balance</b>	151,900	214,000
<b>IGA and ISA Fund (IDA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and intergovernmental agreements between state agencies and local governments.		
<b>Purpose of Fund:</b> To pay for promotional materials in collaboration with the Department of Public Safety Arizona Vehicle Theft Task Force relating to vehicle theft prevention.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	700	700
<b>Insurance Department Fingerprinting Fund (IDA2163/A.R.S. § 35-148)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged for fingerprint collection and identification processes.		
<b>Purpose of Fund:</b> To pay for fingerprint identification services and database management.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	94,200	102,800
<b>Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,634,500	2,277,600
<b>Year-End Fund Balance</b>	1,208,300	752,200
<b>Insurance Premium Tax Clearing Fund (IDA3727/A.R.S. § 20-224)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Insurance Premium Tax revenue collected from insurance companies, AHCCCS contractors, surplus lines brokers and industrial insured.		
<b>Purpose of Fund:</b> Used as a repository for insurance premium tax revenues that become ultimately transferred to the Department of Public Safety Personnel Retirement System per A.R.S. § 20-224.01 and to a municipality or fire district per A.R.S. §§ 20-224(B)(J) and 9-951.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	24,459,500	24,459,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,353,700	5,353,700
<b>Year-End Fund Balance</b>	20,508,000	20,508,000
<b>Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Licensing and renewal fees paid by licensed loan originators. Similar fees also are deposited in the Financial Services Fund.		
<b>Purpose of Fund:</b> To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
<b>Funds Expended</b>	11,800	12,700
<b>Year-End Fund Balance</b>	3,358,600	3,784,200
<b>Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	118,000	137,000
<b>Year-End Fund Balance</b>	449,700	475,400
<b>Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
<b>Purpose of Fund:</b> Provide funding for the administration of receiverships.		
<b>Funds Expended</b>	1,200	1,200
<b>Year-End Fund Balance</b>	882,900	881,700
<b>Revolving Fund (BDA2126/A.R.S. § 6-135)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	50,300	50,300
<b>Year-End Fund Balance</b>	273,000	170,300

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Revolving Fund (BDA2126/A.R.S. § 6-135)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	127,400	280,200
<b>Year-End Fund Balance</b>	273,000	170,300
<b>Settlement Fund (ATA1991/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenues from settlements issued by the courts.		
<b>Purpose of Fund:</b> To provide grants to law enforcement agencies for metal management training.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,400	1,400

## Judiciary - Supreme Court

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	187.0	202.0	202.0 <sup>1/</sup>
Personal Services	7,003,200	8,269,100	8,414,000
Employee Related Expenditures	2,732,700	4,547,500	4,666,100
Professional and Outside Services	240,600	213,100	213,100
Travel - In State	100,400	132,800	132,800
Travel - Out of State	20,500	39,300	39,300
Other Operating Expenditures	4,253,500	4,734,100	4,734,100
<b>OPERATING SUBTOTAL</b>	<b>14,350,900</b>	<b>17,935,900</b>	<b>18,199,400 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
State Aid	3,300,800	5,950,700	5,950,700
County Reimbursements	187,900	187,900	187,900 <sup>3/</sup>
Automation	15,361,200	24,768,700	22,595,700 <sup>4/5/</sup>
Arizona Trial and Digital Evidence Fund Deposit	0	1,620,000	1,620,000
State Foster Care Review Board	3,279,400	3,535,700	3,535,700
Court Appointed Special Advocate	3,810,800	5,033,100	5,033,100
Model Court	659,700	659,700	659,700
Domestic Relations	646,000	693,100	693,100
Judicial Nominations and Performance Review	532,100	614,000	614,000
Commission on Judicial Conduct	506,700	609,500	609,500
Courthouse Security	556,000	750,000	750,000
<b>AGENCY TOTAL</b>	<b>43,191,500</b>	<b>62,358,300</b>	<b>60,448,800 <sup>6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	22,161,300	29,047,400	27,320,900
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	333,200	546,500	546,500
Court Appointed Special Advocate Fund	3,886,100	5,416,000	5,233,000
Criminal Justice Enhancement Fund	2,898,200	4,722,800	4,722,800
Defensive Driving School Fund	2,436,400	4,487,700	4,487,700
Judicial Collection Enhancement Fund	9,808,800	15,191,400	15,191,400
State Aid to the Courts Fund	1,667,500	2,946,500	2,946,500
SUBTOTAL - Other Appropriated Funds	21,030,200	33,310,900	33,127,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>43,191,500</b>	<b>62,358,300</b>	<b>60,448,800</b>
Other Non-Appropriated Funds	26,071,600	31,240,900	31,240,900
<b>TOTAL - ALL SOURCES</b>	<b>69,263,100</b>	<b>93,599,200</b>	<b>91,689,700</b>

**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 36.8 OF FTE Positions funded from Special Line Items in FY 2024.
- 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, 2023, 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/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$18,199,400 and 108.7 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$14,053,100
Confidential Intermediary and Fiduciary Fund	546,500
Criminal Justice Enhancement Fund (CJEF)	7,700
Defensive Driving School Fund	898,400
Judicial Collection Enhancement Fund (JCEF)	2,693,700

Adjustments are as follows:

**Judicial Salary Increase**

The Baseline includes an increase of \$263,500 from the General Fund in FY 2024 for completed phase-in of judicial salary increases. The FY 2023 budget increased the Chief Justice salary from \$164,800 to \$212,000 and Associate Justice salary from \$159,650 to \$205,000 effective January 1, 2023.

The FY 2023 budget included the half-year funding for the salary increase. The 3-year spending plan annualized this amount in FY 2024 for the full-year implementation.

**State Aid**

The Baseline includes \$5,950,700 and 3.3 FTE Positions in FY 2024 for State Aid. These amounts consist of:

CJEF	3,004,200
State Aid to the Courts Fund	2,946,500

These amounts are unchanged from FY 2023.

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 2024 for County Reimbursements. This amount is unchanged from FY 2023.

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 2024.

**Automation**

The Baseline includes \$22,595,700 and 15 FTE Positions in FY 2024 for Automation. These amounts consist of:

General Fund	5,347,900
Court Appointed Special Advocate (CASA) Fund	199,900
CJEF	1,710,900
Defensive Driving School Fund	3,589,300
JCEF	11,747,700

Adjustments are as follows:

**Remove One-Time Tracking System Funding**

The Baseline includes a decrease of \$(183,000) from the CASA Fund in FY 2024 to remove one-time funding for start-up costs to upgrade the Dependent Children Automated Tracking System.

**Remove One-Time General Fund Increase**

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2024 to remove one-time funding that



addressed a shortfall in revenues that support the Automation line.

**Remove One-Time Digital Evidence Storage Funding**

The Baseline includes a decrease of \$(490,000) from the General Fund in FY 2024 to remove one-time funding for digital evidence storage.

**Remove One-Time Records Sealing Funding**

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2024 to remove one-time funding to implement a records sealing law. This amount was advance appropriated by Laws 2021, Chapter 432 to support automation changes needed for implementing that law.

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.

**Arizona Trial and Digital Evidence Fund Deposit**

The Baseline includes \$1,620,000 from the General Fund in FY 2024 for the Arizona Trial and Digital Evidence Fund Deposit. This amount is unchanged from FY 2023.

Monies in this line item are used for replacement and supplemental earnings for petit jurors in the Superior Court eligible after 1 day of jury service.

**State Foster Care Review Board**

The Baseline includes \$3,535,700 and 40 FTE Positions from the General Fund in FY 2024 for the State Foster Care Review Board. This amount is unchanged from FY 2023.

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 \$5,033,100 and 20.5 FTE Positions from the CASA Fund in FY 2024 for CASA. These amounts are unchanged from FY 2023.

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 2024 for Model Court. These amounts are unchanged from FY 2023.

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.

**Domestic Relations**

The Baseline includes \$693,100 and 4.9 FTE Positions from the General Fund in FY 2024 for Domestic Relations. These amounts are unchanged from FY 2023.

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 \$614,000 and 4.6 FTE Positions from the General Fund in FY 2024 for Judicial Nominations and Performance Review. These amounts are unchanged from FY 2023.

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 \$609,500 and 4 FTE Positions from the General Fund in FY 2024 for the Commission on Judicial Conduct. These amounts are unchanged from FY 2023.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

**Courthouse Security**

The Baseline includes \$750,000 from JCEF in FY 2024 for Courthouse Security. This amount is unchanged from FY 2023.

The Courthouse Security line item includes funding for training, assistance, and grants to courts to meet the minimum standards of courthouse security as adopted by the Supreme Court.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund consists of 0.32% of notary bond fees, 0.35% of fee collections on civil filings in the Superior Court, and 1.69% of civil filings in Justice of the Peace Courts in counties with populations greater than 500,000 people and 1.89% of civil filings in Justice of the Peace Courts in counties with populations less than 500,000 people.		
<b>Purpose of Fund:</b> To supplement local courts' funding for alternative dispute resolution programs.		
<b>Funds Expended</b>	204,900	544,200
<b>Year-End Fund Balance</b>	694,500	467,000
<b>Arizona Trial and Digital Evidence Fund (SPA2382/A.R.S. § 21-222)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
<b>Purpose of Fund:</b> To pay juror replacement and supplemental earnings after 1 day of service. 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.		
<b>Funds Expended</b>	231,700	2,431,300
<b>Year-End Fund Balance</b>	964,000	892,600
<b>Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees, costs and penalties relating to reporter certification.		
<b>Purpose of Fund:</b> For reporter certification.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	19,100	33,700
<b>Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	333,200	546,500
<b>Year-End Fund Balance</b>	947,700	751,300
<b>Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Revenues consist of 30% of the state lottery unclaimed prize monies.		
<b>Purpose of Fund:</b> For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
<b>Funds Expended</b>	3,886,100	5,416,000
<b>Year-End Fund Balance</b>	13,070,600	13,745,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 12.38% of CJEF monies allocated to the courts are used to reduce juvenile crime, 8.59% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 4.16% 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.		
<b>Funds Expended</b>	2,898,200	4,722,800
<b>Year-End Fund Balance</b>	2,409,900	1,495,100
<b>Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,436,400	4,487,700
<b>Year-End Fund Balance</b>	1,007,800	1,505,700
<b>Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	654,600	1,337,600
<b>Year-End Fund Balance</b>	0	0
<b>General Adjudication Personnel and Support Fund (SPA1098/A.R.S. § 12-117)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to the fund by the Legislature.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Grants and Special Revenue (SPA2084/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies provided from various sources, private and public, for specific programs and projects.		
<b>Purpose of Fund:</b> To expend grants as required by the contribution.		
<b>Funds Expended</b>	24,560,300	26,537,600
<b>Year-End Fund Balance</b>	17,359,100	15,083,900
<b>Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	9,808,800	15,191,400
<b>Year-End Fund Balance</b>	4,044,900	4,256,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Peace Officer Training Equipment Fund (SPA8888/A.R.S. § 41-1731)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund consists of a \$4 assessment on criminal and civil traffic violations and \$4 from the defensive driving school fee.		
<b>Purpose of Fund:</b> For the purchase of peace officer training equipment.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,780,600	1,780,600
<b>Public Defender Training Fund (SPA3013/A.R.S. § 12-117)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	420,100	390,200
<b>Year-End Fund Balance</b>	3,000	3,000
<b>Smart and Safe Arizona Fund (SPA1120/A.R.S. § 36-2856)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,667,500	2,946,500
<b>Year-End Fund Balance</b>	570,200	1,109,900
<b>State Court Fleet Operations and Replacement Fund (SPA3800/A.R.S. § 12-102.04)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Proceeds from sales of the Supreme Court's surplus motor vehicles, legislative appropriations, and revenues received from fees.		
<b>Purpose of Fund:</b> To make payments to ADOT to acquire vehicles and maintain the state court motor vehicle fleet.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Judiciary - Court of Appeals

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>PROGRAM BUDGET</b>			
Division I	11,497,300	15,052,100	16,186,100
Division II	5,080,300	7,471,100	8,312,300
<b>AGENCY TOTAL</b>	<b>16,577,600</b>	<b>22,523,200</b>	<b>24,498,400</b>
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	136.8	162.8	162.8 <sup>1/</sup>
Personal Services	10,642,000	12,024,200	13,778,600
Employee Related Expenditures	4,528,900	5,476,000	6,596,800
Professional and Outside Services	104,400	8,700	8,700
Travel - In State	159,300	171,200	171,200
Travel - Out of State	6,700	10,800	10,800
Other Operating Expenditures	1,072,400	4,832,300	3,932,300
Equipment	63,900	0	0
<b>AGENCY TOTAL</b>	<b>16,577,600</b>	<b>22,523,200</b>	<b>24,498,400 <sup>2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	16,577,600	22,523,200	24,498,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>16,577,600</b>	<b>22,523,200</b>	<b>24,498,400</b>
<b>TOTAL - ALL SOURCES</b>	<b>16,577,600</b>	<b>22,523,200</b>	<b>24,498,400</b>

**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

- <sup>1/</sup> Of the 162.8 FTE positions for fiscal year 2023-2024, 111.3 FTE positions are for division one and 51.5 FTE positions are for division two. (General Appropriation Act footnote)
- <sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

### Operating Budget

The Baseline includes \$24,498,400 and 162.8 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts include \$16,186,100 and 111.3 FTE Positions for Division I and \$8,312,300 and 51.5 FTE Positions for Division II. Adjustments are as follows:

#### Full-Year Funding for Additional Judges and Staff

The Baseline includes an increase of \$2,230,800 from the General Fund in FY 2024 for completed phase-in of 2 new 3-judge Court of Appeals panels and support staff. Of this amount, \$1,115,400 is for Division I and \$1,115,400 is for Division II.

The FY 2023 budget added the new panels effective January 1, 2023, and as a result included half-year funding for positions. The 3-year spending plan annualized this amount in FY 2024.

#### Judicial Salary Increase

The Baseline includes an increase of \$644,400 from the General Fund in FY 2024 for completed phase-in of judicial salary increases. Of this amount, \$468,600 is for judges in Division I and \$175,800 is for judges in Division II. The FY 2023 budget increased Court of Appeals judges' salaries from \$154,500 to \$190,000 beginning January 1, 2023.

The FY 2023 budget included half-year funding for the salary increase. The FY 2023 3-year spending plan

annualized this amount in FY 2024 for the full-year implementation.

**Remove One-Time Chamber Remodeling Funding**

The Baseline includes a decrease of \$(900,000) from the General Fund in FY 2024 to remove one-time funding for the remodeling of chambers to accommodate new judges and staff. Of this amount, \$(450,000) is for Division I and \$(450,000) is for Division II.

## Judiciary - Superior Court

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	238.5	238.5	238.5 <sup>1/2/</sup>
Personal Services	2,544,700	2,723,000	2,723,000
Employee Related Expenditures	832,600	895,200	895,200
Professional and Outside Services	52,400	73,700	73,700
Travel - In State	21,200	18,800	18,800
Travel - Out of State	6,700	10,600	10,600
Other Operating Expenditures	1,378,600	1,617,300	1,617,300
<b>OPERATING SUBTOTAL</b>	<b>4,836,200</b>	<b>5,338,600</b>	<b>5,338,600 <sup>3/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Centralized Service Payments	3,699,200	4,631,300	4,631,300 <sup>4/</sup>
Judges Compensation	23,430,400	25,641,800	27,913,900 <sup>5/</sup>
Adult Standard Probation	21,413,100	22,297,500	22,297,500 <sup>6/</sup>
Adult Intensive Probation	11,792,600	13,150,200	13,150,200 <sup>6/</sup>
Community Punishment	1,096,300	2,310,300	2,310,300 <sup>6/</sup>
Interstate Compact	503,300	513,700	513,700 <sup>6/</sup>
Drug Court	1,080,000	1,096,400	1,096,400
Juvenile Standard Probation	3,555,600	3,781,800	3,781,800 <sup>6/</sup>
Juvenile Intensive Probation	5,969,300	6,087,200	6,087,200 <sup>6/</sup>
Juvenile Treatment Services	20,697,900	20,803,000	20,803,000 <sup>6/7/</sup>
Juvenile Family Counseling	500,000	500,000	500,000
Juvenile Diversion Consequences	8,918,600	9,088,500	9,088,500 <sup>6/7/</sup>
Juvenile Crime Reduction	644,800	3,313,100	3,313,100 <sup>6/</sup>
Special Water Master	497,100	505,300	505,300
General Adjudication Personnel and Support Fund Deposit	1,618,400	2,000,000	2,000,000
Probation Incentive Payments	1,000,000	1,000,000	1,000,000 <sup>6/</sup>
Probation Officer Vehicles	0	0	0
Court-Ordered Removals	315,000	315,000	315,000
<b>AGENCY TOTAL</b>	<b>111,567,800</b>	<b>122,373,700</b>	<b>124,645,800 <sup>8/-11/</sup></b>
<b>FUND SOURCES</b>			
General Fund	105,627,300	110,359,700	112,631,800
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	1,479,800	5,494,400	5,494,400
Drug Treatment and Education Fund	500,200	504,200	504,200
Judicial Collection Enhancement Fund	3,960,500	6,015,400	6,015,400
SUBTOTAL - Other Appropriated Funds	5,940,500	12,014,000	12,014,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>111,567,800</b>	<b>122,373,700</b>	<b>124,645,800</b>
Other Non-Appropriated Funds	4,456,200	4,474,900	4,474,900
Federal Funds	667,800	1,002,300	1,002,300
<b>TOTAL - ALL SOURCES</b>	<b>116,691,800</b>	<b>127,850,900</b>	<b>130,123,000</b>

**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 183 GF FTE Positions funded from Special Line Items in FY 2024.
  - 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, 2023, 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 2022-2023 actual, fiscal year 2023-2024 estimated and fiscal year 2024-2025 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, 2023, the administrative office of the courts shall submit a report to the joint legislative budget committee on the county-approved salary adjustments provided to probation officers since the last report on November 1, 2022. 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 \$5,338,600 and 55.5 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$4,950,000
Criminal Justice Enhancement Fund (CJEF)	371,200
Drug Treatment and Education Fund	4,000
Judicial Collection Enhancement Fund (JCEF)	13,400

These amounts are unchanged from FY 2023.

*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 \$4,631,300 in FY 2024 for centralized service payments. This amount consists of:

General Fund	4,181,400
JCEF	449,900

These amounts are unchanged from FY 2023.

*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 \$27,913,900 and 180 FTE Positions from the General Fund in FY 2024 for Judges Compensation. Adjustments are as follows:

#### **Judicial Salary Increase**

The Baseline includes an increase of \$2,272,100 from the General Fund in FY 2024 for the second year of a 2-year phase-in of a pay increase for Superior Court judges. The FY 2023 General Appropriation Act increases the Superior Court judge salary from \$149,400 to \$164,700 on January 1, 2023 and to \$180,000 on January 1, 2024.

The FY 2023 3-year spending plan increases this appropriation by another \$1,136,000 in FY 2025 for full implementation.

*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.

*(Please see the Other Issues section for more information on probation funding.)*

### **Adult Standard Probation**

The Baseline includes \$22,297,500 in FY 2024 for Adult Standard Probation. This amount consists of:

General Fund	18,523,400
JCEF	3,774,100

These amounts are unchanged from FY 2023.

*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 \$13,150,200 in FY 2024 for Adult Intensive Probation. This amount consists of:

General Fund	11,615,000
JCEF	1,535,200

These amounts are unchanged from FY 2023.

*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 2024 for Community Punishment. This amount consists of:

CJEF	1,810,100
Drug Treatment and Education Fund	500,200

These amounts are unchanged from FY 2023.

*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 \$513,700 in FY 2024 for Interstate Compact. This amount consists of:

General Fund	420,900
JCEF	92,800

These amounts are unchanged from FY 2023.

*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 2022, AOC reported 157 active probationers under supervision under the Interstate Compact line item.

**Drug Court**

The Baseline includes \$1,096,400 from the General Fund in FY 2024 for Drug Court programs. This amount is unchanged from FY 2023.

*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 \$3,781,800 in FY 2024 for Juvenile Standard Probation. This amount consists of:

General Fund	3,631,800
JCEF	150,000

These amounts are unchanged from FY 2023.

*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 \$6,087,200 from the General Fund in FY 2024 for Juvenile Intensive Probation. This amount is unchanged from FY 2023.

*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 \$20,803,000 from the General Fund in FY 2024 for Juvenile Treatment Services. This amount is unchanged from FY 2023.

*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 2024 for Juvenile Family Counseling. This amount is unchanged from FY 2023.

*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 \$9,088,500 from the General Fund in FY 2024 for Juvenile Diversion Consequences. This amount is unchanged from FY 2023.

*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 3,857 juveniles diverted from formal court proceedings in FY 2021. Monies in this line item are distributed to all counties.

**Juvenile Crime Reduction**

The Baseline includes \$3,313,100 from CJEF in FY 2024 for Juvenile Crime Reduction. This amount is unchanged from FY 2023.

*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 \$505,300 and 3 FTE Positions from the General Fund in FY 2024 for the Special Water Master line item. These amounts are unchanged from FY 2023.

*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 2022, 732 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 2022 Actual	FY 2023 Estimated <sup>1/</sup>	FY 2024 Estimated <sup>1/</sup>
<b>Gila River</b>			
Beginning Balance	\$211,600	\$206,200	\$200,300
Revenues <sup>2/</sup>	417,100	423,600	423,600
Expenditures	<u>422,500</u>	<u>429,500</u>	<u>429,500</u>
Ending Balance	<b>\$206,200</b>	<b>\$200,300</b>	<b>\$194,400</b>
<b>Little Colorado River</b>			
Beginning Balance	\$154,200	\$183,000	\$ 212,200
Revenues <sup>2/</sup>	103,400	105,000	105,000
Expenditures	<u>74,600</u>	<u>75,800</u>	<u>75,800</u>
Ending Balance	<b>\$183,000</b>	<b>\$212,200</b>	<b>\$241,400</b>

<sup>1/</sup> As reported by the Administrative Office of the Courts and adjusted by the JLBC.  
<sup>2/</sup> 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 2024 for a General Adjudication Personnel and Support Fund Deposit. This amount is unchanged from FY 2023.

The courts and the Department of Water Resources may use the General Adjudication Personnel and Support Fund for water adjudication staff, equipment, and services.

**Probation Incentive Payments**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for probation incentive payments. This amount is unchanged from FY 2023.

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 in FY 2024 for probation officer vehicles. This amount is unchanged from FY 2023.

These monies cover the one-time purchase of new vehicles for state-funded probation officers. The FY 2022 budget included \$187,500 for this purpose. This funding was not expended in FY 2022 so the FY 2023 General Appropriation Act footnote made these monies non-lapsing until June 30, 2023.

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 2024 for Court-Ordered Removals. This amount is unchanged from FY 2023.

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**

**Long-Term Budget Impacts**

As part of the FY 2023 budget's 3-year spending plan, the Superior Court's General Fund appropriations are projected to increase by \$1,136,000 in FY 2025 above FY 2024 for the full annualized cost of the 2-year phased-in judicial salary increase.

*(Please see Judges Compensation line for further details).*

**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 increased by 2.0% from June 2021 to June 2022. The JLBC Staff estimates total FY 2023 and FY 2024 caseloads of 19,045 and 19,201 from all categories, respectively. This would represent growth of 1.3% in FY 2023 and 0.8% in FY 2024. *(Please see Table 2).*

**Table 2**

**End of Year Non-Maricopa Probation Caseloads <sup>1/</sup>**

<u>Probation Category</u>	<u>FY 2020 Actual</u>	<u>FY 2021 Actual</u>	<u>FY 2022 Actual</u>	<u>FY 2023 Estimate</u>	<u>FY 2024 Estimate</u>
Adult Standard <sup>2/</sup>	16,325	15,860	16,607	17,022	17,192
Adult Intensive	1,293	1,275	1,181	1,134	1,156
Juvenile Standard	1,386	1,020	821	722	694
Juvenile Intensive	303	264	186	167	159
<b>Total Caseload</b>	<b>19,307</b>	<b>18,419</b>	<b>18,795</b>	<b>19,045</b>	<b>19,201</b>

<sup>1/</sup> Numbers represent June probation caseloads. FY 2023 and FY 2024 represent JLBC Staff estimates.  
<sup>2/</sup> Does not include Interstate Compact participants.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Discretionary fines imposed by the courts on drug offenders.		
<b>Purpose of Fund:</b> To provide drug treatment services to adult probationers through the Community Punishment Program.		
<b>Funds Expended</b>	59,500	52,000
<b>Year-End Fund Balance</b>	279,400	281,600
<b>Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 12.38% of CJEF monies allocated to the courts are used to reduce juvenile crime, 8.59% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 4.16% 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.		
<b>Funds Expended</b>	1,479,800	5,494,400
<b>Year-End Fund Balance</b>	5,094,200	3,356,900
<b>Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 12.38% of CJEF monies allocated to the courts are used to reduce juvenile crime, 8.59% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 4.16% 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,094,200	3,356,900
<b>Drug and Gang Enforcement Fund (SPA2074/A.R.S. § 41-2402)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
<b>Purpose of Fund:</b> To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
<b>Funds Expended</b>	667,800	1,002,300
<b>Year-End Fund Balance</b>	332,300	330,100
<b>Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> The Community Punishment Program receives an annual appropriation from the fund. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	500,200	504,200
<b>Year-End Fund Balance</b>	4,206,600	3,727,300
<b>Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,516,500	3,800,500
<b>Year-End Fund Balance</b>	4,206,600	3,727,300

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Grants and Special Revenue (SPA2084/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies provided from various sources, private and public, for specific programs and projects.		
<b>Purpose of Fund:</b> To expend grants as required by the contribution.		
<b>Funds Expended</b>	880,200	622,400
<b>Year-End Fund Balance</b>	153,100	57,900
<b>Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,960,500	6,015,400
<b>Year-End Fund Balance</b>	1,831,200	2,401,700
<b>Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to Juvenile Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	15,498,100	12,073,300

## Department of Juvenile Corrections

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	738.5	738.5	738.5
Personal Services	20,367,700	27,033,400	27,033,400
Employee Related Expenditures	11,459,400	20,562,500	20,562,500
Professional and Outside Services	1,225,300	882,000	882,000
Travel - In State	256,000	297,000	297,000
Travel - Out of State	26,700	14,800	14,800
Other Operating Expenditures	5,854,300	4,820,300	4,820,300
Equipment	357,500	67,700	67,700
<b>AGENCY TOTAL</b>	<b>39,546,900</b>	<b>53,677,700</b>	<b>53,677,700 <sup>1/1</sup></b>
<b>FUND SOURCES</b>			
General Fund	28,188,600	38,607,700	38,607,700
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	522,400	538,500	538,500
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	1,778,200	4,125,400	4,125,400
State Education Fund for Committed Youth	606,800	1,955,200	1,955,200
SUBTOTAL - Other Appropriated Funds	11,358,300	15,070,000	15,070,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>39,546,900</b>	<b>53,677,700</b>	<b>53,677,700</b>
Other Non-Appropriated Funds	136,900	136,700	136,700
Federal Funds	3,192,300	882,100	882,100
<b>TOTAL - ALL SOURCES</b>	<b>42,876,100</b>	<b>54,696,500</b>	<b>54,696,500</b>

**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 \$53,677,700 and 738.5 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$38,607,700
Criminal Justice Enhancement Fund (CJEF)	538,500
Department of Juvenile Corrections Local Cost Sharing Fund	8,450,900

State Charitable, Penal and Reformatory Institutions Land Fund	4,125,400
State Education Fund for Committed Youth	1,955,200

These amounts are unchanged from FY 2023.

**Other Issues**

**Local Cost Sharing**

Under permanent law, Maricopa and Pima Counties are required to pay a total of \$8,450,900 into the DJC Local Cost Sharing Fund to defray a portion of the department's operating expenses. Maricopa County will contribute \$6,724,000 while Pima County will contribute \$1,726,900. These amounts are unchanged from FY 2023. (See the FY 2023 Appropriations Report for the history of this fund.)

**Population Counts**

Table 1 lists the DJC population by category since FY 2020. From FY 2020 to FY 2022, the housed population decreased from 223 to 144, or (35.4)% while the parole population has decreased from 116 to 115, or (0.9)%.

Through September of FY 2023, the housed population has increased from 144 to 147, or 2.1%. At the same time, the parole population decreased from 115 to 112, or (2.6)%.

Table 1

<b>DJC Census</b>				
	<u>FY 2020 Average Population</u>	<u>FY 2021 Average Population</u>	<u>FY 2022 Average Population</u>	<u>Population as of September 30, 2022</u>
<b>Housed Population</b>				
Adobe Mountain	223	182	144	147
<b>Parole Population</b>				
Parole	41	62	45	24
Interstate Compact (Inside Arizona) <sup>1/</sup>	75	68	70	88
Total Parole Population	116	130	115	112
<b>Total DJC Population</b>	<b>339</b>	<b>312</b>	<b>259</b>	<b>259</b>

<sup>1/</sup> 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 were no reported Arizona parolees outside of Arizona in FY 2022 or the first 3 months of FY 2023.

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>Coronavirus State and Local Fiscal Recovery Fund (DJA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,268,500	0
<b>Year-End Fund Balance</b>	282,800	282,800
<b>Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Receives 3.57% 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.		
<b>Purpose of Fund:</b> For treatment and rehabilitation of youth who have committed drug-related offenses.		
<b>Funds Expended</b>	522,400	538,500
<b>Year-End Fund Balance</b>	812,200	696,700



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Department of Juvenile Corrections Local Cost Sharing Fund (DJA3007/A.R.S. § 41-2833)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the operational costs of DJC.		
<b>Funds Expended</b>	8,450,900	8,450,900
<b>Year-End Fund Balance</b>	118,700	118,700
<b>DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,600	3,600
<b>Year-End Fund Balance</b>	97,200	150,400
<b>Employee Recognition Fund (DJA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
<b>Funds Expended</b>	3,400	1,300
<b>Year-End Fund Balance</b>	1,400	3,600
<b>Federal Funds (DJA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal Grants.		
<b>Purpose of Fund:</b> For the National School Breakfast and Lunch Program, Special Education, Career Technology Education, substance abuse, and other federal programs.		
<b>Funds Expended</b>	923,800	882,100
<b>Year-End Fund Balance</b>	8,500	8,500
<b>Indirect Cost Recovery Fund (DJA9000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	206,600	206,600
<b>Instructional Improvement Fund (DJA2492/A.R.S. § 15-979)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.)		
<b>Purpose of Fund:</b> To fund teacher compensation increases, class size reduction, dropout prevention, and instructional improvement.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
<b>Purpose of Fund:</b> For additional supplies and department conferences, for purposes agreed upon by donors and the agency Director, or for special student activities.		
<b>Funds Expended</b>	9,400	9,100
<b>Year-End Fund Balance</b>	24,600	15,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To help defray costs of operating juvenile correctional facilities.		
<b>Funds Expended</b>	1,778,200	4,125,400
<b>Year-End Fund Balance</b>	5,377,100	4,663,600
<b>State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
<b>Purpose of Fund:</b> To help provide for the education of committed youth.		
<b>Funds Expended</b>	606,800	1,955,200
<b>Year-End Fund Balance</b>	502,800	(564,700)
<b>State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	118,900	121,900
<b>Year-End Fund Balance</b>	490,000	569,800
<b>Statewide Donations Fund (DJA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> Employee recognition programs or for the specified purpose for which they were donated.		
<b>Funds Expended</b>	1,600	800
<b>Year-End Fund Balance</b>	200	100

## State Land Department

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	129.7	131.7	131.7
Personal Services	6,282,800	7,010,900	7,010,900
Employee Related Expenditures	2,385,900	2,804,300	2,804,300
Professional and Outside Services	2,351,700	5,046,800	3,546,800
Travel - In State	153,700	160,000	160,000
Travel - Out of State	4,600	5,000	5,000
Other Operating Expenditures	4,260,800	3,591,700	3,591,700
Equipment	508,600	260,000	260,000
<b>OPERATING SUBTOTAL</b>	<b>15,948,100</b>	<b>18,878,700</b>	<b>17,378,700</b>
<b>SPECIAL LINE ITEMS</b>			
CAP User Fees	1,603,800	1,700,000	1,700,000 <sup>1/</sup>
Due Diligence Fund Deposit	1,181,200	1,500,000	0
Due Diligence Program	4,000	5,000,000	5,000,000
Fire Suppression	800,000	0	0
Natural Resource Conservation Districts	566,900	650,000	650,000 <sup>2/</sup>
Streambed Navigability Litigation	0	220,000	220,000
<b>AGENCY TOTAL</b>	<b>20,104,000</b>	<b>27,948,700</b>	<b>24,948,700 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	14,040,800	14,659,300	13,159,300
<u>Other Appropriated Funds</u>			
Due Diligence Fund	4,000	5,000,000	5,000,000
Environmental Special Plate Fund	177,500	260,600	260,600
Trust Land Management Fund	5,881,700	8,028,800	6,528,800
SUBTOTAL - Other Appropriated Funds	6,063,200	13,289,400	11,789,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>20,104,000</b>	<b>27,948,700</b>	<b>24,948,700</b>
Other Non-Appropriated Funds	651,100	802,900	802,900
<b>TOTAL - ALL SOURCES</b>	<b>20,755,100</b>	<b>28,751,600</b>	<b>25,751,600</b>

**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

- <sup>1/</sup> The appropriation includes \$1,700,000 for CAP user fees in fiscal year 2023-2024. For fiscal year 2023-2024, from municipalities that assume their allocation of central Arizona project water for every dollar received as reimbursement to this 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)
- <sup>2/</sup> Of the amount appropriated for natural resource conservation districts in fiscal year 2023-2024, \$30,000 shall be used to provide grants to natural resource conservation districts environmental education centers. (General Appropriation Act footnote)
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### Operating Budget

The Baseline includes \$17,378,700 and 131.7 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<u>FY 2024</u>
General Fund	\$10,849,900
Trust Land Management Fund	6,528,800

Adjustments are as follows:

#### **Remove One-Time Digitize Paper Flow Funding**

The Baseline includes a decrease of \$(1,500,000) from the Trust Land Management Fund in FY 2024 to remove one-time funding for digitization processes including workflows for billing and completing the migration of business applications to a new digital data system.

### CAP User Fees

The Baseline includes \$1,700,000 from the General Fund in FY 2024 for Central Arizona Project (CAP) User Fees. This amount is unchanged from FY 2023.

This funding level is based on the provisional FY 2024 rate of \$53 per acre-foot on 32,076 acre-feet of water that the department expects to be billed for "capital charges" in FY 2024.

The Central Arizona Project board determines a final rate for the upcoming year and a provisional rate for the following year in June. On June 2, 2022, the CAP Board set the final rate for FY 2023 at \$53 and the provisional rate for FY 2024 at \$53. Therefore, the Baseline has no change in funding for this issue in FY 2024. If the final rate is known at the time the budget is enacted, this line item will be adjusted to reflect the final rate for FY 2024

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 no funding in FY 2024 for the Due Diligence Fund Deposit line item. Adjustments are as follows:

#### **Remove One-Time Due Diligence Fund Deposit**

The Baseline includes a decrease of \$(1,500,000) from the General Fund in FY 2024 to remove a one-time Due Diligence Fund deposit. The FY 2022 budget's 3-year spending plan included a \$1,500,000 deposit from the General Fund into the Due Diligence Fund in FY 2022 and FY 2023 but no deposit in FY 2024.

### Due Diligence Program

The Baseline includes \$5,000,000 from the Due Diligence Fund in FY 2024 to fund this line item. This amount is unchanged from FY 2023.

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.

### Natural Resource Conservation Districts

The Baseline includes \$650,000 in FY 2024 for Natural Resource Conservation Districts (NRCDS). This amount consists of:

General Fund	389,400
Environmental Special Plate Fund	260,600

These amounts are unchanged from FY 2023.

This line item funds natural resource research, activities, and staff at the state's 30 NRCDS. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 37-1014 requires the department to include in its budget request up to \$40,000 for each NRCDS and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote continues to require that \$30,000 of the total appropriation for NRCDS be used to provide grants to NRCDS environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by 30 NRCDS. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015.

### ***Streambed Navigability Litigation***

The Baseline includes \$220,000 from the General Fund in FY 2024 for Streambed Navigability Litigation. This amount is unchanged from FY 2023.

Pursuant to A.R.S. § 37-1123 and A.R.S. § 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.

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### ***Other Issues***

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### ***Proposition 123***

As approved by voters at the May 2016 election, Proposition 123 implements the October 2015 Special Session legislation (Laws 2015, 1<sup>st</sup> 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 \$237,569,400 in incremental land trust funds to K-12 schools in FY 2022 and \$256,632,600 in FY 2023. The 4.4% incremental funding increase will provide \$269,661,700 in incremental funds in FY 2024. *(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> <sup>1/</sup>	<u>FY 2023 Ending Balance</u>	<u>FY 2024 Total Revenue</u> <sup>2/</sup>	<u>FY 2024 Baseline</u>
<b>Universities</b> <sup>3/</sup>				
Military Institute	\$ 83,800		\$ 94,200	
Normal Schools ASU/NAU	296,600		620,000	
A & M Colleges	445,100		1,940,100	
School of Mines	499,800		1,279,600	
University Fund	2,175,400		2,828,100	
U of A Land - 1881	<u>1,659,400</u>		<u>8,991,200</u>	
<b>Subtotal</b>	<b>\$ 5,160,100</b>		<b>\$15,753,200</b>	
<b>Schools for the Deaf and the Blind</b> <sup>4/</sup>				
State Hospital	\$ 424,400		\$ 936,500	
State Hospital	\$ 701,000	\$ 2,543,700	\$ 1,949,400	\$ 650,000
Legislative, Executive, & Judicial Buildings <sup>5/</sup>	\$ 386,300	\$ 4,588,500	\$ 937,500	\$ 0
<b>Corrections</b>				
Penitentiaries	\$ 1,382,600	\$ 6,598,300	\$ 3,520,400	\$ 2,777,600
State Charitable (25%)	<u>1,452,500</u>	<u>5,376,100</u>	<u>3,719,400</u>	<u>2,665,100</u>
<b>Subtotal</b>	<b>\$ 2,835,100</b>	<b>\$ 11,974,400</b>	<b>\$ 7,239,800</b>	<b>\$ 5,442,700</b>
<b>Pioneers' Home</b>				
Miners' Hospital	\$ 1,981,400	\$ 13,629,100	\$ 4,518,700	\$ 2,318,600
State Charitable (50%)	<u>2,905,000</u>	<u>16,597,300</u>	<u>7,438,700</u>	<u>5,992,700</u>
<b>Subtotal</b>	<b>\$ 4,886,400</b>	<b>\$ 30,226,400</b>	<b>\$11,957,400</b>	<b>\$ 8,311,300</b>
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 4,663,600	\$ 3,719,400	\$ 4,125,400
<b>Non-K-12 Beneficiaries Total</b>	<b>\$15,845,800</b>		<b>\$42,493,200</b>	

- <sup>1/</sup> 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.
- <sup>2/</sup> Includes both Treasurer's distributions and lease revenues. The Treasurer's distributions are known numbers based on the funding formula. Projected FY 2024 lease revenues reflect actual FY 2022 amounts.
- <sup>3/</sup> 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.)
- <sup>4/</sup> 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 2023 General Appropriation Act and FY 2024 Baseline allow monies in this fund to be expended in excess of the appropriated amount. As a result, FY 2023 ending balance and FY 2024 appropriation amounts are not included.
- <sup>5/</sup> 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 2022 Actual	FY 2023 Estimate
<b>CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements to the state for water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	9,900	9,900
<b>Due Diligence Fund (LDA2526/A.R.S. § 37-110)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,000	5,000,000
<b>Year-End Fund Balance</b>	1,310,100	(1,989,900)
<b>Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for environmental license plates.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	177,500	260,600
<b>Year-End Fund Balance</b>	77,900	(67,200)
<b>Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from lessees and interest.		
<b>Purpose of Fund:</b> To make payments for federal reclamation project assessments when state land lessees are delinquent.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	47,400	47,900
<b>IGA and ISA Fund (LDA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	24,000	24,000
<b>Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue comes from other agencies that use State Land Department services or products and is used for services or products provided by other agencies.		
<b>Purpose of Fund:</b> To pay for joint projects based upon interagency agreements with other state agencies.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	136,200	136,200

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
<b>Funds Expended</b>	185,500	146,800
<b>Year-End Fund Balance</b>	740,700	880,200
<b>Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receipts from the provision of Geographic Information Systems (GIS) products and services.		
<b>Purpose of Fund:</b> To offset the costs of GIS supplies and support.		
<b>Funds Expended</b>	71,600	106,100
<b>Year-End Fund Balance</b>	119,000	62,900
<b>Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the acquisition of wetland areas in the state.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	6,600	6,600
<b>State Land Department Fund (LDA2451/A.R.S. § 37-107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
<b>Purpose of Fund:</b> To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
<b>Funds Expended</b>	394,000	550,000
<b>Year-End Fund Balance</b>	21,873,700	21,843,700
<b>Trust Land Management Fund (LDA3146/A.R.S. § 37-527)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the management of the approximately 9 million acres of State Trust land throughout the state.		
<b>Funds Expended</b>	5,881,700	8,028,800
<b>Year-End Fund Balance</b>	41,331,700	42,902,900



## Legislature - Auditor General

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	200.8	224.8	224.8
Personal Services	13,845,500	17,478,000	17,314,000
Employee Related Expenditures	4,619,100	6,484,400	6,448,400
Professional and Outside Services	230,900	1,381,500	1,381,500
Travel - In State	36,300	112,800	112,800
Travel - Out of State	8,500	5,500	5,500
Other Operating Expenditures	1,222,100	1,144,400	1,144,400
Equipment	286,200	85,000	85,000
<b>OPERATING SUBTOTAL</b>	<b>20,248,600</b>	<b>26,691,600</b>	<b>26,491,600 <sup>1/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Adult Protective Services Audit	0	300,000	0
<b>AGENCY TOTAL</b>	<b>20,248,600</b>	<b>26,991,600</b>	<b>26,491,600 <sup>2/3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	20,248,600	26,991,600	26,491,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>20,248,600</b>	<b>26,991,600</b>	<b>26,491,600</b>
Other Non-Appropriated Funds	1,388,900	1,289,200	1,289,200
<b>TOTAL - ALL SOURCES</b>	<b>21,637,500</b>	<b>28,280,800</b>	<b>27,780,800</b>

**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

- <sup>1/</sup> Of the amount appropriated for the operating lump sum appropriation, the auditor general shall use \$3,300,000 for additional agency performance audits and school district audits. (General Appropriation Act footnote)
- <sup>2/</sup> 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)
- <sup>3/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$26,491,600 and 224.8 FTE Positions from the General Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Adjust One-Time Audit for K-12 Federal Funds Oversight

The Baseline includes a decrease of \$(200,000) from the General Fund in FY 2024 to adjust one-time funding for K-12 Federal Funds oversight of how district schools, charter schools, and the Arizona Department of Education spent federal Covid-19 monies.

The FY 2022 budget's 3-year spending plan included \$250,000 in FY 2022 and \$200,000 in FY 2023 from the General Fund for this oversight and included a footnote

requiring the Auditor General to issue reports by January 1, 2022 and January 1, 2023.

### Adult Protective Services Audit

The Baseline includes no funding in FY 2024 for an audit of the state's Adult Protective Services operations. Adjustments are as follows:

#### Remove Adult Protective Services Audit Funding

The Baseline includes a decrease of \$(300,000) from the General Fund in FY 2024 to remove one-time funding for an independent consultant to examine the current adult protective services operations and provide suggestions such as how the state might improve services.

Pursuant to a FY 2023 General Appropriation Act footnote, the consultant is to issue a report on or before October 1, 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)</b>		<b>Non-Appropriated</b>
<p><b>Source of Revenue:</b> 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><b>Purpose of Fund:</b> 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>		
<b>Funds Expended</b>	1,388,900	1,289,200
<b>Year-End Fund Balance</b>	2,190,500	2,211,600

## Legislature - House of Representatives

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	17,468,500	27,020,300	22,020,300
<b>AGENCY TOTAL</b>	<b>17,468,500</b>	<b>27,020,300</b>	<b>22,020,300</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	17,468,500	27,020,300	22,020,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>17,468,500</b>	<b>27,020,300</b>	<b>22,020,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>17,468,500</b>	<b>27,020,300</b>	<b>22,020,300</b>

**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 \$22,020,300 for fiscal year 2023-2024 is \$5,000 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 \$22,020,300 from the General Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Eliminate One-Time Funding

The Baseline includes a decrease of \$(5,000,000) in FY 2024 for the elimination of one-time funding.

**Legislature - Joint Legislative Budget Committee**

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,873,200	2,088,400	2,088,400
Employee Related Expenditures	561,900	828,000	828,000
Professional and Outside Services	105,000	125,000	125,000
Travel - In State	0	500	500
Travel - Out of State	1,200	0	0
Other Operating Expenditures	58,200	100,600	100,600
Equipment	100	2,000	2,000
<b>AGENCY TOTAL</b>	<b>2,599,600</b>	<b>3,144,500</b>	<b>3,144,500 <sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,599,600	3,144,500	3,144,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,599,600</b>	<b>3,144,500</b>	<b>3,144,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>2,599,600</b>	<b>3,144,500</b>	<b>3,144,500</b>

**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 \$3,144,500 and 29 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

## Legislature - Legislative Council

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	66.0	56.0	56.0
Personal Services	3,362,600	3,597,500	3,597,500
Employee Related Expenditures	1,156,600	1,412,700	1,412,700
Professional and Outside Services	46,400	1,110,000	1,110,000
Travel - In State	14,400	12,000	12,000
Travel - Out of State	0	6,500	6,500
Other Operating Expenditures	1,486,700	1,880,800	1,880,800
Equipment	962,400	1,527,000	1,527,000
<b>OPERATING SUBTOTAL</b>	<b>7,029,100</b>	<b>9,546,500</b>	<b>9,546,500</b> <sup>1/2/3</sup>
<b>SPECIAL LINE ITEMS</b>			
Ombudsman-Citizens Aide Office	1,001,900	0	0
<b>AGENCY TOTAL</b>	<b>8,031,000</b>	<b>9,546,500</b>	<b>9,546,500</b>
<b>FUND SOURCES</b>			
General Fund	8,031,000	9,546,500	9,546,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>8,031,000</b>	<b>9,546,500</b>	<b>9,546,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>8,031,000</b>	<b>9,546,500</b>	<b>9,546,500</b>

**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/ 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/ Dues for the council of state governments may be expended only on an affirmative vote of the legislative council. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$9,546,500 and 56 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

Prior to the FY 2023 budget, the Ombudsman-Citizens Aide received funding as a line item in the Legislative Council budget as shown in the FY 2022 Actual column in the table. The Legislature - Ombudsman Citizens Aide Office now receives an appropriation as an individual legislative agency.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Museum Gift Shop Revolving Fund (LCA4008/A.R.S. § 41-1307)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
<b>Purpose of Fund:</b> To provide for state-related inventory to be sold at the Capitol Museum Gift Shop. Laws 2022, Chapter 211 transferred the administration of this fund to Legislative Council.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	67,200

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>State Monument and Memorial Repair Fund (LCA2338/A.R.S. § 41-1365)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
<b>Purpose of Fund:</b> For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall. Laws 2022, Chapter 357 transferred the fund to Legislative Council.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	216,100

## Legislature - Ombudsman-Citizens Aide Office

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	0.0	12.0	12.0
Personal Services	0	992,500	992,500
Employee Related Expenditures	0	376,300	376,300
Professional and Outside Services	0	14,000	14,000
Travel - In State	0	400	400
Travel – Out of State	0	0	0
Other Operating Expenditures	0	96,000	96,000
Equipment	0	37,000	37,000
<b>AGENCY TOTAL</b>	<b>0</b>	<b>1,516,200</b>	<b>1,516,200</b> <sup>1/2/3/4/</sup>
<b>FUND SOURCES</b>			
General Fund	0	1,516,200	1,516,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>0</b>	<b>1,516,200</b>	<b>1,516,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>1,516,200</b>	<b>1,516,200</b>

**AGENCY DESCRIPTION** - The Ombudsman-Citizens Aide Office assists persons with a complaint about the actions of a state administrator, agency, department, board or commission. The office investigates, seeks resolution between the parties, and reports to the Legislature about such complaints. The office also has special charges to investigate Department of Child Safety actions as well as complaints about Empowerment Scholarship Accounts or the violation of public access laws.

### 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/ 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/ The operating budget includes \$137,500 and 1 FTE position to address complaints relating to the administration of the Arizona empowerment scholarship account program established by section 15-2402, Arizona Revised Statutes. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

### Operating Budget

The Baseline includes \$1,516,200 and 12 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

The FY 2023 budget appropriated monies to the Ombudsman-Citizens Aide as an individual legislative agency rather than as a single line item in the Legislative Council budget. The FY 2022 actuals are reported in the Legislative Council narrative.

## Legislature - Senate

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	13,612,300	23,385,300	18,385,300
<b>AGENCY TOTAL</b>	<b>13,612,300</b>	<b>23,385,300</b>	<b>18,385,300</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	13,612,300	23,385,300	18,385,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>13,612,300</b>	<b>23,385,300</b>	<b>18,385,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>13,612,300</b>	<b>23,385,300</b>	<b>18,385,300</b>

**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 \$18,385,300 for fiscal year 2023-2024 is \$5,000 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 \$18,385,300 from the General Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Eliminate One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2024 for the elimination of one-time funding.



