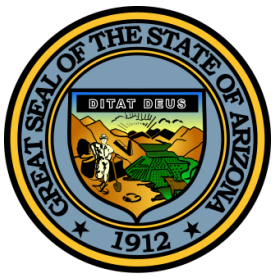
State of Arizona
Executive Budget

SUMMARY

FISCAL YEAR 2021

Douglas A. Ducey
GOVERNOR



JANUARY 2020

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The Budget Summary

True to a discipline in governing that is becoming known nationally as the "Arizona Way," the FY 2021 Executive Budget leverages smart policy to develop and retain talent