## Department of Liquor Licenses and Control

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	51.2	51.2	58.2
Personal Services	1,553,400	2,794,900	2,794,900
Employee Related Expenditures	1,110,700	2,010,500	2,010,500
Professional and Outside Services	206,200	396,800	396,800
Travel - In State	105,800	67,400	67,400
Travel - Out of State	400	4,600	4,600
Other Operating Expenditures	1,266,000	1,418,300	1,238,400
Equipment	16,800	420,000	0
<b>AGENCY TOTAL</b>	<b>4,259,300</b>	<b>7,112,500</b>	<b>6,512,600 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	4,259,300	7,112,500	6,512,600
SUBTOTAL - Other Appropriated Funds	4,259,300	7,112,500	6,512,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,259,300</b>	<b>7,112,500</b>	<b>6,512,600</b>
Other Non-Appropriated Funds	835,500	1,234,000	1,234,000
Federal Funds	345,800	0	0
<b>TOTAL - ALL SOURCES</b>	<b>5,440,600</b>	<b>8,346,500</b>	<b>7,746,600</b>

**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 \$6,512,600 and 58.2 FTE Positions from the Liquor Licenses Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(599,900) from the Liquor Licenses Fund in FY 2024 for removal of one-time funding. Of this amount, \$294,000 was for new vehicle purchases, \$159,600 was for equipment for new investigators, \$126,000 was for radios, and \$20,300 was for IT improvements.

#### Add Investigator FTE Positions

The Baseline includes an increase of 7 FTE Positions from the Liquor Licenses Fund in FY 2024 to hire new Liquor License Investigators. Laws 2022, Chapter 313 funded these positions, but did not include additional FTE authority.

### Other Issues

#### Auditor General Report

In July 2022, the Auditor General published a sunset review for the Department of Liquor Licenses and Control's cash handling, implementation of to-go cocktail licensing, and other general agency functions. The Auditor General made the following key recommendations:

- The department should change its cash handling policy to align with the State of Arizona Accounting Manual guidelines.
- The department should establish requirements for registering alcohol delivery contractors and analyze the potential costs of funding and staffing the to-go cocktails program.
- The department should develop and implement a process to regularly review and revise the fees it collects.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
<i>Purpose of Fund:</i> To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	0	0
Year-End Fund Balance	100	100
<b>Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A \$30 surcharge on liquor licenses for bars, retail stores, and restaurants.		
<i>Purpose of Fund:</i> To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	121,000	136,100
Year-End Fund Balance	309,700	370,800
<b>Direct Shipment License Issuance Fund (LLA3017/A.R.S. § 4-203.04B)</b>		<b>Non-Appropriated</b>
<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	45,900	70,900
Year-End Fund Balance	230,400	205,700
<b>Direct Shipment License Renewal Fund (LLA3018/A.R.S. § 4-203.04D)</b>		<b>Non-Appropriated</b>
<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	666,500	891,700
<b>DPS-FBI Fingerprint Fund (LLA2159/A.R.S. § 4-112)</b>		<b>Non-Appropriated</b>
<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	500	500
<b>Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)</b>		<b>Non-Appropriated</b>
<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	351,100	513,500
Year-End Fund Balance	201,200	98,900
<b>Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)</b>		<b>Non-Appropriated</b>
<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	304,000	513,500
Year-End Fund Balance	325,100	287,500
<b>Federal Grants (LLA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<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	345,800	0
Year-End Fund Balance	2,400	2,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Growlers Fund (LLA1997/A.R.S. § 4-116.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees received from growler permit applications.		
<b>Purpose of Fund:</b> To pay operating expenses for the Department of Liquor Licenses and Control.		
<b>Funds Expended</b>	13,500	0
<b>Year-End Fund Balance</b>	123,900	167,400
<b>IGA and ISA Fund (LLA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency agreements.		
<b>Purpose of Fund:</b> To record and manage Intergovernmental Agreements and Internal Service Agreements.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	49,800	49,800
<b>Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,259,300	7,112,500
<b>Year-End Fund Balance</b>	0	0
<b>Sampling Privileges Fund (LLA1998/A.R.S. § 4-116.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees received from sampling privilege permit applications.		
<b>Purpose of Fund:</b> To pay operating expenses for the Department of Liquor Licenses and Control.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	125,200	163,200

## Arizona State Lottery Commission

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	98.8	98.8	98.8
Personal Services	4,600,200	5,218,300	5,218,300
Employee Related Expenditures	1,852,800	2,173,800	2,173,800
Professional and Outside Services	794,800	386,800	386,800
Travel - In State	32,800	271,600	271,600
Travel - Out of State	16,500	16,800	16,800
Other Operating Expenditures	1,334,500	2,401,600	2,401,600
Equipment	246,200	0	0
<b>OPERATING SUBTOTAL</b>	<b>8,877,800</b>	<b>10,468,900</b>	<b>10,468,900</b>
<b>SPECIAL LINE ITEMS</b>			
Advertising	14,759,500	15,500,000	15,500,000
Charitable Commissions <sup>1/</sup>	1,711,100	1,700,000	1,768,000 <sup>2/</sup>
Instant Tickets <sup>3/</sup>	28,631,100	36,500,400	37,965,000 <sup>3/</sup>
On-Line Vendor Fees <sup>4/</sup>	13,071,100	15,428,000	16,041,700 <sup>4/</sup>
Retailer Commissions <sup>5/</sup>	88,388,000	91,649,300	95,318,500 <sup>5/</sup>
<b>AGENCY TOTAL</b>	<b>155,438,600</b>	<b>171,246,600</b>	<b>177,062,100 <sup>6/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
State Lottery Fund	155,438,600	171,246,600	177,062,100
SUBTOTAL - Other Appropriated Funds	155,438,600	171,246,600	177,062,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>155,438,600</b>	<b>171,246,600</b>	<b>177,062,100</b>
Other Non-Appropriated Funds	940,390,000	928,715,200	966,923,700
<b>TOTAL - ALL SOURCES</b>	<b>1,095,828,600</b>	<b>1,099,961,800</b>	<b>1,143,985,800</b>

**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

- <sup>1/</sup> 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.
- <sup>2/</sup> 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 \$1,768,000 in fiscal year 2023-2024. (General Appropriation Act footnote)
- <sup>3/</sup> 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 \$37,965,000 in fiscal year 2023-2024. (General Appropriation Act footnote)
- <sup>4/</sup> 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 \$16,041,700, or 4.256 percent of actual online ticket sales, in fiscal year 2023-2024. (General Appropriation Act footnote)
- <sup>5/</sup> 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 \$95,318,500, in fiscal year 2023-2024. (General Appropriation Act footnote)
- <sup>6/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### **Operating Budget**

The Baseline includes \$10,468,900 and 98.8 FTE Positions from the State Lottery Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

### **Advertising**

The Baseline includes \$15,500,000 from the State Lottery Fund in FY 2024 for Advertising. This amount is unchanged from FY 2023.

Monies in this line item are used to promote and market Lottery games.

### **Charitable Commissions**

The Baseline includes \$1,768,000 from the State Lottery Fund in FY 2024 for Charitable Commissions. Adjustments are as follows:

#### **Tab Ticket Increase**

The Baseline includes an increase of \$68,000 from the State Lottery Fund in FY 2024 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 \$37,965,000 from the State Lottery Fund in FY 2024 for Instant Tickets. Adjustments are as follows:

#### **Instant Ticket Sales Increase**

The Baseline includes an increase of \$1,464,600 from the State Lottery Fund in FY 2024 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 \$16,041,700 from the State Lottery Fund in FY 2024 for On-Line Vendor Fees. Adjustments are as follows:

#### **On-Line Sales Increase**

The Baseline includes an increase of \$613,700 from the State Lottery Fund in FY 2024 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 \$95,318,500 from the State Lottery Fund in FY 2024 for Retailer Commissions. Adjustments are as follows:

#### **Retailer Commissions Increase**

The Baseline includes an increase of \$3,669,200 from the State Lottery Fund in FY 2024 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. Based on a General Appropriation Act footnote, the actual appropriation is equal to 6.5% of these sales. Pursuant to statute, an additional 0.5% of total non-charitable Tab Ticket sales may be paid to retailers based on their attainment of specified sales and marketing objectives. Since 40% of retailers are estimated to meet these objectives, this would result in an additional 0.2% in retailer commissions and a total retail commission rate of 6.7%. The displayed amount is derived by applying the approved percentage to the forecasted sales total.

### **Other Issues**

### **Lottery Forecast and Distributions**

The Baseline assumes a 0.6% increase in overall Lottery ticket sales in FY 2023, followed by a 4.0% increase in FY 2024. For FY 2023 and FY 2024, the Baseline assumes Lottery ticket sales of \$1,376,400,000 and \$1,431,504,000, respectively.

The FY 2023 forecasted sales and Special Line Items expenditures are revised from the amounts included as part of the *FY 2023 Appropriations Report* due to an updated FY 2023 sales forecast. These revised amounts are estimates based on the current sales forecast and the line-item percentages included in the FY 2023 General Appropriation Act footnotes. The final FY 2023 expenditures will be determined by the actual Lottery ticket sales during FY 2023.

### **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 2022 and the JLBC Staff projected distributions for FY 2023 and FY 2024. 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, 6<sup>th</sup> 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. One final payment was processed in August 2021 for accrued interest and principal in the amount of \$3,451,250.

#### Maricopa County Mass Transit

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,476,800 in both FY 2023 and FY 2024. (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 2023 and FY 2024 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2.

#### 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 2023 and FY 2024, 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 \$23,376,100 in FY 2023 and \$23,966,800 in FY 2024. 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 2023 and FY 2024.

#### 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 2023 and FY 2024.

#### 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 2023 and FY 2024, 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 2023 and FY 2024.

### 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 \$37,780,000 in FY 2022. Based on ABOR data which includes current and planned SPEED bond issuances, the UCI Fund is expected to require \$37,798,700 in FY 2023 and \$37,783,200 in FY 2024 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.)*

### 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

defer the entire Part 3 distribution to the following fiscal year.

The Baseline forecast assumes that for each forecast year's ticket sales (FY 2023 and FY 2024), the Lottery Commission will transfer 100% of the Part 3 profits in a deferred transfer during the next fiscal year.

### Total Distributions to the General Fund

Total FY 2023 distributions to the General Fund consist of the FY 2023 General Fund Part 1, Part 2, and partial Part 3 profit transfers plus the delayed prior year Part 3 transfer from FY 2022. With a FY 2023 Part 1 transfer of \$84,150,000, a Part 2 FY 2023 transfer of \$15,490,000, and a FY 2022 Part 3 delayed transfer of \$76,172,100, total FY 2023 distributions to the General Fund are forecast to be \$175,812,100.

Total FY 2024 distributions to the General Fund are forecast to be \$188,150,700, which includes: a FY 2024 Part 1 transfer of \$84,150,000, a Part 2 FY 2024 transfer of \$15,490,000, and a FY 2023 Part 3 delayed transfer of \$88,510,700. *(See Table 1 for more information).*

Table 1

**Forecast of Lottery Revenue Distribution**  
(\$ in Millions) <sup>1/</sup>

<u>Sales</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Instant Sales	\$1,057.2	\$1,013.9	\$1,054.6
On-Line Sales	<u>311.2</u>	<u>362.5</u>	<u>376.9</u>
Total Sales	\$1,368.4	\$1,376.4	\$1,431.5
<i>Less:</i>			
Operating Budget	\$ 155.4	\$ 171.2	\$ 177.1
Other Adjustments	9.6	0.0	0.0
Gaming Distribution	0.3	0.3	0.3
ICACEF/VREF Sales Transfer <sup>2/</sup>	0.8	0.8	0.9
Prizes <sup>3/</sup>	<u>940.4</u>	<u>928.7</u>	<u>966.9</u>
<b>Net Profit <sup>4/ 5/</sup></b>	<b><u>\$261.8</u></b>	<b><u>\$275.3</u></b>	<b><u>\$286.3</u></b>
<b><u>Profit Transfers <sup>6/</sup></u></b>			
Debt Service Fund	3.5	0.0	0.0
Maricopa County Mass Transit	11.2	11.5	11.5
General Fund - Part 1	80.7	84.2	84.2
Heritage	10.0	10.0	10.0
Health and Welfare Programs	22.5	23.4	24.0
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	37.8	37.8	37.8
Deferred General Fund - Part 3	<u>76.2</u>	<u>88.5</u>	<u>99.0</u>
<b>Total Transfers</b>	<b><u>\$261.8</u></b>	<b><u>\$275.3</u></b>	<b><u>\$286.3</u></b>
<b><u>General Fund</u></b>			
Delayed Prior Year Transfer <sup>6/</sup>	87.5	76.2	88.5
General Fund - Part 1	80.7	84.2	84.2
General Fund - Part 2	<u>15.5</u>	<u>15.5</u>	<u>15.5</u>
<b>Total General Fund</b>	<b><u>\$183.7</u></b>	<b><u>\$175.8</u></b>	<b><u>\$188.2</u></b>

<sup>1/</sup> Totals may not sum due to rounding.

<sup>2/</sup> 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. An estimated \$835,900 and \$869,300 will be distributed in FY 2023 and FY 2024, respectively. (See Footnote 4.)

<sup>3/</sup> 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.

<sup>4/</sup> To derive the profit transfer amounts, the historical rate of return for each game was applied to the current budget forecast. The estimated total profit margin is 20.0% in both FY 2023 and FY 2024.

<sup>5/</sup> 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).

<sup>6/</sup> Due to the timing of Lottery profit transfers, the General Fund - Part 3 transfer actually occurs in the succeeding fiscal year. As such, the General Fund total reflects deposits that actually occur within the fiscal year, whereas the Net Profit and Total Transfers lines reflect figures reported by the Lottery that are derived from ticket sales that occur during the fiscal year.



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>State Lottery Fund (LOA2122/A.R.S. § 5-571)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Sales of lottery tickets, retailer license fees, and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	155,438,600	171,246,600
<b>Year-End Fund Balance</b>	93,621,800	43,997,600
<b>State Lottery Fund (LOA2122/A.R.S. § 5-571)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales of lottery tickets, retailer license fees, and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	940,390,000	928,715,200
<b>Year-End Fund Balance</b>	0	0

## Board of Massage Therapy

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	262,200	258,000	258,000
Employee Related Expenditures	93,600	129,900	129,900
Professional and Outside Services	19,800	111,000	111,000
Travel - In State	0	1,500	1,500
Other Operating Expenditures	91,800	103,400	73,400
Equipment	1,400	0	0
<b>AGENCY TOTAL</b>	<b>468,800</b>	<b>603,800</b>	<b>573,800<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Massage Therapy Fund	468,800	603,800	573,800
SUBTOTAL - Other Appropriated Funds	468,800	603,800	573,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>468,800</b>	<b>603,800</b>	<b>573,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>468,800</b>	<b>603,800</b>	<b>573,800</b>

**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

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

#### Operating Budget

The Baseline includes \$573,800 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time E-licensing Funding

The Baseline includes a decrease of \$(30,000) from the Board of Massage Therapy Fund in FY 2024 to remove one-time costs associated with migrating to and maintaining an e-licensing application.

#### Other Issues

#### Auditor General Recommendations

In August 2022, the Auditor General published a sunset review for the Board of Massage Therapy covering a range of the board's operations. Specifically, the report contained the following recommendations: 1) The board should conduct a fee analysis as required by its policies and revise their fees as needed, and 2) The board should issue licenses according to statutory provisions.

In response to the audit, the department concurred with the recommendations resulting from the audit.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Massage Therapy Fund (BMT2300/A.R.S. § 32-4205)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate massage therapists, and for board administration.		
<b>Funds Expended</b>	468,800	603,800
<b>Year-End Fund Balance</b>	1,359,700	1,248,200

## Arizona Medical Board

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	61.5	61.5	61.5
Personal Services	3,094,800	3,629,600	3,629,600
Employee Related Expenditures	1,080,200	1,465,900	1,465,900
Professional and Outside Services	1,215,700	1,364,500	1,262,000
Travel - In State	400	13,000	13,000
Travel - Out of State	10,000	13,000	13,000
Other Operating Expenditures	1,461,100	1,584,700	1,584,700
Equipment	262,000	55,400	55,400
<b>OPERATING SUBTOTAL</b>	<b>7,124,200</b>	<b>8,126,100</b>	<b>8,023,600 <sup>1/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Employee Performance Incentive Program	152,400	165,600	165,600
<b>AGENCY TOTAL</b>	<b>7,276,600</b>	<b>8,291,700</b>	<b>8,189,200</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	7,276,600	8,291,700	8,189,200
SUBTOTAL - Other Appropriated Funds	7,276,600	8,291,700	8,189,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,276,600</b>	<b>8,291,700</b>	<b>8,189,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>7,276,600</b>	<b>8,291,700</b>	<b>8,189,200</b>

**AGENCY DESCRIPTION** — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician’s assistants.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### **Operating Budget**

The Baseline includes \$8,023,600 and 61.5 FTE Positions from the Arizona Medical Board Fund in FY 2024 for the operating budget. Adjustments are as follows:

##### **Remove One-Time E-licensing**

The Baseline includes a decrease of \$(102,500) from the Arizona Medical Board Fund in FY 2024 to remove one-time funding for migrating to an e-licensing application.

#### **Employee Performance Incentive Program**

The Baseline includes \$165,600 from the Arizona Medical Board Fund in FY 2024 for the Employee Performance Incentive Program. This amount is unchanged from FY 2023.

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 2022 Actual	FY 2023 Estimate
<b>Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate and regulate physicians, and for board administration costs.		
<b>Funds Expended</b>	7,276,600	8,291,700
<b>Year-End Fund Balance</b>	10,411,400	10,826,900

## State Mine Inspector

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	16.0	22.0	22.0 <sup>1/</sup>
Personal Services	402,000	702,500	702,500
Employee Related Expenditures	233,600	378,800	378,800
Professional and Outside Services	12,000	28,700	28,700
Travel - In State	93,700	72,600	72,600
Travel - Out of State	6,400	8,700	8,700
Other Operating Expenditures	183,400	235,900	235,900
Equipment	8,300	6,200	6,200
<b>OPERATING SUBTOTAL</b>	<b>939,400</b>	<b>1,433,400</b>	<b>1,433,400</b>
<b>SPECIAL LINE ITEMS</b>			
Abandoned Mines	191,700	1,316,700	820,600
Aggregate Mining Land Reclamation	37,600	181,800	181,800 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>1,168,700</b>	<b>2,931,900</b>	<b>2,435,800 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,131,100	2,819,000	2,322,900
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	37,600	112,900	112,900
SUBTOTAL - Other Appropriated Funds	37,600	112,900	112,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,168,700</b>	<b>2,931,900</b>	<b>2,435,800</b>
Federal Funds	358,200	473,500	473,500
<b>TOTAL - ALL SOURCES</b>	<b>1,526,900</b>	<b>3,405,400</b>	<b>2,909,300</b>

**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

- <sup>1/</sup> Includes 6 GF FTE Positions funded from Special Line Items in FY 2024.
- <sup>2/</sup> All aggregate mining reclamation fund monies received by the state mine inspector in excess of \$112,900 in fiscal year 2023-2024 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 2023-2024, 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)
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### Operating Budget

The Baseline includes \$1,433,400 and 16 FTE Positions from the General Fund in FY 2024 for the operating budget. This amount is unchanged from FY 2023.

#### Abandoned Mines

The Baseline includes \$820,600 and 6 FTE Positions from the General Fund in FY 2024 for the Abandoned Mines line item. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(496,100) from the General Fund in FY 2024 for removal of one-time equipment purchases for the Abandoned Mines line item.

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 2024 for the Aggregate Mining Land Reclamation line item. This amount consists of:

	<u>FY 2024</u>
General Fund	\$68,900
Aggregate Mining Reclamation Fund	112,900

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.

These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	134,800	134,800
<b>Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	37,600	112,900
<b>Year-End Fund Balance</b>	156,500	66,400
<b>Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)</b>		<b>Federal Funds</b>
<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.		
<b>Funds Expended</b>	40,500	55,000
<b>Year-End Fund Balance</b>	302,000	295,000
<b>Federal Grants (MIA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<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.		
<b>Funds Expended</b>	317,700	418,500
<b>Year-End Fund Balance</b>	300	300

## Naturopathic Physicians Medical Board

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	82,500	98,000	98,000
Employee Related Expenditures	31,800	38,600	38,600
Professional and Outside Services	26,000	30,100	30,100
Travel - In State	100	4,800	4,800
Other Operating Expenditures	40,400	40,500	40,500
<b>AGENCY TOTAL</b>	<b>180,800</b>	<b>212,000</b>	<b>212,000 <sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	180,800	212,000	212,000
SUBTOTAL - Other Appropriated Funds	180,800	212,000	212,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>180,800</b>	<b>212,000</b>	<b>212,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>180,800</b>	<b>212,000</b>	<b>212,000</b>

**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

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

#### **Operating Budget**

The Baseline includes \$212,000 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

#### **Other Issues**

#### **Auditor General Report**

In June 2022, the Auditor General published a Naturopathic Physicians Medical Board 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 the board did not resolve 11 of 27 complaints it received within 180 days in FY 2021 and had not fully implemented recommendations from a

2014 audit that identified a similar problem. It recommended the board implement time frames for the key steps of the complaint resolution process, as well as contract for complaint investigation services in some cases.

In addition, the audit found the board had not appropriately evaluated its fees. The board had not updated its fees since 2013 and lacked fee-setting policies and procedures that would ensure it is not receiving significantly greater revenue than the cost of its operations. *(The board's year-end fund balance was \$1,910,300 in FY 2022. Please see the Summary of Funds section for more information.)* The audit recommended the board develop such policies and procedures.

In response, the department concurred with the recommendations resulting from the audit.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)</b>		<b>Appropriated</b>
<p><b>Source of Revenue:</b> 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.</p> <p><b>Purpose of Fund:</b> To examine, license, investigate, and regulate naturopathic physicians, and naturopathic medical assistants and for board administration.</p>		
<b>Funds Expended</b>	180,800	212,000
<b>Year-End Fund Balance</b>	1,910,300	2,143,100



## Arizona Navigable Stream Adjudication Commission

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	73,500	80,900	80,900
Employee Related Expenditures	32,300	39,000	39,000
Professional and Outside Services	200,000	200,000	200,000
Other Operating Expenditures	23,500	24,300	24,300
<b>AGENCY TOTAL</b>	<b>329,300</b>	<b>344,200</b>	<b>344,200<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	129,300	144,200	144,200
<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
<b>SUBTOTAL - Appropriated Funds</b>	<b>329,300</b>	<b>344,200</b>	<b>344,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>329,300</b>	<b>344,200</b>	<b>344,200</b>

**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

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

### Operating Budget

The Baseline includes \$344,200 and 2 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$144,200
Arizona Water Banking Fund	200,000

These amounts are unchanged from FY 2023.

### Other Issues

### Statutory Changes

The Baseline would, as session law, continue to allow use of the Water Banking Fund for the commission's legal obligations.

### Background

The commission is responsible for determining the navigability of state watercourses at the time of statehood. As of the last public data in August 2022, 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.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Water Banking Fund (NSA2110/A.R.S. § 45-2425)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> To fund outside legal counsel and court reporters for court hearings.		
<b>Funds Expended</b>	200,000	200,000
<b>Year-End Fund Balance</b>	352,800	352,800

## State Board of Nursing

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	52.0	52.0	52.0
Personal Services	2,823,200	3,346,800	3,346,800
Employee Related Expenditures	1,040,400	1,270,900	1,270,900
Professional and Outside Services	245,200	190,100	190,100
Travel - In State	1,800	6,100	6,100
Travel - Out of State	900	1,900	1,900
Other Operating Expenditures	330,300	466,400	466,400
Equipment	30,800	64,400	64,400
<b>OPERATING SUBTOTAL</b>	<b>4,472,600</b>	<b>5,346,600</b>	<b>5,346,600 <sup>1/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Certified Nursing Assistant Credentialing Program	538,400	538,400	538,400
<b>AGENCY TOTAL</b>	<b>5,011,000</b>	<b>5,885,000</b>	<b>5,885,000</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	5,011,000	5,885,000	5,885,000
SUBTOTAL - Other Appropriated Funds	5,011,000	5,885,000	5,885,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,011,000</b>	<b>5,885,000</b>	<b>5,885,000</b>
Other Non-Appropriated Funds	24,500	0	0
Federal Funds	414,700	414,700	414,700
<b>TOTAL - ALL SOURCES</b>	<b>5,450,200</b>	<b>6,299,700</b>	<b>6,299,700</b>

**AGENCY DESCRIPTION** — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

### FOOTNOTES

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### **Operating Budget**

The Baseline includes \$5,346,600 and 52 FTE Positions from the Board of Nursing Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

#### **Certified Nursing Assistant Credentialing Program**

The Baseline includes \$538,400 from the Board of Nursing Fund in FY 2024 for the Certified Nursing Assistant (CNA) Credentialing Program line item. This amount is unchanged from FY 2023.

The board registers CNAs at no charge to the individual and with no fingerprinting requirement. This policy meets federal requirements for having a nurse assistant (aide) registry.

Monies in this line item fund CNA Credentialing Program costs not paid by federal monies.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,011,000	5,885,000
<b>Year-End Fund Balance</b>	11,523,600	13,833,700
<b>Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
<b>Purpose of Fund:</b> To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
<b>Funds Expended</b>	414,700	414,700
<b>Year-End Fund Balance</b>	2,400	2,400
<b>Statewide Donations Fund (BNA2025/A.R.S. § 32-1606A11)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, gifts and private grants. Monies do not revert to the General Fund at the end of the fiscal year.		
<b>Purpose of Fund:</b> To assist in carrying out the purposes of the agency.		
<b>Funds Expended</b>	24,500	0
<b>Year-End Fund Balance</b>	0	0

**Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers**

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	321,900	328,200	328,200
Employee Related Expenditures	101,000	155,100	155,100
Professional and Outside Services	0	46,900	15,100
Travel - In State	2,000	5,000	5,000
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	97,000	76,700	76,700
Equipment	500	13,500	13,500
<b>AGENCY TOTAL</b>	<b>522,400</b>	<b>627,400</b>	<b>595,600 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	522,400	627,400	595,600
SUBTOTAL - Other Appropriated Funds	522,400	627,400	595,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>522,400</b>	<b>627,400</b>	<b>595,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>522,400</b>	<b>627,400</b>	<b>595,600</b>

**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**

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

**Operating Budget**

The Baseline includes \$595,600 and 7 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2024 for the operating budget. Adjustments are as follows:

**Remove One-Time E-licensing Funding**

The Baseline includes a decrease of \$(31,800) from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2024 to remove one-time funding for migrating to an e-licensing application.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund (NCA2043/A.R.S. § 36-446.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
<b>Funds Expended</b>	522,400	627,400
<b>Year-End Fund Balance</b>	369,900	272,300

## Board of Occupational Therapy Examiners

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	91,700	113,500	113,500
Employee Related Expenditures	41,500	60,000	60,000
Professional and Outside Services	1,300	0	0
Travel - In State	100	1,300	1,300
Other Operating Expenditures	37,200	89,600	66,400
Equipment	9,500	2,000	2,000
<b>AGENCY TOTAL</b>	<b>181,300</b>	<b>266,400</b>	<b>243,200 <sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Occupational Therapy Fund	181,300	266,400	243,200
SUBTOTAL - Other Appropriated Funds	181,300	266,400	243,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>181,300</b>	<b>266,400</b>	<b>243,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>181,300</b>	<b>266,400</b>	<b>243,200</b>

**AGENCY DESCRIPTION** — The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

### FOOTNOTES

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

#### **Operating Budget**

The Baseline includes \$243,200 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### **Remove One-Time E-licensing Funding**

The Baseline includes a decrease of \$(18,900) from the Occupational Therapy Fund in FY 2024 to remove one-time costs associated with migrating to and maintaining an e-licensing application.

#### **Remove One-Time Laptop Replacements**

The Baseline includes a decrease of \$(4,300) from the Occupational Therapy Fund in FY 2024 to remove one-time funding for the replacement of laptops used by board members.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
<b>Funds Expended</b>	181,300	266,400
<b>Year-End Fund Balance</b>	1,033,200	1,092,000

## State Board of Dispensing Opticians

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	85,500	97,400	97,400
Employee Related Expenditures	26,700	32,200	32,200
Professional and Outside Services	0	1,000	1,000
Travel - In State	400	8,500	8,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	30,600	52,000	45,800
Equipment	9,400	0	0
<b>AGENCY TOTAL</b>	<b>152,600</b>	<b>193,100</b>	<b>186,900<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Dispensing Opticians Fund	152,600	193,100	186,900
SUBTOTAL - Other Appropriated Funds	152,600	193,100	186,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>152,600</b>	<b>193,100</b>	<b>186,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>152,600</b>	<b>193,100</b>	<b>186,900</b>

**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

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

#### Operating Budget

The Baseline includes \$186,900 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time Funding for E-Licensing

The Baseline includes a decrease of \$(6,200) from the Board of Dispensing Opticians Fund in FY 2024 for the removal of one-time costs associated with migrating to and an e-licensing application.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
<b>Funds Expended</b>	152,600	193,100
<b>Year-End Fund Balance</b>	376,900	350,000

## State Board of Optometry

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	132,600	166,100	166,100
Employee Related Expenditures	56,600	61,500	61,500
Professional and Outside Services	0	15,000	15,000
Travel - In State	100	500	500
Travel - Out of State	2,100	4,000	4,000
Other Operating Expenditures	46,300	48,000	40,500
Equipment	0	3,700	3,700
<b>AGENCY TOTAL</b>	<b>237,700</b>	<b>298,800</b>	<b>291,300<sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Optometry Fund	237,700	298,800	291,300
SUBTOTAL - Other Appropriated Funds	237,700	298,800	291,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>237,700</b>	<b>298,800</b>	<b>291,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>237,700</b>	<b>298,800</b>	<b>291,300</b>

**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

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

### Operating Budget

The Baseline includes \$291,300 and 2 FTE Positions from the Board of Optometry Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time Funding for E-licensing

The Baseline includes a decrease of \$(7,500) from the Board of Optometry Fund in FY 2024 for the one-time costs associated with migrating to and maintaining an e-licensing application.

### Other Issues

#### Auditor General Report

In April 2022, the Auditor General published a performance audit and sunset review of the board. In terms of budget-related issues, the report found that the board has not reevaluated the appropriateness of its fees since 2016 and that the board's fund balance has grown. The Auditor General recommended the Board of Optometry 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. The board agreed to this finding and indicating they were working with OSPB to establish a process for such reviews.



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate optometrists, and for board administration.		
<b>Funds Expended</b>	237,700	298,800
<b>Year-End Fund Balance</b>	533,000	550,200

## Arizona Board of Osteopathic Examiners in Medicine and Surgery

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	9.0	10.0	10.0
Personal Services	504,900	620,200	611,200
Employee Related Expenditures	173,600	279,900	277,900
Professional and Outside Services	82,000	172,700	172,700
Travel - In State	100	2,500	2,500
Travel - Out of State	2,400	5,500	5,500
Other Operating Expenditures	296,500	303,700	303,700
Equipment	700	0	0
<b>AGENCY TOTAL</b>	<b>1,060,200</b>	<b>1,384,500</b>	<b>1,373,500<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund	1,060,200	1,384,500	1,373,500
SUBTOTAL - Other Appropriated Funds	1,060,200	1,384,500	1,373,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,060,200</b>	<b>1,384,500</b>	<b>1,373,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,060,200</b>	<b>1,384,500</b>	<b>1,373,500</b>

**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

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

#### Operating Budget

The Baseline includes \$1,373,500 and 10 FTE Positions from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time Leave Payout

The Baseline includes a decrease of \$(11,000) from the Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund in FY 2024 to remove one-time funding for an annual leave payout.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Arizona Board of Osteopathic Examiners in Medicine and Surgery Fund (OSA2048/A.R.S. § 32-1805)		Appropriated
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
<b>Funds Expended</b>	1,060,200	1,384,500
<b>Year-End Fund Balance</b>	3,327,400	3,237,700

# Arizona State Parks Board

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	163.0	163.0	163.0 <sup>1/</sup>
Personal Services	6,091,100	7,157,000	7,157,000
Employee Related Expenditures	3,168,400	3,346,900	3,346,900
Professional and Outside Services	158,700	150,000	150,000
Travel - In State	9,600	10,000	10,000
Other Operating Expenditures	5,245,700	4,887,300	4,887,300
Equipment	208,000	200,000	200,000
<b>OPERATING SUBTOTAL</b>	<b>14,881,500</b>	<b>15,751,200</b>	<b>15,751,200 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Arizona State Parks Heritage Fund Deposit	5,000,000	2,500,000	0
Arizona Trail	148,000	250,000	0
Kartchner Caverns State Park	2,275,400	2,534,900	2,534,900
One-Time Cabin Debt Payoff	398,000	0	0
SPRF Deposit to State Parks Store Fund	1,000,000	0	0
State Lake Improvement Fund Deposit	4,000,000	4,000,000	0
State Parks Store	964,700	1,011,300	1,011,300
<b>AGENCY TOTAL</b>	<b>28,667,600</b>	<b>26,047,400</b>	<b>19,297,400 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	9,000,000	6,500,000	0
<u>Other Appropriated Funds</u>			
Off-Highway Vehicle Recreation Fund	16,700	16,700	16,700
State Park Store Fund	964,700	1,011,300	1,011,300
State Parks Revenue Fund	18,686,200	18,519,400	18,269,400
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>19,667,600</b>	<b>19,547,400</b>	<b>19,297,400</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>28,667,600</b>	<b>26,047,400</b>	<b>19,297,400</b>
Other Non-Appropriated Funds	11,754,300	18,482,700	18,482,700
Federal Funds	2,556,600	13,060,000	13,060,000
<b>TOTAL - ALL SOURCES</b>	<b>42,978,500</b>	<b>57,590,100</b>	<b>50,840,100</b>

**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

- <sup>1/</sup> Includes 35.8 OF FTE Positions funded from Special Line Items in FY 2024.
- <sup>2/</sup> 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)
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

## Operating Budget

The Baseline includes \$15,751,200 and 127.2 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
State Parks Revenue Fund	\$15,734,500
Off-Highway Vehicle Recreation Fund	16,700

These amounts are unchanged from FY 2023.

**Arizona State Parks Heritage Fund Deposit**

The Baseline includes no funding in FY 2024 for the Arizona State Parks Heritage Fund Deposit line item. Adjustments are as follows:

**Remove One-Time Deposit**

The Baseline includes a decrease of \$(2,500,000) from the General Fund in FY 2024 for removal of a deposit to the Arizona State Parks Heritage Fund.

Pursuant to a General Appropriation Act footnote, monies in this line item are used for local, regional, and state historical projects; outdoor and environmental education; and local, regional, and state non-motorized trails. 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 2024 for the Arizona Trail line item. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(250,000) from SPRF in FY 2024 for removal of one-time funding for maintenance of the Arizona Trail. The FY 2022 and FY 2023 budgets each included one-time funding of \$250,000 for this purpose.

Monies in this line item are 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. A General Appropriation Act footnote requires the agency to manage these monies but permits the distribution of monies to a non-profit entity.

**Kartchner Caverns State Park**

The Baseline includes \$2,534,900 and 35.8 FTE Positions from SPRF in FY 2024 for Kartchner Caverns State Park. These amounts are unchanged from FY 2023.

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.

**State Lake Improvement Fund Deposit**

The Baseline includes no funding in FY 2024 for the State Lake Improvement Fund Deposit line item. Adjustments are as follows:

**Remove One-Time Deposit**

The Baseline includes a decrease of \$(4,000,000) from the General Fund in FY 2024 for removal of a one-time deposit to the State Lake Improvement Fund.

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 discontinues 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 \$1,011,300 from the State Parks Store Fund in FY 2024 for the State Parks Store line item. This amount is unchanged from FY 2023.

Monies in the State Parks Store line item are used to operate and maintain state-owned giftshops.

**Other Issues**

**Auditor General Recommendations**

In August 2022, the Auditor General published a sunset review for the Arizona State Parks Board covering the board's capital projects management, grant projects tracking, and compliance with conflict-of-interest laws. Specifically, the report contained the following recommendations: 1) The board should establish general procedures that it currently lacks for cash handling and capital project management, which has negatively affected its reporting to the Legislature, 2) The board should implement procedures to track grantees' compliance with project time frames and other grant conditions, and 3) The board should require public officers to complete conflict-of-interest forms once annually and should store all substantial interests in a special file available for public inspection.

In response to the audit, the department concurred with the recommendations.

**State Parks Operations**

As of October 2022, 31 state parks and natural areas are open to the public. Twenty-seven parks are funded and operated by the state with existing state funds. Four open parks are operated through agreements between the State Parks Board and local governments. *(Please see the State Parks Visitation and Revenue Program Summary available on the JLBC website for additional information on the parks, visitation, and operations.)*

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona State Parks' Heritage Fund (PRA3126/A.R.S. § 41-502)</b>		<b>Non-Appropriated</b>
<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	4,593,700	0
<b>Coronavirus State and Local Fiscal Recovery Fund (PRA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<i>Source of Revenue:</i> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<i>Purpose of Fund:</i> 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	5,180,000
Year-End Fund Balance	5,180,000	0
<b>Federal Funds (PRA2000/A.R.S. § 41-511.04)</b>		<b>Federal Funds</b>
<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	2,556,600	7,880,000
Year-End Fund Balance	1,101,000	0
<b>Land Conservation Fund - Administration Account - NA (PRA2432/A.R.S. § 41-511.23)</b>		<b>Non-Appropriated</b>
<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	94,800	0
Year-End Fund Balance	0	0
<b>Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)</b>		<b>Appropriated</b>
<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	16,700	16,700
Year-End Fund Balance	13,690,100	3,981,700

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	743,900	2,959,000
<b>Year-End Fund Balance</b>	13,690,100	3,981,700
<b>Partnership Fund (PRA2448/A.R.S. § 41-511.04)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	3,881,100	2,738,000
<b>Year-End Fund Balance</b>	1,312,900	1,312,900
<b>State Lake Improvement Fund (PRA2106/A.R.S. § 5-382)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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). Funds Expended totals exclude capital spending.		
<b>Funds Expended</b>	7,013,600	11,424,000
<b>Year-End Fund Balance</b>	14,212,700	9,309,400
<b>State Park Store Fund (PRA4401/A.R.S. § 41-511.24)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To operate and maintain state-owned gift shops.		
<b>Funds Expended</b>	964,700	1,011,300
<b>Year-End Fund Balance</b>	1,250,000	1,250,000
<b>State Parks Fund (PRA3117/A.R.S. § 41-511.11)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private gifts, grants, and donations.		
<b>Purpose of Fund:</b> To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
<b>Funds Expended</b>	20,900	887,600
<b>Year-End Fund Balance</b>	766,300	100,000
<b>State Parks Revenue Fund (PRA2202/A.R.S. § 41-511.21)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State parks user fees and concession sales; sales of park posters, postcards, books and souvenirs; donations and legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	18,686,200	18,519,400
<b>Year-End Fund Balance</b>	35,132,300	49,254,900

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Sustainable State Parks and Roads Fund</b> (PRA3125/A.R.S. § 41-511.17 and A.R.S. § 43-622)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Voluntary contributions from individual income taxpayers via a donation on the individual income tax return form.		
<b>Purpose of Fund:</b> To operate, maintain and make capital improvements to buildings, roads, parking lots, highway entrances and any related structure used to operate state parks.		
<b>Funds Expended</b>	0	474,100
<b>Year-End Fund Balance</b>	673,600	350,000

## State Personnel Board

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	57,700	115,000	115,000
Employee Related Expenditures	23,300	43,800	43,800
Professional and Outside Services	24,700	132,600	132,600
Travel - In State	200	600	600
Other Operating Expenditures	184,300	48,000	48,000
Equipment	0	5,000	5,000
<b>AGENCY TOTAL</b>	<b>290,200</b>	<b>345,000</b>	<b>345,000<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	290,200	345,000	345,000
SUBTOTAL - Other Appropriated Funds	290,200	345,000	345,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>290,200</b>	<b>345,000</b>	<b>345,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>290,200</b>	<b>345,000</b>	<b>345,000</b>

**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 \$345,000 and 2 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Personnel Board Subaccount of the Personnel Division Fund (PBA1107/A.R.S. § 41-750)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund Personnel Board operations.		
<b>Funds Expended</b>	290,200	345,000
<b>Year-End Fund Balance</b>	469,100	703,700



## Arizona State Board of Pharmacy

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	25.4	25.4	25.4
Personal Services	1,503,200	1,936,900	1,936,900
Employee Related Expenditures	532,100	750,300	750,300
Professional and Outside Services	142,400	157,000	157,000
Travel - In State	3,000	65,200	65,200
Travel - Out of State	1,100	4,200	4,200
Other Operating Expenditures	342,000	540,100	438,100
Equipment	32,200	33,300	33,300
<b>OPERATING SUBTOTAL</b>	<b>2,605,900</b>	<b>3,487,000</b>	<b>3,385,000</b>
<b>SPECIAL LINE ITEMS</b>			
Prescriber Report Card	50,000	50,000	50,000
<b>AGENCY TOTAL</b>	<b>2,655,900</b>	<b>3,537,000</b>	<b>3,435,000 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Arizona State Board of Pharmacy Fund	2,655,900	3,537,000	3,435,000
SUBTOTAL - Other Appropriated Funds	2,655,900	3,537,000	3,435,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,655,900</b>	<b>3,537,000</b>	<b>3,435,000</b>
Other Non-Appropriated Funds	1,960,600	0	0
<b>TOTAL - ALL SOURCES</b>	<b>4,616,500</b>	<b>3,537,000</b>	<b>3,435,000</b>

**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

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### Operating Budget

The Baseline includes \$3,385,000 and 25.4 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2024 for the operating budget. Adjustments are as follows:

##### Remove One-Time E-licensing

The Baseline includes a decrease of \$(102,000) from the Arizona State Board of Pharmacy Fund in FY 2024 to remove one-time funding for migrating to an e-licensing application.

#### Prescriber Report Card

The Baseline includes \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2024 for the Prescriber Report Card program. This amount is unchanged from FY 2023.

This line item funds the development of opioid prescriber report cards as part of the Controlled Substances Prescription Monitoring Program (CSPMP). The prescriber report cards include detailed information comparing a practitioner's history of prescribing controlled substances with peers in a similar practice.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,655,900	3,537,000
<b>Year-End Fund Balance</b>	9,891,300	10,360,600
<b>Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,960,600	0
<b>Year-End Fund Balance</b>	1,802,900	4,032,900
<b>Federal Grants (PMA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Direct federal reimbursements and grants.		
<b>Purpose of Fund:</b> Reimbursements for services provided to the federal government.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	4,800	4,800

## Board of Physical Therapy

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	211,600	220,800	220,800
Employee Related Expenditures	84,200	113,500	113,500
Professional and Outside Services	52,300	68,600	68,600
Travel - In State	0	2,100	2,100
Travel - Out of State	800	0	0
Other Operating Expenditures	104,000	220,900	177,500
Equipment	500	5,000	5,000
<b>AGENCY TOTAL</b>	<b>453,400</b>	<b>630,900</b>	<b>587,500 <sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Physical Therapy Fund	453,400	630,900	587,500
SUBTOTAL - Other Appropriated Funds	453,400	630,900	587,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>453,400</b>	<b>630,900</b>	<b>587,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>453,400</b>	<b>630,900</b>	<b>587,500</b>

**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

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

#### Operating Budget

The Baseline includes \$587,500 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time E-licensing Funding

The Baseline includes a decrease of \$(43,400) from the Board of Physical Therapy Fund in FY 2024 to remove one-time costs associated with migrating to and maintaining an e-licensing application.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
<b>Funds Expended</b>	453,400	630,900
<b>Year-End Fund Balance</b>	1,377,500	1,679,300

# Arizona Pioneers' Home

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	106.3	107.3	107.3
Personal Services	3,690,200	4,576,800	4,576,800
Employee Related Expenditures	1,766,600	2,675,700	2,675,700
Professional and Outside Services	36,200	95,800	95,800
Travel - In State	31,200	26,700	26,700
Other Operating Expenditures	1,074,600	916,200	916,200
Equipment	242,900	52,100	20,100
<b>AGENCY TOTAL</b>	<b>6,841,700</b>	<b>8,343,300</b>	<b>8,311,300 <sup>1/2/</sup></b>

## FUND SOURCES

### Other Appropriated Funds

Miners' Hospital for Miners with Disabilities Land Fund	1,903,100	2,318,600	2,318,600
State Charitable Fund	4,938,600	6,024,700	5,992,700
SUBTOTAL - Other Appropriated Funds	6,841,700	8,343,300	8,311,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,841,700</b>	<b>8,343,300</b>	<b>8,311,300</b>
Other Non-Appropriated Funds	29,600	0	0
Federal Funds	671,200	0	0
<b>TOTAL - ALL SOURCES</b>	<b>7,542,500</b>	<b>8,343,300</b>	<b>8,311,300</b>

**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 \$8,311,300 and 107.3 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
Miners' Hospital for Miners with Disabilities Land Fund	\$2,318,600
State Charitable Fund	5,992,700

Adjustments are as follows:

### Remove One-Time Computer Replacements

The Baseline includes a decrease of \$(32,000) from the State Charitable Fund in FY 2024 to remove the one-time purchase of 23 new desktop and laptop computers.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Coronavirus Relief Fund (PIA2975/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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, 2021.		
<b>Funds Expended</b>	162,200	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Coronavirus State and Local Fiscal Recovery Fund (PIA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	509,000	0
<b>Year-End Fund Balance</b>	0	0
<b>Miners' Hospital for Miners with Disabilities Land Fund (PIA3130/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
<b>Funds Expended</b>	1,903,100	2,318,600
<b>Year-End Fund Balance</b>	11,820,900	13,629,100
<b>Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
<b>Purpose of Fund:</b> To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
<b>Funds Expended</b>	23,400	0
<b>Year-End Fund Balance</b>	230,400	402,100
<b>Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations or contributions from private sources.		
<b>Purpose of Fund:</b> To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
<b>Funds Expended</b>	6,200	0
<b>Year-End Fund Balance</b>	58,800	70,600
<b>State Charitable Fund (PIA3129/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Earnings from the Pioneers' Home's share of the State Charitable, Penal and Reformatory Grant lands.		
<b>Purpose of Fund:</b> For the operation of the Pioneers' Home.		
<b>Funds Expended</b>	4,938,600	6,024,700
<b>Year-End Fund Balance</b>	15,973,600	16,597,300

## State Board of Podiatry Examiners

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	95,900	86,500	86,500
Employee Related Expenditures	28,300	33,400	33,400
Professional and Outside Services	3,600	5,500	5,500
Travel - In State	900	2,200	2,200
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	38,500	56,700	52,200
Equipment	400	0	0
<b>AGENCY TOTAL</b>	<b>167,600</b>	<b>185,800</b>	<b>181,300<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Podiatry Fund	167,600	185,800	181,300
SUBTOTAL - Other Appropriated Funds	167,600	185,800	181,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>167,600</b>	<b>185,800</b>	<b>181,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>167,600</b>	<b>185,800</b>	<b>181,300</b>

**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

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

#### **Operating Budget**

The Baseline includes \$181,300 and 1 FTE Position from the Podiatry Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### **Remove One-Time Funding for E-licensing**

The Baseline includes a decrease of \$(4,500) from the Podiatry Fund in FY 2024 for the removal of one-time costs associated with migrating to an e-licensing application.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Podiatry Fund (POA2055/A.R.S. § 32-806)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate podiatrists, and for board administration.		
<b>Funds Expended</b>	167,600	185,800
<b>Year-End Fund Balance</b>	205,700	208,000

## Arizona Power Authority

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	24,056,400	19,207,700	19,207,700
<b>TOTAL - ALL SOURCES</b>	24,056,400	19,207,700	19,207,700

**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.

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>Arizona Power Authority Fund (PAA9506/A.R.S. § 30-202)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Energy sales to any of the authority's 39 customers.		
<b>Purpose of Fund:</b> To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
<b>Funds Expended</b>	4,222,900	57,400
<b>Year-End Fund Balance</b>	0	0
<b>Hoover Upgrading Fund (PAA1113/A.R.S. § 30-202)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The sale of hydro-electricity from Hoover Dam to APA customers.		
<b>Purpose of Fund:</b> To purchase hydro-electricity from Hoover Dam for APA customers.		
<b>Funds Expended</b>	19,831,000	19,104,300
<b>Year-End Fund Balance</b>	0	0
<b>Interest Income Fund (PAA1112/A.R.S. § 30-203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest income from investments with the Arizona State Treasurer.		
<b>Purpose of Fund:</b> To pay for the operating expenses of the Power Authority.		
<b>Funds Expended</b>	2,500	46,000
<b>Year-End Fund Balance</b>	0	0

## State Board for Private Postsecondary Education

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	168,600	248,000	248,000
Employee Related Expenditures	64,900	77,000	77,000
Professional and Outside Services	24,400	28,000	28,000
Travel - In State	0	1,000	1,000
Travel - Out of State	1,100	6,000	6,000
Other Operating Expenditures	41,700	53,800	51,300
Equipment	39,200	40,000	40,000
<b>AGENCY TOTAL</b>	<b>339,900</b>	<b>453,800</b>	<b>451,300 <sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board for Private Postsecondary Education Fund	339,900	453,800	451,300
SUBTOTAL - Other Appropriated Funds	339,900	453,800	451,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>339,900</b>	<b>453,800</b>	<b>451,300</b>
Other Non-Appropriated Funds	261,200	270,500	270,500
<b>TOTAL - ALL SOURCES</b>	<b>601,100</b>	<b>724,300</b>	<b>721,800</b>

**AGENCY DESCRIPTION** —The board licenses and regulates private postsecondary institutions throughout the state. 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

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

#### Operating Budget

The Baseline includes \$451,300 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time E-Licensing Funding

The Baseline includes a decrease of \$(2,500) from the Board for Private Postsecondary Education Fund in FY 2024 for the elimination of one-time e-licensing funding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
<b>Funds Expended</b>	339,900	453,800
<b>Year-End Fund Balance</b>	229,400	123,700



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.		
<b>Funds Expended</b>	261,200	270,500
<b>Year-End Fund Balance</b>	329,100	523,100

## State Board of Psychologist Examiners

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.5	4.5	4.5
Personal Services	294,100	317,700	317,700
Employee Related Expenditures	130,200	143,400	143,400
Professional and Outside Services	37,700	71,300	71,300
Travel - In State	100	2,300	2,300
Travel - Out of State	13,800	19,000	19,000
Other Operating Expenditures	67,000	84,000	68,800
Equipment	400	12,800	12,800
<b>AGENCY TOTAL</b>	<b>543,300</b>	<b>650,500</b>	<b>635,300<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Psychologist Examiners Fund	543,300	650,500	635,300
SUBTOTAL - Other Appropriated Funds	543,300	650,500	635,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>543,300</b>	<b>650,500</b>	<b>635,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>543,300</b>	<b>650,500</b>	<b>635,300</b>

**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

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

#### Operating Budget

The Baseline includes \$635,300 and 4.5 FTE Positions from the Board of Psychologist Examiners Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time E-licensing Funding

The Baseline includes a decrease of \$(15,200) from the Board of Psychologist Examiners Fund in FY 2024 for the elimination of one-time e-licensing funding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
<b>Funds Expended</b>	543,300	650,500
<b>Year-End Fund Balance</b>	2,067,700	2,273,900

## Department of Public Safety

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,046.7	2,074.2	2,074.2 <sup>1/</sup>
Personal Services	113,896,900	162,134,400	162,134,400
Employee Related Expenditures	104,321,700	105,403,700	105,403,700
Professional and Outside Services	2,868,900	2,585,800	2,585,800
Travel - In State	637,700	786,000	786,000
Travel - Out of State	533,300	583,200	583,200
Other Operating Expenditures	57,868,100	46,725,100	43,889,000
Equipment	33,610,800	9,146,400	8,696,400
<b>OPERATING SUBTOTAL</b>	<b>313,737,400</b>	<b>327,364,600</b>	<b>324,078,500</b>
<b>SPECIAL LINE ITEMS</b>			
ACTIC	1,266,400	1,450,000	1,450,000
AZPOST	0	6,576,000	6,576,000
Border Strike Task Force Local Support	1,044,800	12,232,900	12,232,900 <sup>2/3/4/</sup>
Border Strike Task Force Ongoing	8,472,100	17,145,900	17,145,900
Civil Air Patrol Infrastructure	0	5,000,000	0
Civil Air Patrol Maintenance and Operations	150,000	150,000	150,000
Commercial Vehicle Enforcement Consolidation	0	978,400	978,400
DPS - Rapid DNA Testing Equipment	600,000	0	0
GIITEM	27,399,300	25,329,700	25,329,700 <sup>5/6/</sup>
GIITEM Subaccount	1,997,900	2,396,400	2,396,400
Major Incident Division	0	10,000,000	17,000,000
Microwave Backbone Project	1,285,100	0	0
Motor Vehicle Fuel	5,454,600	5,454,600	5,454,600
One-Time Active Shooter Equipment	2,638,300	0	0
One-Time AZPOST Support	1,196,300	0	0
One-Time Helicopter Replacement	0	13,459,600	0
One-Time K-9 Support	0	1,900,000	0
One-Time Vehicle Bumper Tethers	0	1,800,000	0
One-Time Vehicle Replacement	0	11,709,300	0
Peace Officer Training Equipment	0	0	0
Pharmaceutical Diversion and Drug Theft Task Force	452,100	769,100	769,100
Public Safety Equipment	211,500	2,890,000	2,890,000
<b>AGENCY TOTAL</b>	<b>365,905,800</b>	<b>446,606,500</b>	<b>416,451,500 <sup>7/8/9/</sup></b>
<b>FUND SOURCES</b>			
General Fund	288,981,600	364,162,500	334,007,500
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	36,037,700	31,293,300	31,293,300
Concealed Weapons Permit Fund	2,444,300	3,172,200	3,172,200
Criminal Justice Enhancement Fund	2,232,200	2,989,100	2,989,100
DPS Forensics Fund	16,756,700	22,985,300	22,985,300
Fingerprint Clearance Card Fund	1,469,500	1,581,100	1,581,100
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	2,797,000	2,396,400	2,396,400
Motor Vehicle Liability Insurance Enforcement Fund	1,254,100	1,282,000	1,282,000
Motorcycle Safety Fund	198,900	198,900	198,900
Parity Compensation Fund	4,000,300	4,088,100	4,088,100
Public Safety Equipment Fund	215,500	2,894,000	2,894,000

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
Risk Management Revolving Fund	1,351,000	1,396,900	1,396,900
State Highway Fund	8,167,000	8,166,700	8,166,700
SUBTOTAL - Other Appropriated Funds	76,924,200	82,444,000	82,444,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>365,905,800</b>	<b>446,606,500</b>	<b>416,451,500</b>
Other Non-Appropriated Funds	38,263,200	37,258,000	34,829,200
Federal Funds	101,141,300	49,701,200	49,701,200
<b>TOTAL - ALL SOURCES</b>	<b>487,041,500</b>	<b>533,565,700</b>	<b>500,981,900</b>

**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 198.3 GF FTE Positions and 6 OF FTE Positions funded from Special Line Items in FY 2024.
- 2/ Of the \$12,232,900 appropriated for the border strike task force local support line item, \$11,732,900 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, 2023, 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 \$12,232,900 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 \$25,329,700 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 \$25,329,700 appropriated to the GIITEM line item, \$13,275,800 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, 2024 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)
- 9/ Of the amount appropriated in the total appropriation for the department of public safety, \$187,051,200 is designated for personal services and \$121,165,800 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 for other than personal services or employee-related expenditures. (General Appropriation Act footnote)

## **Operating Budget**

The Baseline includes \$324,078,500 and 1,869.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$249,126,900
Arizona Highway Patrol Fund	29,221,600
Concealed Weapons Permit Fund	3,172,200
Criminal Justice Enhancement Fund (CJEF)	2,854,800
DPS Forensics Fund	22,985,300
Fingerprint Clearance Card Fund	1,581,100
Motor Vehicle Liability Insurance Enforcement Fund	1,282,000
Motorcycle Safety Fund	198,900
Parity Compensation Fund	4,088,100
Public Safety Equipment Fund	4,000
Risk Management Revolving Fund	1,396,900
State Highway Fund	8,166,700

Adjustments are as follows:

### **Remove One-Time Public Services Portal Phase 2**

The Baseline includes a decrease of \$(2,631,500) from the General Fund in FY 2024 to remove the one-time phase 2 implementation funding of the Public Safety Portal (PSP) and FBI's Record of Arrest and Prosecution (RAP) Back program. The one-time funding will cover the costs of extending the PSP and implementing the RAP Back program.

### **Remove One-Time Building System Management Upgrade**

The Baseline includes a decrease of \$(204,600) from the General Fund in FY 2024 to remove one-time funding to upgrade the department's building management system. The system is used by the department for the operation and maintenance of their facilities. The one-time funding will be used for the IT upgrade costs.

### **Remove One-Time Equipment Funding**

The Baseline includes a decrease of \$(450,000) from the General Fund in FY 2024 to remove one-time funding for the purchase of phones.

## **ACTIC**

The Baseline includes \$1,450,000 from the General Fund in FY 2024 for the operation of the Arizona Counter Terrorism Information Center (ACTIC). This amount is unchanged from FY 2023.

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.

## **AZPOST**

The Baseline includes \$6,576,000 from the General Fund in FY 2024 for the Arizona Peace Officer Standards and Training Board (AZPOST). This amount is unchanged from FY 2023.

Created in 1968, AZPOST consists of 13 members appointed by the Governor. The board was established to address the need for peace officer recruitment, selection, retention and training standards. AZPOST provides the curriculum and standards for all certified law enforcement training facilities. AZPOST services approximately 163 law enforcement agencies encompassing over 14,500 sworn peace officers and 14 police training academies throughout the state.

## **Border Strike Task Force Local Support**

The Baseline includes \$12,232,900 from the General Fund in FY 2024 for the costs of BSTF Local Support. This amount is unchanged from FY 2023.

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 \$12,232,900 total appropriation, the budget requires that \$11,732,900 be used to fund 75% of the costs for 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 \$17,145,900 and 58.5 FTE Positions from the General Fund in FY 2024 for the Border Strike Task Force (BSTF). These amounts are unchanged from FY 2023.

The BSTF is a multi-agency law enforcement task force that targets drug and human trafficking organizations and activities along the Arizona-Mexico border.

General Fund	24,852,200
Arizona Highway Patrol Fund	477,500

#### **Civil Air Patrol Infrastructure**

The Baseline includes no funding in FY 2024 for the Civil Air Patrol (CAP) Infrastructure line item. Adjustments are as follows:

##### **Remove One-Time Civil Air Patrol Infrastructure**

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2024 to remove one-time funding for new CAP infrastructure.

This line item covers the cost to construct new facilities to house aircraft used by CAP to aid in search and rescue and other emergency missions. The FY 2023 appropriation is non-lapsing and requires an annual report on expenditures from this line item.

#### **Civil Air Patrol Maintenance and Operations**

The Baseline includes \$150,000 from the General Fund in FY 2024 for funding of the CAP Maintenance and Operations. This amount is unchanged from FY 2023.

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.)*

#### **Commercial Vehicle Enforcement Consolidation**

The Baseline includes \$978,400 and 3 FTE Positions from the General Fund in FY 2024 for the Commercial Vehicle Enforcement Consolidation line item. These amounts are unchanged from FY 2023.

This line item funds the Consolidated Commercial Vehicle Enforcement Task Force between DPS and ADOT. The 2 agencies will be operated under a single management structure in a joint effort to perform commercial vehicle inspections throughout the state. A General Appropriation Act footnote requires the department to submit an operational and expenditure plan to JLBC for review prior to expending monies from this line item.

#### **GIITEM**

The Baseline includes \$25,329,700 and 136.8 FTE Positions in FY 2024 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts consist of:

These amounts are unchanged from FY 2023.

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) \$13,275,800 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.)*

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 2024 for the GIITEM Subaccount, to be used for equipment and supplies for border security. This amount is unchanged from FY 2023.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$1,487,200 in FY 2024. 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 2023 GIITEM Subaccount expenditure plan. The plan includes \$458,300 for detention liaison officers, \$538,100 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.

### **Major Incident Division**

The Baseline includes \$17,000,000 from the General Fund in FY 2024 for the Major Incident Division (MID). Adjustments are as follows:

#### **Major Incident Division Funding**

The Baseline includes an increase of \$7,000,000 from the General Fund in FY 2024 to fund the Major Incident Division within DPS established under the FY 2023 budget. The funding will be used for startup costs associated with the establishment of the MID.

This line item funds the MID, which is charged with conducting independent investigations of critical force incidents. Investigators from the MID, along with the regional law enforcement task force, will investigate these incidents. Critical force incidents are defined as any time a peace officer discharges a firearm as a use of force encounter, any use of deadly force, or any use of force that results in death or serious bodily injury of an individual. FY 2023 3-year budget plan assumes that the Division will receive ongoing funding of \$17,000,000 in FY 2024 and \$24,000,000 in FY 2025.

### **Microwave Backbone Statewide Communication System**

The Baseline includes no funding and 3 FTE Positions from the Arizona Highway Patrol Fund in FY 2024 for the Microwave Backbone Statewide Communication System line item. These amounts are unchanged from FY 2023.

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. The FY 2022 appropriation is non-lapsing until the project is complete or has been abandoned with no expenditure for a full fiscal year.

### **Motor Vehicle Fuel**

The Baseline includes \$5,454,600 in FY 2024 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 2023.

The Motor Vehicle Fuel line item centralizes monies appropriated to DPS for motor vehicle fuel.

### **One-Time Helicopter Replacement**

The Baseline includes no funding in FY 2024 for the One-Time Helicopter Replacement line item. Adjustments are as follows:

#### **Remove One-Time Helicopter Replacement**

The Baseline includes a decrease of \$(10,900,000) from the General Fund in FY 2024 to remove one-time funding to replace one of the department's 5 helicopters.

#### **Remove One-Time Helicopter Upfit**

The Baseline includes a decrease of \$(2,559,600) from the General Fund in FY 2024 to remove one-time funding to upgrade a recently purchased helicopter.

This line item provides one-time funding for the department to replace a helicopter and upfit (i.e., customize with extra features) a recently purchased helicopter.

### **One-Time K-9 Support**

The Baseline includes no funding in FY 2024 for the One-Time K-9 Support line item. Adjustments are as follows:

#### **Remove One-Time K-9 Support Funding**

The Baseline includes a decrease of \$(1,900,000) from the General Fund in FY 2024 to remove one-time funding to provide K-9 support.

This line item provides one-time funding for the department for various K-9 needs, including K-9 facility improvements, the replacement of 12 K-9 equipped vehicles, and for 3 newly-trained K-9 dogs.

**One-Time Vehicle Bumper Tethers**

The Baseline includes no funding in FY 2024 for the One-Time Vehicle Bumper Tethers line item. Adjustments are as follows:

**Remove One-Time Vehicle Bumper Tethers Funding**

The Baseline includes a decrease of \$(1,800,000) from the General Fund in FY 2024 to remove one-time funding to purchase approximately 400 vehicle bumper tethers.

These bumper tethers enable Highway Patrol Troopers to launch a fabric band at the rear wheel of a fleeing vehicle to bring the pursuit to an end.

**One-Time Vehicle Replacement**

The Baseline includes no funding in FY 2024 for the One-Time Vehicle Replacement line item. Adjustments are as follows:

**Remove One-Time Vehicle Replacement Funding**

The Baseline includes a decrease of \$(11,709,300) from the General Fund in FY 2024 to remove one-time funding to replace at least 276 vehicles.

This line item provides one-time funding for the department to replace at least 276 vehicles. The department intends to purchase 187 Highway Patrol vehicles and 89 vehicles for criminal investigations. The appropriation is exempt from lapsing through FY 2024.

**Peace Officer Training Equipment**

The Baseline includes no funding in FY 2024 for Peace Officer Training Equipment. This amount is unchanged from FY 2023.

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 extended 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 2022, DPS has expended \$2,585,300 from the Peace Officer Training Equipment Fund. These expenditures include the \$500,000 for employee overtime pay as well as \$2,085,300 for firing ranges and virtual training simulators.

Revenue collections totaled \$1,075,100 in FY 2022. Assuming similar revenue collections in future years, by the end of FY 2023, the fund is estimated to collect a total of approximately \$5,125,500 since its creation, compared to an appropriated spending amount of \$3,073,000. If the department expends the full FY 2019 appropriation, this will leave an estimated fund balance of \$2,052,500 in FY 2024.

Once the FY 2019 appropriation is completed, the Peace Officer Training Equipment Advisory Commission established by Chapter 312 will make annual recommendations on how the funding should be spent.

**Pharmaceutical Diversion and Drug Theft Task Force**

The Baseline includes \$769,100 and 3 FTE Positions in FY 2024 for the Pharmaceutical Diversion and Drug Theft Task Force. These amounts consist of:

General Fund	111,000
Arizona Highway Patrol Fund	658,100

These amounts are unchanged from FY 2023.



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 2024 to equip DPS officers. This amount is unchanged from FY 2023.

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.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Anti-Racketeering Revolving Fund (PSA3123/A.R.S. § 13-2314.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,221,900	437,600
<b>Year-End Fund Balance</b>	5,103,400	4,385,800
<b>Arizona Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	36,037,700	31,293,300
<b>Year-End Fund Balance</b>	58,378,000	9,884,600
<b>Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid by fingerprint clearance card applicants.		
<b>Purpose of Fund:</b> To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.		
<b>Funds Expended</b>	740,200	748,700
<b>Year-End Fund Balance</b>	1,393,700	1,245,000
<b>Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Penalties and fees collected for parking violations on state property.		
<b>Purpose of Fund:</b> For Capitol Police Department law enforcement purposes.		
<b>Funds Expended</b>	6,400	7,600
<b>Year-End Fund Balance</b>	15,100	7,800

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Concealed Weapons Permit Fund (PSA2518/A.R.S. § 41-1722)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,444,300	3,172,200
<b>Year-End Fund Balance</b>	4,299,600	4,527,400
<b>Coronavirus Relief Fund (PSA2975/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	18,873,100	0
<b>Year-End Fund Balance</b>	0	0
<b>Coronavirus State and Local Fiscal Recovery Fund (PSA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	18,268,800	0
<b>Year-End Fund Balance</b>	0	0
<b>Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> An 85% allocation of an 10.01% 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,232,200	2,989,100
<b>Year-End Fund Balance</b>	760,700	51,700
<b>Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An 85% allocation of an 10.01% 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	760,700	51,700
<b>DPS Administration Fund (PSA2322/A.R.S. § 41-1713)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> State and local grants and donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,170,900	3,796,200
<b>Year-End Fund Balance</b>	3,097,700	3,666,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>DPS Forensics Fund (PSA9990/A.R.S. § 41-1730)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A 20.81% 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.		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	16,756,700	22,985,300
<b>Year-End Fund Balance</b>	4,930,800	(757,900)
<b>DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees collected from Private Investigator and Security Guard license applicants.		
<b>Purpose of Fund:</b> For the operational and equipment costs of regulating the private investigator and security guard industry.		
<b>Funds Expended</b>	1,425,800	1,372,700
<b>Year-End Fund Balance</b>	431,200	303,500
<b>Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,036,500	1,036,500
<b>Year-End Fund Balance</b>	1,880,800	2,148,300
<b>Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	102,000	94,000
<b>Year-End Fund Balance</b>	94,200	212,500
<b>Federal Grants (PSA2000/A.R.S. § 41-1713)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	63,999,400	49,701,200
<b>Year-End Fund Balance</b>	795,100	32,870,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Fingerprint Clearance Card Fund (PSA2433/A.R.S § 41-1758.06)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees charged to applicants or contract providers for a fingerprint clearance card.		
<b>Purpose of Fund:</b> Appropriated revenues may be used for DPS crime lab expenses. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	1,469,500	1,581,100
<b>Year-End Fund Balance</b>	3,820,400	3,704,400
<b>Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees charged to applicants or contract providers for a fingerprint clearance card.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,175,200	7,791,900
<b>Year-End Fund Balance</b>	3,820,400	3,704,400
<b>Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA2396/A.R.S. § 41-1724)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A \$4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,797,000	2,396,400
<b>Year-End Fund Balance</b>	2,379,100	2,935,300
<b>IGA and ISA Fund (PSA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency agreements.		
<b>Purpose of Fund:</b> To execute intergovernmental and interagency service agreements.		
<b>Funds Expended</b>	8,088,000	10,061,300
<b>Year-End Fund Balance</b>	2,815,900	1,554,600
<b>Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	3,527,000	2,978,900
<b>Year-End Fund Balance</b>	2,135,700	2,412,400
<b>Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	26,100	26,100

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Motor Vehicle Liability Insurance Enforcement Fund (PSA2285/A.R.S. § 28-4151)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For ADOT to enforce mandatory motor vehicle liability insurance laws. The fund is also used for DPS operating expenses.		
Funds Expended	1,254,100	1,282,000
Year-End Fund Balance	0	0
<b>Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Receives \$1 of each motorcycle registration fee.		
<b>Purpose of Fund:</b> To implement and support voluntary motorcycle safety, education and awareness programs.		
Funds Expended	198,900	198,900
Year-End Fund Balance	50,600	13,700
<b>Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
<b>Purpose of Fund:</b> To fund salary and benefit adjustments for law enforcement personnel.		
Funds Expended	4,000,300	4,088,100
Year-End Fund Balance	4,139,000	4,650,900
<b>Peace Officer Training Equipment Fund (PSA8888/A.R.S. § 41-1731)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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	0	0
Year-End Fund Balance	1,465,800	1,085,800
<b>Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Previously received a 16.64% distribution 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. Laws 2022, Chapter 311 removed the Peace Officers' Training Fund as a recipient of CJEF revenue and redistributed their allocation to all other CJEF recipients but did not specify a replacement funding source. The FY 2023 budget added \$6,100,000 in General Fund monies to fund the activities previously funded by the Fund.		
<b>Purpose of Fund:</b> 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	5,099,000	1,489,600
Year-End Fund Balance	4,170,700	3,824,300
<b>Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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	215,500	2,894,000
Year-End Fund Balance	2,731,000	(44,200)

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,040,200	1,260,500
<b>Year-End Fund Balance</b>	2,731,000	(44,200)
<b>Records Processing Fund (PSA2278/A.R.S. § 41-1750)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> For fingerprint processing and department administrative costs.		
<b>Funds Expended</b>	4,610,900	5,166,500
<b>Year-End Fund Balance</b>	701,900	505,400
<b>Risk Management Revolving Fund (PSA4216/A.R.S. § 41-1713)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Transfer from the Arizona Department of Administration Risk Management Fund.		
<b>Purpose of Fund:</b> For the costs of a disaster recovery program for the DPS mainframe data center and the operational costs of the Capitol Police.		
<b>Funds Expended</b>	1,351,000	1,396,900
<b>Year-End Fund Balance</b>	19,000	19,000
<b>Smart and Safe Arizona Fund (PSA1120/A.R.S. § 36-2856)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>State Aid to Indigent Defense Fund (PSA2445/A.R.S. § 11-588)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	19,700	19,700
<b>State Highway Fund (PSA2030/A.R.S. § 28-6991)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.		
<b>Purpose of Fund:</b> To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
<b>Funds Expended</b>	8,167,000	8,166,700
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
<b>Purpose of Fund:</b> To establish and maintain a public education campaign for highway work zone safety.		
<b>Funds Expended</b>	19,000	19,000
<b>Year-End Fund Balance</b>	11,600	600
<b>Victims' Rights Enforcement Fund (PSA2519/A.R.S. § 41-1727)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,000,200	997,000
<b>Year-End Fund Balance</b>	1,345,700	1,207,200

## Public Safety Personnel Retirement System

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>SPECIAL LINE ITEMS</b>			
EORP Fund Deposit (Statutory Appropriation)	5,000,000	5,000,000	5,000,000 <sup>1/</sup>
EORP Fund Deposit (Laws 2022, Ch. 323)	0	60,000,000	0
Prescott Fire Employer Group Deposit	1,000,000	1,000,000	1,000,000 <sup>2/</sup>
<u>One-Time PSPRS Employer Group Deposits</u>			
Attorney General Investigators	9,117,700	0	0
Department of Emergency and Military Affairs	8,542,800	0	0
Game and Fish Department	97,243,000	0	0
Department of Liquor Licenses and Control	7,628,900	0	0
State Parks Board	8,820,600	0	0
Department of Public Safety	420,559,600	0	0
Arizona State University Campus Police	23,565,000	0	0
Northern Arizona University Campus Police	7,725,600	0	0
University of Arizona Campus Police	15,645,900	0	0
<u>One-Time CORP Employer Group Deposits</u>			
Department of Corrections	474,635,300	0	0
Department of Juvenile Corrections	73,940,800	0	0
Department of Public Safety (Detention)	309,200	0	0
Department of Public Safety (Dispatchers)	6,352,000	0	0
<b>AGENCY TOTAL</b>	<b>1,160,086,400</b>	<b>66,000,000</b>	<b>6,000,000</b>
<b>FUND SOURCES</b>			
General Fund	1,145,086,400	66,000,000	6,000,000
<u>Other Appropriated Funds</u>			
Game and Fish Fund	15,000,000	0	0
SUBTOTAL - Other Appropriated Funds	15,000,000	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,160,086,400</b>	<b>66,000,000</b>	<b>6,000,000</b>
Other Non-Appropriated Funds	18,226,800	22,548,800	22,548,800
<b>TOTAL - ALL SOURCES</b>	<b>1,178,313,200</b>	<b>88,548,800</b>	<b>28,548,800</b>

**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/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- 2/ 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 (Statutory Appropriation)**

The Baseline includes \$5,000,000 from the General Fund in FY 2024 as part of the closure of the Elected Officials' Retirement Plan (EORP). This amount is unchanged from FY 2023. (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.



**EORP Fund Deposit (Laws 2022, Chapter 323)**

The Baseline includes no funding from the General Fund in FY 2024 for deposit into the EORP Fund (under Laws 2022, Chapter 323). Adjustments are as follows:

**Remove One-Time Funding for EORP Early Retirement**

The Baseline includes a decrease of \$(60,000,000) from the General Fund in FY 2024 to remove one-time funding for deposit into the EORP Fund. Laws 2022, Chapter 323 appropriated \$60,000,000 from the General Fund in FY 2023 for deposit into the EORP Fund. This amount is intended to offset the increased actuarial liability from the early retirement benefit.

Chapter 323 makes a temporary exception to standard EORP provisions to allow a member to receive a normal retirement pension if they have either: 1) 55 years of age with 10 years of credited service; or 2) 59.5 years of age with 5 years of credited service. To qualify for this benefit, the member must make an irrevocable notice of resignation by July 29, 2022, with a date of resignation and retirement not later than September 30, 2022. PSPRS has reported that 3 EORP members utilized the early retirement provisions of Chapter 323.

**Prescott Fire Employer Group Deposit**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for deposit into the employer account of the

Prescott Fire Department group. This amount is unchanged from FY 2023.

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.

The original estimated liability resulting from the Yarnell Hill fire was \$5,200,000. As of June 2022, PSPRS re-estimated this liability to be \$11,431,000.

*See the Consolidated Retirement Report section for more information on PSPRS membership and actuarial data.*

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Disability Program Trust Fund (No Fund Number/A.R.S. § 38-870.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Employee and employer contributions for certain Tier 3 PSPRS and CORP members, abandoned Disability Program monies, and interest earnings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program</b>		<b>Non-Appropriated</b>
<b>Account (No Fund Number/A.R.S. § 38-643)</b>		
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 \$1,900 of net fees applied to investments in FY 2022 and FY 2023.		
<b>Funds Expended</b>	133,900	169,800
<b>Year-End Fund Balance</b>	0	0
<b>Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882; 38-840.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Public Safety Personnel Retirement System Fund; Elected Officials Retirement Fund; Correctional Officer Retirement Fund; Elected Officials Defined Contribution Disability Program Trust Fund.		
<b>Purpose of Fund:</b> 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 \$24,565,200 of net fees applied to investments in FY 2021 and FY 2022.		
<b>Funds Expended</b>	18,092,900	22,379,000
<b>Year-End Fund Balance</b>	0	0
<b>Retiree Pool Account (No Fund Number/A.R.S. § 38-846.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## State Real Estate Department

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	37.0	37.0	37.0
Personal Services	1,367,900	1,787,000	1,787,000
Employee Related Expenditures	509,100	763,400	763,400
Professional and Outside Services	90,900	200,000	200,000
Travel - In State	11,000	18,500	18,500
Travel - Out of State	4,100	7,000	7,000
Other Operating Expenditures	344,000	420,100	420,100
Equipment	45,700	25,000	25,000
<b>AGENCY TOTAL</b>	<b>2,372,700</b>	<b>3,221,000</b>	<b>3,221,000 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,372,700	3,221,000	3,221,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,372,700</b>	<b>3,221,000</b>	<b>3,221,000</b>
Other Non-Appropriated Funds	89,100	206,500	206,500
<b>TOTAL - ALL SOURCES</b>	<b>2,461,800</b>	<b>3,427,500</b>	<b>3,427,500</b>

**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

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

### Operating Budget

The Baseline includes \$3,221,000 and 37 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Condominium and Planned Community Hearing Office Fund (REA2537/A.R.S. § 32-2199.05)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	32,000	32,000
<b>Year-End Fund Balance</b>	10,000	14,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Education Revolving Fund (REA4011/A.R.S. § 32-2107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of the department's educational publications, primarily the Real Estate Lawbook.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	18,800	20,000
<b>Year-End Fund Balance</b>	25,000	21,500
<b>Recovery Fund (REA3119/A.R.S. § 32-2186)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	38,300	154,500
<b>Year-End Fund Balance</b>	1,075,300	997,800

## Residential Utility Consumer Office

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	12.0	12.0
Personal Services	706,400	926,300	926,300
Employee Related Expenditures	243,400	303,800	303,800
Travel - In State	8,600	8,600	8,600
Travel - Out of State	3,800	7,000	7,000
Other Operating Expenditures	172,000	188,200	188,200
Equipment	9,400	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,143,600</b>	<b>1,433,900</b>	<b>1,433,900</b>
<b>SPECIAL LINE ITEMS</b>			
Professional Witnesses	71,900	145,000	145,000 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>1,215,500</b>	<b>1,578,900</b>	<b>1,578,900 <sup>2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Residential Utility Consumer Office Revolving Fund	1,215,500	1,578,900	1,578,900
SUBTOTAL - Other Appropriated Funds	1,215,500	1,578,900	1,578,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,215,500</b>	<b>1,578,900</b>	<b>1,578,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,215,500</b>	<b>1,578,900</b>	<b>1,578,900</b>

**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

- <sup>1/</sup> 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)
- <sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### Operating Budget

The Baseline includes \$1,433,900 and 12 FTE Positions from the RUCO Revolving Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

#### Professional Witnesses

The Baseline includes \$145,000 from the RUCO Revolving Fund in FY 2024 for Professional Witnesses. This amount is unchanged from FY 2023.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To operate the Residential Utility Consumer Office.		
<b>Funds Expended</b>	1,215,500	1,578,900
<b>Year-End Fund Balance</b>	1,135,300	850,500

## Board of Respiratory Care Examiners

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	179,900	197,400	197,400
Employee Related Expenditures	65,100	83,000	83,000
Professional and Outside Services	200	6,500	6,500
Travel - In State	700	1,500	1,500
Travel - Out of State	0	2,000	2,000
Other Operating Expenditures	42,900	116,400	94,700
Equipment	37,200	0	0
<b>AGENCY TOTAL</b>	<b>326,000</b>	<b>406,800</b>	<b>385,100 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Respiratory Care Examiners Fund	326,000	406,800	385,100
SUBTOTAL - Other Appropriated Funds	326,000	406,800	385,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>326,000</b>	<b>406,800</b>	<b>385,100</b>
<b>TOTAL - ALL SOURCES</b>	326,000	406,800	385,100

**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

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

### Operating Budget

The Baseline includes \$385,100 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2024 for the operating budget. Adjustments are as follows:

### Remove One-Time E-licensing Funding

The Baseline includes a decrease of \$(21,700) from the Board of Respiratory Care Examiners Fund in FY 2024 for the elimination of one-time e-licensing funding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
<b>Funds Expended</b>	326,000	406,800
<b>Year-End Fund Balance</b>	292,400	306,600

## Arizona State Retirement System

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	240.9	240.9	240.9
Personal Services	12,013,100	13,480,700	13,480,700
Employee Related Expenditures	4,412,000	5,569,200	5,569,200
Professional and Outside Services	3,410,800	4,317,100	4,251,900
Travel - In State	3,200	30,000	30,000
Travel - Out of State	5,200	49,000	49,000
Other Operating Expenditures	2,870,800	4,300,100	4,300,100
Equipment	131,600	389,500	389,500
<b>AGENCY TOTAL</b>	<b>22,846,700</b>	<b>28,135,600</b>	<b>28,070,400 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Long-Term Disability Trust Fund Administration Account	1,286,300	1,800,000	1,800,000
State Retirement System Administration Account	21,560,400	26,335,600	26,270,400
SUBTOTAL - Other Appropriated Funds	22,846,700	28,135,600	28,070,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>22,846,700</b>	<b>28,135,600</b>	<b>28,070,400</b>
Other Non-Appropriated Funds	7,606,800	11,460,300	11,460,300
<b>TOTAL - ALL SOURCES</b>	<b>30,453,500</b>	<b>39,595,900</b>	<b>39,530,700</b>

**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

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

### Operating Budget

The Baseline includes \$28,070,400 and 240.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<u>FY 2024</u>
Arizona State Retirement System Administration Account	\$26,270,400
Long-Term Disability (LTD) Trust Fund Administration Account	1,800,000

Adjustments are as follows:

### Remove One-Time Funding

The Baseline includes a decrease of \$(65,200) from the Arizona State Retirement System Administration Account in FY 2024 to remove one-time funding associated with cloud migration costs and service management software.

See the Consolidated Retirement Report section for more information on ASRS membership and actuarial data.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Transfer from the State Retirement Fund.		
<b>Purpose of Fund:</b> 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 \$242,567,100 and \$126,012,300 of net fees applied to investments in FY 2022 and FY 2023.		
<b>Funds Expended</b>	6,573,700	8,075,500
<b>Year-End Fund Balance</b>	0	0
<b>ASRS Self-Insurance Administration Fund (RSA1409/A.R.S. § 38-782)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Funds from the ASRS Self Insurance Program.		
<b>Purpose of Fund:</b> To pay administrative and actuarial costs of the program.		
<b>Funds Expended</b>	1,033,100	3,384,800
<b>Year-End Fund Balance</b>	0	0
<b>Long-Term Disability Trust Fund Administration Account (RSA1408/A.R.S. § 38-797.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Long-Term Disability (LTD) Trust Fund.		
<b>Purpose of Fund:</b> To pay for the cost of administering the LTD program.		
<b>Funds Expended</b>	1,286,300	1,800,000
<b>Year-End Fund Balance</b>	0	0
<b>State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Transfer from the State Retirement Fund.		
<b>Purpose of Fund:</b> To pay the Arizona State Retirement System's administrative expenses.		
<b>Funds Expended</b>	21,560,400	26,335,600
<b>Year-End Fund Balance</b>	0	0



## Department of Revenue

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	881.0	892.8	892.8 <sup>1/</sup>
Personal Services	10,531,200	34,245,000	34,245,000
Employee Related Expenditures	4,196,700	15,555,500	15,555,500
Professional and Outside Services	5,690,600	8,013,100	8,013,100
Travel - In State	57,700	81,600	81,600
Travel - Out of State	13,900	30,800	30,800
Other Operating Expenditures	14,558,400	16,960,000	16,960,000
Equipment	853,800	621,400	621,400
<b>OPERATING SUBTOTAL</b>	<b>35,902,300</b>	<b>75,507,400</b>	<b>75,507,400 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
BRITS Operational Support	7,383,200	8,008,800	8,008,800
E-Commerce Compliance and Outreach	563,500	919,800	919,800
Income Tax Information Technology	37,300	0	0
Tax Fraud Prevention	3,042,900	3,150,000	3,150,000 <sup>3/4/</sup>
TPT Simplification	952,400	1,013,800	1,013,800
Unclaimed Property Administration and Audit	1,520,500	1,487,000	1,487,000 <sup>5/</sup>
<b>AGENCY TOTAL</b>	<b>49,402,100</b>	<b>90,086,800</b>	<b>90,086,800 <sup>6/7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	23,976,300	59,863,300	59,863,300
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	24,073,800	28,603,100	28,603,100
Liability Setoff Program Revolving Fund	686,200	892,500	892,500
Tobacco Tax and Health Care Fund	665,800	727,900	727,900
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>25,425,800</b>	<b>30,223,500</b>	<b>30,223,500</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>49,402,100</b>	<b>90,086,800</b>	<b>90,086,800</b>
Other Non-Appropriated Funds	1,786,700	1,831,500	1,831,500
Federal Funds	23,937,600	0	0
<b>TOTAL - ALL SOURCES</b>	<b>75,126,400</b>	<b>91,918,300</b>	<b>91,918,300</b>

**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 and 2 OF FTE Positions funded from Special Line Items in FY 2024.
- 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, 2023, the department shall report the results of private fraud prevention investigation services during fiscal year 2022-2023 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 2022-2023. (General Appropriation Act footnote)
- 5/ If the total value of properties retained by unclaimed property contract auditors exceeds \$1,487,000, 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 2023-2024 to the joint legislative budget committee on or before September 30, 2023. On or before September 30, 2024, 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 2023-2024. 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 2022-2023 and fiscal year 2023-2024, 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 2022-2023. (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 \$75,507,400 and 820.8 FTE Positions in FY 2024 for the operating budget. This amount consists of:

	<b>FY 2024</b>
General Fund	\$50,015,200
DOR Administrative Fund	23,871,800
Liability Setoff Program Revolving Fund	892,500
Tobacco Tax and Health Care Fund	727,900

These amounts are unchanged from FY 2023.

**Business Reengineering/Integrated Tax System (BRITS) Operational Support**

The Baseline includes \$8,008,800 and 51 FTE Positions in FY 2024 for operational support of BRITS.

These amounts consist of:

General Fund	4,764,500
DOR Administrative Fund	3,244,300

These amounts are unchanged from FY 2023.

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 current computer system for collecting and processing tax data. The FY 2023 budget included monies for the development of a new integrated tax system. *(For additional information, please see the Integrated Tax System Other Issues section and the Arizona Department of Administration – Automation Projects Fund narrative.)*

**E-Commerce Compliance and Outreach**

The Baseline includes \$919,800 from the General Fund in FY 2024 for E-commerce compliance and outreach (ECCO) administrative costs. This amount is unchanged from FY 2023.

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.

**Tax Fraud Prevention**

The Baseline includes \$3,150,000 from the General Fund in FY 2024 for Tax Fraud Prevention. This amount is unchanged from FY 2023.

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 \$42.4 million in fraudulent returns in Individual Income Tax returns in FY 2022.

**TPT Simplification**

The Baseline includes \$1,013,800 and 19 FTE Positions from the General Fund in FY 2024 for TPT Simplification responsibilities. These amounts are unchanged from FY 2023.

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.

**Unclaimed Property Administration and Audit**

The Baseline includes \$1,487,000 and 2 FTE Positions from the DOR Administrative Fund in FY 2024 for Unclaimed Property Administration and Audit. These amounts are unchanged from FY 2023.

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 \$1,487,000.

**Other Issues**

**Statutory Changes**

The Baseline would:

- As session law, stipulates legislative intent that the fees charged to local governments not exceed \$6,597,200 in FY 2024. Includes provisions that stipulate that the fee charged to local governments be allocated to counties, cities, towns, councils of governments, and regional transportation authorities with a population of more than 800,000. This allocation is to be proportionate to the share of revenues distributed to them 2 fiscal years prior to the current fiscal year. Provides that population is the basis for determining the apportioning of fees among counties as well as among cities and towns.
- As session law, stipulates legislative intent that the amount transferred in FY 2024 from the 0.6% educational sales tax shall not exceed \$800,000 and the 16% recreational marijuana tax shall not exceed \$178,100.

**Integrated Tax System**

The FY 2023 budget assumed 6 years of funding for a \$104.8 million new income tax modernization system for the Department of Revenue. Of this amount, across all years \$41.0 million is to be assessed to certain state government funds, local governments and other taxing authorities to recover a portion of the administrative, development and operating costs for the system. These assessed monies will be deposited into the Integrated Tax System Project Fund

For FY 2024, the Baseline includes a transfer of \$11,794,100 from the General Fund and \$7,575,300 from the Integrated Tax System Project Fund to the Automation Projects Fund (APF) for the development of a new integrated tax system for the Department of Revenue. The sum of \$19,369,400 is then appropriated from the Automation Projects Fund for the second year of funding.

The Baseline also includes funding for the Integrated Tax System project in FY 2025 and FY 2026:

- FY 2025 – \$11,847,300 from the General Fund and \$7,609,500 from the Integrated Tax System Project Fund, for total funding of \$19,456,800
- FY 2026 – \$11,725,500 from the General Fund and \$7,531,300 from the Integrated Tax System Project Fund, for total funding of \$19,256,800

*(Please see the Department of Administration – Automation Projects Fund narrative for details regarding this information technology project.)*

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Coronavirus State and Local Fiscal Recovery Fund (RVA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	23,937,600	0
<b>Year-End Fund Balance</b>	0	0
<b>Department of Revenue Administrative Fund (RVA2463/A.R.S. § 42-1116.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To cover the Department of Revenue's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
<b>Funds Expended</b>	24,073,800	28,603,100
<b>Year-End Fund Balance</b>	8,070,500	3,967,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Department of Revenue Integrated Tax System Project Fund (RVA2610/A.R.S. § 42-5041)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies deposited into the fund from fees charged to local governments (including councils of governments and regional transportation authorities with a population of more than 800,000) and revenues transferred from the 0.6% education sales tax and the 16% recreational marijuana excise tax. Statute requires DOR to charge the fee to local governments and implement the tax revenue transfers from FY 2023 to FY 2028 to recover a portion of the administrative, development and other operating costs of a new integrated tax system.		
<b>Purpose of Fund:</b> To contribute to the Department of Revenue's administrative, development and other operating costs incurred in implementing the new integrated tax system at the department.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Escheated Estates Fund (RVA3745/A.R.S. § 12-885)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	88,000	88,000
<b>Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	18,973,600	18,973,600
<b>I Didn't Pay Enough Fund (RVA1031/A.R.S. § 43-211)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Voluntary contributions from taxpayers.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (RVA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Transfer of funds from Arizona Early Childhood Development and Health Board.		
<b>Purpose of Fund:</b> To assist the Revenue Tobacco unit in enforcement compliance.		
<b>Funds Expended</b>	1,759,100	1,799,500
<b>Year-End Fund Balance</b>	1,494,000	274,100

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Liability Setoff Program Revolving Fund (RVA2179/A.R.S. § 42-1122)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To cover the Department of Revenue's costs of administering the Liability Setoff program and for general operating expenditures.		
<b>Funds Expended</b>	686,200	892,500
<b>Year-End Fund Balance</b>	1,410,500	1,618,000
<b>Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receipts from the sale of department tax-related publications.		
<b>Purpose of Fund:</b> To offset costs of publishing and distributing tax-related publications.		
<b>Funds Expended</b>	24,200	27,000
<b>Year-End Fund Balance</b>	16,700	16,700
<b>Special Collections Fund (RVA2168/A.R.S. § 42-1004)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,100	1,100
<b>Tax Fraud Interdiction Fund (RVA3050/A.R.S. § 42-1116.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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, zipper, or phantom-ware used to evade tax administration.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Tobacco Tax and Health Care Fund (RVA1309/A.R.S. § 36-771)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund consists of tobacco taxes retained by the department to administer the Tobacco Tax program.		
<b>Purpose of Fund:</b> To monitor and enforce tobacco tax laws.		
<b>Funds Expended</b>	665,800	727,900
<b>Year-End Fund Balance</b>	4,800	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
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<b>Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)</b>	<b>Non-Appropriated</b>	
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**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 Budget Reconciliation Bill delayed the reversion of Native American Veteran's Income Tax Settlement Fund monies from June 30, 2021 to June 30, 2023.

<b>Funds Expended</b>	3,400	5,000
<b>Year-End Fund Balance</b>	1,597,200	1,600,100

<b>Waste Tire Fund (RVA2356/A.R.S. § 44-1305)</b>	<b>Non-Appropriated</b>	
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**Source of Revenue:** Collections from a fee on new tire purchases and penalties for violations.

**Purpose of Fund:** Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality (DEQ) to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190.

<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Department of State - Secretary of State

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	143.1	143.1	144.1 <sup>1/2/</sup>
Personal Services	6,126,300	6,719,700	6,719,700
Employee Related Expenditures	2,239,100	2,688,000	2,688,000
Professional and Outside Services	1,345,200	1,278,500	1,278,500
Travel - In State	2,200	4,500	4,500
Travel - Out of State	23,800	36,300	36,300
Other Operating Expenditures	3,816,200	3,605,800	3,605,800
Equipment	127,400	141,800	141,800
<b>OPERATING SUBTOTAL</b>	<b>13,680,200</b>	<b>14,474,600</b>	<b>14,474,600</b> <sup>3/4/5/</sup>
<b>SPECIAL LINE ITEMS</b>			
Access Voter Information Database	0	483,500	483,500 <sup>6/</sup>
Early Ballot Tracking	0	250,000	0
Election Services	0	8,000,000	0
Electronic Records Repository	0	0	70,000 <sup>7/</sup>
HAVA – December 2019 Grant - County Allocation <sup>8/</sup>	0	0	0
Presidential Preference Election	0	0	4,000,000 <sup>9/</sup>
Uniform State Laws Commission	73,800	99,000	99,000
Library Grants-in-Aid	530,000	651,400	651,400 <sup>10/</sup>
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
<b>AGENCY TOTAL</b>	<b>14,381,000</b>	<b>24,055,500</b>	<b>19,875,500</b> <sup>11/</sup>
<b>FUND SOURCES</b>			
General Fund	12,907,700	22,237,100	18,057,100
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	216,700	483,500	483,500
Records Services Fund	1,256,600	1,334,900	1,334,900
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>1,473,300</b>	<b>1,818,400</b>	<b>1,818,400</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>14,381,000</b>	<b>24,055,500</b>	<b>19,875,500</b>
Other Non-Appropriated Funds	1,995,600	1,974,200	1,974,200
Federal Funds	5,997,400	6,013,000	6,013,000
<b>TOTAL - ALL SOURCES</b>	<b>22,374,000</b>	<b>32,042,700</b>	<b>27,862,700</b>

**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

- <sup>1/</sup> Includes 1 GF FTE Position funded from Special Line Items in FY 2024.
- <sup>2/</sup> Includes 1 FTE funded from Laws 2019, Chapter 275 for the establishment of an electronic repository of state archives and records.
- <sup>3/</sup> Included in the operating lump sum appropriation of \$14,474,600 for fiscal year 2023-2024 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- <sup>4/</sup> Included in the operating lump sum appropriation of \$14,474,600 for fiscal year 2023-2024 is \$1,334,900 from the records services fund. This appropriation may be used for the payment of obligations incurred in fiscal year 2022-2023. (General Appropriation Act footnote)

- 5/ 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)
- 6/ Monies in the access voter information database line item may be used only for the exclusive purpose of developing and administering the statewide database of voter registration information required by section 16-168, Arizona Revised Statutes. The secretary of state may not transfer any monies in or out of the access voter information database line item. (General Appropriation Act footnote)
- 7/ Laws 2019, Chapter 275 appropriated \$70,000 for fiscal year 2023-2024 for an electronic repository of state archives and documents.
- 8/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$5,352,200 to the secretary of state for the county allocation of help America vote act election security grant monies made by Laws 2020, chapter 58, section 104 that remains unexpended on June 30, 2023 reverts to the fund from which the monies were appropriated. (FY 2023 General Appropriation Act footnote)
- 9/ Before transferring any monies in or out of the presidential preference election line item, the secretary of state shall submit a report for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 10/ 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)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$14,474,600 and 143.1 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$13,139,700
Record Services Fund	1,334,900

These amounts are unchanged from FY 2023.

**Access Voter Information Database**

The Baseline includes \$483,500 from the Election Systems Improvement Fund in FY 2024 for the Access Voter Information Database line item. These amounts are unchanged from FY 2023.

The state and the counties split operation and maintenance costs for the voter registration database, which is named Access Voter Information Database (AVID).

**Early Ballot Tracking**

The Baseline includes no funding in FY 2024 for Early Ballot Tracking. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2024 for one-time funding of enhancements to the voter registration database to accommodate early ballot tracking.

Laws 2022, Chapter 358 appropriated \$250,000 from the General Fund in FY 2023 for the Early Ballot Tracking line item. The legislation required counties using early ballots to provide a tracking system indicating when early ballots are received and when the ballots have been verified and sent for tabulation or if the ballot was rejected. The tracking requirement has an effective date of January 1, 2024.

**Election Services**

The Baseline includes no funding in FY 2024 for the Election Services line item. Adjustments are as follows:

**Remove Primary/General Election Year Funding**

The Baseline includes a decrease of \$(8,000,000) from the General Fund in FY 2024 to remove funding of one-time election costs. This line item will receive no funding in FY 2024, as there are no primary or general elections scheduled between July 2023 and June 2023.

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 FY 2023 appropriation funded the Primary Election held on August 2, 2022 and the General Election on November 8, 2022. This line item received no funding in FY 2022, as there were no primary or general elections scheduled between July 2021 and June 2022. The Presidential Preference Election in FY 2024 is funded in the Presidential Preference Election (PPE) line item.

For traditional state elections (excluding the PPE or special 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 for state offices; 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.

### **Electronic Records Repository**

The Baseline includes \$70,000 and 1 FTE Position from the General Fund in FY 2024 for the Electronic Records Repository line item. Adjustments are as follows:

#### **Laws 2019, Chapter 275**

Laws 2019, Chapter 275 appropriated \$70,000 and 1 FTE Position from the General Fund in FY 2024 for the establishment of an electronic repository of state archives and documents. The FY 2023 enacted budget's 3-year spending plan labeled this funding as ongoing.

Laws 2019, Chapter 275 also established the Electronic Records Repository Fund, which is subject to legislative appropriation. The fund may accept legislative appropriations and other monies such as fees, grants, gifts and donations. The Chapter 275 advance appropriation for FY 2024 would be allocated directly to the agency. In future years, the legislature may consider allocating the program's funding directly to SOS or depositing the annual appropriation into the fund.

Because this funding was appropriated by Laws 2019, Chapter 275, this amount will not be included in the FY 2024 General Appropriation Act.

### **HAVA - December 2019 Grant - County Allocation**

The Baseline includes no funding from the Election Systems Improvement Fund in FY 2024 for the HAVA - December 2019 Grant - County Allocation line item. This amount is unchanged from FY 2023.

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, 2023. *(Please see the Other Issues – HAVA Summary section for more information on remaining unallocated HAVA funds.)*

### **Presidential Preference Election**

The Baseline includes \$4,000,000 from the General Fund in FY 2024 for the Presidential Preference Election (PPE) line item. Adjustments are as follows:

#### **2024 Presidential Preference Election Funding**

The Baseline includes an increase of \$4,000,000 from the General Fund in FY 2024 for the PPE currently scheduled for March 15, 2024. Under A.R.S. § 16-241, the Governor may specify a later date within 180 days of the scheduled election. This \$4,000,000 funding amount was assumed in the FY 2023 enacted budget's 3-year spending plan.

During a PPE, voters affiliated with a political party express their preference for a presidential candidate of their political party. Voters registered with no party designation or of a party not conducting a PPE do not participate. The conduct of the election differs from other contests in that there is a separate ballot for each recognized political party conducting a PPE and no other election may appear on the PPE ballot. A.R.S. § 16-250 allows counties to be reimbursed up to \$1.25 per each active registered voter in the county as of the January of the PPE year, but the Legislature chose to suspend this statute and set different reimbursement rates for the 2016 and 2020 PPEs.

For the 2020 PPE, the Legislature appropriated a total of \$7,025,000 from the General Fund based on the following reimbursement limits (not to exceed actual costs):

- Counties with an active voter registration of more than 500,000 – \$1.74 per active registered voter
- Counties with an active voter registration between 200,000-500,000 – \$1.60 per active registered voter
- Counties with an active voter registration between 100,000-200,000 – \$1.90 per active registered voter
- Counties with an active voter registration between 50,000-100,000 – \$2.00 per active registered voter
- Counties with an active voter registration between 12,000-50,000 persons – \$2.10 per registered voter
- Counties with an active voter registration of less than 12,000 persons – \$2.40 per registered voter

Based on the current number of active voters for the 2022 General Election, using the reimbursement schedule from the 2020 PPE would result in a total 2024 PPE state cost of \$7,356,100. If the state used the statutory reimbursement rate of \$1.25 per active voter, applying that to the current 2022 voter registration totals would result in an estimated total 2024 PPE state cost of \$5,179,900.

### **Uniform State Laws Commission**

The Baseline includes \$99,000 from the General Fund in FY 2024 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2023.

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 2024 for Library Grants-in-Aid. This amount is unchanged from FY 2023.

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 2024 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2023.

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. Additional funds for staffing the program are included within the agency operating budget.

### **Other Issues**

### **Statutory Changes**

The Baseline would, as session law, notwithstanding the requirement of A.R.S. § 16-250 that counties receive a reimbursement rate of \$1.25 for each active registered voter for the Presidential Preference Election costs. This would allow the Legislature to determine the level of reimbursement for the 2024 Presidential Preference Election. *(This would continue the past practice in the 2016 and 2020 PPEs.)*

### **Long-Term Budget Impacts**

As part of the budget's 3-year spending plan, SOS's General Fund costs would have no change in FY 2025 above FY 2024, and a net decrease of \$(4,000,000) in FY 2026 below FY 2025. These estimates are based on:

- The SOS funding level would be unchanged for FY 2025, as the \$4,000,000 of PPE election funding would be retained for the 2024 Primary/General elections, and the \$70,000 electronic records appropriation is ongoing.
- A \$(4,000,000) decrease in FY 2026 for removal of one-time funding the 2024 Primary/General Elections funding. There are no primary or general elections scheduled between July 2025 and June 2026.

### **Professional Employer Organizations**

Statute requires Professional Employer Organizations (PEOs) to register with the Secretary of State and to pay certain registration fees, which are deposited into the Professional Employer Organization Fund. Monies in the fund are subject to legislative appropriation and are used by the Secretary of State to implement statutory requirements regarding PEOs.

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. In a November 2022 supplemental budget request, the Secretary of State's office requested \$300,000 from the General Fund for PEO program startup costs – \$200,000 for system development and \$100,000 for 1 FTE Position to administer the program.

### **Help America Vote Act (HAVA) Summary**

The Help America Vote Act (HAVA) of 2002 is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections including election security. The associated Federal Funding is deposited into the state's Election Systems Improvement Fund along with matching monies from state, county or local governments, legislative appropriations, gifts, grants and donations. The Election Systems Improvement Fund is subject to legislative appropriation.

The amount of unallocated and unencumbered HAVA spending authority will depend on the usage of current HAVA appropriations. In their September 2022 budget request, the Secretary of State's office listed the unappropriated HAVA balance as approximately \$4,000,000 that would be available for use in FY 2024. The

use of these monies would require legislative appropriation.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	635,600	673,100
<b>Year-End Fund Balance</b>	210,500	32,800
<b>County Contributions to the Voter Registration System Fund (STA2367/A.R.S. § 16-168.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives monies transferred from counties to the Secretary of State.		
<b>Purpose of Fund:</b> To develop and administer the statewide database of voter registration information.		
<b>Funds Expended</b>	103,700	63,600
<b>Year-End Fund Balance</b>	127,300	63,700
<b>Data Processing Acquisition Fund (STA2265/A.R.S. § 18-441)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A special recording fee on Uniform Commercial Code and other filings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	182,800	195,000
<b>Year-End Fund Balance</b>	133,300	66,900
<b>Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	216,700	483,500
<b>Year-End Fund Balance</b>	7,460,800	6,364,000
<b>Election Training Fund (STA2521/A.R.S. § 16-407)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives money from cities and towns whose employees take election training courses.		
<b>Purpose of Fund:</b> To provide election training to officials from cities and towns.		
<b>Funds Expended</b>	4,200	5,500
<b>Year-End Fund Balance</b>	9,200	3,700
<b>Electronic Records Repository Fund (STA9999/A.R.S. § 41-151.26)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from legislative appropriations, gifts, nonfederal grants, fees, and donations.		
<b>Purpose of Fund:</b> To fund operating expenses for the state library's electronic records repository.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Grants (STA2000/A.R.S. § 41-151.06)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants awarded to the state for library purposes.		
<b>Purpose of Fund:</b> Prescribed by the federal grantor for statewide library purposes.		
<b>Funds Expended</b>	5,997,400	6,013,000
<b>Year-End Fund Balance</b>	573,000	1,060,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>IGA and ISA Fund (STA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Intergovernmental Agreements and Interagency Service Agreements with other state agencies.		
<b>Purpose of Fund:</b> To record and manage Intergovernmental Agreements and Interagency Service Agreements.		
<b>Funds Expended</b>	540,400	622,100
<b>Year-End Fund Balance</b>	63,000	15,900
<b>Museum Gift Shop Revolving Fund (STA4008/A.R.S. § 41-151.24)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
<b>Purpose of Fund:</b> To provide for state-related inventory to be sold at the Capitol Museum Gift Shop. Laws 2022, Chapter 211 transferred the administration of this fund to Legislative Council as of September 24, 2022.		
<b>Funds Expended</b>	22,000	0
<b>Year-End Fund Balance</b>	35,700	0
<b>Notary Bond Fund (STA2387/A.R.S. § 41-314)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives a portion of the fee collected from the processing of notary bonds.		
<b>Purpose of Fund:</b> To defray the cost associated with the processing and administration of notary bonds.		
<b>Funds Expended</b>	149,900	138,000
<b>Year-End Fund Balance</b>	55,300	19,100
<b>Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Professional Employer Organization (PEO) registration and renewal fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Records Services Fund (STA2431/A.R.S. § 41-151.12)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected from state agencies, political subdivisions, and other governmental units for records storage services.		
<b>Purpose of Fund:</b> To help defray costs of preserving and managing the state of Arizona's public records.		
<b>Funds Expended</b>	1,256,600	1,334,900
<b>Year-End Fund Balance</b>	662,500	209,600
<b>Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Filing fees paid by standing political committees.		
<b>Purpose of Fund:</b> To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	79,000	79,000
<b>State Library Fund (STA2115/A.R.S. § 41-151.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
<b>Purpose of Fund:</b> To improve statewide library service.		
<b>Funds Expended</b>	357,000	276,900
<b>Year-End Fund Balance</b>	504,600	229,800

## State Board of Tax Appeals

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	172,600	196,600	196,600
Employee Related Expenditures	57,800	72,300	72,300
Travel - In State	100	400	400
Other Operating Expenditures	44,100	48,300	48,300
Equipment	100	100	100
<b>AGENCY TOTAL</b>	<b>274,700</b>	<b>317,700</b>	<b>317,700<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	274,700	317,700	317,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>274,700</b>	<b>317,700</b>	<b>317,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>274,700</b>	<b>317,700</b>	<b>317,700</b>

**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

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

### Operating Budget

The Baseline includes \$317,700 and 4 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

## State Board of Technical Registration

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	1,043,400	1,227,200	1,227,200
Employee Related Expenditures	411,800	569,900	569,900
Professional and Outside Services	77,900	191,600	191,600
Travel - In State	1,000	5,000	5,000
Travel - Out of State	6,500	17,200	17,200
Other Operating Expenditures	566,700	462,400	442,000
Equipment	34,100	167,700	167,700
<b>AGENCY TOTAL</b>	<b>2,141,400</b>	<b>2,641,000</b>	<b>2,620,600 <sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Technical Registration Fund	2,141,400	2,641,000	2,620,600
SUBTOTAL - Other Appropriated Funds	2,141,400	2,641,000	2,620,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,141,400</b>	<b>2,641,000</b>	<b>2,620,600</b>
Other Non-Appropriated Funds	17,400	0	0
<b>TOTAL - ALL SOURCES</b>	<b>2,158,800</b>	<b>2,641,000</b>	<b>2,620,600</b>

**AGENCY DESCRIPTION** — The agency licenses, investigates, and conducts examinations of architects, engineers, geologists, home inspectors, land surveyors, and landscape architects.

### FOOTNOTES

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

#### Operating Budget

The Baseline includes \$2,620,600 and 25 FTE Positions from the Technical Registration Fund in FY 2024 for the operating budget. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(20,400) from the Technical Registration Fund in FY 2024 for the elimination of one-time e-licensing funding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Technical Registration Board of Investigations Fund (TEA2072/A.R.S. § 32-128)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Court assessments, fines, forfeitures and other penalties.		
<b>Purpose of Fund:</b> To fund the cost of disciplinary investigations relating to fraudulent or misrepresented certifications, gross negligence or other similar misconduct.		
<b>Funds Expended</b>	17,400	0
<b>Year-End Fund Balance</b>	50,000	76,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Technical Registration Fund (TEA2070/A.R.S. § 32-109)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.		
<b>Funds Expended</b>	2,141,400	2,641,000
<b>Year-End Fund Balance</b>	6,357,200	6,832,100

# Office of Tourism

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,903,600	2,093,900	2,093,900
Employee Related Expenditures	564,000	694,800	694,800
Professional and Outside Services	2,249,100	2,249,100	2,249,100
Travel - In State	20,000	20,000	20,000
Travel - Out of State	114,700	114,700	114,700
Other Operating Expenditures	2,261,300	2,249,600	2,249,600
Equipment	30,500	30,500	30,500
<b>OPERATING SUBTOTAL</b>	<b>7,143,200</b>	<b>7,452,600</b>	<b>7,452,600</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Promotion	1,000,000	1,000,000	1,000,000
Southern Arizona Study Committee	250,000	0	0
Southern AZ Sports, Tourism, and Film Authority	0	750,000	0
Wine Promotion	100,000	1,100,000	100,000
<b>AGENCY TOTAL</b>	<b>8,493,200</b>	<b>10,302,600</b>	<b>8,552,600 <sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	8,493,200	10,302,600	8,552,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>8,493,200</b>	<b>10,302,600</b>	<b>8,552,600</b>
Other Non-Appropriated Funds	26,252,100	31,310,500	31,310,500
Federal Funds	10,928,100	16,000,000	16,000,000
<b>TOTAL - ALL SOURCES</b>	<b>45,673,400</b>	<b>57,613,100</b>	<b>55,863,100</b>

**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 \$7,452,600 and 28 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

**Arizona Promotion**

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for Arizona Promotion. This amount is unchanged from FY 2023.

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 Sports, Tourism, and Film Authority**

The Baseline includes no funding in FY 2024 for the Southern Arizona Sports, Tourism, and Film Authority. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(750,000) from the General Fund in FY 2024 for removal of one-time funding for the administration of a new Southern Arizona Sports, Tourism, and Film Authority.

Laws 2022, Chapter 364 appropriates \$750,000 from the General Fund in FY 2023 for the new Southern Arizona Sports, Tourism, and Film Authority line item.



Monies in this line item fund the new Southern Arizona Sports, Tourism, and Film Authority, which consists of Greenlee, Graham, Cochise, Santa Cruz, Pima, and Pinal Counties. The authority has the power to issue revenue bonds to finance projects which promote sports, tourism, and film activity in the member counties. Within 3 months after the end of each fiscal year, the authority must report to the Joint Legislative Budget Committee on its activities from the previous fiscal year.

**Wine Promotion**

The Baseline includes \$100,000 from the General Fund in FY 2024 for Wine Promotion. Adjustments are as follows:

**Remove One-Time Increase**

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2024 for removal of one-time funding for the Wine Promotion line item.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry. The FY 2023 appropriation for this line item is non-lapsing. An FY 2023 General Appropriation Act footnote requires a report on expenditures through 2025 on July 31 annually.

**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 2021, AOT's overall funding amount totaled \$24,027,900. In FY 2022, AOT's funding level increased by 22.5% to \$29,442,500, and the agency projects overall FY 2023 funding to be \$29,696,800, representing a 0.9% increase over the previous year. AOT projects overall funding to reach \$30,256,300 in FY 2024, representing a 1.9% increase over FY 2023. (See Table 1 for additional details on agency revenue.)

**Table 1**

**Office of Tourism Revenues <sup>1/</sup>**

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$8,481,500	\$10,302,600	\$8,552,600
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	10,657,400	11,190,200 <sup>2/</sup>	11,749,700 <sup>2/</sup>
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>10,303,600</u>	<u>8,204,000</u> <sup>2/</sup>	<u>9,954,000</u> <sup>2/</sup>
<b>Total</b>		<b>\$29,442,500</b>	<b>\$29,696,800</b>	<b>\$30,256,300</b>

<sup>1/</sup> The numbers displayed represent revenues to the agency and may not correspond directly to the agencies' actual expenditure or appropriation amounts.

<sup>2/</sup> The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2023 and FY 2024 are estimates provided by the Office of Tourism in September 2022.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Coronavirus Relief Fund (TOA2975/A. R. S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Coronavirus State and Local Fiscal Recovery Fund (TOA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	10,928,100	16,000,000
<b>Year-End Fund Balance</b>	44,900	0
<b>Interagency Service Agreement Fund (TOA2500/A. R. S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Tourism Fund (TOA2236/A. R. S. § 41-2306)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay for all costs associated with Office of Tourism activities.		
<b>Funds Expended</b>	26,252,100	31,310,500
<b>Year-End Fund Balance</b>	8,800,000	5,086,300
<b>Tourism Development Fund (TOA9999/A.R.S. § 41-2307)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from producing, owning, selling or licensing services related to marketing and branding related promotional materials or items, copyrightable publications, artwork, trademarks or other intellectual property.		
<b>Purpose of Fund:</b> To support tourism marketing and branding in Arizona.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

## Department of Transportation

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	4,554.0	4,554.0	4,554.0 <sup>1/</sup>
Personal Services	113,694,500	131,386,900	126,498,200
Employee Related Expenditures	47,865,300	66,771,300	65,646,800
Professional and Outside Services	10,698,600	12,831,100	12,991,100
Travel - In State	368,100	511,800	511,800
Travel - Out of State	116,700	151,300	151,300
Other Operating Expenditures	28,432,800	36,043,000	33,432,800
Equipment	3,110,300	3,701,500	3,701,500
<b>OPERATING SUBTOTAL</b>	<b>204,286,300</b>	<b>251,396,900</b>	<b>242,933,500</b>
<b>SPECIAL LINE ITEMS</b>			
Attorney General Legal Services	3,623,700	3,623,700	3,623,700 <sup>2/</sup>
Authorized Third Parties	2,088,800	2,223,800	2,223,800
Driver License Security Software	0	2,260,000	0
Driver Safety and Livestock Control	621,100	800,000	800,000
Highway Damage Recovery Account	7,672,000	8,000,600	8,000,600
Highway Maintenance	126,144,700	209,495,400	158,495,400 <sup>3/4/</sup>
Preventive Surface Treatments	29,710,100	36,142,000	36,142,000 <sup>5/</sup>
State Fleet Operations	13,612,300	25,267,100	16,667,100
State Fleet Vehicle Replacement	1,598,500	10,715,800	6,334,800
Vehicle License Tax Deposit	3,300,000	0	0
Vehicles and Heavy Equipment Maintenance	18,168,000	27,110,500	21,110,500
Vehicles and Heavy Equipment Replacement	12,686,400	22,400,000	22,400,000 <sup>6/</sup>
<b>AGENCY TOTAL</b>	<b>423,511,900</b>	<b>599,435,800</b>	<b>518,731,400 <sup>7/8/D/</sup></b>
<b>FUND SOURCES</b>			
General Fund	3,300,000	0	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	283,000	326,600	326,600
Department Fleet Operations Fund	18,168,000	27,110,500	21,110,500
Highway Damage Recovery Account	7,672,000	8,000,600	8,000,600
Highway User Revenue Fund	664,200	906,500	906,500
Ignition Interlock Device Fund	339,400	363,600	363,600
Motor Vehicle Liability Insurance Enforcement Fund	1,743,500	5,383,600	2,001,700
State Aviation Fund	1,669,900	2,163,600	2,163,600
State Fleet Operations Fund	13,612,300	25,267,100	16,667,100
State Highway Fund	372,537,200	516,951,300	458,609,800
State Vehicle Replacement Fund	1,598,500	10,715,800	6,334,800
Vehicle Inspection and Certificate of Title Enforcement Fund	1,923,900	2,246,600	2,246,600
SUBTOTAL - Other Appropriated Funds	420,211,900	599,435,800	518,731,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>423,511,900</b>	<b>599,435,800</b>	<b>518,731,400</b>
Other Non-Appropriated Funds	27,531,000	40,507,600	40,507,600
Federal Funds	59,007,600	26,229,600	26,229,600
<b>TOTAL - ALL SOURCES</b>	<b>510,431,000</b>	<b>666,173,000</b>	<b>585,468,600</b>

**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 2024.
- 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, \$158,495,400 in fiscal year 2023-2024 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, 2024. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ In accordance with section 35-142.01, Arizona Revised Statutes, reimbursements for monies expended from the highway maintenance line item may not be credited to the account out of which the expenditure was incurred. The department shall deposit all reimbursements for monies expended from the highway maintenance line item in the highway damage recovery account established by section 28-6994, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ The amount appropriated to the preventive surface treatments line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the state highway fund established by section 28-6991, Arizona Revised Statutes, on August 31, 2024. (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 and heavy equipment replacement line item. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the vehicle and heavy equipment 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 2023-2024 from all funds to the department of administration for its risk management payment. (General Appropriation Act footnote)
- D/ ~~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, 2024 for fiscal year 2023-2024. (General Appropriation Act footnote)~~
- D/ ~~On or before February 1, 2024, 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 2023-2024, 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)~~
- D/ ~~On or before August 1, 2023, the department shall report to the director of the joint legislative budget committee the state's share of fees retained by the service Arizona vendor in the prior fiscal year. The report shall include the amount spent by the service Arizona 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)~~
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Operating Budget**

The Baseline includes \$242,933,500 and 3,402 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
Air Quality Fund	\$326,600
Highway User Revenue Fund	654,400
Ignition Interlock Device Fund	363,600
Motor Vehicle Liability Insurance Enforcement Fund	1,898,700
State Aviation Fund	2,163,600
State Highway Fund	235,373,200
Vehicle Inspection and Certificate of Title Enforcement Fund	2,153,400

Adjustments are as follows:

**Driver License Security Software Budget Shift**

The Baseline includes an increase of \$160,000 from the State Highway Fund in FY 2024 to maintain the driver license security software upgrade. The \$160,000 from the State Highway Fund represents ongoing funding that has been shifted from the Driver License Security Software line item over to the operating budget.

**Remove One-Time Building System Management Upgrade Funding**

The Baseline includes a decrease of \$(1,028,300) from the State Highway Fund in FY 2024 to remove one-time funding to upgrade the department's building management system. The system is used by the

department to track the operation and maintenance of their facilities.

**Remove One-Time Construction Management System Funding**

The Baseline includes a decrease of \$(300,000) from the State Highway Fund in FY 2024 to remove one-time funding to upgrade the department's construction management system. The funding covers the 1<sup>st</sup> phase of a 3 phase project. The new system will be used by the department to manage highway construction projects.

**Remove One-Time MVD Security System Funding**

The Baseline includes a decrease of \$(931,900) from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2024 to remove one-time funding to replace the security systems at 11 MVD offices throughout the state. The funding covers the 1<sup>st</sup> phase of a 5-phase project intended to replace the security systems at all 42 offices.

**Remove One-Time Travel Identification Card Funding**

The Baseline includes a decrease of \$(6,013,200) from the State Highway Fund in FY 2024 to address an increase in Travel identification (ID) cards issued before the REAL ID deadline of May 3, 2023. Of this amount, approximately \$5.1 million will go toward staffing costs. The remaining amounts will be allocated for marketing and a mobile unit deployed in remote areas to issue Travel ID cards.

**Remove One-Time Vehicle Inspection and Certificate of Title Enforcement Fund Deposit**

The Baseline includes a decrease of \$(350,000) from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2024 to be deposited into the Vehicle Inspection and Certificate of Title Enforcement Fund. The Vehicle Inspection and Certificate of Title Enforcement Fund has experienced declining revenues consequent to the COVID-19 pandemic. The funding was intended to offset the decline in revenues.

**Attorney General Legal Services**

The Baseline includes \$3,623,700 from the State Highway Fund in FY 2024 for Attorney General Legal Services. This amount is unchanged from FY 2023.

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 \$2,223,800 and 20 FTE Positions in FY 2024 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	252,100
Motor Vehicle Liability Insurance Enforcement Fund	103,000
State Highway Fund	1,775,500
Vehicle Inspection and Certificate of Title Enforcement Fund	93,200

These amounts are unchanged from FY 2023.

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 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 2022, ATPs retained \$26,799,000 in fees that otherwise would have been deposited to the Highway User Revenue Fund (HURF) and \$35,547,000 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 License Security Software**

The Baseline includes no funding in FY 2024 for Driver License Security Software. Adjustments are as follows:

**Remove One-Time Driver License Security Software Upgrade**

The Baseline includes a decrease of \$(2,100,000) from the Motor Vehicle Liability Insurance Enforcement Fund and a decrease of \$(160,000) from the State Highway Fund in FY 2024 to remove one-time funding for a driver license security software upgrade. The \$160,000 from the State Highway Fund represents ongoing funding that has been shifted from the Driver License Security Software line item to the operating budget.

This line item funds a driver license security software upgrade. The upgrade is intended to protect the department from driver license identity fraud and theft.

### ***Driver Safety and Livestock Control***

The Baseline includes \$800,000 from the State Highway Fund in FY 2024 for Driver Safety and Livestock Control. This amount is unchanged from FY 2023.

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 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 \$8,000,600 from the Highway Damage Recovery Account in FY 2024 for the Highway Damage Recovery Account. This amount is unchanged from FY 2023.

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 \$158,495,400 and 932 FTE Positions from the State Highway Fund in FY 2024 for Highway Maintenance. Adjustments are as follows:

#### **Remove One-Time Highway Maintenance Inflation Funding**

The Baseline includes a decrease of \$(51,000,000) from the State Highway Fund in FY 2024 to remove one-time funding for inflationary costs. This funding covers the increased cost to maintain highways throughout the state in FY 2023 due to inflation.

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 \$158,495,400 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax makes another \$13,045,400 available in FY 2024 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 2024 for Preventive Surface Treatments. This amount is unchanged from FY 2023.

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 \$16,667,100 from the State Fleet Operations Fund in FY 2024 for State Fleet Operations. Adjustments are as follows:

#### **Remove One-Time Gas Inflation Funding**

The Baseline includes a decrease of \$(8,600,000) from the State Fleet Operations Fund in FY 2024 to remove one-time funding for inflationary costs. This funding covers the increased cost of gas for the state fleet in FY 2023.

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 \$6,334,800 from the State Vehicle Replacement Fund in FY 2024 for State Fleet Vehicle Replacement. Adjustments are as follows:

#### **Remove One-Time New Vehicle Purchase Funding**

The Baseline includes a decrease of \$(4,381,000) from the State Vehicle Replacement Fund in FY 2024 to remove one-time funding for new vehicle purchase costs. The FY 2023 budget included additional new vehicles for the Department of Forestry and Fire Management (76 vehicles), Department of Liquor Licenses and Control (7 vehicles), Attorney General's Office (6 vehicles), and the State Mine Inspector (5 vehicles) that will be serviced under the state fleet. The amount funded the cost to purchase these new vehicles.

The line item funds the replacement of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets.

**Vehicles and Heavy Equipment Maintenance**

The Baseline includes \$21,110,500 and 200 FTE Positions from the Department Fleet Operations Fund in FY 2024 for Vehicles and Heavy Equipment Maintenance. Adjustments are as follows:

**Remove One-Time Gas Inflation Funding**

The Baseline includes a decrease of \$(6,000,000) from the Department Fleet Operations Fund in FY 2024 to remove one-time funding for inflationary costs. This funding covers the increased cost of gas for ADOT's internal fleet in FY 2023.

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

**Vehicle and Heavy Equipment Replacement**

The Baseline includes \$22,400,000 from the State Highway Fund in FY 2024 for Vehicle and Heavy Equipment Replacement. This amount is unchanged from FY 2023.

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.

**Other Issues**

**Statutory Changes**

The Baseline would:

- As permanent law, on or before July 31 each year, require the department to submit an annual report to the Joint Legislative Budget Committee on the progress in improving Motor Vehicle Division wait times and vehicle registration renewal by mail turnaround times for the prior fiscal year in a format similar to prior years.
- As permanent law, on or before February 1 each year, require the Arizona Strategic Enterprise Technology office 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 the current fiscal year.
- As permanent law, on or before August 1 each year, require the department to report to the Director of the Joint Legislative Budget Committee the state's share of fees retained by the Service Arizona vendor in the prior fiscal year. The report shall include the amount spent by the Service Arizona vendor on behalf of this state in the prior fiscal year and a list of the projects funded with those monies.

These reports have been required by footnote for several years.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Abandoned Vehicle Administration Fund (DTA2150/A.R.S. § 28-4804)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,006,200	1,000,000
<b>Year-End Fund Balance</b>	312,500	430,300
<b>Air Quality Fund (DTA2226/A.R.S. § 49-551)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> An annual \$1.50 air quality fee collected for each vehicle at the time of registration.		
<b>Purpose of Fund:</b> Implementation of programs that reduce emissions and improve air quality.		
<b>Funds Expended</b>	283,000	326,600
<b>Year-End Fund Balance</b>	135,500	135,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 Fund or State Highway Fund and expenditures are exempt from statutory allotment provisions.		
<b>Funds Expended</b>	4,812,200	5,294,200
<b>Year-End Fund Balance</b>	4,675,400	4,364,300
<b>Cash Deposits Fund (DTA2266/A.R.S. § 28-363)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Deposits from individuals either bidding at auction on department property or renting department property.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,624,900	100
<b>Coronavirus State and Local Fiscal Recovery Fund (DTA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	35,639,500	0
<b>Year-End Fund Balance</b>	0	0
<b>Department Fleet Operations Fund (DTA2071/A.R.S. § 28-7006)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).		
<b>Purpose of Fund:</b> For maintenance, service or repair of equipment and consumable material including administrative expenses.		
<b>Funds Expended</b>	18,168,000	27,110,500
<b>Year-End Fund Balance</b>	665,200	(5,564,200)
<b>Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,204,400	3,219,100
<b>Federal Grants (DTA2097/A.R.S. § 28-363)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants not part of the federal highway aid program.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	23,748,600	26,229,600
<b>Year-End Fund Balance</b>	3,927,400	3,927,400



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Governor's Emergency Education Relief Fund (DTA2980/U.S. P.L. 116-136)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	(380,500)	0
<b>Year-End Fund Balance</b>	200	200
<b>Highway Damage Recovery Account (DTA2044/A.R.S. § 28-6994)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Reimbursements for highway damage repair expenses paid by liable third parties.		
<b>Purpose of Fund:</b> For maintenance of state highways.		
<b>Funds Expended</b>	7,672,000	8,000,600
<b>Year-End Fund Balance</b>	2,500	(2,321,800)
<b>Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,220,800	0
<b>Year-End Fund Balance</b>	3,700	3,800
<b>Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	664,200	906,500
<b>Year-End Fund Balance</b>	146,608,400	146,299,800
<b>IGA and ISA Fund (DTA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received through intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,888,000	583,900
<b>Year-End Fund Balance</b>	4,430,100	145,000
<b>Ignition Interlock Device Fund (DTA2208/A.R.S. § 28-1469)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> An ignition interlock installation fee charged by service providers and then remitted to ADOT.		
<b>Purpose of Fund:</b> To administer ADOT's Ignition Interlock Device program, including establishing compliance measures, audits and investigating complaints related to devices and providers.		
<b>Funds Expended</b>	339,400	363,600
<b>Year-End Fund Balance</b>	148,000	122,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from local jurisdictions.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	37,601,100	31,934,400
<b>Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	13,363,100	12,860,000
<b>Year-End Fund Balance</b>	663,827,300	543,519,100
<b>Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	500
<b>Year-End Fund Balance</b>	500	500
<b>Motor Vehicle Dealer Enforcement Fund (DTA2609/A.R.S. § 28-4504)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	340,500	250,000
<b>Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To enforce mandatory motor vehicle liability insurance laws.		
<b>Funds Expended</b>	1,743,500	5,383,600
<b>Year-End Fund Balance</b>	5,606,300	741,200
<b>Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	300	0
<b>Year-End Fund Balance</b>	518,300	100

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	100	0
<b>Year-End Fund Balance</b>	75,100	75,100
<b>State Aviation Fund (DTA2005/A.R.S. § 28-8202)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,669,900	2,163,600
<b>Year-End Fund Balance</b>	86,209,700	72,612,800
<b>State Fleet Operations Fund (DTA9998/A.R.S § 28-475)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees received from agencies within the ADOT state fleet and from legislative appropriations.		
<b>Purpose of Fund:</b> To operate the ADOT state fleet.		
<b>Funds Expended</b>	13,612,300	25,267,100
<b>Year-End Fund Balance</b>	2,144,200	2,144,200
<b>State Highway Fund (DTA2030/A.R.S. § 28-6991)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	372,537,200	516,951,300
<b>Year-End Fund Balance</b>	1,013,477,700	1,799,047,100
<b>State Match Advantage for Rural Transportation Fund (DTA9901/A.R.S. § 28-339)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, and donations. Laws 2022, Chapter 309 appropriates \$50 million from the State Highway Fund into the State Match Advantage for Rural Transportation Fund.		
<b>Purpose of Fund:</b> To reimburse up to 50% of the costs associated with developing and submitting an application for a federal grant, as a match for a federal grant, and to reimburse design and other engineering services that meet federal standards for projects eligible for a federal grant.		
<b>Funds Expended</b>	0	15,000,000
<b>Year-End Fund Balance</b>	0	35,637,500
<b>State Vehicle Replacement Fund (DTA9997/A.R.S. § 28-476)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees received from agencies within the ADOT state fleet, proceeds from the sale of surplus motor vehicles, and from legislative appropriations.		
<b>Purpose of Fund:</b> To replace vehicles within the ADOT state fleet.		
<b>Funds Expended</b>	1,598,500	10,715,800
<b>Year-End Fund Balance</b>	8,064,200	4,729,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
<b>Funds Expended</b>	7,600	13,000
<b>Year-End Fund Balance</b>	27,800	29,800
<b>Statewide Special Plates Fund (DTA2650/A.R.S. § 35-131)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,232,700	5,756,000
<b>Year-End Fund Balance</b>	2,359,700	2,613,100
<b>Vehicle Inspection and Certificate of Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,923,900	2,246,600
<b>Year-End Fund Balance</b>	210,300	(159,600)

## State Treasurer

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	35.4	35.4	35.4
Personal Services	2,370,200	2,766,000	2,766,000
Employee Related Expenditures	818,300	959,600	959,600
Professional and Outside Services	83,500	98,000	98,000
Travel - In State	500	600	600
Travel - Out of State	10,800	10,800	10,800
Other Operating Expenditures	366,100	429,200	429,200
Equipment	37,000	43,500	43,500
<b>OPERATING SUBTOTAL</b>	<b>3,686,400</b>	<b>4,307,700</b>	<b>4,307,700</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Health Innovation Trust Fund Deposit	0	100,000	0
County Recorder Voter Registration Accuracy Review	0	0	6,000,000 <sup>1/</sup>
Election Integrity Fund Deposit	0	0	5,000,000 <sup>2/3/</sup>
Justice of the Peace Salaries	1,128,600	2,818,200	2,818,200
Law Enforcement Crime Victim Notification Fund Deposit	0	3,800,000	0
Law Enforcement/ Boating Safety Fund Grants	2,183,800	2,183,800	2,183,800
Rural County Interoperability Communication System	1,500,000	0	0
School Safety Program	2,500,000	0	0
Special Sporting Event	1,500,000	1,500,000	1,500,000 <sup>4/</sup>
<b>AGENCY TOTAL</b>	<b>12,498,800</b>	<b>14,709,700</b>	<b>21,809,700 <sup>5/6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,933,700	8,560,800	15,660,800
<u>Other Appropriated Funds</u>			
Arizona Highway Patrol Fund	2,500,000	0	0
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	2,183,800
School Safety Interoperability Fund	1,500,000	0	0
State Treasurer's Operating Fund	3,381,300	3,965,100	3,965,100
SUBTOTAL - Other Appropriated Funds	9,565,100	6,148,900	6,148,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>12,498,800</b>	<b>14,709,700</b>	<b>21,809,700</b>
Other Non-Appropriated Funds	4,338,800	4,446,500	4,446,500
<b>TOTAL - ALL SOURCES</b>	<b>16,837,600</b>	<b>19,156,200</b>	<b>26,256,200</b>

**AGENCY DESCRIPTION** — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

### FOOTNOTES

- 1/ Laws 2022, Chapter 313, Section 129 appropriated \$6,000,000 from the General Fund in FY 2024 for reviewing county voter roll accuracy. Because this appropriation is in separate legislation, it is not included in the FY 2024 General Appropriation Act.
- 2/ Laws 2022, Chapter 313, Section 130 appropriated \$5,000,000 from the General Fund in FY 2024 for a deposit into the Election Integrity Fund. Because this appropriation is in separate legislation, it is not included in the FY 2024 General Appropriation Act.
- 3/ This appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (FY 2023 General Appropriation Act footnote)

- 4/ A.R.S. § 41-2308 annually appropriates \$1,500,000 from the General Fund for Special Sporting Event Promotion. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 6/ On or before June 30, 2024, 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 \$4,307,700 and 35.4 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$342,600
State Treasurer's Operating Fund	3,965,100

These amounts are unchanged from FY 2023.

**Arizona Health Innovation Trust Fund Deposit**

The Baseline includes no funding in FY 2024 for the Arizona Health Innovation Trust Fund Deposit line item. Adjustments are as follows:

**Remove One-Time Deposit**

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2024 for removal of a deposit into the Arizona Health Innovation Trust Fund.

The fund was created in the FY 2023 Health Care Budget Reconciliation Bill (BRB). Monies in this line item go toward administrating the Arizona Health Innovation Trust Fund. Each year, 4% of the monies in the fund shall go to a 501(c)(3) organization which provides entrepreneurial education, mentoring, and support to people working in healthcare innovation. The organization must also provide programs that support the development and commercialization of health innovation of health innovation by businesses based in Arizona and with fewer than 100 employees.

To receive monies from this fund, an organization must enter into an endowment agreement with the State Treasurer which specifies investment procedures, maturity timelines, use of monies, and the social and economic impact of the monies.

**County Recorder Voter Registration Accuracy Review**

The Baseline includes \$6,000,000 from the General Fund in FY 2024 to review the accuracy of voter registration rolls. Adjustments are as follows:

**One-Time Deposit**

The Baseline includes a one-time increase of \$6,000,000 from the General Fund in FY 2024 for distribution to the county recorders of the 6 most populous counties proportionately by population.

Laws 2022, Chapter 313, Section 129 appropriated \$6,000,000 from the General Fund in FY 2024 for county elections funding. Section 129 required that the county recorders use the monies distributed from this appropriation to review the accuracy of their voter rolls, including whether any registrations should be cancelled according to statute. The monies shall be distributed to counties with a population of more than 200,000 persons according to the 2020 decennial census. The Treasurer is to allocate the monies proportionally based on county population.

Since this funding was appropriated in the FY 2023 General Appropriation Act, it will not appear in the FY 2024 General Appropriation Act.

**Election Integrity Fund Deposit**

The Baseline includes \$5,000,000 from the General Fund in FY 2024 for deposit into the Election Integrity Fund. Adjustments are as follows:

**One-Time Deposit**

The Baseline includes a one-time increase of \$5,000,000 from the General Fund in FY 2024 for a deposit into the Election Integrity Fund.

Laws 2022, Chapter 313, Section 130 appropriated \$5,000,000 from the General Fund in FY 2024 and \$6,000,000 from the General Fund in FY 2025 for deposit into the Election Integrity Fund. Section 130 required the Treasurer to distribute these monies on a proportional basis, to county recorders that purchase ballot paper that uses specific security features, including watermarks or unique ballot identifiers, or both. Monies in this fund are exempt from lapsing.

Since this funding was appropriated in the FY 2023 General Appropriation Act, it will not appear in the FY 2024 General Appropriation Act.

**Justice of the Peace Salaries**

The Baseline includes \$2,818,200 from the General Fund in FY 2024 for Justice of the Peace (JP) salaries. This amount is unchanged from FY 2023.

A.R.S. § 22-117 requires the state to pay 40% 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 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 Crime Victim Notification Fund Deposit**

The Baseline includes no funding in FY 2024 for the Law Enforcement Crime Victim Notification Fund Deposit line item. Adjustments are as follows:

**Remove One-Time Deposit**

The Baseline includes a decrease of \$(3,800,000) from the General Fund in FY 2024 for removal of a deposit into the Law Enforcement Crime Victim Notification Fund.

Laws 2022, Chapter 333 established the appropriated Law Enforcement Crime Victim Notification Fund and makes a one-time appropriation to the fund of \$3,800,000 from the General Fund in FY 2023. Chapter 333, however, did not provide an appropriation from the Law Enforcement Crime Victim Notification Fund.

Monies in the fund may be used to reimburse local law enforcement agencies on a first come, first served basis for the cost to purchase software that meets certain requirements, such as automatically notifying a crime victim of investigation updates and interfacing with a law enforcement agency’s records.

**Law Enforcement/Boating Safety Fund Grants**

The Baseline includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2024 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2023.

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 2022 and year-to-date FY 2023 allocations are included in *Table 1*.

County	FY 2022	FY 2023 Thru Oct 25 <sup>th</sup>
Apache	\$ 100,000	\$ 6,500
Coconino	255,100	67,800
Gila	182,600	47,500
La Paz	369,000	77,800
Maricopa	427,100	62,400
Mohave	544,200	152,500
Navajo	32,800	3,100
Yuma	180,800	59,300
<b>Total</b>	<b>\$2,091,500 <sup>1/</sup></b>	<b>\$476,900</b>

<sup>1/</sup> Amounts may not add to total due to rounding

**Special Sporting Event**

The Baseline includes \$1,500,000 from the General Fund in FY 2024 for Special Sporting Event funding. This amount is unchanged from FY 2023.

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.

A.R.S. § 41-2308 requires the Treasurer to send \$125,000 each month (for an annual total of \$1,500,000) to the Office of Tourism through FY 2051 for special sporting event promotions. (For more background, see the FY 2023 Appropriations Report.)

**Other Issues**

**Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, State Treasurer General Fund costs are expected to decrease by \$(5,000,000) in FY 2025 below FY 2024 and decrease by \$(6,000,000) in FY 2026 below FY 2025. These estimates are based on:

- A decrease of \$(6,000,000) in FY 2025 below FY 2024 for removal of one-time county election funding.
- An increase of \$1,000,000 in FY 2025 above FY 2024 (for a total of \$6,000,000) for election security funding to purchase ballot paper with security features.
- A decrease of \$(6,000,000) in FY 2026 below FY 2025 for the removal of one-time election surety funding.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Health Innovation Trust Fund (TRA3324/A.R.S. § 41-177)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the legislature, earnings from the fund and gifts or grants donated or given to the fund.		
<b>Purpose of Fund:</b> To invest and divest, as provided by A.R.S. § 35-313 and 35-314.03, any trust fund monies deposited in the State Treasury. The State Treasurer shall annually allocate 4% of the monies in the trust fund to an entity that satisfies statutory requirements. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Arizona Highway Patrol Fund (TRA2032/A.R.S. § 41-1752)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,500,000	0
<b>Year-End Fund Balance</b>	0	0
<b>AZ529, Arizona's Education Savings Plan Trust Fund (TRA3122/A.R.S. § 15-1873B)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid by financial institutions which are contracted to serve as program managers of assets.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	808,100	912,000
<b>Year-End Fund Balance</b>	1,355,700	1,818,700
<b>Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives 15.06% 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.		
<b>Purpose of Fund:</b> For distribution to counties for the training of detention officers and county jail operational enhancement.		
<b>Funds Expended</b>	3,367,500	3,367,500
<b>Year-End Fund Balance</b>	0	0
<b>Justice Reinvestment Fund (TRA1121/A.R.S. § 36-2863)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	111,700	111,900
<b>Year-End Fund Balance</b>	0	0



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of watercraft licensing taxes and fines for operating motorized watercraft while under the influence.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,183,800	2,183,800
<b>Year-End Fund Balance</b>	204,600	204,600
<b>Law Enforcement Crime Victim Notification Fund (TRA3710/A.R.S. § 41-180)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To be used by law enforcement agencies in the state to fund crime victim notification software. Expenditures from this fund are not displayed to avoid double counting appropriated expenditures.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Public Deposit Administration Fund (TRA2574/A.R.S. § 35-1212)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Pro Rata fees assessed to participants in the Statewide Collateral Pool and interest.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	31,400	35,000
<b>Year-End Fund Balance</b>	590,300	680,300
<b>School Safety Interoperability Fund (TRA6666/A.R.S. § 41-1733)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,500,000	0
<b>Year-End Fund Balance</b>	0	0
<b>Smart and Safe Arizona Fund (TRA1120/A.R.S. § 36-2856)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	20,100	20,100
<b>Year-End Fund Balance</b>	51,800	0
<b>State Treasurer Empowerment Scholarship Account Fund (TRA2571/A.R.S. § 15-2402)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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 (also see "Department of Education Empowerment Scholarship Account Fund" in the Summary of Funds for ADE).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	327,800	327,800

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>State Treasurer's Financial Literacy Fund (TRA2725/A.R.S. § 41-175)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and contributions from any public or private source.		
<b>Purpose of Fund:</b> To be used by the State Treasurer to promote financial literacy in this state.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,000	6,000
<b>State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> To provide funding for the operating expenses of the agency.		
<b>Funds Expended</b>	3,381,300	3,965,100
<b>Year-End Fund Balance</b>	1,375,100	1,375,100

## Governor's Office on Tribal Relations

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	31,200	35,000	35,000
Employee Related Expenditures	14,200	15,000	15,000
Travel - In State	0	500	500
Other Operating Expenditures	13,100	17,400	17,400
Equipment	1,400	2,000	2,000
<b>AGENCY TOTAL</b>	<b>59,900</b>	<b>69,900</b>	<b>69,900</b> <sup>1/</sup>

### FUND SOURCES

General Fund	59,900	69,900	69,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>59,900</b>	<b>69,900</b>	<b>69,900</b>
Other Non-Appropriated Funds	26,500	8,500	8,500
<b>TOTAL - ALL SOURCES</b>	<b>86,400</b>	<b>78,400</b>	<b>78,400</b>

**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

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

### Operating Budget

The Baseline includes \$69,900 and 3 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected or received at Indian town halls as fees for administration.		
<b>Purpose of Fund:</b> To defray administrative costs related to Indian town halls.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,400	2,400
<b>Statewide Donations Fund (IAA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	26,500	8,500
<b>Year-End Fund Balance</b>	23,900	33,900

# Arizona Board of Regents

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	25.9	30.9	30.9
Personal Services	1,376,500	1,456,700	1,456,700
Employee Related Expenditures	632,000	485,100	485,100
Professional and Outside Services	49,500	51,000	51,000
Other Operating Expenditures	362,500	502,700	502,700
Equipment	800	1,000	1,000
<b>OPERATING SUBTOTAL</b>	<b>2,421,300</b>	<b>2,496,500</b>	<b>2,496,500</b>
<b>SPECIAL LINE ITEMS</b>			
Commission for Postsecondary Education	92,800	0	0 <sup>1/</sup>
Adaptive Athletics	160,000	160,000	160,000 <sup>2/</sup>
Camp Verde Meat Processing Facility	0	9,700,000	0
Enclosed Feed Facility	0	9,500,000	0
Food Product and Safety Laboratory	0	10,900,000	0
Arizona Promise Program	7,306,500	20,000,000	20,000,000
Spouses of Military Veterans Tuition Scholarships	0	10,000,000	10,000,000
Arizona Teachers Academy	15,000,000	15,000,000	15,000,000
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Teacher Student Loan Program	426,000	426,000	426,000 <sup>1/</sup>
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Leveraging Education Assistance Partnership Program	2,319,500	1,220,800	1,220,800 <sup>1/3/</sup>
Veterinary Loan Assistance Program	0	6,000,000	0
Washington D.C. Internships	300,000	300,000	300,000 <sup>4/</sup>
Western Interstate Commission Office	153,000	153,000	153,000
WICHE Student Subsidies	4,078,000	4,078,000	4,078,000
<b>AGENCY TOTAL</b>	<b>32,560,800</b>	<b>90,238,000</b>	<b>54,138,000 <sup>5/6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	31,403,300	90,238,000	54,138,000
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,157,500	0	0
SUBTOTAL - Other Appropriated Funds	1,157,500	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>32,560,800</b>	<b>90,238,000</b>	<b>54,138,000</b>
Other Non-Appropriated Funds	12,803,600	54,245,300	54,245,300
Federal Funds	158,900	332,100	332,100
<b>TOTAL - ALL SOURCES</b>	<b>45,523,300</b>	<b>144,815,400</b>	<b>108,715,400</b>

**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

- <sup>1/</sup> Laws 2021, Chapter 410 transferred the responsibilities of the Commission for Postsecondary Education to the Arizona Board of Regents (ABOR) effective January 1, 2022. The FY 2022 General Appropriation Act provided a full year's spending to the commission. On the effective date, a portion of this funding became available to ABOR to continue administering the commission's programs. As a result, the FY 2022 column includes actual expenditures for the commission's programs.
- <sup>2/</sup> 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)

- 3/ In order to be eligible to receive state matching monies under the leveraging educational assistance partnership program 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 program. 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 2023-2024. (General Appropriation Act footnote)
- 4/ 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 for the purpose of providing student internships in Washington, D.C. in partnership with a third-party organization. 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. Have the ability to place as many students in internships as needed by the universities.
  3. Have experience placing students in internships for at least ten consecutive years.
  4. Have dedicated staff to ensure that student interns have access to internships in their areas of interest. (General Appropriation Act footnote)
- 5/ 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)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### **Operating Budget**

The Baseline includes \$2,496,500 and 30.9 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

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 2024 for Adaptive Athletics. This amount is unchanged from FY 2023.

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 distributes monies in this line item to the University of Arizona.

### **Camp Verde Meat Processing Facility**

The Baseline includes no funding in FY 2024 for a Camp Verde Meat Processing Facility. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(9,700,000) from the General Fund in FY 2024 to remove one-time funding for a meat processing facility and truck handling facilities in Camp Verde. The FY 2023 budget required ABOR to distribute the monies to UA for distribution to an entity to construct and operate the facilities. The entity receiving

the monies is required to provide an education component as part of its operations. The FY 2023 budget also stipulates that if the entity sells the facility, the proceeds from the sale shall be transferred to the state for deposit to the General Fund. The monies were appropriated one-time and may not be used for administrative costs.

#### ***Enclosed Feeding Facility***

The Baseline includes no funding in FY 2024 for an Enclosed Feeding Facility. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(9,500,000) from the General Fund in FY 2024 for an Enclosed Feeding Facility. The FY 2023 budget required ABOR to distribute the monies to UA to construct the facility at the campus agricultural center. The monies were appropriated one-time and may not be used for administrative costs.

#### ***Food Product and Safety Laboratory***

The Baseline includes no funding in FY 2024 for a Food Product and Safety Laboratory. Adjustments are as follows:

##### **Remove One-Time Funding**

The Baseline includes a decrease of \$(10,900,000) from the General Fund in FY 2024 for the Food Product and Safety Lab located on the UA campus agricultural center. The FY 2023 budget required ABOR to distribute the monies to UA for capital improvements. The monies were appropriated one-time and may not be used for administrative costs.

#### ***Arizona Promise Program***

The Baseline includes \$20,000,000 from the General Fund in FY 2024 for the Arizona Promise Program. This amount is unchanged from FY 2023.

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.

In FY 2022, this program served 1,677 students.

#### ***Spouses of Military Veterans Tuition Scholarships***

The Baseline includes \$10,000,000 from the General Fund in FY 2024 for Spouses of Military Veterans Tuition Scholarships. This amount is unchanged from FY 2023.

ABOR deposits monies in this item to the Spouses of Military Veterans Tuition Scholarship Fund and distributes awards to university and community college students who are spouses of an honorably discharged veteran, qualify for in-state tuition, and currently an Arizona resident. The scholarships are provided as last dollar aid on a first-come, first-served basis for up to 4 years.

#### ***Arizona Teachers Academy***

The Baseline includes \$15,000,000 from the General Fund in FY 2024 for the Arizona Teachers Academy. This amount is unchanged from FY 2023.

The Arizona Teachers Academy provides tuition and fee awards to university students enrolled in education and non-education majors, community college students enrolled in post-baccalaureate teacher certification programs, and teachers seeking national board certification. For every year of receipt, students agree to teach 1 year in an Arizona public school.

Monies 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.

In FY 2022, 3,494 students were enrolled in the academy, of which 1,515 attended ASU, 1,014 attended NAU, 368 attend UA, 413 were community college post-baccalaureate students, 184 were teachers seeking a national board certification.

#### ***Arizona Teachers Incentive Program***

The Baseline includes \$90,000 from the General Fund in FY 2024 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2023.

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 2024 for the Arizona Teacher Student Loan Program (ATSLP). This amount is unchanged from FY 2023.

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 2024 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2023.

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 Program**

The Baseline includes an increase of \$1,220,800 from the General Fund in FY 2024 for the Leveraging Education Assistance Partnership (LEAP) Program. This amount is unchanged from FY 2023.

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).

### **Veterinary Loan Assistance Program**

The Baseline includes no funding in FY 2024 for the Veterinary Loan Assistance Program. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(6,000,000) from the General Fund in FY 2024 to remove a one-time deposit to the newly-created Arizona Veterinary Loan Assistance

Program Fund. ABOR is required to distribute monies in the fund to applicants who graduated with a veterinary medicine degree after January 1, 2023 for loan repayment assistance. To qualify for an award, recipients agree to work as a full-time veterinarian in Arizona for at least 4 years. For at least 2 of the 4 years, recipients must work in an agricultural practice in an area designated by the U.S. Department of Agriculture as having a shortage or in a nonprofit, county or municipal shelter. Once the service commitment is complete, ABOR distributes an amount equal to the veterinarian's outstanding loan balance or \$100,000, whichever is less. Monies are distributed on a first-come, first-served basis.

### **Washington, D.C. Internships**

The Baseline includes \$300,000 from the General Fund in FY 2024 for Washington, D.C. Internships. This amount is unchanged from FY 2023.

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 2024 for the Western Interstate Commission Office. This amount is unchanged from FY 2023.

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 2024 for WICHE student subsidies. This amount is unchanged from FY 2023.

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.

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### **Other Issues**

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This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- Arizona Financial Aid Trust
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- Tuition Distribution
- 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 \$156,100 in FY 2025 above FY 2024, and decrease by \$(45,403,200) in FY 2026 below FY 2025. These estimates are based on:

- Decreases of \$(434,300) and \$(5,300) in FY 2025 and FY 2026, respectively, to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$590,400 and \$602,100 in FY 2025 and FY 2026, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation. *(Please see the 2017 University Infrastructure Funding section for more information.)*
- A decrease of \$(46,000,000) in FY 2026 to remove this level of one-time operating funding in the 3-year spending plan for FY 2023, FY 2024 and FY 2025.

#### **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 2024 Baseline continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2024. The Baseline also maintains each university's FY 2024 allocation of General Fund AFAT appropriations at their FY 2023 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2022, the state's match would be \$46,758,100, or an increase of \$36,716,900 over the \$10,041,200 appropriation in FY 2024.

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. ABOR's June 2022 tuition revenue report projected FY 2023 gross tuition and fees to be \$3.91 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 June 2022, the universities projected \$1.04 billion in tuition waivers and awards in FY 2023, for a total net tuition of \$2.87 billion. Please see the July 14, 2022 Joint Legislative Budget Committee meeting agenda for additional information on university tuition revenue projections.

**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 2024 is \$8.2 billion, including \$973.7 million from the General Fund and \$2.87 billion of net tuition/fee collections. Table 2 summarizes the FY 2024 expenditure authority amounts for the Arizona University System.

Financial Aid

The Arizona University System distributed \$3.5 billion in financial aid in FY 2022. Of the total financial aid distributions, the federal government financed \$1.2 billion and university institutional sources provided \$1.6 billion. The latter includes \$1.3 billion of foregone tuition collections in the form of waivers and awards. (Please see Table 3 for details.)

Enrollment

Between fall 2021 and fall 2022, university enrollment increased from 197,120 FTE to 203,640, or 3.3%, as displayed in Table 4. ASU and UA enrollment increased 4.5% and 2.5%, respectively. This growth was largely due to increased enrollment in online programs. NAU enrollment decreased (0.7)%, which included declines across nearly all geographic sites.

**Table 1**

**University Research Infrastructure Appropriations <sup>1/</sup>**

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
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

<sup>1/</sup> Research infrastructure General Fund appropriations as specified in A.R.S. § 15-1670, as amended by the FY 2017 Higher Education BRB.

Table 2

FY 2024 Summary of Spending Authority

	Appropriated Funds		Non-Appropriated Funds		Total <sup>2/</sup>
	General Fund	Collections Fund <sup>1/</sup>	Federal Funds	Other Funds <sup>1/</sup>	
ABOR	\$ 54,138,000	\$ 0	\$ 332,100	\$ 54,245,300	\$ 108,715,400
ASU	411,306,500	706,031,800	578,074,500	2,540,209,700	4,235,622,500
NAU	138,249,800	130,397,300	149,469,900	385,410,400	803,527,400
UA-Main	293,202,000	382,811,300	247,619,500	1,457,122,800	2,380,755,600
UA-Health Sciences	<u>76,897,700</u>	<u>66,675,300</u>	<u>186,125,700</u>	<u>355,261,500</u>	<u>684,960,200</u>
<b>Total</b>	<b>\$973,794,000</b>	<b>\$1,285,915,700</b>	<b>\$1,161,621,700</b>	<b>\$4,792,249,700</b>	<b>\$8,213,581,100</b>

<sup>1/</sup> 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 \$2,628,626,600 based on FY 2023 amounts. This amount excludes FY 2024 enrollment growth and tuition rate changes.

<sup>2/</sup> Total universitywide funding includes gross tuition revenues.

Table 3

FY 2022 Financial Aid Distribution by Source

(\$ in Thousands)<sup>1/</sup>

	Federal	State <sup>2/</sup>	Institutional <sup>3/</sup>	Private/Other	Total
Grants	\$391,864.7	\$10,669.7	\$1,343,627.4	\$291,845.8	\$2,038,007.6
Loans	817,702.5	58.5	0.0	350,057.2	1,167,818.2
Employment	<u>14,369.2</u>	<u>0.0</u>	<u>234,618.4</u>	<u>0.0</u>	<u>248,987.6</u>
<b>Total</b>	<b>\$1,223,936.4</b>	<b>\$10,728.2</b>	<b>\$1,578,245.8</b>	<b>\$641,903.0</b>	<b>\$3,454,813.4</b>

<sup>1/</sup> Information from ABOR FY 2022 Financial Aid Report.

<sup>2/</sup> State sources of aid include revenues from the Commission for Postsecondary Education.

<sup>3/</sup> Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, AFAT, and Financial Aid Carry Forward from previous years.

	<u>Fall 2021</u>	<u>Fall 2022</u>	<u>Fall 2021 to Fall 2022</u>
ASU-Tempe	57,835	60,551	4.7%
ASU-DPC	12,765	12,167	(4.7)%
ASU-East	5,497	5,725	4.1%
ASU-West	5,477	5,244	(4.3)%
ASU-Online <sup>2/</sup>	39,929	43,304	8.5%
ASU-Other	<u>575</u>	<u>612</u>	<u>6.4%</u>
<i>Subtotal</i>	<i>122,078</i>	<i>127,603</i>	<i>4.5%</i>
NAU-Flagstaff	21,028	21,250	1.1%
NAU-Online <sup>2/</sup>	2,973	2,629	(11.6)%
NAU-Other	<u>2,995</u>	<u>2,916</u>	<u>(2.6)%</u>
<i>Subtotal</i>	<i>26,996</i>	<i>26,795</i>	<i>(0.7)%</i>
UA-Tucson	40,579	41,310	1.8%
UA-PHX Biomedical	1,418	1,485	4.7%
UA-Online <sup>2/</sup>	4,847	5,349	10.4%
UA-Other	<u>1,202</u>	<u>1,098</u>	<u>(8.7)%</u>
<i>Subtotal</i>	<i>48,046</i>	<i>49,242</i>	<i>2.5%</i>
<b>Total</b>	<b>197,120</b>	<b>203,640</b>	<b>3.3%</b>

<sup>1/</sup> FTE counts as reported by ABOR and the universities include both graduate and undergraduate students.  
<sup>2/</sup> Online enrollment represents students enrolled in online-only programs.

<b>SUMMARY OF FUNDS</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Estimate</b>
<b>Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-572)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Lottery proceeds.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Arizona Promise Program Fund (BRA4501/A.R.S. § 15-1701)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Arizona Teacher Student Loan Fund (BRA2358/A.R.S. § 15-1657)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and repayments of principal and interest of issued loans.		
<b>Purpose of Fund:</b> To provide forgivable loans to students enrolled in a private postsecondary institution who are pursuing a teaching degree or certificate who agree to a service commitment. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,099,600	597,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Teachers Academy Fund (BRA4300/A.R.S. § 15-1655)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	8,932,700	3,700,700
<b>Arizona Veterinary Loan Assistance Fund (BRA5000/A.R.S. § 1650.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To provide loan repayment assistance to veterinarians who complete a service requirement. Up to 3% of monies in the fund may be used for program administration costs. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	6,000,000
<b>Federal Funds (BRA2000/A.R.S. § 15-1666)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Grants from the United States Department of Education.		
<b>Purpose of Fund:</b> To support services in accordance with the terms of each specific grant.		
<b>Funds Expended</b>	158,900	332,100
<b>Year-End Fund Balance</b>	57,400	0
<b>Postsecondary Education Fund (BRA2405/A.R.S. § 15-1853 [REPEALED])</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature and monies received from state agencies and political subdivisions of the state.		
<b>Purpose of Fund:</b> For designated purposes. Laws 2022, Chapter 421 repealed this fund effective December 31, 2021 and transferred the remaining balance to the non-appropriated Postsecondary Educational Fund.		
<b>Funds Expended</b>	1,157,500	0
<b>Year-End Fund Balance</b>	0	0
<b>Postsecondary Educational Fund (BRA2405/A.R.S. § 15-1704)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, monies received from state agencies, political subdivisions, the federal government, and postsecondary institutions, and private gifts, grants, and donations.		
<b>Purpose of Fund:</b> To provide matching monies for the Leveraging Educational Assistance Program (LEAP) and for administrative expenses.		
<b>Funds Expended</b>	0	1,298,300
<b>Year-End Fund Balance</b>	263,000	272,600
<b>Private Donations Fund (BRA2402/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from private gifts, grants and donations.		
<b>Purpose of Fund:</b> Monies are used in accordance with the requests of the donor.		
<b>Funds Expended</b>	16,100	0
<b>Year-End Fund Balance</b>	0	0
<b>Regents Local Fund (BRA8900/A.R.S. § 15-1626)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Contributions of retained monies from the 3 universities.		
<b>Purpose of Fund:</b> To supplement the ABOR operating budget.		
<b>Funds Expended</b>	1,993,600	6,693,000
<b>Year-End Fund Balance</b>	6,052,700	4,767,900

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Spouses of Military Veterans Tuition Scholarship Fund (BRA5100/A.R.S. § 15-1809)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To distribute scholarships to spouses of military veterans who meet certain requirements. Amounts appropriated from the General Fund are not displayed to avoid double counting of expenditures.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	10,793,900	46,254,000
<b>Year-End Fund Balance</b>	0	0
<b>Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

# Arizona State University

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	7,775.1	7,724.9	7,724.9 <sup>1/</sup>
Personal Services	541,911,600	572,106,200	572,106,200
Employee Related Expenditures	150,147,500	174,622,700	174,622,700
Professional and Outside Services	45,362,300	25,342,300	25,342,300
Travel - In State	64,700	96,200	96,200
Travel - Out of State	1,071,500	539,700	539,700
Other Operating Expenditures	83,532,300	190,062,900	190,062,900
Equipment	13,235,100	2,249,100	2,249,100
<b>OPERATING SUBTOTAL</b>	<b>835,325,000</b>	<b>965,019,100</b>	<b>965,019,100 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
2003 Research Infrastructure Lease-Purchase Payment	13,451,900	13,462,100	13,468,200 <sup>3/</sup>
2017 Capital Infrastructure Funding	12,533,500	12,784,200	13,039,900 <sup>4/</sup>
Arizona Financial Aid Trust	5,985,800	5,985,800	5,985,800
Biomedical Informatics	3,716,200	3,701,700	3,701,700
Eastern Europe Cultural Collaborative	250,000	250,000	250,000 <sup>5/</sup>
Political History and Leadership Program	250,000	0	0
Downtown Phoenix Campus	103,645,300	109,867,100	109,867,100
One-Time Funding	0	54,000,000	0
School of Civic and Economic Thought and Leadership	5,764,200	6,006,500	6,006,500 <sup>6/</sup>
<b>AGENCY TOTAL</b>	<b>980,921,900</b>	<b>1,171,076,500</b>	<b>1,117,338,300 <sup>7/8/9/</sup></b>
<b>FUND SOURCES</b>			
General Fund	385,261,900	465,044,700	411,306,500 <sup>10/11/12/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	595,660,000	706,031,800	706,031,800 <sup>13/</sup>
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>595,660,000</b>	<b>706,031,800</b>	<b>706,031,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>980,921,900</b>	<b>1,171,076,500</b>	<b>1,117,338,300</b>
Other Non-Appropriated Funds	2,376,994,100	2,540,209,700	2,540,209,700
Federal Funds	771,722,400	578,074,500	578,074,500
<b>TOTAL - ALL SOURCES</b>	<b>4,129,638,400</b>	<b>4,289,360,700</b>	<b>4,235,622,500</b>

**AGENCY DESCRIPTION** — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR).

## FOOTNOTES

- <sup>1/</sup> Includes 600.3 GF and 577 OF FTE Positions funded from Special Line Items in FY 2024.
- <sup>2/</sup> Of the amount appropriated to the Arizona state university operating budget, \$21,200,000 is onetime funding. On or before September 1, 2023, Arizona state university shall provide a detailed expenditure plan to the joint legislative budget committee that includes a description of the intended purposes and the estimated costs of each expenditure. (General Appropriation Act footnote)
- <sup>3/</sup> A.R.S. § 15-1670 appropriates \$13,468,200 to ASU from the General Fund in FY 2024 to finance lease-purchase payments for research infrastructure projects.
- <sup>4/</sup> A.R.S. § 15-1671 appropriates \$13,039,900 to ASU from the General Fund in FY 2024 for capital infrastructure projects.
- <sup>5/</sup> Arizona state university shall use monies appropriated for the eastern Europe cultural collaborative to facilitate cultural and academic exchanges between university faculty and students and academic institutions in eastern Europe. (General Appropriation Act footnote)
- <sup>6/</sup> 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, 2023, 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)

- 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/ 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)
- 9/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 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 state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 12/ The FY 2024 General Fund Baseline is \$411,306,500. This amount includes \$384,798,400 in ASU's individual section of the FY 2024 General Appropriation Act, \$13,468,200 in A.R.S. § 15-1670 lease-purchase appropriations, and \$13,039,900 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 13/ Any unencumbered balances remaining in the university collections fund on June 30, 2023 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)

### **Operating Budget**

The Baseline includes \$965,019,100 and 6,547.6 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$315,863,100
University Collections Fund	649,156,000

These amounts are unchanged from FY 2023.

The FY 2023 budget included \$21,200,000 from the General Fund for one-time operating funding. ASU reported that these monies will be used to expand its engineering programs, establish new Science and Technology Centers, and for industry engagement programs, including executive education, tuition assistance programs, and business startup support.

The 3-year budget plan also includes \$21,200,000 in one-time funding in FY 2024 and FY 2025. These monies will be removed in FY 2026.

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 \$13,468,200 from the General Fund in FY 2024 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

#### **Refinance Adjustment**

The Baseline includes an increase of \$6,100 from the General Fund in FY 2024 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 2024 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 \$13,039,900 from the General Fund in FY 2024 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

**Inflation Adjustment**

The Baseline includes an increase of \$255,700 from the General Fund in FY 2024 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 2024 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 2024, from the second quarter of CY 2021 to the second quarter of CY 2022). *(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 2024 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2023. *(Please see the ABOR section for more information.)*

**Biomedical Informatics**

The Baseline includes \$3,701,700 and 23.6 FTE Positions in FY 2024 for the Biomedical Informatics line item. These amounts consist of:

General Fund	2,040,700
University Collections Fund	1,661,000

These amounts are unchanged from FY 2023.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data.

**Eastern Europe Cultural Collaborative**

The Baseline includes \$250,000 from the General Fund in FY 2024 for the Eastern Europe Cultural Collaborative. This amount is unchanged from FY 2023.

These monies are used to facilitate cultural and academic exchanges between university faculty and students and academic institutions in eastern Europe.

**Downtown Phoenix Campus**

The Baseline includes \$109,867,100 and 1,127 FTE Positions in FY 2024 for programs headquartered at the Downtown Phoenix Campus. These amounts consist of:

General Fund	54,652,300
University Collections Fund	55,214,800

These amounts are unchanged from FY 2023.

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.

**One-Time Funding**

The Baseline includes no funding in FY 2024 for one-time funding. Adjustments are as follows:

**Remove One-Time Operating and Capital Funding**

The Baseline includes a decrease of \$(54,000,000) from the General Fund in FY 2024 to remove one-time operating and capital funding. ASU reported that these monies will be used to construct a new academic building on the Polytechnic (East) campus, renovate research laboratories, and purchase equipment.

**School of Civic and Economic Thought and Leadership**

The Baseline includes \$6,006,500 and 26.7 FTE Positions from the General Fund in FY 2024 for the School of Civic and Economic Thought and Leadership (SCETL) line item. These amounts are unchanged from FY 2023.

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 2024 General Fund Baseline is \$411,306,500. Of this amount:

- \$384,798,400 is included in ASU's individual section of the FY 2024 General Appropriation Act.
- \$13,468,200 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$13,039,900 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

**Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, ASU's General Fund costs are projected to increase by \$251,900 in FY 2025 above FY 2024, and decrease by \$(20,939,400) in FY 2026 below FY 2025.

These estimates are based on:

- A \$(8,900) decrease in FY 2025 and \$(5,400) decrease in FY 2026 to adjust for university debt service costs.

- Increases of \$260,800 in FY 2025 and \$266,000 in FY 2026 to increase the university's annual Capital Infrastructure Funding appropriation.
- A \$(21,200,000) decrease in FY 2026 to remove one-time operating funding.

**University Collections and FTE Positions Adjustments**

Including statewide adjustments, the FY 2023 General Appropriation Act appropriated \$597,483,500 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 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 2023 to the Joint Legislative Budget Committee in June 2022, and ASU incorporated the adjusted FY 2023 amounts as part of their FY 2024 budget submission. Accordingly, the estimated FY 2023 amount has been adjusted by \$108,548,300 to \$706,031,800.

The FY 2023 FTE Position count has also been adjusted. The FY 2023 General Appropriation Act originally appropriated 8,171 FTE Positions in FY 2023 for ASU. The General Fund accounted for 3,044.2 FTE Positions and the University Collections Fund accounted for the remaining 5,126.8 FTE Positions. The estimated number of FY 2023 FTE Positions has been adjusted by (446.1) to 7,724.9. The General Fund accounts for 2,743.4 FTE Positions and the University Collections Fund accounts for the remaining 4,981.5 FTE Positions.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	271,191,700	300,957,200
<b>Year-End Fund Balance</b>	19,313,300	11,728,800

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Capital Infrastructure Fund - ASU (UNI3001/A.R.S. § 15-1671)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Designated Fund - Other (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
<b>Funds Expended</b>	184,296,800	276,201,000
<b>Year-End Fund Balance</b>	168,271,500	146,353,400
<b>Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,445,958,200	1,591,934,500
<b>Year-End Fund Balance</b>	785,603,300	812,982,300
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	136,353,600	136,353,600
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	699,502,900	504,806,700
<b>Year-End Fund Balance</b>	0	0
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote federally-sponsored research.		
<b>Funds Expended</b>	72,219,500	73,267,800
<b>Year-End Fund Balance</b>	0	0
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Non-federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote non-federally-sponsored research.		
<b>Funds Expended</b>	89,911,200	91,705,600
<b>Year-End Fund Balance</b>	29,509,700	33,301,900

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal student loan program awards and interest collected on outstanding federal student loans.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,460,500	0
<b>Year-End Fund Balance</b>	11,388,200	11,388,200
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	372,019,400	268,251,100
<b>Year-End Fund Balance</b>	86,016,900	86,016,700
<b>University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> University system revenues.		
<b>Purpose of Fund:</b> 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).		
<b>Funds Expended</b>	11,156,300	11,160,300
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (ASA1411/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees.		
<b>Purpose of Fund:</b> To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
<b>Funds Expended</b>	595,660,000	706,031,800
<b>Year-End Fund Balance</b>	0	0

# Northern Arizona University

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,292.0	2,376.2	2,376.2 <sup>1/</sup>
Personal Services	149,338,200	155,496,100	155,496,100
Employee Related Expenditures	47,972,500	46,301,400	46,301,400
Professional and Outside Services	15,885,000	14,539,300	14,539,300
Travel - In State	249,600	455,400	455,400
Travel - Out of State	197,200	0	0
Other Operating Expenditures	36,017,600	30,600,600	30,600,600
Equipment	540,600	405,100	405,100
<b>OPERATING SUBTOTAL</b>	<b>250,200,700</b>	<b>247,797,900</b>	<b>247,797,900 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
2003 Research Infrastructure Lease-Purchase Payment	5,039,800	5,301,500	5,302,900 <sup>3/</sup>
2017 Capital Infrastructure Funding	4,750,600	4,845,600	4,942,500 <sup>4/</sup>
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research Funding	3,000,000	3,000,000	3,000,000 <sup>5/</sup>
Economic Policy Institute	750,300	865,300	865,300 <sup>6/</sup>
One-Time Funding	0	26,000,000	0
NAU - Yuma	3,075,600	3,119,800	3,119,800
Teacher Training	2,292,700	2,292,700	2,292,700 <sup>7/</sup>
<b>AGENCY TOTAL</b>	<b>270,435,700</b>	<b>294,548,800</b>	<b>268,647,100 <sup>8/9/</sup></b>
<b>FUND SOURCES</b>			
General Fund	135,452,400	164,151,500	138,249,800 <sup>10/11/12</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	134,983,300	130,397,300	130,397,300 <sup>13/</sup>
SUBTOTAL - Other Appropriated Funds	134,983,300	130,397,300	130,397,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>270,435,700</b>	<b>294,548,800</b>	<b>268,647,100</b>
Other Non-Appropriated Funds	306,947,500	385,410,400	385,410,400
Federal Funds	147,989,800	149,469,900	149,469,900
<b>TOTAL - ALL SOURCES</b>	<b>725,373,000</b>	<b>829,429,100</b>	<b>803,527,400</b>

**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 53.3 GF FTE Positions funded from Special Line Items in FY 2024.
- 2/ Of the amount appropriated to the Northern Arizona University operating budget, \$10,100,000 is onetime funding. On or before September 1, 2023, Northern Arizona University shall provide a detailed expenditure plan to the joint legislative budget committee that includes a description of the intended purposes and the estimated costs of each expenditure. (General Appropriation Act footnote)
- 3/ A.R.S. § 15-1670 appropriates \$5,302,900 to NAU from the General Fund in FY 2024 to finance lease-purchase payments for research infrastructure projects.
- 4/ A.R.S. § 15-1671 appropriates \$4,942,500 to NAU from the General Fund in FY 2024 for capital infrastructure projects.
- 5/ The biomedical research funding shall be distributed to a nonprofit medical research foundation in this state that collaborates with universities, hospitals and biotechnology and health research centers. A nonprofit foundation that receives monies shall submit an expenditure and performance report to northern Arizona university. The university shall transmit the report to the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on or before February 1, 2024. The report must include at least the following:
  1. The type and amount of expenditures from all state sources of monies, including the amount leveraged for local, state, federal, and private grants.

2. A description of each grant received as well as the percentage and locations of positions funded solely or partly by state monies and the nonprofit foundation's projects with which these positions are associated.
  3. Performance measures, including:
    - (a) Outcomes that are specifically related to the use of state monies.
    - (b) Progress that has been made toward achieving each outcome, including activities, resources and other evidence of progress.
    - (c) Reportable inventions or discoveries related to each outcome.
    - (d) Publications, presentations and narratives related to each outcome and how the expenditures from all state sources of monies that the nonprofit foundation received have benefited this state. (General Appropriation Act footnote)
- 6/ The appropriated amount for the economic policy institute line item may not supplant any existing state funding or private or external donations to the institute or to the university. The appropriated monies and all private and external donations to the institute, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the institute and may not be used for indirect costs of the university. On or before October 1, 2023, the institute shall submit to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee a report that includes at least the following information for the institute:
1. The total amount of funding received from all sources.
  2. A description of the faculty positions and courses offered.
  3. The total undergraduate and graduate student participation.
  4. Significant community events, initiatives or publications.
- The chairpersons of the senate education committee and the house of representatives education committee may request the director of the institute to appear before the committees to report on the institute's annual achievements. (General Appropriation Act footnote)
- 7/ The appropriated amount for the teacher training line item shall be distributed to the Arizona K-12 center for program implementation and mentor training for the Arizona mentor teacher program prescribed by the state board of education. (General Appropriation Act footnote)
- 8/ Other than scholarships awarded through the Arizona financial aid trust, the appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 10/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 11/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 12/ The FY 2024 General Fund Baseline is \$138,249,800. This amount would include \$128,004,400 in NAU's individual section of the FY 2024 General Appropriation Act, \$5,302,900 in A.R.S. § 15-1670 lease-purchase appropriations, and \$4,942,500 in A.R.S. § 15-1671 capital infrastructure appropriation.
- 13/ Any unencumbered balances remaining in the university collections fund on June 30, 2023 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)

**Operating Budget**

The Baseline includes \$247,797,900 and 2,322.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$117,400,600
University Collections Fund	130,397,300

These amounts are unchanged from FY 2023.

The FY 2023 budget included \$10,100,000 from the General Fund for one-time operating funding. NAU reported that these monies will be used to expand Allied and Behavioral Health programs in locations across the state, fund technology infrastructure projects on the Phoenix biosciences campus, and support expansion of the School of Hospitality and Restaurant Management.

The 3-year budget plan also includes \$10,100,000 in one-time funding in FY 2024 and FY 2025. These monies will be removed in FY 2026.

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 Section and ABOR for more information.)*

### **2003 Research Infrastructure Lease-Purchase Payment**

The Baseline includes \$5,302,900 from the General Fund in FY 2024 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

#### **Refinance Adjustment**

The Baseline includes an increase of \$1,400 from the General Fund in FY 2024 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 2024 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 4,942,500 from the General Fund in FY 2024 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

#### **Inflation Adjustment**

The Baseline includes an increase of \$96,900 from the General Fund in FY 2024 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 2024 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 2024, from the second quarter of CY 2021 to the second quarter of CY 2022). *(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 2024 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2023. *(Please see the ABOR section for more information.)*

### **Biomedical Research Funding**

The Baseline includes \$3,000,000 from the General Fund in FY 2024 for the Biomedical Research Funding line item. This amount is unchanged from FY 2023.

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 \$865,300 from the General Fund in FY 2024 for the Economic Policy Institute line item. This amount is unchanged from FY 2023.

The funding for the Economic Policy Institute is used to support the institute's mission of rural economic development, financial literacy, and entrepreneurialism.

### **One-Time Funding**

The Baseline includes no funding in FY 2024 for one-time funding. Adjustments are as follows:

#### **Remove One-Time Operating and Capital Funding**

The Baseline includes a decrease of \$(26,000,000) from the General Fund in FY 2024 to remove one-time operating and capital funding. Of the amount appropriated, at least \$5,000,000 was required to be used to expand the NAU-Yuma program. NAU reported that these monies will be used to address campuswide deferred maintenance projects, support the university's

New Economy Initiatives, and expanding program offerings in Yuma.

### NAU - Yuma

The Baseline includes \$3,119,800 and 53.3 FTE Positions from the General Fund in FY 2024 for NAU-Yuma. These amounts are unchanged from FY 2023.

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 2024 for Teacher Training. This amount is unchanged from FY 2023.

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 2024 General Fund Baseline is \$138,249,800. Of this amount:

- \$128,004,400 is included in NAU's individual section of the FY 2024 General Appropriation Act.
- \$5,302,900 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,942,500 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 decrease by \$(318,500) in FY 2025 below FY 2024 and decrease by \$(10,000,200) in FY 2026 below FY 2025.

These estimates are based on:

- A decrease of \$(417,400) in FY 2025 and a decrease of \$(1,000) in FY 2026 to adjust for university debt service costs.
- Increases of \$98,900 in FY 2025 and \$100,800 in FY 2026 to increase the university's annual Capital Infrastructure Funding appropriation.
- A \$(10,100,000) decrease in FY 2026 to remove one-time operating funding.

### University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2023 General Appropriation Act appropriated \$134,964,500 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 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 2023 to the Joint Legislative Budget Committee in June 2022, and NAU incorporated the adjusted FY 2023 amounts as part of their FY 2024 budget submission. Accordingly, the estimated FY 2023 amount has been adjusted downward by \$(4,567,200) to \$130,397,300.

The FY 2023 FTE Position count has also been adjusted. The FY 2023 General Appropriation Act originally appropriated 2,619.3 FTE Positions in FY 2023 for NAU. The General Fund accounted for 1,226.6 FTE Positions and the University Collections Fund accounted for the remaining 1,392.7 Positions. The estimated number of FY 2023 FTE Positions has been adjusted downward by (243.1) to 2,376.2. The General Fund accounts for 1,153.8 FTE Positions and the University Collections Fund accounts for the remaining 1,222.4 FTE Positions.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	96,206,300	107,232,600
<b>Year-End Fund Balance</b>	6,850,800	6,142,300
<b>Capital Infrastructure Fund - NAU (UNI3002/A.R.S. § 15-1671)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are paid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Designated Fund - Other (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
<b>Funds Expended</b>	51,051,400	100,244,300
<b>Year-End Fund Balance</b>	0	408,500
<b>Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	106,957,400	123,770,500
<b>Year-End Fund Balance</b>	1,883,400	1,477,600
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	37,053,500	35,053,500
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	147,989,800	149,469,900
<b>Year-End Fund Balance</b>	13,417,900	13,417,900
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote federally-sponsored research.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	19,021,800	13,607,500



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Non-federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote non-federally-sponsored research.		
<b>Funds Expended</b>	15,728,400	18,466,500
<b>Year-End Fund Balance</b>	4,750,600	14,346,800
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal student loan program awards and interest collected on outstanding federal student loans.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	700,000	650,000
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	26,948,900	25,642,600
<b>Year-End Fund Balance</b>	27,129,600	27,129,600
<b>University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> University system revenues.		
<b>Purpose of Fund:</b> 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).		
<b>Funds Expended</b>	10,055,100	10,053,900
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (NAA1421/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees.		
<b>Purpose of Fund:</b> To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
<b>Funds Expended</b>	134,983,300	130,397,300
<b>Year-End Fund Balance</b>	0	0

## University of Arizona - Main Campus

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5,975.5	6,294.5	6,294.5 <sup>1/</sup>
Personal Services	331,900,000	356,825,700	356,825,700
Employee Related Expenditures	110,341,500	113,505,500	113,505,500
Professional and Outside Services	12,749,800	19,531,600	19,531,600
Travel - In State	69,500	38,500	38,500
Travel - Out of State	468,700	412,300	412,300
Other Operating Expenditures	70,998,100	75,637,800	72,637,800
Equipment	2,703,500	1,026,000	1,026,000
<b>OPERATING SUBTOTAL</b>	<b>529,231,100</b>	<b>566,977,400</b>	<b>563,977,400 <sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
2003 Research Infrastructure Lease-Purchase Payment	14,248,900	14,252,500	14,255,300 <sup>3/</sup>
2017 Capital Infrastructure Funding	11,087,900	11,309,700	11,535,900 <sup>4/</sup>
Agriculture	49,005,100	38,651,000	38,651,000
Arizona Cooperative Extension	15,077,000	17,119,900	16,619,900
Arizona Financial Aid Trust	2,729,400	2,729,400	2,729,400
Arizona Geological Survey	1,148,500	1,148,500	1,148,500 <sup>5/</sup>
Center for the Philosophy of Freedom	3,763,700	4,840,000	4,840,000 <sup>6/</sup>
College of Veterinary Medicine	0	8,000,000	8,000,000 <sup>7/</sup>
Kazakhstan Studies Program	250,000	250,000	250,000 <sup>8/</sup>
Mining, Mineral and Natural Resources Educational Museum	428,800	438,700	438,700
Natural Resource Users Law and Policy Center	500,000	2,009,500	1,559,500 <sup>9/</sup>
School of Mining	4,000,000	4,476,000	4,476,000
Sierra Vista Campus	6,528,000	5,031,700	5,031,700
Veterinary Diagnostic Laboratory	0	5,000,000	2,500,000
<b>AGENCY TOTAL</b>	<b>637,998,400</b>	<b>682,234,300</b>	<b>676,013,300 <sup>10/11/</sup></b>
<b>FUND SOURCES</b>			
General Fund	250,739,100	299,423,000	293,202,000 <sup>12/13/14/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	387,259,300	382,811,300	382,811,300 <sup>15/</sup>
SUBTOTAL - Other Appropriated Funds	387,259,300	382,811,300	382,811,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>637,998,400</b>	<b>682,234,300</b>	<b>676,013,300</b>
Other Non-Appropriated Funds	1,461,458,300	1,457,122,800	1,457,122,800
Federal Funds	238,899,600	247,619,500	247,619,500
<b>TOTAL - ALL SOURCES</b>	<b>2,338,356,300</b>	<b>2,386,976,600</b>	<b>2,380,755,600</b>

**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

- <sup>1/</sup> Includes 1,150.9 GF and 128 OF FTE Positions funded from Special Line Items in FY 2024.
- <sup>2/</sup> Of the amount appropriated to the university of Arizona operating budget, \$14,700,000 is onetime funding. On or before September 1, 2023, the university of Arizona shall provide a detailed expenditure plan to the joint legislative budget committee that includes a description of the intended purposes and the estimated costs of each expenditure. (General Appropriation Act footnote)
- <sup>3/</sup> A.R.S. § 15-1670 appropriates \$14,225,300 to UA-Main from the General Fund in FY 2024 to finance lease-purchase payments for research infrastructure projects.

- 4/ A.R.S. § 15-1671 appropriates \$11,535,900 to UA-Main from the General Fund in FY 2024 for capital infrastructure projects.
- 5/ The university of Arizona may not use monies appropriated for the Arizona geological survey line item for any other purpose and may not transfer the monies appropriated for the Arizona geological survey to the operating budget or any other line item. (General Appropriation Act footnote)
- 6/ The appropriated amount for the center for the philosophy of freedom line item may not supplant any existing state funding or private or external donations to the center or the philosophy department of the university of Arizona. The appropriated monies and all private and external donations to the center, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the center and may not be used for indirect costs of the university. On or before October 1, 2023, the center shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee that includes at least the following information for the center:
1. The total amount of funding received from all sources.
  2. A description of faculty positions and courses offered.
  3. The total undergraduate and graduate student participation.
  4. Significant community events, initiatives or publications.
- The chairpersons of the senate education committee and the house of representatives education committee may request the director of the center to appear before the committees to report on the center's annual achievements. (General Appropriation Act footnote)
- 7/ The amount appropriated to the college of veterinary medicine line item shall be distributed to the college of veterinary medicine to increase the number of students that are residents of this state. Before spending these monies, the university of Arizona shall report to the joint legislative budget committee all of the following information for the college of veterinary medicine:
1. The current number of students who are residents of this state.
  2. The current number of students who are not residents of this state. (General Appropriation Act footnote)
- 8/ The university of Arizona shall use monies appropriated for the Kazakhstan studies program to facilitate academic exchanges between university students and academic institutions in Kazakhstan. (General Appropriation Act footnote)
- 9/ 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. Of the amount appropriated, at least \$500,000 shall be used to assist claimants in the general stream adjudication of water rights pursuant to section 15-1647, Arizona Revised Statutes. (General Appropriation Act footnote)
- 10/ 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)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 12/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 13/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 14/ The FY 2024 General Fund Baseline is \$293,202,000. This amount includes \$267,410,800 in UA - Main's individual section of the FY 2023 General Appropriation Act, \$14,255,300 in A.R.S. § 15-1670 lease-purchase appropriations, and \$11,535,900 in A.R.S. § 15-1671 capital infrastructure appropriations
- 15/ Any unencumbered balances remaining in the university collections fund on June 30, 2023 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)

## Operating Budget

The Baseline includes \$563,977,400 and 5,015.6 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$189,110,400
University Collections Fund	374,867,000

Adjustments are as follows:

### Remove One-Time Wind Tunnel Funding

The Baseline includes a decrease \$(3,000,000) from the General Fund in FY 2024 for elimination of one-time wind tunnel funding. The FY 2022 budget also included \$3,500,000 in one-time wind tunnel funding.

The FY 2023 budget included \$14,700,000 from the General Fund for one-time operating funding. UA reported that these monies will be used to expand the Arizona Cooperative Extension programs, expand the Cancer Engineering research and workforce training programs, and support the university's One Health Initiatives.

The 3-year budget plan also includes \$14,700,000 in one-time funding in FY 2024 and FY 2025. These monies will be removed in FY 2026.

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 \$14,255,300 from the General Fund in FY 2024 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

### Refinance Adjustment

The Baseline includes an increase of \$2,800 from the General Fund in FY 2024 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 2024 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 \$11,535,900 from the General Fund in FY 2024 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

### Inflation Adjustment

The Baseline includes an increase of \$226,200 from the General Fund in FY 2024 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 2024 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 2024, from the second quarter of CY 2021 to the second quarter of CY 2022). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

## Agriculture

The Baseline includes \$38,651,000 and 672.6 FTE Positions in FY2024 for the Agriculture Programs. These amounts consist of:

General Fund	32,611,900
University Collections Fund	6,039,100

These amounts are unchanged from FY 2023.

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 \$16,619,900 and 268.8 FTE Positions from the General Fund in FY 2024 for the Arizona Cooperative Extension. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2024 to remove one-time funding for the Agricultural Workforce Development Program. These monies were appropriated one-time in FY 2022 and FY 2023.

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 2024 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2023. *(Please see the ABOR section for more information).*

### **Arizona Geological Survey**

The Baseline includes \$1,148,500 and 20.9 FTE Positions from the General Fund in FY 2024 for the Arizona Geological Survey. This amount is unchanged from FY 2023.

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 \$4,840,000 and 53.8 FTE Positions from the General Fund in FY 2024 for the Center for the Philosophy of Freedom (CPF). These amounts are unchanged from FY 2023.

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.

### **College of Veterinary Medicine**

The Baseline includes \$8,000,000 and 106.5 FTE Positions from the General Fund in FY 2024 for the College of Veterinary Medicine. This amount is unchanged from FY 2023.

The funding is intended to increase the number of students that are Arizona residents enrolled in the college. UA is required to submit a report to JLBC before spending the monies that includes the current split of enrolled resident and nonresident students.

### **Kazakhstan Studies Program**

The Baseline includes \$250,000 and 2.8 FTE Positions from the General Fund in FY 2024 for the Kazakhstan Studies Program. This amount is unchanged from FY 2023.

The monies in this line item are used to facilitate academic exchanges between university students and academic institutions in Kazakhstan.

### **Mining, Mineral and Natural Resources Educational Museum**

The Baseline includes \$438,700 and 1.2 FTE Positions from the General Fund in FY 2024 for the Mining, Mineral, and Natural Resources Educational Museum. These amounts are unchanged from FY 2023.

This line item funds a curator and monies that will be used by the University to pay for repairs to the building.

As session law, the FY 2023 Higher Education BRB re-directs ADOA to convey the Mining, Mineral and Natural Resources Museum to the University of Arizona. As directed by Laws 2017, Chapter 221, ADOA previously conveyed the museum to UA. However, the deed stipulated that the museum revert back to ADOA if the museum did not open to the public by June 15, 2022. The museum did not open to the public by this date. Following the conveyance and reversion of the museum, the FY 2023 Higher Education BRB re-directs ADOA to convey the museum to UA. The museum is not yet open.

### **Natural Resource Users Law and Policy Center**

The Baseline includes \$1,559,500 and 17.8 FTE Positions from the General Fund in FY 2024 for the Natural Resource Users Law and Policy Center. Adjustments are as follows:

### Remove One-Time Funding

The Baseline includes a decrease of \$(450,000) from the General Fund in FY 2024 for the elimination of one-time endangered species study funding.

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 \$4,476,000 and 64 FTE Positions from the General Fund in FY 2024 for the School of Mining. These amounts are unchanged from FY 2023.

This line item provides operating funding for the UA School of Mining.

### Sierra Vista Campus

The Baseline includes 5,031,700 and 60.5 FTE Positions in FY 2024 for the Sierra Vista Campus. These amounts consist of:

General Fund	3,126,500
University Collections Fund	1,905,200

These amounts are unchanged from FY 2023.

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.

### Veterinary Diagnostic Laboratory

The Baseline includes \$2,500,000 and 10 FTE Positions from the General Fund in FY 2024 for the Veterinary Diagnostic Laboratory. Adjustments are as follows:

#### Remove One-Time Funding

The Baseline includes a decrease of \$(2,500,000) from the General Fund in FY 2024 for the elimination of one-time funding for the Veterinary Diagnostic Lab.

The Veterinary Diagnostic Laboratory provides diagnostic service in animal health to veterinarians, animal owners, university researchers, and state and federal agencies.

## 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 2024 General Fund Baseline is \$293,202,000. Of this amount:

- \$267,410,800 is included in UA - Main's individual section of the FY-2024 General Appropriation Act.
- \$14,255,300 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$11,535,900 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

### Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, UA - Main's General Fund costs are projected to increase by \$222,700 in FY 2025 above FY 2024 and decrease by \$(14,463,600) in FY 2026 below FY 2025.

These estimates are based on:

- An \$(8,000) decrease in FY 2025 and a \$1,100 increase in FY 2026 to adjust for university debt service costs.
- Increases of \$230,700 in FY 2025 and \$235,300 in FY 2026 to increase the university's annual Capital Infrastructure Funding.
- A \$(14,700,000) decrease in FY 2026 to remove one-time operating funding.

### University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2023 General Appropriation Act appropriated \$304,407,700 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 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 2023 to the Joint Legislative Budget Committee in June 2022, and UA incorporated the adjusted FY 2023 amounts as part of their FY 2024 budget submission. Accordingly, the estimated FY 2023 amount has been adjusted upward by \$78,403,600 to \$382,811,300.

appropriated 5,975.5 FTE Positions in FY 2023 for UA - Main. The General Fund accounted for 2,884.4 FTE Positions and the University Collections Fund accounted for the remaining 3,091.1 FTE Positions. The estimated number of FY 2023 FTE Positions has been adjusted by 319 to 6,294.5. The General Fund accounts for 2,850.3 FTE Positions and the University Collections Fund accounts for the remaining 3,444.2 FTE Positions.

The FY 2023 FTE Position count has also been adjusted. The FY 2023 General Appropriation Act originally

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	294,642,100	316,264,000
<b>Year-End Fund Balance</b>	52,883,500	58,497,800
<b>Capital Infrastructure Fund - UA (UNI3003/A.R.S. § 15-1671)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Designated Fund - Other (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
<b>Funds Expended</b>	253,541,300	263,689,200
<b>Year-End Fund Balance</b>	67,385,500	70,136,100
<b>Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	565,533,900	588,161,600
<b>Year-End Fund Balance</b>	17,473,900	48,956,000
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	165,270,500	167,542,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Federal Funds</b>
<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	184,342,800	192,012,900
Year-End Fund Balance	24,869,300	25,118,000
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Federal Funds</b>
<i>Source of Revenue:</i> Federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote federally-sponsored research.		
Funds Expended	53,468,100	55,606,600
Year-End Fund Balance	0	0
<b>Geological Survey Fund (UNI3030/A.R.S. § 27-107)</b>		<b>Non-Appropriated</b>
<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	277,700	215,500
Year-End Fund Balance	0	0
<b>Geological Survey Fund - Federal Grants (UNI3031/A.R.S. § 27-107)</b>		<b>Federal Funds</b>
<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	0
Year-End Fund Balance	0	0
<b>Geological Survey Fund - Mining, Mineral and Natural Resources Educational Museum Account (UNI9999/A.R.S. § 27-107)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> 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	12,400	78,600
Year-End Fund Balance	0	0
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<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	9,617,000	10,001,600
Year-End Fund Balance	0	0
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<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	566,900	523,700
Year-End Fund Balance	25,926,700	2,540,300



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>On-Farm Irrigation Efficiency Fund (UNI8888/Laws 2022, Chapter 332)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal grants, and other grants, gifts, and contributions.		
<b>Purpose of Fund:</b> To administer the On-Farm Irrigation Efficiency Pilot Program, which provides grants for on-farm irrigation efficiency systems. Up to 10% of monies in the fund may be used for administrative costs and up to \$1,000,000 may be used for irrigation efficiency demonstration, research, and education. The fund is repealed from and after December 31, 2026.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	311,253,300	252,154,400
<b>Year-End Fund Balance</b>	100,934,400	112,381,700
<b>University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> University system revenues.		
<b>Purpose of Fund:</b> 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).		
<b>Funds Expended</b>	26,013,700	26,034,200
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (UAA1402/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees.		
<b>Purpose of Fund:</b> To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
<b>Funds Expended</b>	387,259,300	382,811,300
<b>Year-End Fund Balance</b>	0	0

## University of Arizona - Health Sciences Center

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,268.7	1,112.4	1,112.4 <sup>1/</sup>
Personal Services	55,406,000	61,469,100	61,469,100
Employee Related Expenditures	17,261,400	19,232,200	19,232,200
Professional and Outside Services	751,700	2,431,600	2,431,600
Travel - In State	19,900	37,700	37,700
Travel - Out of State	65,200	67,200	67,200
Other Operating Expenditures	14,746,600	16,889,600	16,889,600
Equipment	91,700	0	0
<b>OPERATING SUBTOTAL</b>	<b>88,342,500</b>	<b>100,127,400</b>	<b>100,127,400</b> <sup>2/</sup>
<b>SPECIAL LINE ITEMS</b>			
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	41,728,700	32,394,600	32,394,600
Telemedicine Network	1,670,000	1,670,000	1,670,000
<b>AGENCY TOTAL</b>	<b>141,122,200</b>	<b>143,573,000</b>	<b>143,573,000</b> <sup>3/4/</sup>
<b>FUND SOURCES</b>			
General Fund	76,897,700	76,897,700	76,897,700 <sup>5/6/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	64,224,500	66,675,300	66,675,300 <sup>7/</sup>
SUBTOTAL - Other Appropriated Funds	64,224,500	66,675,300	66,675,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>141,122,200</b>	<b>143,573,000</b>	<b>143,573,000</b>
Other Non-Appropriated Funds	331,870,200	355,261,500	355,261,500
Federal Funds	178,966,900	186,125,700	186,125,700
<b>TOTAL - ALL SOURCES</b>	<b>651,959,300</b>	<b>684,960,200</b>	<b>684,960,200</b>

**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

- <sup>1/</sup> Includes 204.7 GF and 69.8 OF FTE Positions funded from Special Line Items in FY 2024.
- <sup>2/</sup> 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)
- <sup>3/</sup> 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)
- <sup>4/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>5/</sup> The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- <sup>6/</sup> The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- <sup>7/</sup> Any unencumbered balances remaining in the university collections fund on June 30, 2023 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)

**Operating Budget**

The Baseline includes \$100,127,400 and 837.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$42,576,900
University Collections Fund	57,550,500

These amounts are unchanged from FY 2023.

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 5.2 FTE Positions from the General Fund in FY 2024 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2023.

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 from the General Fund in FY 2024 for Clinical Teaching Support. These amounts are unchanged from FY 2023.

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 6.5 FTE Positions from the General Fund in FY 2024 for the Liver Research Institute. These amounts are unchanged from FY 2023.

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 \$32,394,600 and 247.9 FTE Positions in FY 2024 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,269,800
University Collections Fund	9,124,800

These amounts are unchanged from FY 2023.

**Telemedicine Network**

The Baseline includes \$1,670,000 and 14.9 FTE Positions from the General Fund in FY 2024 for the Telemedicine Network. These amounts are unchanged from FY 2023.

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 2023 General Appropriation Act appropriated \$56,363,300 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 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

2023 to the Joint Legislative Budget Committee in June 2022, and UA incorporated the adjusted FY 2023 amounts as part of their FY 2024 budget submission. Accordingly, the estimated FY 2023 amount has been adjusted by \$10,312,000 to \$66,375,300.

The FY 2023 FTE Position count has also been adjusted. The FY 2023 General Appropriations Act originally appropriated 1,268.7 FTE Positions in FY 2023 for the UA -

HSC. The General Fund accounted for 785.7 FTE Positions and the University Collections Fund accounted for the remaining 483 FTE Positions. The estimated number of FY 2023 FTE Positions has been adjusted by (156.3) to 1,112.4 . The General Fund accounts for 561 FTE Positions and the University Collections Fund accounts for the remaining 551.4 FTE Positions.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	843,200	860,000
<b>Year-End Fund Balance</b>	549,400	682,300
<b>Designated Fund - Other (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
<b>Funds Expended</b>	232,840,500	242,153,800
<b>Year-End Fund Balance</b>	133,668,900	168,723,800
<b>Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	11,894,700	19,071,300
<b>Year-End Fund Balance</b>	23,199,300	26,078,500
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	18,914,800	19,103,900
<b>Year-End Fund Balance</b>	160,994,600	163,500,700
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	132,857,400	138,171,700
<b>Year-End Fund Balance</b>	33,611,100	32,493,500
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote federally-sponsored research.		
<b>Funds Expended</b>	46,109,500	47,954,000
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Non-federally-sponsored research programs.		
<i>Purpose of Fund:</i> To assist and promote non-federally-sponsored research.		
<b>Funds Expended</b>	6,255,700	6,505,900
<b>Year-End Fund Balance</b>	0	0
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	6,520,800	647,800
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<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.		
<b>Funds Expended</b>	61,121,300	67,566,600
<b>Year-End Fund Balance</b>	53,601,900	57,471,300
<b>University Collections Fund (UAA1403/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<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.		
<b>Funds Expended</b>	64,224,500	66,675,300
<b>Year-End Fund Balance</b>	0	0

## Department of Veterans' Services

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	772.3	792.3	792.3 <sup>1/</sup>
Personal Services	1,162,300	1,304,300	1,304,300
Employee Related Expenditures	397,800	550,400	550,400
Professional and Outside Services	9,400	5,900	5,900
Travel - In State	34,800	14,400	14,400
Travel - Out of State	8,600	1,100	1,100
Other Operating Expenditures	422,100	661,500	661,500
Equipment	21,000	56,600	56,600
<b>OPERATING SUBTOTAL</b>	<b>2,056,000</b>	<b>2,594,200</b>	<b>2,594,200</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona State Veterans' Cemeteries	935,500	1,003,200	1,003,200
Arizona State Veterans' Homes	20,244,800	60,559,500	60,559,500
Hyperbaric Oxygen Therapy Reimbursement	0	25,000	0
Veterans' Benefit Counseling	2,984,000	3,910,600	3,910,600
Rural Tribal Nations Veteran Benefit Counseling	0	2,265,100	2,265,100 <sup>2/</sup>
Veterans' Support Services	1,226,100	1,226,100	1,226,100 <sup>3/</sup>
Veterans' Trauma Treatment Services	0	450,000	450,000 <sup>4/</sup>
Tribal Ceremonies	0	1,000,000	0
<b>AGENCY TOTAL</b>	<b>27,446,400</b>	<b>73,033,700</b>	<b>72,008,700 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	7,201,600	12,449,200	11,449,200
<u>Other Appropriated Funds</u>			
Hyperbaric Oxygen Therapy for Military Veterans Fund	0	25,000	0
State Homes for Veterans Trust Fund	20,244,800	60,559,500	60,559,500
SUBTOTAL - Other Appropriated Funds	20,244,800	60,584,500	60,559,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>27,446,400</b>	<b>73,033,700</b>	<b>72,008,700</b>
Other Non-Appropriated Funds	6,897,800	3,418,100	3,418,100
Federal Funds	22,649,900	1,223,200	1,223,200
<b>TOTAL - ALL SOURCES</b>	<b>56,994,100</b>	<b>77,675,000</b>	<b>76,650,000</b>

**AGENCY DESCRIPTION** — The agency supervises and operates skilled nursing homes for Arizona veterans, assists veterans in developing and filing claims for federal entitlements, and operates several veterans' memorial cemeteries across the state.

### FOOTNOTES

- 1/ Includes 101.5 GF and 644 OF FTE Positions funded from Special Line Items in FY 2024.
- 2/ Monies appropriated for the rural tribal nations veteran benefit counseling line item shall be used to hire veteran service officers to provide services in rural tribal nations in this state that have communities that are located one hundred miles or more from the nearest United States department of veterans affairs service center. (General Appropriation Act footnote)
- 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/ Monies appropriated for the veterans' trauma treatment services line item shall be used to provide grants to contractors as defined in section 36-2901, Arizona Revised Statutes, that provide trauma treatment services training to any of the following health professionals licensed pursuant to title 32, Arizona Revised Statutes:

1. Physicians.
2. Registered nurse practitioners.
3. Physician assistants.
4. Psychologists.
5. Behavioral health professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner or behavioral health professional licensed pursuant to title 32, Arizona Revised Statutes, for independent practice. (General Appropriation Act footnote)

5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### **Operating Budget**

The Baseline includes \$2,594,200 and 46.8 FTE Positions from the General Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

### **Arizona State Veterans' Cemeteries**

The Baseline includes \$1,003,200 and 12.5 FTE Positions from the General Fund in FY 2024 for the Arizona State Veterans' Cemeteries. These amounts are unchanged from FY 2023.

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 \$60,559,500 and 644 FTE Positions from the State Homes for Veterans' Trust Fund in FY 2024 for the Arizona State Veterans' Homes. These amounts are unchanged from FY 2023.

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 serving an average of 73 individuals between July 2022 and November 2022. The Tucson Veterans' Home has a 120-bed capacity serving an average of 77 individuals between July 2022 and November 2022. The homes' occupancy has declined during the COVID-19 pandemic, resulting in expenditures exceeding revenues. *(Please see Veterans' Homes Shortfall in Other Issues for further details).*

A third home in Yuma opened in October 2022. A fourth home in Flagstaff is currently under construction with a projected opening in March 2023. Each of these homes will have an 80-bed capacity. Additionally, the department plans to build a fifth home in Northwestern Arizona. *(Please see the Other Issues section for further details on the Northwestern Arizona home).*

### **Hyperbaric Oxygen Therapy Reimbursement**

The Baseline includes no funding in FY 2024 for Hyperbaric Oxygen Therapy Reimbursement. Adjustments are as follows:

#### **Remove One-Time General Fund Reimbursement**

The Baseline includes a decrease of \$(25,000) from the Hyperbaric Oxygen Therapy for Military Veterans Fund in FY 2024 to remove a one-time General Fund deposit.

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 did not appear in the FY 2023 General Appropriation Act.

### **Veterans' Benefit Counseling**

The Baseline includes \$3,910,600 and 69 FTE Positions from the General Fund in FY 2024 for Veterans' Benefit Counseling. These amounts are unchanged from FY 2023.

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. *(For more*

information on benefit counseling within ADVS, please see Rural Tribal Nations Veteran Benefit Counseling.)

### **Rural Tribal Nations Veteran Benefit Counseling**

The Baseline includes \$2,265,100 and 20 FTE Positions from the General Fund in FY 2024 for Rural Tribal Nations Veteran Benefit Counseling. These amounts are unchanged from FY 2023.

The monies in this line item fund Veteran Service Officers who provide benefit counseling for tribal nation communities located 100 miles or more from the nearest U.S. Department of Veterans' Affairs service center. (For more information on benefit counseling within ADVS, please see Veterans' Benefit Counseling.)

### **Veterans' Support Services**

The Baseline includes \$1,226,100 from the General Fund in FY 2024 for Veterans' Support Services. This amount is unchanged from FY 2023.

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 2024 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2023.

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.

### **Tribal Ceremonies**

The Baseline includes no funding in FY 2024 for Tribal Ceremonies. Adjustments are as follows:

#### **Remove One-Time Program Funding**

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2024 to remove one-time funding for tribal ceremonies. The FY 2023 budget required the department to distribute the monies to Indian tribes to conduct ceremonies for tribal members who are discharged from the military, including members diagnosed with PTSD. The monies were appropriated as non-lapsing.

### **Other Issues**

#### **Veterans' Homes Shortfall**

The department reports that occupancy rates in the Phoenix and Tucson homes have declined during the COVID-19 pandemic, and construction of the Flagstaff and Yuma homes experienced delays. This resulted in expenditures that exceed available revenues in the State Homes for Veterans' Trust Fund. The department projects revenue from the homes to be \$(16,941,700) less than their costs in FY 2023 and \$(4,937,000) in FY 2024.

Many nursing homes and skilled nursing facilities in Arizona have recovered from pandemic-related declines in occupancy; approximately three-fifths of Arizona facilities are at or above their May 2020 levels. The Arizona State Veterans' Homes, however, continue to face challenges. The Phoenix home's occupancy was 73% in May 2020. In July 2022 through November 2022, it has been at or below 40%. The department projects it will return to 46% by June 2023 and 62% by June 2024. The Tucson home's occupancy was 84% in May 2020. In July 2022 through November 2022, it has been at 60-70%. The department projects it will return to 78% by June 2023 and 89% by June 2024.

The Yuma home opened in October 2022 but has not yet been certified. This means it is currently ineligible for federal financial participation, a significant source of revenue. The department projects its occupancy will be 51% in June 2023 and 98% in June 2024. The department plans for the Flagstaff home to open in March 2023, with its occupancy 19% in June 2023 and 75% in June 2024.

The Executive made a one-time allocation of \$16,200,500 from the American Rescue Plan Act (ARPA) funds in FY 2022 to address the shortfall. The 3-year budget plan in FY 2023 included an additional allocation of \$19,600,000



from ARPA. The department plans to expend the remaining funds in FY 2023, so further supplementary funding may be needed in FY 2024.

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 July 2022, the department has not selected a location. The department is currently conducting feasibility studies for selecting a location.

**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 Northwestern Arizona.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona State Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies, grants, gifts, and contributions from any public or private source.		
<b>Purpose of Fund:</b> To manage and maintain 3 Arizona veterans' cemeteries located in Sierra Vista, Marana, and Flagstaff.		
<b>Funds Expended</b>	1,317,800	1,372,700
<b>Year-End Fund Balance</b>	1,775,300	1,388,400
<b>Coronavirus State and Local Fiscal Recovery Fund (VSA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	16,200,500	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Funds (VSA2000/A.R.S. § 35-142)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> U.S. Department of Veterans' Affairs and Department of Defense Grants.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	6,449,400	1,223,200
<b>Year-End Fund Balance</b>	795,700	372,500
<b>Hyperbaric Oxygen Therapy for Military Veterans Fund (VSA3219/A.R.S. § 41-610.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Donations, grants and bequests.		
<b>Purpose of Fund:</b> To provide financial assistance to veterans for hyperbaric oxygen therapy.		
<b>Funds Expended</b>	0	25,000
<b>Year-End Fund Balance</b>	0	0
<b>Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,193,700	1,100,000
<b>Year-End Fund Balance</b>	7,036,000	7,016,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>State Homes for Veterans Trust Fund (VSA2355/A.R.S. § 41-608.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Charges for services, fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.		
<b>Purpose of Fund:</b> To operate and maintain state-operated nursing homes for Arizona veterans.		
<b>Funds Expended</b>	20,244,800	60,559,500
<b>Year-End Fund Balance</b>	23,555,400	(2,006,900)
<b>Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations, gifts, or contributions from public or private sources.		
<b>Purpose of Fund:</b> For the conduct of employee recognition programs.		
<b>Funds Expended</b>	1,500	400
<b>Year-End Fund Balance</b>	3,600	3,700
<b>Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	4,384,800	945,000
<b>Year-End Fund Balance</b>	4,213,100	6,545,900

## Arizona State Veterinary Medical Examining Board

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6.0	7.0	7.0
Personal Services	317,200	471,000	471,000
Employee Related Expenditures	100,500	151,200	151,200
Professional and Outside Services	29,800	38,500	38,500
Travel – In State	7,700	8,500	8,500
Other Operating Expenditures	73,000	98,000	98,000
Equipment	1,900	3,300	3,300
<b>AGENCY TOTAL</b>	<b>530,100</b>	<b>770,500</b>	<b>770,500<sup>1/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Veterinary Medical Examining Board Fund	530,100	770,500	770,500
SUBTOTAL – Other Appropriated Funds	530,100	770,500	770,500
<b>SUBTOTAL – Appropriated Funds</b>	<b>530,100</b>	<b>770,500</b>	<b>770,500</b>
<b>TOTAL – ALL SOURCES</b>	<b>530,100</b>	<b>770,500</b>	<b>770,500</b>

**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 \$770,500 and 7 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2024 for the operating budget. These amounts are unchanged from FY 2023.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
<b>Funds Expended</b>	530,100	770,500
<b>Year-End Fund Balance</b>	1,827,000	2,551,500

## Water Infrastructure Finance Authority

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>SPECIAL LINE ITEMS</b>			
Eastern Arizona Water Projects Assistance Grants	5,000,000	10,000,000	0
Long-Term Water Augmentation Fund Deposit	0	0 <sup>1/</sup>	333,000,000 <sup>2/</sup>
Water Supply Development Revolving Fund Deposit	6,000,000	0	0
Small Drinking Water Systems Fund Deposit	1,000,000	0	0
<b>AGENCY TOTAL</b>	<b>12,000,000</b>	<b>10,000,000</b>	<b>333,000,000<sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	12,000,000	10,000,000	333,000,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>12,000,000</b>	<b>10,000,000</b>	<b>333,000,000</b>
Other Non-Appropriated Funds	138,190,100	254,840,300	254,840,300
Federal Funds	18,865,400	33,321,400	33,321,400
<b>TOTAL - ALL SOURCES</b>	<b>169,055,500</b>	<b>298,161,700</b>	<b>621,161,700</b>

**AGENCY DESCRIPTION** — The Water Infrastructure Finance Authority (WIFA) finances the construction, rehabilitation, and/or improvement of drinking water, waste water, reclamation, and other water quality facilities/projects from federal funds. The WIFA board also authorizes grants and issues bonds to support water supply development, conservation, and long-term water augmentation projects with state funds. WIFA staff support the statutory Federal Water Programs Committee, Water Supply Development Committee, Long-Term Water Augmentation Committee. Prior to FY 2023, WIFA was operationally located within the Office of Economic Opportunity.

### FOOTNOTES

- 1/ Laws 2022, Chapter 366 transferred \$334,000,000 from a diversion of the state's share of Transaction Privilege Tax (TPT) for deposit to the Long-Term Water Augmentation Fund. Because this was a revenue transfer to the fund, it is not displayed as an agency expenditure in the table.
- 2/ Laws 2022, Chapter 366 appropriated \$333,000,000 from the General Fund in FY 2024 and FY 2025 for deposit to the Long-Term Water Augmentation Fund. Because this appropriation is in separate legislation, it is not included in the General Appropriation Act.
- 3/ General Appropriation Act funds are appropriated by Special Line Items by Agency.

#### **Eastern Arizona Water Projects Assistance Grants**

The Baseline includes no funding in FY 2024 for Eastern Arizona Water Projects Assistance Grants. Adjustments are as follows:

##### **Remove One-Time Water Projects Assistance Grants**

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2024 to remove one-time funding for Eastern Arizona water project assistance grants.

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. The monies were allocated as follows: 1) \$6,000,000 to cities and towns in Navajo and Apache Counties; 2) \$4,000,000 to irrigation districts in Cochise and Graham Counties with \$2,000,000 allocated

for each count. For the FY 2022 budget, this line item was named Water Projects Assistance Grants. The FY 2022 and FY 2023 appropriations for water projects assistance grants were non-lapsing.

#### **Long-Term Water Augmentation Fund Deposit**

The Baseline includes \$333,000,000 from the General Fund in FY 2024 for the Long-Term Water Augmentation Fund (LTWAF) Deposit line item. Adjustments are as follows:

##### **Laws 2022, Chapter 366 Deposit to LTWAF**

The Baseline includes an increase of \$333,000,000 from the General Fund in FY 2024 for a one-time deposit to the fund. Because this deposit was appropriated by Laws 2022, Chapter 366, this amount will not be included in the FY 2024 General Appropriation Act.

The \$333,000,000 deposit in FY 2024 is the second year of a 3-year commitment for total deposits of \$1,000,000,000 to the LTWAF. Laws 2022, Chapter 366 allocated the following amounts to the LTWAF:

- FY 2023 – Transferred \$334,000,000 from a diversion of the state's share of Transaction Privilege Tax (TPT)
- FY 2024 – Appropriated \$333,000,000 from the General Fund
- FY 2025 – Appropriated \$333,000,000 from the General Fund

Of the \$1,000,000,000 total deposited to the fund in FY 2023, FY 2024, and FY 2025, 75% is reserved for 1 or more projects that import water from outside of Arizona.

The monies in this fund are to be used for funding water supply development projects that import water from outside of Arizona, purchasing imported water or rights to imported water, acquiring or constructing facilities to convey and deliver imported water, financial assistance to eligible entities to finance or refinance water supply development projects within Arizona and other expenses related to these endeavors including water studies, assessments, and environmental reviews. An eligible entity is a water provider or any city, town, county, district, commission, authority or other public entities for this fund as defined in A.R.S. § 49-1301. The fund may be used for administrative costs, but expenditures are limited to funding no more than 10 FTE Positions at the Water Infrastructure Finance Authority.

The Water Infrastructure Finance Authority Board will approve assistance from this fund and will receive recommendations from a Long-Term Water Augmentation subcommittee comprised of board members. Awards of more than \$50,000,000 from the fund are required to be reviewed by the 9-member Joint Legislative Water Committee established by A.R.S. § 49-1215.

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### ***Other Issues***

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#### ***Laws 2022, Chapter 366***

Laws 2022, Chapter 366 included changes to the state's recent water funding allocations and other statutes. As of September 24, 2022, the Drought Mitigation Board and the Drought Mitigation Fund were repealed, with the remaining funds being transferred to the Department of Water Resources and WIFA.

The Drought Mitigation Fund received an appropriation of \$160,000,000 from the General Fund in the FY 2022 budget as a FY 2021 supplemental. Of this amount, \$10,000,000 was set aside for DWR to use for forbearance and water system conservation.

After accounting for interest earned on the initial deposit and the DWR funding set aside, the Chapter 366 transfer resulted in the remaining balance of \$151,478,500 being transferred to the WIFA Water Supply Development Revolving Fund.

*(See the FY 2023 Appropriations Report for more information on Chapter 366.)*

#### ***Water Conservation Grant Fund***

Laws 2022, Chapter 366 created the Water Conservation Grant Fund, which allocates funding for voluntary water conservation programs such as: rainwater harvesting, drought-resistant landscaping/turf removal, groundwater storage and recovery and watershed protection.

Chapter 366 did not provide an initial state funding allocation to the fund. The FY 2024 WIFA budget request estimates the fund will receive \$200,000,000 of Federal Funds: \$100,000,000 in FY 2023 and \$100,000,000 in FY 2024.

#### ***Small Drinking Water Systems Fund***

The Small Drinking Water Systems Fund provides information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency and non-emergency grants to small water systems for infrastructure repair. At the end of FY 2022, WIFA reported a balance of \$197,200. WIFA projects expenditures of \$92,500 in FY 2023 and FY 2024. At that level of expenditure, the balance at year's end is estimated at \$104,600 in FY 2023 and \$12,000 in FY 2024.

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.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Clean Water Annual Debt Service Interest Fund (FAA4313/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest from issued loans.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	3,057,300	2,184,600
<b>Year-End Fund Balance</b>	20,235,700	21,040,900
<b>Clean Water Annual Debt Service Principal Fund (FAA4312/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Repayment on the principal of issued loans.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	31,791,300	21,964,300
<b>Year-End Fund Balance</b>	67,053,900	68,670,300
<b>Clean Water Debt Service Reserve - Clean Water Fund (FAA4315/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Upfront payment from loan recipients with lower credit scores.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,757,900	3,779,700
<b>Clean Water Federal Loan Fund (FAA4310/A.R.S. § 49-1221)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	2,228,600	9,555,200
<b>Year-End Fund Balance</b>	0	0
<b>Clean Water Fee Program Income Fund (FAA4309/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Administrative fee from the issuance of a loan.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	1,075,200	1,067,200
<b>Year-End Fund Balance</b>	3,425,100	2,375,400
<b>Clean Water Fees Non Program Income Fund (FAA4317/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	90,600	63,500
<b>Year-End Fund Balance</b>	7,517,100	10,982,100

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Clean Water Financial Assistance Fund (FAA4319/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	5,915,300	5,910,400
<b>Year-End Fund Balance</b>	12,174,800	11,032,100
<b>Clean Water State Loan Fund (FAA4311/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue generated from bond sales.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Drinking Water Annual Debt Service Interest Fund (FAA4333/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest from issued loans.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	8,280,900	7,399,700
<b>Year-End Fund Balance</b>	4,748,700	614,500
<b>Drinking Water Annual Debt Service Principal Fund (FAA4332/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Repayment on the principal of issued loans.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	11,313,700	22,285,800
<b>Year-End Fund Balance</b>	70,005,100	70,504,600
<b>Drinking Water Debt Service Reserve Fund (FAA4320/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Upfront payment from loan recipients with lower credit scores.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,286,300	2,383,500
<b>Drinking Water Federal Loan Fund (FAA4335/A.R.S. § 49-1261)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	16,636,800	23,127,900
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Drinking Water Fees Non Program Fund (FAA4322/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	515,500	652,900
<b>Year-End Fund Balance</b>	13,925,200	20,185,400
<b>Drinking Water Fees Program Income Fund (FAA4336/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Administrative fee from the issuance of a loan.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	1,232,300	126,400
<b>Year-End Fund Balance</b>	100,200	73,800
<b>Drinking Water Financial Assistance Fund (FAA4324/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Loan principal and interest from non-qualify pledged and non-qualifying loans.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	74,918,000	31,900,000
<b>Year-End Fund Balance</b>	3,107,700	(16,475,600)
<b>Drinking Water State Loan Fund (FAA4331/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue generated from bond sales.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Long-Term Water Augmentation Fund (WFA9999/ A.R.S. § 49-1302)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies, interest, gifts, grants, donations, and any other monies received for the purpose of the fund. The fund may also receive revenues from the sale of long-term water augmentation bonds and from public-private partnership agreements.		
<b>Purpose of Fund:</b> To fund water supply development projects, including those that import water from outside of Arizona and other related expenses such as water studies, assessments, and environmental reviews. Eligible entities include water providers and cities, counties or another public entity/district/commission. The fund may be used for administrative costs, not to exceed 10 FTE Positions. Awards of more than \$50,000,000 from the fund are required to be reviewed by the Joint Legislative Water Committee. Laws 2022, Chapter 366 included a 3-year commitment to depositing \$1.0 billion in the fund, a \$334,000,000 TPT diversion in FY 2023 and General Fund appropriations of \$333,000,000 in FY 2024 and \$333,000,000 in FY 2025 for deposit into the fund. For these monies deposited in FY 2023, FY 2024, and FY 2025, 75% is reserved for 1 or more projects that import water from outside of Arizona.		
<b>Funds Expended</b>	0	11,028,100
<b>Year-End Fund Balance</b>	0	322,971,900



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Small and Disadvantaged Communities Drinking Water Assistance Fund</b> (FAA2230/A.R.S. § 35-142)		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies.		
<b>Purpose of Fund:</b> To assist small and disadvantaged communities to comply with the Safe Drinking Water Act (SDWA).		
<b>Funds Expended</b>	0	638,300
<b>Year-End Fund Balance</b>	0	0
<b>Small Drinking Water Systems Fund (FAA2225/A.R.S. § 49-355)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	197,200	104,600
<b>Water Conservation Grant Fund (WFA9998/ A.R.S. § 49-1332)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies, interest, gifts, grants, donations, and any other monies received for the purpose of the fund.		
<b>Purpose of Fund:</b> Monies are to facilitate voluntary water conservation programs or projects that result in long-term reductions in water use and/or improvements in water use efficiency or water reliability. Projects and eligible programs range include education, research and other programs for water conservation and efficiency activities, including but not limited to: rainwater harvesting, drought-resistant landscaping/turf removal, groundwater storage and recovery and watershed protection. Funds can be used for program implementation and the administrative costs for eligible programs.		
<b>Funds Expended</b>	0	100,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Water Supply Development Revolving Fund (WFA2336/A.R.S. § 49-1271)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest. Pursuant to Laws 2022, Chapter 366, the Drought Mitigation Revolving Fund within the Drought Mitigation Board was repealed and the remaining balance was required to be transferred to the Water Supply Development Revolving Fund. The remaining balance of \$151,478,449 was transferred to the Water Supply Development Revolving Fund on September 24, 2022.		
<b>Purpose of Fund:</b> To be used for loans to construct water supply projects in Arizona by eligible entities, to provide technical assistance or grants to eligible entities. An eligible entity includes a water provider that distributes or sells water outside of the AMAs in Maricopa, Pima and Pinal Counties, or any city, county or public entity/district/commission outside of the AMAs in Maricopa, Pima and Pinal Counties. A single loan may not exceed \$3,000,000, and a single grant shall not exceed \$2,000,000. The fund may also be used for debt refinancing, bond insurance for projects related to water supply development purposes, and water supply studies.		
<b>Funds Expended</b>	0	50,257,400
<b>Year-End Fund Balance</b>	40,185,500	141,406,600

## Department of Water Resources

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	145.0	149.0	149.0 <sup>1/</sup>
Personal Services	7,148,300	8,586,000	8,586,000
Employee Related Expenditures	2,454,600	2,888,600	2,888,600
Professional and Outside Services	250,200	399,000	399,000
Travel - In State	177,900	185,400	185,400
Travel - Out of State	43,600	48,500	48,500
Other Operating Expenditures	2,338,100	2,787,000	2,787,000
Equipment	353,600	334,000	334,000
<b>OPERATING SUBTOTAL</b>	<b>12,766,300</b>	<b>15,228,500</b>	<b>15,228,500</b>
<b>SPECIAL LINE ITEMS</b>			
Agua Fria Flood Insurance Study	217,100	0	0
Adjudication Support	1,690,900	1,900,600	1,900,600 <sup>2/</sup>
Assured and Adequate Water Supply Administration	2,088,000	2,513,400	2,513,400 <sup>3/</sup>
Automated Groundwater Monitoring	325,900	418,600	418,600
Arizona Water Protection Fund Deposit	1,250,000	1,250,000	1,250,000
Colorado River Legal Expenses	66,800	500,000	500,000 <sup>4/5/</sup>
Conservation and Drought Program	371,100	430,300	430,300
New River Flood Insurance Study	0	350,000	0
Rural Water Studies	1,138,000	1,290,800	1,290,800 <sup>6/</sup>
Water Supply and Demand Assessment	0	3,500,000	3,500,000
<b>AGENCY TOTAL</b>	<b>19,914,100</b>	<b>27,382,200</b>	<b>27,032,200 <sup>7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	17,974,400	25,364,500	25,014,500
<u>Other Appropriated Funds</u>			
Arizona Water Banking Fund	1,158,600	0	0
Assured and Adequate Water Supply Administration Fund	252,900	291,200	291,200
Water Resources Fund	528,200	1,726,500	1,726,500
SUBTOTAL - Other Appropriated Funds	1,939,700	2,017,700	2,017,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>19,914,100</b>	<b>27,382,200</b>	<b>27,032,200</b>
Other Non-Appropriated Funds	21,865,000	17,678,900	8,475,700
Federal Funds	6,215,900	11,372,900	11,372,900
<b>TOTAL - ALL SOURCES</b>	<b>47,995,000</b>	<b>56,434,000</b>	<b>46,880,800</b>

**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

- <sup>1/</sup> Includes 63 GF FTE Positions funded from Special Line Items in FY 2024.
- <sup>2/</sup> Monies in the adjudication support line item may be used only for the exclusive purposes prescribed in section 45-256, Arizona Revised Statutes, 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)
- <sup>3/</sup> Monies in the assured and adequate water supply administration line item may be used only for the exclusive purposes prescribed in sections 45-108, 45-576, 45-577, 45-578 and 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 \$15,228,500 and 86 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$14,002,000
Water Resources Fund	1,226,500

These amounts are unchanged from FY 2023.

**Adjudication Support**

The Baseline includes \$1,900,600 and 21 FTE Positions from the General Fund in FY 2024 for Adjudication Support. These amounts are unchanged from FY 2023.

A.R.S. § 45-256 requires the Department of Water Resources to provide technical and administrative support to judicial proceedings involving water rights claims in the Gila River and Little Colorado River watersheds, which include approximately two-thirds of the land within the state.

**Assured and Adequate Water Supply Administration**

The Baseline includes \$2,513,400 and 24 FTE Positions in FY 2024 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	2,222,200
AAWS Administration Fund	291,200

These amounts are unchanged from FY 2023.

Within the state's 6 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.

The state has 5 existing AMAs, which cover the following general regions: Prescott, Phoenix, Pinal County, Tucson, and Santa Cruz County. At the 2022 General Election, a local ballot measure approved a new 6th AMA located in the Douglas area.

New developers outside the 6 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 \$418,600 and 2 FTE Positions from the General Fund in FY 2024 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2023.

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 \$1,250,000 from the General Fund in FY 2024 for the Arizona Water Protection Fund Deposit line item. These amounts are unchanged from FY 2023.

This line item funds an annual deposit of \$1,250,000 to the Arizona Water Protection Fund. The 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 2024 for Colorado River Legal Expenses. This amount is unchanged from FY 2023.

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 \$430,300 and 5 FTE Positions from the General Fund in FY 2024 for the Conservation and Drought Program. These amounts are unchanged from FY 2023.

This line item funds assistance to local communities to assess conservation needs and assists rural communities in the development of conservation programs. This also includes 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.

### **New River Flood Insurance Study**

The Baseline includes no funding in FY 2024 for a New River Flood Insurance Study. Adjustments are as follows:

#### **Remove One-Time Study Funding**

The Baseline includes a decrease of \$(350,000) from the General Fund in FY 2024 to remove one-time funding for a flood insurance study of the hydrology and hydraulics of the New River. The FY 2023 budget required that this study be completed by March 31, 2024.

The monies in this line item funded a flood insurance study of the New River from the New River Dam to the confluence with the Agua Fria 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.

### **Rural Water Studies**

The Baseline includes \$1,290,800 and 11 FTE Positions from the General Fund in FY 2024 for Rural Water Studies. These amounts are unchanged from FY 2023.

This line item funds the department's administration, data collection, and evaluation of rural water studies. Monies are also used to provide assistance to local communities to assess local water use needs and to develop plans sustainable future water supplies in rural areas outside the state's AMAs. The studies are primarily conducted and administered by local and federal partners, with the department providing technical support as needed or financial assistance.

### **Water Supply and Demand Assessment**

The Baseline includes \$3,500,000 from the General Fund in FY 2024 for the Water Supply and Demand Assessment line item. These amounts are unchanged from FY 2023.

Laws 2022, Chapter 366 appropriated \$3,500,000 from the General Fund in FY 2023 for an annual water supply and demand assessment of at least 6 groundwater districts each year. The enacted FY 2023 budget labeled this funding as ongoing.

The monies in this line item provide funding for the Department of Water Resources to meet the statutory requirement to prepare, issue and submit water supply and demand assessments for at least 6 of the 46 groundwater basins established in statute no later than December 1, 2023 and on or before of December 1 of each following year. An assessment is to be completed for all of the groundwater basins at least once every 5 years. The Department of Water Resources may contract with outside entities to perform some or all of the assessments.

### **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 2024.

### **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).

Due to ongoing drops in the level of water in Lake Mead, Arizona has seen its water supply from the Colorado River reduced. There was a Tier 1 shortage in 2022, and there will be a Tier 2a shortage in 2023 prompting further cuts. Given the ongoing drought conditions, the federal Bureau of Reclamation announced a need to conserve an additional 2 to 4 million acre-feet of Colorado River.

**Laws 2022, Chapter 366**

Laws 2022, Chapter 366 expanded the authority of the Water Infrastructure Financing Authority and appropriated monies for the improvement of Arizona's water supply and conservation efforts. Chapter 366 allocated 2 funding amounts to DWR:

- An ongoing funding amount of \$3,500,000 for water supply and demand assessments of at least 6 groundwater districts each year.
- \$10,000,000 of monies from the now eliminated Drought Mitigation Fund for water system conservation and forbearance. These monies were deposited into the DWR Arizona System Conservation Fund. DWR expended \$1,580,500 of the monies in FY 2022, and expects to spend the remaining \$8,419,500 during FY 2023.

*(For more details on the water legislation, please see the Water Infrastructure Finance Authority narrative.)*

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona System Conservation Fund (WCA9900/A.R.S. § 45-118)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and grants and contributions from private and public entities.		
<b>Purpose of Fund:</b> Reduce Colorado River water use by funding conservation measures, water diversions, and forgoing water deliveries.		
<b>Funds Expended</b>	10,130,000	8,720,000
<b>Year-End Fund Balance</b>	8,774,000	64,000
<b>Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users.		
<b>Purpose of Fund:</b> The appropriated expenditures from the fund were used for DWR operational costs in FY 2022. The FY 2023 budget shifted these operational costs to the General Fund. Please see the non-appropriated portion of the fund for more information.		
<b>Funds Expended</b>	1,158,600	0
<b>Year-End Fund Balance</b>	1,608,600	1,226,200
<b>Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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. 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,471,500	3,292,400
<b>Year-End Fund Balance</b>	1,608,600	1,226,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Arizona Water Protection Fund (WCA1302/A.R.S. § 45-2111)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> From purchases or leases of CAP water and legislative appropriations.		
<b>Purpose of Fund:</b> 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. Recent budget legislation has allowed the Water Protection Fund Commission to spend monies on administrative functions.		
<b>Funds Expended</b>	518,600	1,314,100
<b>Year-End Fund Balance</b>	2,842,800	2,790,700
<b>Arizona Water Quality Fund (WCA2304/A.R.S. § 45-618)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	212,800	208,700
<b>Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees for applications relating to adequate and assured water supply regulations for newly-created subdivisions.		
<b>Purpose of Fund:</b> To support the costs and expenses incurred when determining and declaring compliance with assured and adequate water supply regulations.		
<b>Funds Expended</b>	252,900	291,200
<b>Year-End Fund Balance</b>	515,100	401,900
<b>Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,212,200	826,000
<b>Year-End Fund Balance</b>	1,068,700	929,200
<b>Colorado River Water Use Fee Clearing Account (WCA2538/A.R.S. § 45-333)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
<b>Purpose of Fund:</b> Monies are transferred to the Lower River Multispecies Conservation Program.		
<b>Funds Expended</b>	28,700	0
<b>Year-End Fund Balance</b>	0	28,000
<b>Coronavirus State and Local Fiscal Recovery Fund (WCA2985/P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	5,865,100	11,000,000
<b>Year-End Fund Balance</b>	0	0
<b>Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, dam safety inspection fees, and filing fees.		
<b>Purpose of Fund:</b> Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
<b>Funds Expended</b>	95,400	900,000
<b>Year-End Fund Balance</b>	6,958,600	6,590,900

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Drought Mitigation Revolving Fund (WCA3230/A.R.S. § 49-193.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 within the Drought Mitigation Board agency and included a one-time \$160,000,000 deposit from the General Fund. Laws 2022, Chapter 366 repealed this fund and the Drought Mitigation Board established in the FY 2022 to oversee these monies.		
<b>Purpose of Fund:</b> Monies were 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 were also allowed to be used directly by the board for certain financial assistance, by DWR for system conservation, and State Land Department for specific purposes. The board was designated as the fund's administrator and was to be responsible for evaluating and granting assistance, but statute required DWR to provide administrative support to the board and allowed DWR to use monies in the fund for system conservation. A FY 2022 General Appropriation Act footnote allowed DWR to use up to \$10,000,000 of the \$160,000,000 appropriation for system conservation, and the \$1,580,500 shown below was used for this purpose by DWR. Laws 2022, Chapter 366, repealed the Drought Mitigation Revolving Fund within the Drought Mitigation Board and reallocated the remaining fund balance. Pursuant to Chapter 366, on September 24, 2022 the remaining \$8,419,500 of the \$10,000,000 allocated for system conservation was transferred to DWR's Arizona System Conservation Fund, and the remaining fund balance of \$151,478,400 was transferred to the Water Infrastructure Finance Authority's Water Supply Development Revolving Fund.		
<b>Funds Expended</b>	1,580,500	0
<b>Year-End Fund Balance</b>	0	0
<b>Employee Recognition Fund (WCA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from a public entity, a private entity, or any person.		
<b>Purpose of Fund:</b> To be used for the agency's employee recognition program.		
<b>Funds Expended</b>	1,000	1,000
<b>Year-End Fund Balance</b>	1,000	1,500
<b>Federal Grants (WCA2000/A.R.S. § 45-105)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Grants from the federal government.		
<b>Purpose of Fund:</b> To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
<b>Funds Expended</b>	350,800	372,900
<b>Year-End Fund Balance</b>	591,200	644,900
<b>Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, grants, and contributions from other public agencies.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	2,400	26,000
<b>Year-End Fund Balance</b>	365,600	341,600
<b>General Adjudication Personnel and Support Fund (SPA7777/A.R.S. § 12-117)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated to the fund by the Legislature.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	780,300	780,300
<b>General Adjudications Fund (WCA2191/A.R.S. § 45-260)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Court fees paid by water claimants and from legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	17,700	20,000
<b>Year-End Fund Balance</b>	38,100	38,100

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Cost allocation transfers of federal and other non-appropriated funds.		
<i>Purpose of Fund:</i> To provide various indirect administrative services, including security and cashing.		
Funds Expended	281,200	268,600
Year-End Fund Balance	1,754,500	1,843,700
<b>Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Collections from other state and local agencies.		
<i>Purpose of Fund:</i> To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	394,000	265,800
Year-End Fund Balance	453,500	511,900
<b>Production and Copying Fund (WCA2411/A.R.S. § 45-115)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
<i>Purpose of Fund:</i> To produce and distribute department publications, as well as to copy department records.		
Funds Expended	0	0
Year-End Fund Balance	3,300	4,300
<b>Publication and Mailing Fund (WCA2410/A.R.S. § 45-116)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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.		
<i>Purpose of Fund:</i> To publish and mail legal notices.		
Funds Expended	0	0
Year-End Fund Balance	8,600	10,100
<b>Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> A portion of fees for groundwater withdrawal in AMAs.		
<i>Purpose of Fund:</i> 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	149,200	149,900
<b>Statewide Donations Fund (WCA2025/A.R.S. § 45-105)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> Grants, gifts or donations of money or other property from any source.		
<i>Purpose of Fund:</i> 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
<b>Temporary Groundwater and Irrigation Efficiency Projects Fund (WCA9901/A.R.S. § 45-615.01)</b>		<b>Non-Appropriated</b>
<i>Source of Revenue:</i> 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. During FY 2022, DWR reimbursed the General Fund for a prior \$20,000,000 one-time deposit as required by the FY 2020 General Appropriation Act.		
<i>Purpose of Fund:</i> 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.		
Funds Expended	4,127,100	900,000
Year-End Fund Balance	4,034,700	4,396,400



SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
<b>Water Resources Fund (WCA2398/A.R.S. § 45-117)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Consists of monies from legislative appropriations, donations, and fees collected by the Department of Water Resources to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	528,200	1,726,500
<b>Year-End Fund Balance</b>	6,247,500	3,887,700
<b>Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Well-drilling filing and permit fees.		
<b>Purpose of Fund:</b> To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
<b>Funds Expended</b>	1,004,700	1,145,000
<b>Year-End Fund Balance</b>	1,304,300	823,400

## Capital Outlay Summary

FY 2024  
BASELINE

### BUILDING RENEWAL

ADOA Building System	23,854,900
ADOT Building System	18,581,300
ABOR Building System	0
<b>SUBTOTAL</b>	<b>42,436,200</b>

### INDIVIDUAL PROJECTS

ADOA Building System	50,565,800
ADOT Building System	489,243,000
ABOR Building System	0
<b>SUBTOTAL</b>	<b>539,808,800</b>

### LOCAL ASSISTANCE

Phoenix Convention Center	25,498,600
Rio Nuevo District	17,000,000
<b>SUBTOTAL</b>	<b>42,498,600</b>

### TOTALS

ADOA Building System	74,420,700
ADOT Building System	507,824,300
ABOR Building System	0
Other Funding (Lease-Purchase/Local Assistance)	42,498,600
<b>TOTAL - ALL PROJECTS</b>	<b>624,743,600<sup>1/</sup></b>

### FUND SOURCES

General Fund	83,920,600
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	16,000,000
Department of Corrections Building Renewal Fund	5,864,300
Game and Fish Fund	1,776,400
State Lottery Fund	214,200
State Parks Revenue Fund	19,143,800
State Aviation Fund	35,441,900
State Highway Fund	462,382,400
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>540,823,000</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>624,743,600</b>
Other Non-Appropriated Funds	711,498,000
Federal Funds	972,943,000
<b>TOTAL - ALL SOURCES</b>	<b>2,309,184,600</b>

**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.

### FOOTNOTES

<sup>1/</sup> Includes \$10,000,000 appropriated from the General Fund and \$19,143,833 from the State Parks Revenue Fund in FY 2024 by Laws 2022, Chapter 309.

The following amounts are one-time appropriations:

*(See the individual building systems' sections for more information.)*

**Summary**

The Baseline includes a total of \$624,743,600 from Appropriated Funds in FY 2024. Of the total, \$83,920,600 is from the General Fund and \$540,823,000 is from Other Appropriated Funds. The budget consists of 4 main categories: 1) Building Renewal, 2) Individual Projects, 3) Debt and Lease-Purchase Financing, and 4) Local Assistance.

**Local Assistance**

The Baseline includes \$42,498,600 from the General Fund in FY 2024 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 \$42,436,200 in FY 2024 for Building Renewal, which consists of Other Appropriated Funds. These amounts include:

	<b>FY 2024</b>
Arizona Department of Administration Capital Outlay Stabilization Fund @ 23.8% (excludes ADC, Game and Fish, Lottery buildings)	\$16,000,000
Department of Corrections ADC Building Renewal Fund @ 14.7%	5,864,300
Game and Fish Department Game and Fish Fund @ 100%	1,776,400
State Lottery Commission State Lottery Fund @ 100%	<u>214,200</u>
Subtotal - ADOA	\$23,854,900
Arizona Department of Transportation State Highway Fund @ 82.5%	\$18,139,400
State Aviation Fund @ 100%	<u>441,900</u>
Subtotal - ADOT	\$18,581,300

*(See the individual building systems' section for more information.)*

**Individual Projects**

The Baseline includes total funding of \$539,808,800 in FY 2024 for individual capital projects, which consists of \$41,422,000 General Fund and \$498,386,800 from Other Appropriated Funds.

# Capital Outlay

## Arizona Department of Administration Building System

FY 2024  
BASELINE

### BUILDING RENEWAL

Department of Administration	16,000,000 <sup>1/2/</sup>
Department of Corrections	5,864,300 <sup>3/</sup>
Game and Fish Department	1,776,400
Arizona State Lottery Commission	214,200
<b>SUBTOTAL - Building Renewal</b>	<b>23,854,900</b>

### INDIVIDUAL PROJECTS

#### Arizona Department of Corrections

Replace Evaporative Cooling Statewide with HVAC 31,422,000

#### Arizona State Parks Board<sup>4/5/6/</sup>

Catalina Main Entrance Bridge	5,813,000
Statewide Campground Improvements	4,100,000
Statewide Sunshade Structures	2,233,300
Statewide Water Conservation	1,339,000
Yuma Territorial Prison State Park Historic Building Renovation	750,000
Riordan Mansion State Park Historic Building Renovation	2,900,000
Oracle State Park Historic Building Renovation	2,008,500
<b>SUBTOTAL - Arizona State Parks Board</b>	<b>19,143,800</b>
<b>SUBTOTAL - Individual Projects</b>	<b>50,565,800</b>

### TOTAL - ALL PROJECTS

**74,420,700**

### FUND SOURCES

General Fund	31,422,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	16,000,000
Department of Corrections Building Renewal Fund	5,864,300
Game and Fish Fund	1,776,400
State Lottery Fund	214,200
State Parks Revenue Fund	19,143,800
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>42,998,700</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>74,420,700</b>

### TOTAL - ALL SOURCES

**74,420,700<sup>7/8/9/</sup>**

**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 2024 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 2023-2024 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. ~~Notwithstanding title 41,~~

~~chapter 4, article 7, Arizona Revised Statutes, the department of administration may use monies appropriated for building renewal in fiscal year 2023-2024 for building projects related to retrofitting facilities for space consolidation initiatives. (Capital Outlay Appropriation Act footnote)~~

- 3/ The state department of corrections may not spend any of this appropriation on personal services or overhead expenses related to managing the funded projects. (Capital Outlay Appropriation Act footnote)
- 4/ Laws 2022, Chapter 309 appropriated \$19,143,833 in FY 2024 and \$19,117,333 in FY 2025 from the State Parks Revenue Fund for capital projects at the Arizona State Parks Board. As a result, these monies will not appear in the FY 2024 or FY 2025 Capital Outlay Appropriation Act.
- 5/ The Arizona state parks board shall report promptly to the joint committee on capital review and the governor's office of strategic planning and budgeting if the board revises the plan for any project for which monies are appropriated by this subsection because the board receives land and water conservation grant funding. (FY 2023 Capital Outlay Appropriation Act footnote)
- 6/ The Arizona state parks board may use up to ten percent of the monies from any project listed in subsection A of this section to pay for costs associated with another project listed in subsection A of this section. After review by the joint committee on capital review, the Arizona state parks board may use more than ten percent of the monies appropriated for a project in subsection A of this section to pay for costs associated with another project listed in subsection A of this section. (FY 2023 Capital Outlay Appropriation Act footnote)
- 7/ 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)
- 8/ 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)
- 9/ Capital Outlay Appropriation Act funds are appropriated as a Lump Sum by Project by Agency.

The following amounts are one-time appropriations:

#### **Building Renewal**

The Baseline includes \$23,854,900 from Other Appropriated Funds in FY 2024 for Building Renewal within the ADOA Building System. These amounts consist of:

- \$16,000,000 to ADOA, which consists of \$16,000,000 from the Capital Outlay Stabilization Fund (COSF). This amount funds 23.8% of the ADOA building renewal formula. The FY 2023 appropriation of \$53,594,200 which consisted of \$16,000,000 from COSF and \$37,594,200 from the General Fund represented 100% of the ADOA formula. In FY 2024, 100% of the formula would be \$67,232,000
- \$5,864,300 to the Arizona Department of Corrections (ADC), which consists of \$5,864,300 from the ADC Building Renewal Fund. This amount funds 14.7% of the ADC building renewal formula. The FY 2023 appropriation of \$36,415,400 which consisted of \$30,551,400 from the General Fund and \$5,864,300 from the ADC Building Renewal Fund represented 100% of the ADC formula. In FY 2024, 100% of the formula would be \$39,806,900.

- \$1,776,400 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 2023 appropriation of \$1,459,600 from the Game and Fish Fund also represented 100% of the Game and Fish formula.
- \$214,200 to the Arizona State Lottery Commission from the State Lottery Fund, which funds 100% of the Lottery building renewal formula. The FY 2023 appropriation of \$176,400 from the State Lottery Fund also represented 100% of the Lottery building renewal formula.

Building renewal appropriations to the Department of Administration are used for major maintenance and repair activities for state buildings.

The Baseline deletes a one-time footnote allowing ADOA to use monies appropriated for building renewal to retrofit facilities for space consolidation initiatives.

#### **Individual Projects**

##### Arizona Department of Corrections

##### **Replace Evaporative Cooling Statewide with HVAC**

The Baseline includes \$31,422,000 from the General Fund in FY 2024 to replace evaporative cooling with HVAC at ADC prisons statewide.

The FY 2023 budget included \$47,600,000 for statewide HVAC projects at ADC. The FY 2023 enacted budget's 3-year spending projections also included the following future year amounts for statewide HVAC projects at ADC: \$31,422,000 in FY 2024, \$29,832,100 in FY 2025 and \$23,700,000 in FY 2026.

#### Arizona State Parks Board

The FY 2023 budget appropriated funding for various ASPB projects in FY 2024. As a result, these monies will not appear in the FY 2024 Capital Outlay Bill (*Please see the ASPB 3-year Capital Spending Plan section*).

#### **Catalina Main Entrance Bridge**

The Baseline includes \$5,813,000 from the State Parks Revenue Fund in FY 2024 to ASPB for the construction of a bridge in Catalina State Park. ASPB will work with ADOT on the project.

#### **Statewide Campground Improvements**

The Baseline includes \$4,100,000 from the State Parks Revenue Fund in FY 2024 to ASPB for statewide campground improvements.

#### **Statewide Sunshade Structures**

The Baseline includes \$2,233,333 from the State Parks Revenue Fund in FY 2024 to ASPB for the construction of shade structures statewide. These structures will provide shade to park visitors and electricity to the parks.

#### **Statewide Water Conservation**

The Baseline includes \$1,339,000 from the State Parks Revenue Fund in FY 2024 to ASPB for the statewide installation of low-flow fixtures and other water conservation efforts.

#### **Yuma Territorial Prison State Park Historic Building Renovation**

The Baseline includes \$750,000 from the State Parks Revenue Fund in FY 2024 to ASPB to repair the 1876 Yuma Prison at the Yuma Territorial Prison State Historic Park.

#### **Riordan Mansion State Park Historic Building Renovation**

The Baseline includes \$2,900,000 from the State Parks Revenue Fund in FY 2024 to ASPB to renovate and repair the Riordan Mansion State Park visitor center, museum, and gate house in Flagstaff.

#### **Oracle State Park Historic Building Renovation**

The Baseline includes \$2,008,500 from the State Parks Revenue Fund in FY 2024 to ASPB to renovate the Oracle State Park historic ranch house.

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### **Other Issues**

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#### **Arizona State Parks Board 3-Year Capital Spending Plan**

The FY 2023 Capital Outlay Bill appropriated \$20,517,600 from the State Parks Revenue Fund to the Arizona State Parks Board (ASPB) in FY 2023, \$19,143,800 in FY 2024, and \$19,117,300 in FY 2025 for capital projects. *Table 1* shows a list of ASPB's planned capital projects through FY 2025.

Because the FY 2024 funding amounts have already been appropriated, the FY 2024 monies will not appear in the FY 2024 Capital Outlay Bill.

An FY 2023 budget footnote requires that prior to ASPB using more than 10% of a specific project's budget for another project that was allocated funding for that year, ASPB shall submit the proposed expenditure plan and funding reallocation to JCCR for review. At the July 2022 JCCR meeting, the Committee gave a favorable review of the ASPB expenditure plan for these capital projects.

#### **Rent Adjustments**

In FY 2023, state building rent payments total \$30,186,900 which is estimated to be paid from the following fund sources: \$16,933,000 from the General Fund, \$9,437,900 from Other Appropriated Funds, and \$3,816,000 from Non-Appropriated Funds.

The FY 2024 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. (*Please see the Summary of Rent Charges in the FY 2023 Appropriations Report for agency rent as of July 1, 2022.*)

<b>Table 1</b>			
<b>List of FY 2023 - FY 2025 Parks Capital Projects</b>			
	<b><u>FY 2023</u></b>	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>
Deadhorse Amphitheater - Cost Increase	\$210,000		
Rockin' River State Park - Cost Increase	336,800		
Jerome State Park Fire Suppression System	1,540,000		
Southern Construction Services Relocation	2,000,000		
Tonto Bridge State Park Historic Building Renovation	3,500,000		
Tombstone State Park Historic Building Renovation	2,008,500		
Rockin' River State Park Main House Renovation	1,750,000		
Catalina State Park Main Entrance Bridge	1,500,000	\$5,813,000	
Statewide Campground Improvements	4,100,000	4,100,000	\$4,100,000
Statewide Sunshade Structures	2,233,300	2,233,300	2,233,300
Statewide Water Conservation	1,339,000	1,339,000	1,339,000
Yuma Territorial Prison Park Historic Building Renovation		750,000	5,945,000
Riordan Mansion Park Historic Building Renovation		2,900,000	
Oracle State Park Historic Building Renovation		2,008,500	
Red Rock State Park Historic Building Renovation			4,000,000
San Rafael State Park Historic Building Renovation	<u>0</u>	<u>0</u>	<u>1,500,000</u>
<b>Total</b>	<b>\$20,517,600</b>	<b>\$19,143,800</b>	<b>\$19,117,300</b>

## Capital Outlay

### Arizona Department of Transportation Building System

FY 2024  
BASELINE

#### BUILDING RENEWAL

ADOT Building Renewal <sup>1/</sup>	18,581,300
<b>SUBTOTAL</b>	<b>18,581,300</b>

#### INDIVIDUAL PROJECTS

Airport Planning and Development <sup>2/3/5/</sup>	35,000,000
Controlled Access Highways <sup>4/5/6/7/8/</sup>	137,145,000
Debt Service <sup>4/5/6/7/8/</sup>	138,491,000
SR 97 Improvements near Bagdad <sup>9/</sup>	10,000,000
Statewide Highway Construction <sup>4/5/6/7/8/</sup>	168,607,000
<b>SUBTOTAL</b>	<b>489,243,000</b>

<b>TOTAL - ALL PROJECTS <sup>10/11/</sup></b>	<b>507,824,300</b>
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#### FUND SOURCES

General Fund	10,000,000
<u>Other Appropriated Funds</u>	
State Aviation Fund	35,441,900
State Highway Fund	462,382,400
SUBTOTAL - Other Appropriated Funds	497,824,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>507,824,300</b>

Other Non-Appropriated Funds	711,498,000
Federal Funds	972,943,000
<b>TOTAL - ALL SOURCES</b>	<b>2,192,265,300</b>

**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 2023-2024 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 sum of \$35,000,000 is appropriated from the state aviation fund established by section 28-8202, Arizona Revised Statutes, in fiscal year 2023-2024 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 2023-2024 for the purposes provided in this subsection. (Capital Outlay Appropriation Act footnote)
- 3/ On or before December 31, 2023, 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)
- 4/ The sum of \$444,243,000 is appropriated from the state highway fund established by section 28-6991, Arizona Revised Statutes, in fiscal year 2023-2024 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)

- 5/ Notwithstanding section 41-1252, Arizona Revised Statutes, the appropriations made in subsection A of this section are not subject to review by the joint committee on capital review. (Capital Outlay Appropriation Act footnote)
- 6/ On or before November 1, 2023, 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)
- 7/ On or before November 1, 2023, the department of transportation shall report the department's estimated outstanding debt principal balance at the end of fiscal year 2024-2025 and the estimated debt service payment amount for each of fiscal years 2024-2025, 2025-2026, 2026-2027 and 2027-2028 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 2022-2023 appropriations report. (Capital Outlay Appropriation Act footnote)
- 8/ On or before November 1, 2023, the department of transportation shall report capital outlay information for fiscal years 2022-2023, 2023-2024 and 2024-2025 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 2022-2023 appropriations report. (Capital Outlay Appropriation Act footnote)
- 9/ The appropriation made in subsection A of this section reverts to the state general fund on June 30, 2025 if the department does not secure federal funding for the project on or before June 30, 2025. (FY 2023 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 \$18,581,300 in FY 2024 for Building Renewal within ADOT's Building System. This amount consists of \$18,139,400 from the State Highway Fund (SHF) and \$441,900 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 82.5% funding of the FY 2024 highway building renewal formula and 100% funding of the FY 2024 aviation building renewal formula. The FY 2023 budget appropriated \$18,139,400 from the SHF and \$467,800 from the SAF, which represented 100% funding of the FY 2023 highway building renewal formula and 100% funding of the FY 2023 aviation building renewal formula.

### **Individual Projects**

#### **Airport Planning and Development**

The Baseline includes \$35,000,000 from the State Aviation Fund (SAF) in FY 2024 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 2023-2027 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. In comparison, the FY 2023 budget included \$27,100,000 for this purpose.

#### **Controlled Access Highways**

The Baseline includes an estimated urban freeway controlled access funding level of \$137,145,000 from SHF in FY 2024. 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 \$138,491,000 from SHF in FY 2024 for the appropriated portion of the debt service on bonds. ADOT has approximately \$1,097,260,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2024 debt service payments. *(Please see Table 5 for more information on debt service.)*

**SR 97 Improvements near Bagdad**

The Baseline includes \$10,000,000 from the General Fund in FY 2024 to improve State Route 97 near Bagdad. The FY 2023 Capital Outlay Bill appropriated \$10,000,000 for this project in FY 2024. As a result, these monies will not appear in the FY 2024 Capital Outlay Bill. That appropriation included a footnote to revert the funds on June 30, 2025 if the department does not secure federal funding for the project by that date.

**Statewide Highway Construction**

The Baseline includes \$168,607,000 from SHF in FY 2024 for new highway construction. Only a small portion of the state's total \$1,943,300,000 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 2024 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 \$449,124,000 from the

balances of the MAG and PAG 12.6% and 2.6% subaccounts will also be available in FY 2024.

<b>Table 1</b>	
<b>State Highway Fund FY 2024 Highway Construction &amp; Debt Service</b>	
	<b>Capital Outlay Bill</b>
Controlled Access	\$137,145,000
Debt Service	138,491,000
Highway Construction	<u>168,607,000</u>
<b>Total</b>	<b>\$444,243,000</b>

**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 \$1,171,251,000 in FY 2022 to \$1,552,566,000 in FY 2023 and \$1,684,441,000 in FY 2024.

<b>Table 2</b>			
<b>Non-Appropriated Capital Fund Expenditures (\$ in Thousands)</b>			
	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$5,697	\$7,503	\$10,780
Highway Federal Grants	<u>843,961</u>	<u>878,589</u>	<u>962,163</u>
<b>Subtotal - Federal Funds</b>	<b>\$849,658</b>	<b>\$886,092</b>	<b>\$972,943</b>
Bond Proceeds	\$18	\$728	\$640
Economic Strength Project Fund	1,000	1,000	1,000
Local Agency Deposits Fund	2,939	15,651	28,477
Maricopa Regional Area Road Fund	317,636	649,095	681,381
<b>Subtotal - Other Non-Appropriated Funds</b>	<b>\$321,593</b>	<b>\$666,474</b>	<b>\$711,498</b>
<b>Total</b>	<b>\$1,171,251</b>	<b>\$1,552,566</b>	<b>\$1,684,441</b>

Further background information regarding the funds is contained in the ADOT Summary of Funds in the ADOT operating section of the *FY 2024 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 17, 2022 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 \$1,340,077,000 for FY 2024. (Please see Table 3 for additional details.)

<b>Table 3</b>	
<b>State Highway Fund</b>	
<b>Highway Construction Projects Beginning in FY 2024</b>	
<b>(\$ in Thousands)</b>	
	<b>FY 2024 <sup>1/</sup></b>
Construction	\$270,400
Urban Controlled Access <sup>2/</sup>	530,303
Pavement Preservation Maintenance	447,961
Other <sup>3/</sup>	<u>91,413</u>
<b>Total</b>	<b>\$1,340,077</b>

<sup>1/</sup> Data from ADOT's 2023-2027 5-Year Transportation Facilities Construction Program, representing the total cost of multi-year projects beginning in FY 2024.

<sup>2/</sup> Includes expenditures from SHF for controlled access, PAG, and MRARF.

<sup>3/</sup> 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 2024 Baseline includes \$444,243,000 for highway construction, including \$168,607,000 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 2022 through FY 2024 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 2024 by category of construction. Table 5 also includes monies from the Local Agency Deposits Fund, while Table 3 does not.

For FY 2022, Table 5 shows that total cash highway construction expenditures were \$1,167,300,000 while \$312,400,000 was spent on debt service. In FY 2023, total estimated cash highway construction expenditures are \$1,384,900,000 with total debt service of \$310,800,000. In FY 2024, total estimated cash highway construction expenditures are \$1,631,400,000 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 \$126,144,700 in FY 2022, \$209,495,400 in FY 2023, and \$158,495,400 in FY 2024. Of the \$311,900,000 total FY 2024 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 2022 through FY 2024. The line in Table 6 showing net SHF Available for Statewide Highway Construction, which totals \$168,607,000 for FY 2024, 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 2022 HURF collections of \$1,729,138,000 were 6.3% above FY 2021 collections. As of October 2022, FY 2023 HURF year-to-date collections were (2.4)% lower than the prior year collections.

VLT is the largest source of HURF collections, accounting for 31.4% of HURF revenue in FY 2022, a percentage which has been increasing in recent years. From FY 2018 to FY 2022, the gas tax share of total collections has decreased by (5.1)% while VLT's share has increased by 0.1%.

The gas tax comprises the second largest source of HURF collections at 31.1%.

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 breaks down the distribution of HURF monies between cities, counties, controlled access, and the SHF.

**Table 4**

**Percentage Distribution of HURF Monies**

Cities	30.5%
Counties	19.0%
Controlled Access <sup>1/</sup>	7.7%
State Highway Fund <sup>1/</sup>	<u>42.8%</u>
<b>Total</b>	<b>100.0%</b>

<sup>1/</sup> 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.

**Statutory Changes**

The Baseline would, as session law, modify the existing exemption of highway construction projects from ADOT's quarterly capital project status reports to the Joint Legislative Budget Committee Staff and the Governor's Office of Strategic Planning and Budgeting. ADOT would be required to provide a status report if the appropriation is for a specific highway or local transportation project.

Table 5

**Highway Construction and Debt Service Expenditures by Fund Source**  
(\$ in Millions)

<u>Sources</u>	<u>FY 2022</u> <u>Actual</u>	<u>FY 2023</u> <u>Estimate</u>	<u>FY 2024</u> <u>Estimate</u>
<b>State Highway Fund (SHF)</b>			
<b>Appropriated</b>			
HURF - Statewide Debt Service	\$ 108.4	\$ 118.0	\$ 114.3
HURF - MAG Debt Service	30.9	19.4	24.2
MAG/PAG 15.2% Controlled Access - Construction	12.9	40.0	28.5
Net SHF Funds Available for Statewide Highway	<u>222.3</u>	<u>50.8</u>	<u>168.6</u>
Total SHF - Appropriated	\$ 374.5	\$ 228.2	\$ 335.6
<b>Non-Appropriated</b>			
SHF Highway Construction <sup>1/</sup>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total SHF - Non-Appropriated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total SHF Highway Construction Expenditures</b>	<b>\$ 374.5</b>	<b>\$ 228.2</b>	<b>\$ 335.6</b>
<b>Federal Aid</b>			
<b>Total Federal Aid Highway Construction Expenditures</b>	<b>\$ 844.0</b>	<b>\$ 878.6</b>	<b>\$ 962.2</b>
<b>Maricopa Regional Area Road Fund</b>			
Highway Construction Expenditures	\$ 115.1	\$ 429.1	\$ 473.0
MRARF Debt Service	143.1	143.4	143.4
<b>Total Maricopa Regional Area Road Fund Highway</b>	<b>\$ 258.2</b>	<b>\$ 572.5</b>	<b>\$ 616.4</b>
<b>Bond Proceeds</b>			
HURF - Highway Construction Expenditures	\$ 0	\$ 0.1	\$ 0
MRARF - Highway Construction Expenditures	0	0	0
GAN - Highway Construction Expenditures	0.1	0.6	0.6
<b>Total Bond Proceeds Highway Construction Expenditures</b>	<b>\$ 0.1</b>	<b>\$ 0.7</b>	<b>\$ 0.6</b>
<b>Local Agency Deposits Fund</b>			
Total Local Agency Deposits Fund Debt Service	-	-	-
Total Local Agency Deposits Fund Cash Highway Constr.	2.9	15.7	28.5
<b>Total Local Agency Deposits Fund Highway Construction</b>	<b>\$ 2.9</b>	<b>\$ 15.7</b>	<b>\$ 28.5</b>
<b>Total Highway Construction Expenditures</b>	<b>\$ 1,479.7</b>	<b>\$ 1,695.7</b>	<b>\$ 1,943.3</b>
<b>Total Debt Service</b>			
SHF	\$ 139.3	\$ 137.4	\$ 138.5
Federal Aid	30.0	30.0	30.0
MRARF	143.1	143.4	143.4
<b>Total Debt Service</b>	<b>\$ 312.4</b>	<b>\$ 310.8</b>	<b>\$ 311.9</b> <sup>2/</sup>
<b>Total Cash Highway Construction Expenditures</b>			
SHF	\$ 235.2	\$ 90.8	\$ 197.1
Federal Aid	814.0	848.6	932.2
MRARF	115.1	429.1	473.0
Bond Proceeds	0.1	0.7	0.6
Local Agency Deposits Fund	2.9	15.7	28.5
<b>Total Cash Highway Construction Expenditures</b>	<b>\$ 1,167.3</b>	<b>\$ 1,384.9</b>	<b>\$ 1,631.4</b>
<b>Total Highway Construction Expenditures</b>	<b>\$ 1,479.7</b>	<b>\$ 1,695.7</b>	<b>\$ 1,943.3</b>

<sup>1/</sup> Includes funding from the Statewide Transportation Acceleration Needs Account (STAN).

<sup>2/</sup> Information provided by the department. Includes \$138,491,147 for HURF bonds (\$114,302,112 for statewide program and \$24,189,035 MAG program); \$29,970,250 for Grant Anticipation Notes; and \$143,388,676 for MRARF bonds.

Table 6

**Highway User Revenue Fund (HURF) Distribution**  
(\$ in Thousands)

	FY 2022 <u>Actual</u>	FY 2023 <u>Estimate</u>	FY 2024 <u>Estimate</u>
<b>Total HURF Collections Before Authorized Third-Party (ATP) Expenses</b>	<b>\$1,755,937</b>	<b>\$1,775,564</b>	<b>\$1,856,912</b>
Less: ServiceArizona ATP Fee Retention	6,644	6,717	6,991
Brick and Mortar ATP Fee Retention	7,611	7,695	8,010
ServiceArizona ATP Credit Card Fee Reimbursements	10,388	10,502	10,931
Brick and Mortar ATP Credit Card Fee Reimbursements	<u>2,156</u>	<u>2,179</u>	<u>2,269</u>
<b>Total HURF Collections</b>	<b>\$1,729,138</b>	<b>\$1,748,471</b>	<b>\$1,828,711</b>
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program	702	907	907
State Lake Improvement Fund/Off-Highway Vehicle Recreation Fund	<u>11,564</u>	<u>11,359</u>	<u>11,918</u>
<b>Net HURF Collections</b>	<b>\$1,715,872</b>	<b>\$1,735,205</b>	<b>\$1,814,886</b>
Less: Cities <sup>2/</sup>	523,341	529,237	553,541
Counties <sup>2/</sup>	326,016	329,689	344,829
VLT Transfer to Parity Compensation Fund <sup>3/</sup>	4,020	4,200	4,549
VLT Transfer to General Fund (5-Year VLT) <sup>4/</sup>	3,385	3,550	3,700
VLT Transfer to General Fund (Abandoned Vehicle) <sup>5/</sup>	4,876	5,800	6,000
Controlled Access <sup>6/</sup>	<u>129,844</u>	<u>131,135</u>	<u>137,145</u>
<b>Net SHF (Discretionary)</b>	<b>\$ 724,390</b>	<b>\$ 731,594</b>	<b>\$ 765,122</b>
Plus: Other Income <sup>7/</sup>	78,438	85,561	91,674
Less: Operating Budget	372,537	516,951	458,610
Dept of Public Safety Transfer from Highway Fund	8,167	8,167	8,167
Capital Outlay	6,900	19,416	0
Building Renewal	15,400	18,139	18,139
ServiceArizona ATP VLT Retention <sup>8/</sup>	20,514	23,066	24,418
Brick and Mortar ATP VLT Retention <sup>8/</sup>	15,033	22,072	23,364
HURF Exchange Program <sup>9/</sup>	2,702	21,191	17,000
Debt Service <sup>10/</sup>	<u>139,321</u>	<u>137,359</u>	<u>138,491</u>
<b>Net SHF Available for Statewide Highway Construction (5-Year Plan) <sup>11/</sup></b>	<b>\$ 222,254</b>	<b>\$ 50,794</b>	<b>\$ 168,607</b>
<b>SHF Adjustments</b>			
Plus: Controlled Access SHF Beginning Balance	343,110	407,465	449,124
STAN Account Beginning Balance	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total SHF Available for Statewide Highway Construction</b>	<b>\$ 565,364</b>	<b>\$ 458,259</b>	<b>\$ 617,731</b>

<sup>1/</sup> Provides monies for economic strength highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board.

<sup>2/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

<sup>3/</sup> A.R.S § 28-5808A transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

<sup>4/</sup> 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.

<sup>5/</sup> 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.

<sup>6/</sup> 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.

<sup>7/</sup> 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, and abandoned vehicle fees. This excludes the \$925,447,500 of TPT General Fund collections that were deposited into the State Highway Fund to fund individual transportation projects in FY 2023.

<sup>8/</sup> Statutory payments to third parties from VLT collected by third parties. Non-VLT fees to ATPs are listed at the top of the chart.

<sup>9/</sup> Local entities can exchange federal aid monies for State Highway Fund monies.

<sup>10/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

<sup>11/</sup> 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 2024  
BASELINE

### BUILDING RENEWAL

Arizona Board of Regents

**TOTAL - ALL PROJECTS**

0

0<sup>1/2/</sup>

### 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 \$33,026,400 to the universities from the General Fund in FY 2024 to finance lease-purchase payments for research infrastructure projects.
- 2/ A.R.S. § 15-1671 appropriates \$29,518,300 to the universities from the General Fund in FY 2024 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 2024, ABOR reports funding 100% of the building renewal formula would be \$219,663,700. The Baseline includes no funding for Building Renewal in the ABOR Building System.

ASU (all campuses)	\$201,221,900
NAU	40,275,600
UA (all campuses)	<u>148,295,900</u>
<b>Total</b>	<b>\$389,793,400</b>

In addition to University system revenues being allocated for FY 2024 debt service payments, \$37,783,200 would be paid by Lottery monies, \$33,026,400 would be paid by the General Fund for 2003 research infrastructure projects, and \$17,083,900 would be paid by the General Fund for 2017 Capital Infrastructure Funding projects.

### Summary of University Debt

ABOR estimates that as of the end of FY 2024, the universities' outstanding principal balances for bonds and lease-purchase agreements will total \$4,197,053,600, of which \$3,899,377,200 is for outstanding bonds and \$297,676,400 is for lease-purchase projects. This debt would be held by the 3 universities as follows:

ASU (all campuses)	\$2,468,773,200
NAU	394,755,000
UA (all campuses)	<u>1,333,525,400</u>
<b>Total</b>	<b>\$4,197,053,600</b>

ABOR estimates that the universities' total debt service payments for bonds and lease-purchase agreements in FY 2024 will be \$389,793,400. The debt service payments made by each of the universities would be as follows:

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.)*

### State Bonding Programs

#### University Lottery Bonds

One component of the \$3,899,377,200 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 \$47,229,900 in FY 2024, of which 80% will be paid by Lottery monies and 20% with university system revenues.

### 2017 Capital Infrastructure Appropriations

Another component of the \$3,899,377,200 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 universities may use this funding to pay cash for projects or for debt service. In the latter case, the General Fund may only pay for 50% of debt service (with the remainder financed through other university system revenues).

The original legislation appropriated \$27,000,000 from the General Fund 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 2024 Baseline assumes a 2.0% increase from FY 2023, resulting in an FY 2024 General Fund appropriation of \$29,518,300. If the universities utilized the full appropriation for debt service, this amount would support \$59,036,600 in debt service payments.

Since FY 2019, however, the universities have not fully used their debt service capacity and have used a portion of their appropriation to fund projects with cash. As a result, the appropriation does not equate to the annual debt service payments. Debt service payments are projected to total \$34,167,700 in FY 2024, of which 50% will effectively be supported by the General Fund.

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 2027. 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: 5.3% (5.7% with SPEED) in FY 2026
- NAU: 5.1% (6.7% with SPEED) in FY 2025
- UA: 5.3% (6.4% 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 \$2,800,100,000 in additional debt beyond the planned projects based on these debt service ratios.



## Capital Outlay

### Debt and Lease-Purchase Financing

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#### 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 2024, the outstanding balance of lease-purchase agreements is expected to be \$694.4 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 2024, the outstanding balance of bond financing is expected to be \$4.86 billion.

*Table 1* provides information related to current outstanding state 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, 2023 debt report would typically provide debt information on the prior fiscal year (FY 2022), the FY 2023 budget allocated additional funds for debt payoff, with that transaction being executed in August 2022 (beginning of FY 2023). To provide a more accurate display of the state's current outstanding debt, the January 31, 2023 report will include information from *Table 1*, which shows debt payments and year-end balances for the upcoming fiscal year (FY 2024).

**Table 1**

**Lease-Purchase and Bonding Summary**

	<u>Overall</u> <u>Balance</u>	<u>1/</u> <u>GF Balance</u>	<u>Overall</u> <u>FY 24 Payment</u>	<u>2/</u> <u>FY 24</u> <u>GF Payment</u>	<u>2/</u> <u>Retirement</u> <u>FY</u>
<b><u>Lease-Purchase Summary</u></b>					
<b><u>ADOA Building System</u></b>					
<b>2013 A Issuance</b>					
PLTO Refinance - DHS Building	\$ 10,375,000	\$ 6,225,000	\$ 2,409,800	\$ 1,445,900	FY 29
<b>2015 A Issuance</b>					
PLTO Refinance - Capitol Mall	\$ 19,630,000	\$ 8,440,900	\$ 6,224,800	\$ 2,676,700	FY 28
<i>Subtotal - ADOA</i>	\$ 30,005,000	\$ 14,665,900	\$ 8,634,600	\$ 4,122,600	
<b><u>School Facilities Board</u></b>					
Federal Bonds	\$ 20,155,500	\$ 20,155,500	\$ 9,938,100 <u>3/</u>	\$ 9,938,100 <u>3/</u>	FY 28
<b><u>ABOR Building System</u></b>					
Arizona State University	\$ 155,296,000	\$ 93,425,000	\$ 23,420,200	\$ 13,468,200	FY 39
Northern Arizona University	28,875,000	28,875,000	5,302,900	5,302,900	FY 31
University of Arizona	113,505,400	82,385,000	33,498,500	14,255,300	FY 72
<i>Subtotal - ABOR</i>	\$ 297,676,400	\$ 204,685,000	\$ 62,221,600	\$ 33,026,400	
Phoenix Convention Center <u>4/</u>	\$ 346,610,000	\$ 346,610,000	\$ 25,498,600	\$ 25,498,600	FY 44
<i>TOTAL - Lease-Purchase</i>	\$ 694,446,900	\$ 586,116,400	\$ 106,292,900	\$ 72,585,700	
<b><u>Bonding Summary</u></b>					
Department of Transportation <u>5/</u>	\$ 960,125,000	\$ -	\$ 168,461,400	\$ -	FY 14 - 38
<b><u>ABOR Building System</u></b>					
Arizona State University	\$ 1,742,505,000	\$ -	\$ 148,100,200	\$ -	FY 55
Northern Arizona University	276,730,000	-	24,923,500	-	FY 44
University of Arizona	744,610,000	-	73,151,400	-	FY 48
University Lottery Bond (SPEED)	561,562,200 <u>6/</u>	-	47,229,000	-	FY 48
University Infrastructure (2017) <u>7/</u>	573,970,000	286,985,000	34,167,700	17,083,900	FY 44
<i>Subtotal - ABOR</i>	\$ 3,899,377,200	\$ 286,985,000	\$ 327,571,800	\$ 17,083,900	
<i>TOTAL - Bonding</i>	\$ 4,859,502,200	\$ 286,985,000.00	\$ 496,033,200	\$ 17,083,900	
<b>TOTAL - Lease-Purchase &amp; Bonding</b>	<b>\$ 5,553,949,100</b>	<b>\$ 873,101,400</b>	<b>\$ 602,326,100</b>	<b>\$ 89,669,600</b>	

1/ Represents principal balances as of June 30, 2024. 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 24 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 2024 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 \$841,095,000 for Highway User Revenue Fund bonds and \$119,030,000 for Grant Anticipation Notes.

6/ Represents outstanding balance as of the end of FY 2024 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 \$29,518,300 from the General Fund in FY 2024 for the 2017 Capital Infrastructure Funding program. The General Fund is expected to pay \$17,083,900 in FY 2024 for debt service.

**LEASE-PURCHASE APPROPRIATIONS 1/  
Department of Administration Building System**

	Fiscal Year 2023 - Appropriations Report				Fiscal Year 2024 - Baseline				Difference FY 2024 - FY 2023			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
<b>BUDGET UNITS</b>												
Arizona Department of Administration Buildings												
Accountancy, State Board of		\$76,800		\$76,800		\$75,000		\$75,000	-	(\$1,800)	-	(\$1,800)
Administration, Arizona Department of	\$136,300	351,100	\$36,700	524,100	\$147,300	379,600	\$39,700	566,600	\$11,000	28,500	\$3,000	42,500
Deaf and the Hard of Hearing, Commission for the		147,300		147,300		143,800		143,800	-	(3,500)	-	(3,500)
Education, Department of	247,900	68,900	371,900	688,700	242,100	67,300	363,200	672,600	(5,800)	(1,600)	(8,700)	(16,100)
Equalization, State Board of	60,100			60,100	58,700			58,700	(1,400)	-	-	(1,400)
Gaming, Department of		256,700		256,700		250,300		250,300	-	(6,400)	-	(6,400)
Insurance & Financial Institutions, Department of	219,200	41,700		260,900	214,600	40,900		255,500	(4,600)	(800)	-	(5,400)
Juvenile Corrections, Department of	181,500			181,500	177,300			177,300	(4,200)	-	-	(4,200)
Real Estate Department, State	119,100			119,100	116,500			116,500	(2,600)	-	-	(2,600)
Tax Appeals, State Board of	23,100			23,100	22,600			22,600	(500)	-	-	(500)
Subtotal - ADOA Building	\$987,200	\$942,500	\$408,600	\$2,338,300	\$979,100	\$956,900	\$402,900	\$2,338,900	(\$8,100)	\$14,400	(\$5,700)	\$600
Department of Environmental Quality Building												
Agriculture, Department of	\$188,100		\$166,800	\$354,900	\$239,900		\$212,700	\$452,600	\$51,800	-	\$45,900	\$97,700
Citizens Clean Elections Commission			58,500	58,500			44,300	44,300	-	-	(14,200)	(14,200)
Criminal Justice Commission, Arizona		\$7,200	113,400	120,600		\$7,800	121,800	129,600	-	\$600	8,400	9,000
Environmental Quality, Department of		1,183,900		1,183,900		1,186,100		1,186,100	-	2,200	-	2,200
Forestry and Fire Management, AZ Department of	146,700		21,900	168,600	140,900		21,000	161,900	(5,800)	-	(900)	(6,700)
Housing, AZ Department of	21,500	7,200	114,900	143,600	20,700	6,900	110,200	137,800	(800)	(300)	(4,700)	(5,800)
Independent Redistricting Commission	24,900			24,900	23,900			23,900	(1,000)	-	-	(1,000)
State Land Department	548,600			548,600	525,900			525,900	(22,700)	-	-	(22,700)
Arizona State Parks Board			200,000	200,000			191,900	191,900	-	-	(8,100)	(8,100)
Pharmacy, Arizona State Board of		79,800		79,800		80,800		80,800	-	1,000	-	1,000
Residential Utility Consumer Office		72,300		72,300		69,400		69,400	-	(2,900)	-	(2,900)
Technical Registration, State Board of		131,000		131,000		119,200		119,200	-	(11,800)	-	(11,800)
Tourism, Office of	137,000			137,000	117,000			117,000	(20,000)	-	-	(20,000)
Water Resources, Department of	660,900			660,900	645,500			645,500	(\$15,400)	-	-	(15,400)
Subtotal - ADEQ Building	\$1,727,700	\$1,481,400	\$675,500	\$3,884,600	\$1,713,800	\$1,470,200	\$701,900	\$3,885,900	(\$13,900)	(\$11,200)	\$26,400	\$1,300
Health Services, Department of												
Health Services Building - Refinance	\$1,400,700	\$933,800		\$2,334,500	\$1,445,900	\$963,900		\$2,409,800	\$45,200	\$30,100	-	\$75,300
Health Lab - Refinance		2,049,900		2,049,900		-		-	-	(2,049,900)	-	(2,049,900)
Subtotal - Department of Health Services	\$1,400,700	\$2,983,700	\$0	\$4,384,400	\$1,445,900	\$963,900	\$0	\$2,409,800	\$45,200	(\$2,019,800)	\$0	(\$1,974,600)
<b>GRAND TOTAL</b>	<b>\$4,115,600</b>	<b>\$5,407,600</b>	<b>\$1,084,100</b>	<b>\$10,607,300</b>	<b>\$4,138,800</b>	<b>\$3,391,000</b>	<b>\$1,104,800</b>	<b>\$8,634,600</b>	<b>\$23,200</b>	<b>(\$2,016,600)</b>	<b>\$20,700</b>	<b>(\$1,972,700)</b>

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 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
<b>DISTRIBUTIONS</b>			
Phoenix Convention Center	24,498,500	24,999,400	25,498,600 <sup>1/</sup>
Rio Nuevo District	16,516,600	17,000,000	17,000,000 <sup>2/</sup>
<b>TOTAL - ALL DISTRIBUTIONS</b>	<b>41,015,100</b>	<b>41,999,400</b>	<b>42,498,600 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	41,015,100	41,999,400	42,498,600
<b>TOTAL - ALL SOURCES</b>	<b>41,015,100</b>	<b>41,999,400</b>	<b>42,498,600</b>

**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, \$25,498,550 of state general fund revenue is allocated in fiscal year 2023-2024 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 \$17,000,000 in fiscal year 2023-2024. 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 \$25,498,600 from the General Fund in FY 2024 for state participation in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. Adjustments are as follows:

**Distribution Increase**

The Baseline includes an increase of \$499,200 from the General Fund in FY 2024 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.

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Fiscal Year</u>	<u>Debt Service</u>
FY 2024	25,498,550	FY 2035	29,995,775
FY 2025	25,998,700	FY 2036	29,999,975
FY 2026	26,497,375	FY 2037	29,995,825
FY 2027	26,997,100	FY 2038	29,995,850
FY 2028	27,495,125	FY 2039	29,996,750
FY 2029	27,998,700	FY 2040	29,995,225
FY 2030	28,499,525	FY 2041	29,997,975
FY 2031	28,999,575	FY 2042	29,996,150
FY 2032	29,495,550	FY 2043	29,996,175
FY 2033	29,999,150	FY 2044	29,998,925
FY 2034	29,996,250		

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 \$12,829,500 through CY 2021 (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 <sup>1/</sup>	Project Revenue	Debt Service	Annual Net Revenues <sup>2/</sup>	Cumulative Net Revenues
2021	\$6.6	\$24.5	(17.9)	\$12.8
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

<sup>1/</sup> 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.  
<sup>2/</sup> Represents gross revenue less debt service for each fiscal year.

Source: Auditor General report, *An Economic and Fiscal Impact Analysis Update, Phoenix Convention Center (2021)*

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 \$17,000,000 from the General Fund in FY 2024 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 2023.

The FY 2023 General Appropriation Act displays a \$16,000,000 estimated distribution in FY 2023. This amount was based on assuming the Rio Nuevo distribution would generally return to pre-pandemic levels (the FY 2019 distribution was \$15,958,900). 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 2023 General Appropriation Act, actual FY 2022 information became available, and the FY 2022 actual distribution was \$16,516,600. Given the recent growth trends of overall Sales Tax growth, the FY 2023 estimate has been revised to \$17,000,000 and that same amount has been continued into FY 2024 in the Baseline.

*Background* – Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District. 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 Boulevard. (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 2022	\$16,516,600
FY 2021	9,525,700
FY 2020	14,478,800
FY 2019	15,958,900
FY 2018	13,562,700
FY 2017	13,988,500
FY 2016	13,088,800
FY 2015	6,958,000
FY 2014	9,486,100
FY 2013	9,755,800
FY 2012	11,957,900
FY 2011	14,099,900
FY 2010	8,727,300
FY 2009	10,399,300
FY 2008	15,456,200
FY 2007	14,974,900
FY 2006	10,968,200
FY 2005	7,469,600
FY 2004	5,081,200
<b>Total</b>	<b>\$222,454,400</b>

A.R.S. § 48-4203 requires that any construction project (or other improvement to real property) controlled by the District with a cost of more than \$500,000 be presented to 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.

The Rio Nuevo Board of Directors submitted information to JCCR in October 2022 regarding 4 projects that have been approved by the District. The board agreed to spend a total of \$6,800,000 on these projects. The Committee took no action on this report.

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*Other Issues*

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**Auditor General Report**

In November 2022, the Auditor General published a performance and financial audit for the Rio Nuevo Multipurpose Facilities District. As required by A.R.S. § 48-4231.01, the Auditor General is to contract with an independent auditor every 3 years to review the district's revenues, spending and capital projects.

The audit recommended the following items to improve the district's compliance with statutory requirements:

- Submit the required annual report relating to revenue, spending and activities (due October 1).
- Submit the required capital reporting to JCCR (for projects over \$500,000).
- Comply with the total required Board membership (current Board has only 7 of 9 authorized members).

In addition, the audit recommended the following actions to improve long-term operations and planning:

- Hire accounting/finance staff to maintain required reporting while also serving the district's increasing project portfolio.
- Implement a multi-year budget planning process (minimum 3 years, up to 5 years).
- Develop a capital planning process to evaluate results of prior projects and improve process for approving proposed projects (requiring data on revenues, attendance and improvement to property values).
- Implement a detailed district master plan, including for the Tucson Convention Center complex.

Under A.R.S. § 48-4231.01, within 45 days after the audit is released, the Rio Nuevo Board of Directors is required to hold a public hearing on the audit's recommendations and adopt a public response to each recommendation in the audit.

***REVENUE FORECAST***

## GENERAL FUND REVENUE

### FY 2023

FY 2023 Baseline General Fund revenues are projected to be \$17.89 billion. This is an increase of \$1.06 billion over the original revenue estimate included in the FY 2023 budget enacted in June 2022.

The higher revenue is the result of:

- An increase of \$1.48 billion in net revenues due to significantly stronger revenue growth than originally projected.
- A one-time revenue gain of \$77.3 million in FY 2023 due to a recent Attorney General settlement with Google.
- A one-time withholding revenue loss of \$(700.0) million in FY 2023 resulting from a recent change to the state's withholding rates beginning in Calendar Year 2023.
- A \$200 million increase in the balance forward from FY 2022. The original budget assumed an ending balance of \$4.51 billion for FY 2022 while the actual balance carried forward was \$4.71 billion.

Current year ongoing revenue estimates are based on the consensus forecasting process (see *FY 2024 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 1* shows the base revenue growth rates in FY 2023 through FY 2026 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, General Fund base revenue is projected to grow by 7.5% in FY 2023. After including Urban Revenue Sharing, tax law changes, one-time revenue adjustments, and the carry-forward balance, overall revenues are projected to increase by 1.7% in FY 2023, to a total of \$17.89 billion.

Beyond updating the base revenue forecast for the January Baseline, the JLBC Staff has also updated its FY 2023 – FY 2026 estimates of revenue and tax policy changes enacted as part of the FY 2023 budget. The impact of the enacted tax legislation on General Fund revenue collections in FY 2023 through FY 2026 is discussed in the *Revenue Adjustments* section. The individual revenue detail for FY 2023 under the January

Baseline forecast is displayed in *Table 4* at the end of this section.

### FY 2024 and Beyond

The FY 2024 Baseline projects total net revenue of \$17.60 billion, which is (1.6)% or \$(289.9) million, below the amount in FY 2023. Base revenue, which as noted above excludes Urban Revenue Sharing, tax law changes, one-time revenue adjustments, and the beginning balance, is projected to grow by 2.0% under the January Baseline forecast.

The FY 2024 Baseline also incorporates revenue planning estimates for FY 2025 and FY 2026, which are shown in *Table 5*. Under the January Baseline, base revenue would increase by 3.0% in FY 2025 and 4.4% in FY 2026.

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:

- Finance Advisory Committee panel forecast of January 2023. Consisting of 11 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 2023 through FY 2026 are displayed in *Table 1*.



**Table 1**

**4-Sector Estimates  
Forecast Percentages (FY 2023 - FY 2026)  
Base Revenue <sup>1/</sup>**

	FY 2023					FY 2024				
	<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	7.6%	6.4%	7.2%	6.7%	7.0%	5.0%	0.7%	2.9%	2.5%	2.8%
Individual Income Tax	5.0%	5.7%	6.1%	5.5%	5.6%	3.3%	2.5%	4.3%	1.0%	2.8%
Corporate Income Tax	15.5%	12.0%	13.9%	6.8%	12.0%	3.9%	(2.7)%	0.5%	(3.2)%	(0.3)%
Insurance Premium Tax	5.9%	4.5%	5.3%	3.3%	4.7%	4.4%	(0.5)%	1.1%	(0.7)%	1.1%
<b>Overall <sup>2/</sup></b>	<b>7.8%</b>	<b>7.3%</b>	<b>8.0%</b>	<b>7.0%</b>	<b>7.5%</b>	<b>3.6%</b>	<b>0.8%</b>	<b>2.8%</b>	<b>0.9%</b>	<b>2.0%</b>
	FY 2025					FY 2026				
	<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	4.6%	2.9%	4.3%	4.2%	4.0%	6.3%	4.4%	4.8%	4.7%	5.1%
Individual Income Tax	4.3%	4.7%	5.5%	(0.4)%	3.6%	4.5%	5.2%	5.6%	2.1%	4.4%
Corporate Income Tax	4.5%	3.3%	4.0%	1.4%	3.4%	7.1%	5.1%	5.4%	2.6%	5.2%
Insurance Premium Tax	4.5%	2.9%	4.3%	(0.6)%	2.8%	3.9%	3.1%	4.1%	2.8%	3.5%
<b>Overall <sup>2/</sup></b>	<b>3.8%</b>	<b>3.1%</b>	<b>4.1%</b>	<b>1.2%</b>	<b>3.0%</b>	<b>5.1%</b>	<b>4.4%</b>	<b>4.8%</b>	<b>3.0%</b>	<b>4.4%</b>

<sup>1/</sup> Prior to any tax law or other revenue changes.

<sup>2/</sup> The growth rates for each sector represent the weighted average of Big-4 revenue estimates plus JLBC Staff estimates of other revenue categories.

**Risks to the Revenue Forecast**

There are several factors that pose risks to the forecast, including whether the Federal Reserve ("Fed") will be able to slow economic growth without triggering a recession (a so-called "soft landing"). To combat inflation, the Fed raised the target for its policy rate – the federal funds rate – 7 times in 2022, from 0.25% in March to 4.5% in December. Further rate increases are expected in 2023 based on the Fed's latest projection released in December, which suggests a range of between 5.1% and 5.4% in 2023. Under such an aggressive and persistent monetary tightening, there is an increased risk that the economy would not only fall into a recession but that the economic downturn could be longer and more severe.

Other risks to the forecast include the ongoing Russia-Ukraine conflict, which if it intensifies and becomes long-lasting could lead to higher prices on energy and food that in turn could result in a more pronounced slowdown of global economic growth. In addition, a slower correction of supply-chain issues than currently anticipated would

keep prices higher for a longer period, which could have a dampening effect on consumer demand and business investments.

**Revenue Adjustments**

Table 2 provides an overview of ongoing base revenue and total revenue growth for FY 2023 and FY 2024. Ongoing base revenue represents General Fund revenue excluding the impact of tax legislation enacted as part of the FY 2023 budget, Urban Revenue Sharing, and one-time financing sources. As shown in Table 2, under the January Baseline, ongoing base revenue is projected to grow by 7.5% in FY 2023 and 2.0% in FY 2024. Total revenue, which represents all General Fund revenue sources net of tax reductions, including the beginning balance, is estimated to increase by 1.7% in FY 2023, followed by a decline of (1.6)% in FY 2024.

**Table 2**

**General Fund Revenue Baseline  
For FY 2023 and FY 2024 Budget  
(\$ in Millions)**

	<u>FY 2023</u>	<u>%</u>	<u>FY 2024</u>	<u>%</u>
Base Revenue <sup>1/</sup>	\$18,757.5	7.5%	\$19,137.9	2.0%
Income Tax Rate Reduction	(1,494.3)		(2,251.9)	
Other Enacted Reductions	<u>(10.9)</u>		<u>(16.8)</u>	
Net Revenue	17,252.3	(1.1)%	16,869.2	(2.2)%
Urban Revenue Sharing	(1,107.0)		(1,564.8)	
One-Time Financing Sources:				
Balance Forward	4,709.5		2,296.8	
Attorney General Settlement	77.3		0.0	
Withholding Revenue Loss	(700.0)		0.0	
TPT Diversions	(2,287.5)		0.0	
Newly Enacted Tax Reductions	(50.0)		0.0	
Other One-Time Revenue Changes	<u>(3.5)</u>		<u>0.0</u>	
Subtotal	1,745.8		2,296.8	
<b>Total Revenue</b>	<b><u>\$17,891.1</u></b>	<b>1.7%</b>	<b><u>\$17,601.2</u></b>	<b>(1.6)%</b>

<sup>1/</sup> Base revenue represents ongoing General Fund revenue prior to tax law changes.

**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.

The following section provides a detailed description of prior year budget legislation included in ongoing revenue collections in FY 2023 through FY 2026 (see *Table 3* for a complete list of each of the tax law and revenue changes included in ongoing revenue collections in FY 2023 through FY 2024). As shown in *Table 3*, ongoing budget legislation enacted prior to the 2023 Regular Session is estimated to reduce General Fund revenue by \$(1.51) billion in FY 2023, \$(2.27) billion in FY 2024, \$(2.36) billion in FY 2025, and \$(2.47) billion in FY 2026. All revenue impacts in *Table 3* are stated relative to the ongoing General Fund revenue level prior to tax law changes.

Each of the previously enacted tax law and revenue changes is described in more detail below.

1) Individual Income Tax Rate Reduction – Laws 2021, Chapter 412 (Tax Omnibus) reduced the number of individual income tax brackets from 4 in TY 2021 to 2 brackets in TY 2022. The TY 2022 rate is 2.55% for taxable

income up to \$28,653 in a single household and \$57,305 in a married filing jointly household. The tax rate is 2.98% above those thresholds. Based on the January Baseline forecast, the JLBC Staff estimates that this tax rate reduction will reduce General Fund revenue by \$(1.49) billion in FY 2023.

Laws 2021, Chapter 412 included additional reductions to the 2.55%/2.98% individual income tax rates contingent upon reaching certain General Fund revenue levels. Pursuant to A.R.S. § 43-243 and A.R.S. § 43-244, the Directors of the Joint Legislative Budget Committee (JLBC) Staff and the Governor's Office of Strategic Planning and Budgeting (OSPB) are required to report jointly to the Arizona Department of Revenue (ADOR) on the level of prior year state General Fund revenue, excluding the beginning balance. This notification is to be made annually on or before September 30<sup>th</sup> of each year until the required revenue levels are achieved. The JLBC Staff and OSPB reported jointly to ADOR on September 29, 2022 that the FY 2022 revenue level was \$16.7 billion.

Upon receiving a JLBC/OSPB report that General Fund revenue exceeds \$12.8 billion, statute requires ADOR to reduce the income tax rates to 2.53% and 2.75% in the following tax year. After receiving a report that General Fund revenue exceeds \$13.0 billion, ADOR is to set the

income tax rate at a single rate of 2.5% in the following tax year.

Based on the joint JLBC/OSPB report issued on September 29, 2022, ADOR will implement the 2.5% single tax rate, beginning in TY 2023/FY 2024. As shown in *Table 3*, reducing the individual income tax rate from 2.55%/2.98% in TY 2022 to 2.5% in TY 2023 is estimated to result in an additional revenue loss of \$(716.0) million in FY 2024 over and above the \$(1.54) billion revenue loss attributable to the 2.55%/2.98% rates.

2) Increase of Standard Deduction for Charitable Contributions – Besides the rate reduction described under *item 1*, Laws 2021, Chapter 412 annually adjusts for inflation the percentage of charitable contributions that standard deduction filers can claim over and above the regular standard deduction, beginning in TY 2022. This provision is estimated to reduce General Fund revenues by \$(2.0) million in FY 2023, \$(3.9) million in FY 2024, \$(5.8) million in FY 2025, and \$(7.7) million in FY 2026.

3) Affordable Housing Tax Credit – Laws 2021, Chapter 430 created a new nonrefundable affordable housing tax credit that is equal to at least 50% of the amount of the federal low-income housing credit for qualified projects placed in service after June 30, 2022. The Arizona Department of Housing is authorized to allocate a total of \$4 million in tax credits per year from TY 2022 to TY 2025. Each of these 4 award cycles is available for 10 years. The credit is estimated to have a revenue impact of \$(4.0) million in FY 2024, \$(8.0) million in FY 2025, and \$(12.0) million in FY 2026.

4) Reduction of Department of Real Estate Transfer – Laws 2022, Chapter 298 eliminates the statutory minimum fees for real estate licenses. The elimination of the minimum fees under Chapter 298 is expected to reduce the transfer of excess revenue to the General Fund by \$(708,000) annually, beginning in FY 2023.

5) Reduction of Liquor Licenses Fund Transfer – Pursuant to A.R.S. § 4-120, any monies remaining in the Liquor Licenses Fund in excess of \$700,000 at the end of each fiscal year must be deposited in the General Fund. The FY 2023 General Appropriation Act (Laws 2022, Chapter 313) provides changes to the Department of Liquor Licenses and Control's operating budget, which resulted in the appropriation from the Liquor Licenses Fund to the department being increased by \$2.4 million in FY 2023. Since these changes reduce the excess fund balance by the same amount, General Fund revenue is reduced by \$(2.4) million annually, beginning in FY 2023.

6) Change of Reimbursements from Apache/Greenlee – Laws 2022, Chapter 315 (Higher Education Budget Reconciliation Bill) reduces the out-of-county reimbursement amounts due from Apache and Greenlee counties to the community college districts and requires the difference to be paid by the General Fund. This change has the effect of reducing General Fund revenue by \$(2,293,500) annually, beginning in FY 2023.

7) TPT Exemption for Used Agricultural Machinery – Laws 2022, Chapter 321 (Tax Omnibus) expands an existing Transaction Privilege tax (TPT) and Use Tax exemption to include the purchase of used (as opposed to only new) agricultural machinery and equipment and short-term rentals of agricultural machinery and equipment (leases for less than 2 years). This provision is estimated to reduce General Fund revenue by \$(583,000) annually, beginning in FY 2023.

8) Change to Aircraft License Tax – Laws 2022, Chapter 321 (Tax Omnibus) limits the annual increase of the average fair market value of aircraft for the purpose of assessing the aircraft license tax to the annual change of the U.S. Consumer Price Index. In addition, Chapter 321 benchmarked the FY 2022 value of aircraft to the 2019 average fair market value. These changes to the aircraft license tax are estimated to reduce General Fund revenue by \$(1.9) million in FY 2023, and \$(950,000) annually, beginning in FY 2024.

9) Adjusting QCO/QFCO Credit Caps for Inflation – Laws 2022, Chapter 385 annually adjusts for inflation the income tax credit limit for donations to Qualifying Charitable Organizations (QCO) and Qualifying Foster Care Charitable Organizations (QFCO). Prior to Chapter 385, the cap for the QCO credit was \$400 for single filers and \$800 for married filers whereas the cap for the QFCO credit was \$500 for single filers and \$1,000 for married filers. The change to the QCO and QFCO credit caps is estimated to reduce General Fund revenue by \$(1.0) million in FY 2023, \$(2.0) million in FY 2024, \$(4.0) million in FY 2025, and \$(6.0) million in FY 2026.

#### ***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.

Table 3

**Prior Year Budget Legislation with Ongoing Revenue Impact in FY 2023 through FY 2026**  
(\$ in Millions)

<b>2021 Legislation / Description of Provision</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<u>(1) Laws 2021, Ch. 412 – Income Tax Rate Reduction</u> Reduces rates to 2.55%/2.98%	\$ (1,494.3)	\$ (1,535.9)	\$ (1,590.6)	\$ (1,660.6)
Reduces to single rate of 2.50%		(716.0)	(741.5)	(774.1)
<b>Total Rate Reduction</b>	<b>(1,494.3)</b>	<b>(2,251.9)</b>	<b>(2,332.1)</b>	<b>(2,434.7)</b>
<u>(2) Laws 2021, Ch. 412 – Other Tax Omnibus Provisions</u> Increases std. deduction for charitable contributions	(2.0)	(3.9)	(5.8)	(7.7)
<u>(3) Laws 2021, Ch. 430</u> Creates a new affordable housing tax credit		(4.0)	(8.0)	(12.0)
<u>(4) Laws 2022, Ch. 298</u> Reduces Department of Real Estate transfer to General Fund	(0.7)	(0.7)	(0.7)	(0.7)
<u>(5) Laws 2022, Ch. 313</u> Reduces Liquor Licenses Fund transfer to General Fund	(2.4)	(2.4)	(2.4)	(2.4)
<u>(6) Laws 2022, Ch. 315</u> Changes to reimbursements for Apache and Greenlee Counties	(2.3)	(2.3)	(2.3)	(2.3)
<u>(7) Laws 2022, Ch. 321</u> Expands TPT exemption for used agricultural machinery	(0.6)	(0.6)	(0.6)	(0.6)
<u>(8) Laws 2022, Ch. 321</u> Makes changes to Aircraft License Tax	(1.9)	(0.9)	(0.9)	(0.9)
<u>(9) Laws 2022, Ch. 385</u> Adjusts QCO/QFCO credit caps annually for inflation	(1.0)	(2.0)	(4.0)	(6.0)
<b>Total Enacted Reductions</b>	<b>\$ (1,505.2)</b>	<b>\$ (2,268.7)</b>	<b>\$ (2,356.8)</b>	<b>\$ (2,467.4)</b>

As indicated in *Table 4*, total URS distributions will increase from \$1.11 billion in FY 2023 to \$1.56 billion in FY 2024.

### **One-Time Financing**

As shown in *Table 4*, the FY 2023 budget adopted in June 2022 includes the following one-time financing sources:

#### **FY 2023**

##### Attorney General Settlement

In October, the Arizona Attorney General's Office entered an \$85 million settlement with Google LLC for allegedly tracking users' location with "deceptive and unfair" practices to sell advertisements. According to the settlement agreement, \$77,250,000 will be distributed to the General Fund while the remaining \$7,750,000 will go to attorney fees.

##### Withholding Revenue Loss

Due to the individual income tax rate reductions provided by Laws 2021, Chapter 412, the Department of Revenue recently decided to adopt new, lower withholding rates that are going into effect at the start of Calendar Year

2023. While a reduction of the state's withholding rates does not affect an individual's tax liability, it has an impact on the state's cash flow since the state's fiscal year is different from individual filers' tax year. Therefore, as a result of the withholding rate reductions, the state is estimated to incur a one-time General Fund revenue loss of \$(700) million in FY 2023 that will not be recovered in FY 2024.

##### Transaction Privilege Tax (TPT) Diversion

The enacted FY 2023 budget diverts a total of \$2.29 billion of General Fund TPT revenues to various non-General Fund agency funds in FY 2023. The diverted amount will be allocated as follows:

- ADOT State Highway Fund: \$925.4 million
- ADOT State Aviation Fund: \$20.6 million
- DEMA Border Security Fund: \$209.2 million
- Park Board State Parks Revenue Fund: \$38.2 million
- Budget Stabilization Fund: \$425.0 million
- DEMA Border Security Fund: \$335.0 million
- DWR Long-Term Water Augmentation Fund: \$334.0 million

TPT Distribution for Public Infrastructure

Under current law, the State Treasurer is authorized to distribute prime contracting TPT revenue generated from qualifying projects to a municipality or county to fund up to 80% of the costs of public infrastructure improvements (such as roads, water, and wastewater facilities) needed to support the activities of a qualifying manufacturing facility located in that municipality or county. The amount of state tax dollars paid to cities and counties statewide is currently capped at \$50 million through September 30, 2033. Laws 2022, Chapter 321 increases the cap from \$50 million to \$100 million, which is expected to result in a one-time revenue reduction of \$(50) million in FY 2023.

Liquor Licenses Fund Transfer Reduction

Laws 2022, Chapter 309 (Capital Outlay) appropriates \$3.5 million one-time from the Liquor Licenses Fund in FY 2023 to the Department of Liquor Licenses and Control for the cost of remodeling and expanding their existing office space. As explained under *Item 5* in the *Budget Legislation* section, this has the effect of reducing the transfer of excess revenue from the Liquor Licenses Fund to the General Fund by \$(3.5) million in FY 2023.

Balance Forward

The FY 2022 General Fund ending balance carried into FY 2023 was \$4.71 billion.

**FY 2024**

Balance Forward

The FY 2023 General Fund ending balance carried into FY 2024 is projected to be \$2.30 billion.

**FY 2025**

Balance Forward

The FY 2024 General Fund ending balance carried into FY 2025 is projected to be \$259.4 million.

**FY 2026**

The Baseline assumes no one-time revenue sources in FY 2026.

Table 4

**GENERAL FUND REVENUE - FY 2022 - FY 2024**

<b>FORECAST REVENUE GROWTH</b>								
(\$ in Thousands)								
	<b>ACTUAL FY 2022</b>	<b>% CHANGE PRIOR YR</b>	<b>FORECAST FY 2023</b>	<b>% CHANGE PRIOR YR</b>	<b>\$ CHANGE PRIOR YR</b>	<b>FORECAST FY 2024</b>	<b>% CHANGE PRIOR YR</b>	<b>\$ CHANGE PRIOR YR</b>
Sales and Use	7,208,853.5	15.4%	7,710,847.8	7.0%	501,994.2	7,925,320.8	2.8%	214,473.0
Income - Individual	7,530,010.7	15.3%	6,452,914.5	-14.3%	(1,077,096.2)	5,909,733.4	-8.4%	(543,181.1)
- Corporate	1,163,468.9	37.4%	1,303,569.9	12.0%	140,101.0	1,299,718.8	-0.3%	(3,851.1)
Property	26,787.4	19.7%	24,805.2	-7.4%	(1,982.3)	24,259.5	-2.2%	(545.7)
Luxury - Tobacco	20,941.2	-6.8%	20,731.7	-1.0%	(209.4)	20,524.4	-1.0%	(207.3)
- Liquor	43,720.7	-2.3%	45,163.5	3.3%	1,442.8	44,034.4	-2.5%	(1,129.1)
Insurance Premium	707,654.0	14.8%	741,267.6	4.7%	33,613.6	749,340.8	1.1%	8,073.3
Other Taxes	16,301.4	6.5%	17,344.7	6.4%	1,043.3	18,420.0	6.2%	1,075.4
Subtotal - Taxes	16,717,737.8	16.5%	16,316,644.8	-2.4%	(401,093.0)	15,991,352.1	-2.0%	(325,292.7)
<b>Other Non-Tax Revenues:</b>								
Lottery	183,680.2	75.4%	175,812.1	-4.3%	(7,868.1)	188,150.7	7.0%	12,338.6
Gaming Revenue	10,437.0	N/A	33,586.0	221.8%	23,149.0	22,938.6	-31.7%	(10,647.4)
Licenses, Fees and Permits	40,600.8	4.3%	43,970.7	8.3%	3,369.9	46,940.5	6.8%	2,969.8
Interest	46,383.0	5118.2%	300,000.0	546.8%	253,617.0	270,000.0	-10.0%	(30,000.0)
Sales and Services	30,351.5	16.5%	33,234.9	9.5%	2,883.4	36,093.1	8.6%	2,858.2
Other Miscellaneous	155,770.7	4.4%	163,578.1	5.0%	7,807.5	177,344.2	8.4%	13,766.0
Transfers and Reimbursements	168,356.1	29.5%	101,039.8	-40.0%	(67,316.3)	60,568.5	-40.1%	(40,471.3)
Disproportionate Share Revenue	87,833.5	3.5%	84,478.0	-3.8%	(3,355.5)	75,853.5	-10.2%	(8,624.5)
Subtotal - Other Non-Tax	723,412.8	29.7%	935,699.7	29.3%	212,286.9	877,889.0	-6.2%	(57,810.6)
<b>Net Ongoing Revenue</b>	<b>17,441,150.6</b>	<b>17.0%</b>	<b>17,252,344.4</b>	<b>-1.1%</b>	<b>(188,806.2)</b>	<b>16,869,241.1</b>	<b>-2.2%</b>	<b>(383,103.3)</b>
Urban Revenue Sharing (URS)	(756,388.3)	N/A	(1,106,958.7)	N/A	(350,570.4)	(1,564,826.3)	N/A	(457,867.7)
<b>Net Ongoing Revenue w/ URS</b>	<b>16,684,762.3</b>	<b>18.5%</b>	<b>16,145,385.8</b>	<b>-3.2%</b>	<b>(539,376.6)</b>	<b>15,304,414.8</b>	<b>-5.2%</b>	<b>(840,971.0)</b>
<b>One-Time Financing Sources:</b>								
Water Infrastructure Repayment	20,000.0	N/A	0.0	-100.0%	(20,000.0)	0.0	N/A	0.0
Attorney General Settlement	0.0	N/A	77,250.0	N/A	77,250.0	0.0	-100.0%	(77,250.0)
Withholding Revenue Loss	0.0	N/A	(700,000.0)	N/A	(700,000.0)	0.0	N/A	700,000.0
TPT Diversions	0.0	N/A	(2,287,489.6)	N/A	(2,287,489.6)	0.0	N/A	2,287,489.6
Newly Enacted Tax Reductions	0.0	N/A	(50,000.0)	N/A	(50,000.0)	0.0	N/A	50,000.0
Other One-Time Revenue Changes	0.0	N/A	(3,500.0)	N/A	(3,500.0)	0.0	N/A	3,500.0
Subtotal - One-Time Financing Sources	20,000.0	N/A	(2,963,739.6)	N/A	(2,983,739.6)	0.0	N/A	2,963,739.6
<b>Subtotal - Revenues</b>	<b>16,704,762.3</b>	<b>18.3%</b>	<b>13,181,646.2</b>	<b>-21.1%</b>	<b>(3,523,116.2)</b>	<b>15,304,414.8</b>	<b>16.1%</b>	<b>2,122,768.6</b>
Balance Forward	894,636.0	140.2%	4,709,446.0	426.4%	3,814,810.0	2,296,811.1	-51.2%	(2,412,634.9)
<b>Total - Resources</b>	<b>17,599,398.3</b>	<b>21.5%</b>	<b>17,891,092.2</b>	<b>1.7%</b>	<b>291,693.8</b>	<b>17,601,225.9</b>	<b>-1.6%</b>	<b>(289,866.3)</b>

Table 5

## GENERAL FUND REVENUE - FY 2025 - FY 2026

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2025	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2026	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	8,243,189.7	4.0%	317,868.9	8,660,647.3	5.1%	417,457.6
Income - Individual	6,112,745.3	3.4%	203,011.9	6,374,711.9	4.3%	261,966.6
- Corporate	1,343,290.9	3.4%	43,572.1	1,412,597.1	5.2%	69,306.3
Property	23,725.8	-2.2%	(533.7)	23,203.8	-2.2%	(522.0)
Luxury - Tobacco	20,319.2	-1.0%	(205.2)	20,116.0	-1.0%	(203.2)
- Liquor	46,500.3	5.6%	2,465.9	49,104.3	5.6%	2,604.0
Insurance Premium	770,498.5	2.8%	21,157.7	797,514.1	3.5%	27,015.6
Other Taxes	19,543.6	6.1%	1,123.6	20,716.3	6.0%	1,172.6
Subtotal - Taxes	16,579,813.2	3.7%	588,461.2	17,358,610.7	4.7%	778,797.5
<b>Other Non-Tax Revenues:</b>						
Lottery	198,622.1	5.6%	10,471.4	209,961.7	5.7%	11,339.6
Gaming Revenue	23,952.7	4.4%	1,014.1	25,017.6	4.4%	1,064.9
Licenses, Fees and Permits	48,912.0	4.2%	1,971.5	50,966.3	4.2%	2,054.3
Interest	146,000.0	-45.9%	(124,000.0)	87,000.0	-40.4%	(59,000.0)
Sales and Services	38,944.5	7.9%	2,851.4	41,670.6	7.0%	2,726.1
Other Miscellaneous	189,651.8	6.9%	12,307.7	199,452.0	5.2%	9,800.2
Transfers and Reimbursements	61,127.0	0.9%	558.5	61,705.1	0.9%	578.1
Disproportionate Share Revenue	75,583.9	-0.4%	(269.6)	75,901.9	0.4%	318.0
Subtotal - Other Non-Tax	782,793.9	-10.8%	(95,095.1)	751,675.1	-4.0%	(31,118.8)
<b>Net Ongoing Revenue</b>	<b>17,362,607.2</b>	<b>2.9%</b>	<b>493,366.1</b>	<b>18,110,285.8</b>	<b>4.3%</b>	<b>747,678.6</b>
Urban Revenue Sharing (URS)	(1,396,167.2)	N/A	168,659.1	(1,297,701.4)	N/A	98,465.8
<b>Net Ongoing Revenue w/ URS</b>	<b>15,966,440.0</b>	<b>4.3%</b>	<b>662,025.2</b>	<b>16,812,584.4</b>	<b>5.3%</b>	<b>846,144.4</b>
<b>One-Time Financing Sources:</b>						
Water Infrastructure Repayment	0.0	N/A	0.0	0.0	N/A	0.0
Attorney General Settlement	0.0	N/A	0.0	0.0	N/A	0.0
Withholding Revenue Loss	0.0	N/A	0.0	0.0	N/A	0.0
TPT Diversions	0.0	N/A	0.0	0.0	N/A	0.0
Newly Enacted Tax Reductions	0.0	N/A	0.0	0.0	N/A	0.0
Other One-Time Revenue Changes	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	0.0	N/A	0.0	0.0	N/A	0.0
<b>Subtotal - Revenues</b>	<b>15,966,440.0</b>	<b>4.3%</b>	<b>662,025.2</b>	<b>16,812,584.4</b>	<b>5.3%</b>	<b>846,144.4</b>
Balance Forward	259,350.5	-88.7%	(2,037,460.6)	0.0	-100.0%	(259,350.5)
<b>Total - Resources</b>	<b>16,225,790.5</b>	<b>-7.8%</b>	<b>(1,375,435.4)</b>	<b>16,812,584.4</b>	<b>3.6%</b>	<b>586,793.9</b>

## 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.
- A.R.S. § 37-1305(E)(4) and A.R.S. § 35-144 allows the BSF to be used for the advance payment of wildfire suppression claims. Upon reimbursement of those claims by other entities, those monies are to be deposited into the BSF.
- 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%.
- Laws 2022, Chapter 308 Budget Implementation Budget Reconciliation Bill (BRB) continues to notwithstanding the requirements for any deposit to or withdrawals from the BSF through FY 2025. Chapter 308 also notwithstanding the 10% BSF cap for FY 2023.
- 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 2022

In CY 2021, Arizona real adjusted personal income increased by 2.57%, with a trend growth rate of 3.46%. Since this was (0.89)% below the trend growth rate of 3.46% but 0.57% above the 2.0% floor, the formula recommended no BSF deposit or withdrawal in FY 2022.

In FY 2022, the State Forester reimbursed \$4.6 million to the BSF for wildfire suppression claims.



Laws 2021, Chapter 408 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 2022. Chapter 408 required the BSF to be fully reimbursed by September 1, 2022. DES withdrew these monies and reimbursed them prior to September 1, 2022.

### **FY 2023**

The University of Arizona's Economic and Business Research Center (EBR) currently projects that Arizona real adjusted personal income will increase by 0.37% in CY 2022. Since this is (2.48)% below the estimated trend growth rate of 2.85% and below the 2% floor, the BSF formula is projected to recommend a withdrawal of \$(413.8) million in FY 2023. (*For more details, see Table 1.*)

Laws 2022, Chapter 321 diverts \$425.0 million of General Fund Transaction Privilege Tax (TPT) revenues to the BSF in even monthly installments during FY 2023.

### **FY 2024**

EBR currently projects that Arizona real adjusted personal income will increase by 1.32% in CY 2023. Since this is (1.26)% below the estimated trend growth rate of 2.58%, and below the 2% floor, the BSF formula is projected to recommend a withdrawal of \$(194.6) million in FY 2024. (*For more details, see Table 1.*)

## **Statutory Changes**

The Baseline would, as session law, continue to notwithstanding the requirements for 1) any deposit to or withdrawals from the Budget Stabilization Fund through FY 2026 and 2) a 10% BSF cap for FY 2024.

Table 1

**Budget Stabilization Fund <sup>1/</sup>**  
**(\$ in Thousands)**

	<b>Actual FY 2022</b>	<b>Estimate FY 2023</b>	<b>Estimate FY 2024</b>
<b>General Fund Revenues</b>			
Adjusted Revenues	\$16,684,762.3	\$15,445,385.8	\$15,304,414.8
Statutory Limit of Revenues	10.0%	10.0%	10.0%
Maximum Balance <sup>2/</sup>	1,668,476.2	1,544,538.6	1,530,441.5
<b>Arizona Personal Income in Prior CY</b>			
Real Adjusted Annual Income Growth	2.57%	0.37%	1.32%
7-Year Average Income Growth	3.46%	2.85%	2.58%
Annual Difference	(0.89)%	(2.48)%	(1.26)%
<b>BSF Transactions</b>			
Beginning BSF Balance	974,736.2	982,163.7	1,427,163.7
BSF Formula Recommendation	0.0	(413,782.1)	(194,611.9)
<b>Actual Transfer In</b>			
General Fund Appropriation <sup>3/</sup>	0.0	425,000.0	0.0
<b>Actual Transfer Out</b>			
State Forester Claims <sup>4/</sup>	4,596.8	0.0	0.0
DES Reimbursement Grants <sup>5/6/</sup>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	4,596.8	0.0	0.0
Balance	979,333.0	1,407,163.7	1,427,163.7
Interest Earnings & Equity Gains/Losses <sup>7/</sup>	2,830.7	20,000.0	20,000.0
<b>Ending BSF Balance</b>	<b>\$982,163.7</b>	<b>\$1,427,163.7</b>	<b>\$1,447,163.7</b>
<b>Percent of Revenues</b>	<b>5.9%</b>	<b>9.2%</b>	<b>9.5%</b>

<sup>1/</sup> BSF history prior to FY 2022 can be found on the JLBC website.

<sup>2/</sup> Laws 2022, Chapter 308 is notwithstanding the 10% BSF cap for FY 2023.

<sup>3/</sup> Laws 2022, Chapter 321 diverts \$425 million from General Fund Transaction Privilege Tax (TPT) revenues to the BSF in FY 2023.

<sup>4/</sup> 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.

<sup>5/</sup> 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.

<sup>6/</sup> Laws 2021, Chapter 408 authorized DES to use up to \$25.0 million from the BSF to provide funding for reimbursement grants in FY 2022. Chapter 408 required the BSF to be fully reimbursed by September 1, 2022. These monies were spent and repaid by September 1, 2022.

<sup>7/</sup> Net earnings for FY 2023 and FY 2024 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 2024 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 2024 is estimated to be \$183.9 million and the Total State Funds cost is \$513.9 million. *(Please see Table 1 for the total costs.)*

Employer contribution rate for the retirement systems change each year depending on the latest actuarial valuation. Some of the retirement costs may be covered by agencies’ non-appropriated funding sources.

#### ASRS

The General Fund cost associated with ASRS in FY 2024 is estimated to be \$97.9 million and the Total State Funds cost is \$352.4 million.

At its November 2022 meeting, the ASRS Board of Trustees increased the pension contribution rate to 12.14% of Personal Services in FY 2024. The FY 2023 rate was 12.03%. The employer contribution rate for disability

<b>Table 1</b>			
<b>Arizona Public Retirement FY 2024 System Employer Cost</b>			
	<b>FY 2024 Total Cost 1/</b>		
	<b>General Fund</b>	<b>All Other Funds 2/</b>	<b>Total</b>
Arizona State Retirement System	\$ 97,940,200	\$ 254,419,600	\$ 352,359,800
Public Safety Personnel Retirement System	20,819,800	9,735,400	30,555,200
Corrections Officer Retirement Plan	26,832,300	248,100	27,080,400
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	24,519,200	357,700	24,876,900
University Optional Retirement Plan	22,177,500	65,338,300	87,515,800
<b>Grand Total</b>	<b>\$ 192,289,000</b>	<b>\$ 330,099,100</b>	<b>\$ 522,388,100</b>

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2023 enacted budget changes in Personal Services costs. These estimates are based on Tier 1 and Tier 2 employer contribution rates, and do not include the impact of Tier 3 employer contribution rates.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

insurance increased from 0.14% to 0.15%, for a total overall employer contribution rate of 12.29% (compared to 12.17% last year).

**PSPRS**

The PSPRS system consists of numerous state and local subgroups, each with its own contribution rate.

The General Fund cost associated with PSPRS in FY 2024 is estimated to be \$20.8 million and the Total State Funds cost is \$30.6 million.

In aggregate, the Tier 1 and Tier 2 PSPRS employer contribution rate is (7.99)% lower in FY 2024 (see Table 4 below).

**CORP**

The General Fund cost associated with CORP is \$26.8 million in FY 2024 and the Total State Funds cost is \$27.1 million.

In aggregate, the Tier 1 and Tier 2 CORP employer contribution rate is (7.61)% lower in FY 2024 (see Table 4).

**EORP and EODCRS System**

The General Fund cost associated with EORP and the EODCRS in FY 2024 is estimated to be \$24.5 million and the Total State Funds cost is \$24.9 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 2024 is estimated to be \$22.2 million and the Total State Funds cost is \$87.5 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 2024.

**Table 2**

**ASRS Contribution Rates  
(Excludes Disability)**

<u>Fiscal Year</u>	<u>Rate <sup>1/</sup></u>	<u>Fiscal Year</u>	<u>Rate <sup>1/</sup></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	<sup>2/</sup> 4.78	FY 2010	9.00
FY 1990	<sup>2/</sup> 1.29	FY 2011	9.60
FY 1991	<sup>2/</sup> 3.37	FY 2012	10.50
FY 1992	<sup>2/</sup> 3.17	FY 2013	10.90
FY 1993	<sup>2/</sup> 3.10	FY 2014	11.30
FY 1994	<sup>2/</sup> 2.65	FY 2015	11.48
FY 1995	<sup>2/</sup> 3.26	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	FY 2024	12.14

<sup>1/</sup> 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.

<sup>2/</sup> 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.

**Table 3**

**PSPRS/CORP State Employer Group Retirement Rates  
(Excludes Health and Disability Program)**

Retirement System	Employer				Employee		
	FY 2023		FY 2024		FY 2024		
	Tier 1 and 2	Tier 3 <u>1/</u>	Tier 1 and 2	Tier 3 <u>1/</u>	Tier 1	Tier 2	Tier 3 <u>1/</u>
<u>Public Safety Personnel Ret. System</u>							
Liquor License Investigators	115.93	110.35	11.66	11.06	7.65	11.65	9.94
Department of Public Safety <u>2/</u>	66.73	104.22	19.98	11.48	2.65	6.65	5.55
Northern Arizona University Police	63.74	48.57	13.81	13.64	7.65	11.65	9.94
University of Arizona Police	50.23	46.72	14.99	13.93	7.65	11.65	9.94
Arizona State University Police	50.71	47.02	16.48	12.18	7.65	11.65	9.94
Game and Fish Department	136.73	133.44	9.61	9.56	7.65	11.65	9.94
Attorney General Investigators	50.30	42.83	7.91	9.56	7.65	11.65	9.94
DEMA Firefighters	45.56	41.74	15.01	13.58	7.65	11.65	9.94
Parks Police	112.19	116.59	8.00	9.56	7.65	11.65	9.94
<u>Corrections Officer Ret. Plan</u>							
Corrections Officer - ADC	30.88	31.22	6.00	6.12	8.41	8.41	7.49
Corrections Officer - DJC	46.55	47.42	6.12	7.17	8.41	8.41	7.49
DPS Dispatchers <u>3/</u>	71.44	73.13	6.00	7.64	7.96	7.96	7.49
Probation Officers	35.97	36.66	39.43	41.94	8.41	8.41	7.49

1/ FY 2023 and 2024 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 for Tier 1/2 members.  
3/ Dispatchers hired after November 24, 2009 are ASRS members.

**Funded Status**

As of June 30, 2022, there were 688,383 active, inactive, retired, and DROP members enrolled in ASRS, PSPRS, CORP, and EORP. Most employees (91%) are enrolled in ASRS (Please see Table 5 for more information.)

The funded status, or the market value of plan assets relative to the amount of liabilities, of each plan is:

- 75.1% for ASRS;
- 63.6% for PSPRS;
- 85.3% for CORP; and
- 32.0% for EORP.

The above percentages exclude the retiree health portion of the pension plan.

**Table 4**

**Reasons for Change in the Employer Contribution Rate 1/**

	<u>PSPRS</u>	<u>CORP</u>	<u>EORP</u>
FY 2023 Contribution Rate	54.14%	25.47%	70.42%
Asset (Gain)/Loss	0.12%	0.41%	0.12%
Payroll	-1.03%	0.41%	2.70%
Liability Experience	1.02%	0.66%	-0.85%
Additional Contribution	-9.61%	-9.71%	0.00%
Assumption Changes	2.54%	0.49%	6.23%
Other	<u>-1.03%</u>	<u>0.13%</u>	<u>-2.11%</u>
<b>FY 2024 Contribution Rate</b>	<b>46.15%</b>	<b>17.86%</b>	<b>76.51%</b>
<b>Net Change</b>	<b>-7.99%</b>	<b>-7.61%</b>	<b>6.09%</b>

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. This excludes the health portion of the contribution rate.

**Table 5**

**Arizona Public Retirement System Valuation Data as of June 30, 2022**

Membership	ASRS		PSPRS		CORP		EORP	
	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>
Active (working and contributing)	207,913	208,393	18,366	18,185	9,863	8,681	373	354
State Active Members	N/A	N/A	1,353	1,238	4,534	262	N/A	N/A
Other Active Members <sup>1/</sup>	N/A	N/A	17,013	16,947	5,329	8,419	N/A	N/A
Inactive	253,152	255,622	2,612	2,893	3,726	3,797	177	168
Retired Members, Disabled and Survivor Beneficiaries	160,215	164,753	14,564	15,299	6,417	6,791	1,315	1,303
Deferred Retirement Option Plan	N/A	N/A	2,131	2,144	N/A	N/A	N/A	N/A
<b>Total</b>	<b>621,280</b>	<b>628,768</b>	<b>37,673</b>	<b>38,521</b>	<b>20,006</b>	<b>19,269</b>	<b>1,865</b>	<b>1,825</b>
<b>Funding Status (dollar values in millions) <sup>2/</sup></b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>
Market Value of Assets	\$50,300	\$40,872	\$11,455	\$13,043	\$3,216	\$3,713	\$346	\$318
Total Actuarial Liability	\$62,860	\$58,266	\$19,306	\$20,508	\$4,351	\$4,352	\$955	\$993
Unfunded Actuarial Liability <sup>3/</sup>	\$12,560	\$15,586	\$7,861	\$7,465	\$1,135	\$639	\$609	\$675
Funded Status <sup>3/</sup>	80.0%	75.1%	59.3%	63.6%	73.9%	85.3%	36.2%	32.0%

N/A=Not Available

<sup>1/</sup> Includes city, county, political subdivision, higher education and other education active members.  
<sup>2/</sup> Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the funded status may vary for each employer group.  
<sup>3/</sup> Calculated on market, not actuarial, value of assets. Excludes the funded status of the retiree health portion of the plan.

State Retirement Plan Summary										
	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
<b>Hire Date</b>										
<b>Normal Retirement Age</b>	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
<b>Minimum Years of Service</b>	20 years: 15 years if aged 62 or older	15 years	15 years		25 years		20 years	10 years		
<b>Multiplier</b>	50%+ <20 years: -4.00% 20 to <25 years: 2.00% 25+ years: 2.50%	62.5%+ <25 years: -4.00% 25+ years: 2.50% May use Tier 3 multiplier if better	15 to <17 years: 1.50% 17 to <19 years: 1.75% 19 to <22 years: 2.00% 22 to <25 years: 2.25% 25+ years: 2.50%	50%+ 20+ years: 2.50% If 80 point rule is used for hires prior to 8/9/2001: Average Salary X Yrs of svc X 2.5%	62.5%+ 25+ years: 2.50% (Max 7 years) If less than 25 years: Avg. Salary X Yrs of svc 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%
<b>PBI or COLA</b>	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.
<b>Benefit Cap</b>	Adjusted by IRS	Adjusted by IRS	\$110,000	Adjusted by IRS	Adjusted by IRS		Adjusted by IRS	Adjusted by IRS		Adjusted by IRS
<b>Normal Cost Split</b>	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
<b>Assumed Rate of Return</b>	7.40%	7.40%	7.40%	7.40%	7.40%		7.40%	7.40%		7.50%
<b>Employee Rate</b>	7.65%	11.65%	9.85% DC: 9.00%	8.41%	8.41%	7.00%	7.00%	13.00%	8.00%	12.11%
<b>Aggregate Employer Rate</b>	52.47%	52.47%	DB 47.75% (Normal+Legacy Costs) DC: 9.00%+Legacy Costs	27.59%	27.59%	5%+Legacy Cost	61.43%	61.43%	61.43% (6.00% to employer account)	12.11%
1/ CORP includes a Tier 3 Defined Benefit plan, however essentially all state workers in CORP would only be eligible for the Defined Contribution Plan.										



***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 2024 budget.

The Baseline also includes supplemental FY 2023 funding for selected budget units. All FY 2023 changes are referenced to the original FY 2023 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 2026.

### 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 2022 Actual* - This dollar amount represents the FY 2022 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 2021 but for which the state was not billed until FY 2022.
- *FY 2023 Estimate* - This dollar amount represents the FY 2023 appropriations as of the end of the 55<sup>th</sup> Legislature, 2<sup>nd</sup> Regular Session. It does *not* include any supplemental FY 2023 funding in the Baseline.
- *FY 2024 Baseline* - This dollar amount represents the FY 2024 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 2023 to FY 2024 in the Baseline.

*Medical and Dental Insurance* - The Baseline includes a decrease of \$(103.3) million from the General Fund and \$(172.8) million total funds to remove one-time funding for a deposit into the Health Insurance Trust Fund (HITF). Although these monies were allocated to individual budgets in FY 2023, this decrease is reflected as a statewide adjustment in the Baseline for FY 2024. The Baseline includes no further changes to agency budgets for medical and dental insurance costs. (*Please see the HITF discussions in the Arizona Department of Administration (ADOA) narrative for further details on HITF balances.*)

*Life Insurance* - \$7.28 per employee per year, unchanged from the FY 2023 rate set by ADOA.

*Unemployment Insurance (UI)* - 0.10% of Personal Services for each agency, unchanged from the FY 2023 originally rate set by ADOA and assumed in the FY 2023 budget. In September 2022, ADOA paused UI charges to agencies due to the balance of the UI fund administered by ADOA.

*Personnel Division Pro Rata* - 0.86% of Personal Services for each agency in the State Personnel System, unchanged from the FY 2023 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* - 0.61% of Personal Services for each agency, unchanged from the FY 2023 rate established in statute. Statewide Cybersecurity controls in the Department of Homeland Security budget and the government information technology review function in the ADOA budget are 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 2023 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 2023 amount set in the FY 2023 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 2023 workers' compensation rates. ADOA estimates the average statewide rate is 0.96%.

*Federal Insurance Contributions Act (FICA)* - Effective January 1, 2023, Social Security employer taxes are paid at a rate of 6.20% up to \$160,200 an increase from the previous maximum of \$147,000. 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 2023. 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 2024 rates as determined by the state's retirement systems have changed from the FY 2023 rates. The total contribution from ASRS employees and employers combined will be 24.28%, an increase from

the FY 2023 rate of 24.06%; both employers and employees will see their rates increase in FY 2024 to 12.14% from 12.03% in FY 2023. 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 0.15% of Personal Services for disability insurance, an increase of 0.01% from the FY 2023 rate of 0.14%. The employee rate will also be 0.15%.

Rates for disability insurance for PSPRS and CORP employers are changed from FY 2023. The PSPRS rate is 1.43% for defined-contribution employees (a decrease from 1.66%). The CORP rate is 0.45% (an increase from 0.44%) 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 2023. The disability insurance rate for participants in the Elected Officials' Defined Contribution Retirement System will be 0.15%, a decrease from 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 2023. These rates are based upon usable square feet. The Baseline assumes no changes to these rates for FY 2024. *(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 no changes to statewide adjustments for the

Arizona Financial Information System. The FY 2023 budget included an increase of \$490,000 from the General Fund and \$1,000,000 from Other Appropriated Funds for adjustments allocated to individual agency budgets. In FY 2023, total charges to state agencies were \$3,500,000 for the project. The Baseline assumes these amounts are sufficient to complete the AFIS upgrade project in FY 2024. (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 2023 or updated for technical reasons (e.g., fiscal year references). One-time FY 2023 footnotes do not reappear in the FY 2024 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 2023.)*

### **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 2023 unless noted.

*Federal Funds Reporting* – In FY 2024, 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 2024 for submission to the JLBC Director by October 1, 2024. 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, 2023 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2023.

*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 2023 General Fund ending balance by September 15, 2023. The JLBC Staff shall report to JLBC by October 15, 2023 as to whether FY 2024’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 2024 Baseline Summary section for details on the FY 2024 - FY 2026 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 2024 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 2023 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 2023 for FY 2022 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2022, but for which the state was unbilled until FY 2023. An agency’s administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority. The \$225,000,000 is an increase of \$55,000,000 from the originally-budgeted FY 2023 total.

In addition to the FY 2023 figure, the Baseline assumes a FY 2024 administrative adjustment total of \$150,000,000, a decrease of \$(75,000,000) from the revised FY 2023 total.

*Revertments* - The Baseline assumes that state agencies will revert \$(150,000,000) of FY 2023 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 2024. This amount is \$(65,000,000) less than the originally-budgeted FY 2023 total of \$(215,000,000).

In addition to the FY 2023 estimate, the Baseline also assumes a FY 2024 revertment total of \$(215,000,000), an increase of \$(65,000,000) from the revised FY 2023 total.

***DIRECTORY OF:***

- ***APPROPRIATIONS COMMITTEE MEMBERS***
- ***JLBC AND JCCR MEMBERS***
- ***JLBC STAFF***
- ***AGENCY DIRECTORS***

**DIRECTORY OF JLBC ANALYSTS  
AND AGENCY/DEPARTMENT HEADS  
(Analysts During the 2023 Regular Session)**

<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u> <sup>1/</sup>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Rebecca Perrera	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Chandler Coiner	David Geriminsky [Executive Director]	602-542-3095
Administration, Arizona Department of	Rebecca Perrera	Elizabeth Alvarado-Thorson [Director]	602-542-1500
ADOA - School Facilities Division	Rebecca Perrera	Elizabeth Alvarado-Thorson [Director]	602-542-1500
Administrative Hearings, Office of	Ben Newcomb	Greg Hanchett [Interim Director]	602-542-9830
African-American Affairs, Arizona Commission of	Micaela Larkin	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/ Chandler Coiner	Carmen Heredia [Director]	602-417-4111
Arizona State University	Morgan Dorcheus	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Ryan Fleischman	Jacqueline Alling [Executive Director]	602-771-6520
Athletic Training, Board of	Nate Belcher	Shaina Ganatra [Executive Director]	602-589-8353
Attorney General - Department of Law	Ryan Fleischman	Honorable Kris Mayes [Attorney General]	602-542-4266
Auditor General	Micaela Larkin	Lindsey Perry [Auditor General]	602-553-0333
Barbering and Cosmetology Board	Cameron Mortensen	Frank Migali [Interim Director]	480-784-4632
Behavioral Health Examiners, Board of	Cameron Mortensen	Tobi Zavala [Executive Director]	602-542-1617
Charter Schools, State Board for	Cameron Mortensen	Ashley Berg [Executive Director]	602-364-3080
Child Safety, Department of	Ryan Fleischman	Matthew Stewart [Director]	602-255-2713
Chiropractic Examiners, State Board of	Cameron Mortensen	Alissa Vander Veen [Executive Director]	602-542-9101
Citizens Clean Elections Commission	Micaela Larkin	Thomas M. Collins [Executive Director]	602-364-3477
Commerce Authority, Arizona	Nate Belcher	Sandra Watson [President and CEO]	602-845-1229
Community Colleges, Arizona	Cameron Mortensen	--	--
Constable Ethics Standards and Training Board	Ryan Fleischman	Dennis Dowling [Chairman]	602-343-6280
Contractors, Registrar of	Ben Newcomb	Martin Quezada [Director]	602-771-6700
Corporation Commission	Nate Belcher	Honorable Jim O'Connor [Chairman]	602-542-3682
Corrections, State Department of	Geoffrey Paulsen	Dr. Ryan Thornell [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	Cameron Mortensen	Annette Reichman [Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Cameron Mortensen	Sherri L. Collins [Executive Director]	602-542-3383
Dental Examiners, State Board of	Cameron Mortensen	Ryan Edmonson [Executive Director]	602-542-4451
Early Childhood Development and Health Board, Arizona	Ryan Fleischman	Melinda Gulick [Chief Executive Director]	602-771-5091
Economic Opportunity, Office of	Ben Newcomb	Sandra Watson [Director]	602-771-0484
Economic Security, Department of	Chandler Coiner	Angie Rodgers [Director]	602-542-5757
Education, State Board of	Cameron Mortensen	Alicia Williams [Executive Director]	602-542-5057
Education, Department of	Patrick Moran	Honorable Tom Horne [Superintendent of Public Instruction]	602-542-5072
Emergency and Military Affairs, Department of	Jordan Johnston	Kerry L. Muehlenbeck [Adjutant General]	602-267-2710
Environmental Quality, Department of	Maggie Rocker	Karen Peters [Director]	602-771-2203
Equal Opportunity, Governor's Office of	Nate Belcher	Barry Wong [Executive Director]	602-542-5732
Equalization, State Board of	Ben Newcomb	George R. Shook [Interim Chairman]	602-364-1611
Executive Clemency, Board of	Ryan Fleischman	Gretchen McClellan-Singh [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	Tom Torres [State Forester]	602-771-1400
Funeral Directors and Embalmers, State Board of	Micaela Larkin	Natasha Culbertson [Executive Director]	602-542-8152
Game and Fish Department, Arizona	Nate Belcher	Ty Gray [Director]	602-942-3000
Gaming, Department of	Ben Newcomb	Jackie Johnson [Director]	602-771-4263
Governor, Office of the	Micaela Larkin	Honorable Katie Hobbs [Governor]	602-542-4331
Governor's Office of Strategic Planning and Budgeting	Micaela Larkin	Sarah Brown [Director]	602-542-5381
Health Services, Department of	Maggie Rocker	Dr. Theresa Cullen [Director]	602-542-1025
Historical Society, Arizona	Micaela Larkin	David Breeckner [Executive Director]	520-628-5774



<u>AGENCY/DEPARTMENT/BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS <sup>1/</sup></u>	<u>TELEPHONE NUMBER</u>
Historical Society of Arizona, Prescott	Micaela Larkin	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	Chandler Coiner	David Geriminsky [Executive Director]	602-542-3095
House of Representatives	Micaela Larkin	Honorable Ben Toma [Speaker of the House]	602-926-3312
Housing, Arizona Department of	Cameron Mortensen	Joan Serviss [Director]	602-771-1007
Independent Redistricting Commission	Micaela Larkin	Brian Schmitt [Executive Director]	
Industrial Commission of Arizona	Jordan Johnston	James Ashley [Director]	602-542-4411
Insurance and Financial Institutions, Department of	Nate Belcher	Shane Foster [Director]	602-364-3471
Joint Legislative Budget Committee	Micaela Larkin	Richard Stavneak [Director]	602-926-5491
Juvenile Corrections, Department of	Ryan Fleischman	Douglas Sargent [Director]	602-542-4121
Land Department, State	Ben Newcomb	Robyn Sahid [Land Commissioner]	602-542-4621
Legislative Council	Micaela Larkin	Mike E. Braun [Executive Director]	602-926-4236
Liquor Licenses and Control, Department of	Nate Belcher	Ben Henry [Director]	602-542-9020
Lottery Commission, Arizona State	Geoff Paulsen	Gregory Edgar [Executive Director]	480-921-4505
Massage Therapy, Board of	Nate Belcher	Thomas Aughterton [Executive Director]	602-542-8804
Medical Board, Arizona	Chandler Coiner	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	Chandler Coiner	Gail Anthony [Director]	602-542-8242
Navigable Stream Adjudication Commission, Arizona	Nate Belcher	George Mehnert [Executive Director]	602-542-9214
Northern Arizona University	Cameron Mortensen	José Luis Cruz Rivera, Ph.D. [President]	928-523-3232
Nursing, State Board of	Chandler Coiner	Joey Ridenour [Executive Director]	602-771-7801
Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of	Chandler Coiner	Jack Confer [Executive Director]	602-542-8156
Occupational Therapy Examiners, Board of	Nate Belcher	Shaina Ganatra [Executive Director]	602-589-8352
Ombudsman-Citizens Aide Office	Micaela Larkin	Joanne MacDonnell [Ombudsman Citizens' Aide]	602-277-7292
Opticians, State Board of Dispensing	Morgan Dorcheus	Megan Darian [Executive Director]	602-542-8158
Optometry, State Board of	Morgan Dorcheus	Margaret Whelan [Executive Director]	602-542-8155
Osteopathic Examiners, Arizona Board of	Chandler Coiner	Justin Bohall [Executive Director]	602-771-2522
Parks Board, Arizona State	Nate Belcher	Robert Broscheid [Executive Director]	602-542-4174
Personnel Board, State	Rebecca Perrera	Robin Van Staeyen [Executive Director]	602-542-3888
Pharmacy, Arizona State Board of	Chandler Coiner	Kamlesh Gandhi [Executive Director]	602-771-2740
Physical Therapy, Board of	Nate Belcher	Judy Chepeus [Executive Director]	602-542-8157
Pioneers' Home, Arizona	Chandler Coiner	Jessica Sullivan [Superintendent]	928-277-2763
Podiatry Examiners, State Board of	Morgan Dorcheus	Heather Broaddus [Executive Director]	602-542-8151
Power Authority, Arizona	Ryan Fleischman	Jordy Fuentes [Executive Director]	602-368-4265
Private Postsecondary Education, State Board for	Cameron Mortensen	Kevin LaMountain [Executive Director]	602-542-5716
Psychologist Examiners, State Board of	Cameron Mortensen	Heidi Herbst Paakkonen [Director]	602-542-8162
Public Safety, Department of	Jordan Johnston	Jeff Glover [Director]	602-223-2359
Public Safety Personnel Retirement System	Jack Brown	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	Cynthia Zwick [Director]	602-364-4835
Respiratory Care Examiners, Board of	Cameron Mortensen	Charles Villafranca [Director]	602-542-5995
Retirement System, Arizona State	Jack Brown	Paul Matson [Director]	602-240-2000
Revenue, Department of	Micaela Larkin	Rob Woods [Director]	602-716-6090
Secretary of State, Department of State	Micaela Larkin	Honorable Adrian Fontes [Secretary of State]	602-542-4285
Senate	Micaela Larkin	Honorable Warren Petersen [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	Nate Belcher	Patricia Walker [Chairperson]	602-364-1102
Technical Registration, State Board of	Cameron Mortensen	Judith Stapley [Executive Director]	602-364-4930
Tourism, Office of	Nate Belcher	Lisa Urias [Director]	602-364-3717
Transportation, Department of	Jordan Johnston	Jennifer Toth [Director]	602-712-7227
Treasurer, State	Nate Belcher	Honorable Kimberly Yee [State Treasurer]	602-542-7800
Tribal Relations, Governor's Office on	Micaela Larkin	Kristine FireThunder [Executive Director]	602-542-4421
University of Arizona	Cameron Mortensen	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

Chandler Coiner  
Cameron Mortensen  
Micaela Larkin  
Micaela Larkin

AGENCY/DEPARTMENT HEADS <sup>1/</sup>

Colonel Dana Allmond [Director]  
Victoria Whitmore [Executive Director]  
Chuck Podolak [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

Rebecca Perrera  
Hans Olofsson  
Stefan Shepherd  
Stefan Shepherd

<sup>1/</sup> Includes appointments announced by Governor Hobbs. Not all those appointed may have formally taken their position as agency/department head as of publication.

[ ] Denotes Title for Information Purposes

1/24/23

## JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966 pursuant to Laws 1966, Chapter 96. The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government. The following members serve on the Committee during the 56<sup>th</sup> Legislature, 1<sup>st</sup> Regular Session:

Senator John Kavanagh Vice-Chairman	Representative David Livingston Chairman
Senator Lela Alston	Representative Leo Biasiucci
Senator Ken Bennett	Representative Neal Carter
Senator Sonny Borrelli	Representative Joseph Chaplik
Senator Brian Fernandez	Representative Matt Gress
Senator Jake Hoffman	Representative Athena Salman
Senator J.D. Mesnard	Representative Judy Schwiebert
Senator Raquel Terán	Representative Stephanie Stahl Hamilton

The objectives and major products of the staff of the JLBC are:

- Analysis and recommendations for the state budget, which is presented in January of each year.
- Technical, analytical, and preparatory support in the development of appropriations bills considered by the Legislature.
- Periodic economic and state revenue forecasts.
- Preparation of fiscal notes on legislation and ballot propositions that have a fiscal impact on the state or any of its political subdivisions.
- An annual *Appropriations Report*, which is published shortly after the budget is completed and provides detail on the budget along with an explanation of legislative intent.
- Support to the JLBC with respect to recommendations on business items placed on the committee's agenda such as transfers of appropriations pursuant to A.R.S. § 35-173.
- Support to the Joint Committee on Capital Review (JCCR) with respect to all capital outlay issues including land acquisition, new construction, and building renewal projects.
- Analyze the state tax structure, tax burdens on individuals and businesses and tax incentives for businesses pursuant to A.R.S. § 41-1272A4.

Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, Arizona 85007  
Phone: (602) 926-5491  
Email: [jlbcwebmaster@azleg.gov](mailto:jlbcwebmaster@azleg.gov)  
Website: <https://www.azjlbc.gov>

## JOINT COMMITTEE ON CAPITAL REVIEW

The Joint Committee on Capital Review (JCCR) was first established on April 11, 1986 pursuant to Laws 1986, Chapter 85. The primary powers and duties of the Joint Committee on Capital Review relate to ascertaining facts and making recommendations to the Legislature regarding state expenditures for land, buildings and improvements. This portion of the state budget is known as “capital outlay.” The following members serve on the Committee during the 56<sup>th</sup> Legislature, 1<sup>st</sup> Regular Session:

Representative David Livingston Vice-Chairman	Senator John Kavanagh Chairman
Representative Lorena Austin	Senator Lela Alston
Representative Leo Biasiucci	Senator Ken Bennett
Representative Andrés Cano	Senator Sonny Borrelli
Representative Joseph Chaplik	Senator Eva Diaz
Representative Matt Gress	Senator Jake Hoffman
Representative Athena Salman	Senator Raquel Terán

The JCCR is staffed by the JLBC Staff. The objectives and major products of the JCCR are to:

- Recommend capital appropriations to the Legislature.
- Approve capital transfers within a budget unit.
- Review the scope, purpose and cost of projects before releasing appropriations.
- Develop a “Building Renewal Formula.”
- Approve the use of Renewal funds for infrastructure repair.
- Approve lease-purchase agreements and the acquisition of certain real property and buildings.
- Along with the Legislature, approve corrections and state operated juvenile facilities expenditures from the Corrections Fund.
- Review the issuance of revenue bonds by the Board of Regents.
- Approve Arizona Department of Administration land and building purchases and condemnations.
- Review “Capital Improvement Plans.”
- Determine rental rates for buildings owned by the state.
- Review Community College District revenue bond projects.
- Review School Facilities Division assumptions for new school construction.
- Review School Facilities Division lease-to-own agreements.

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**Fifty-sixth Legislature**  
**First Regular Session**

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- Assistant Directors.....Micaela Larkin  
 .....Patrick Moran  
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- Administrative Assistant/JCCR Clerk .....Jennifer Burns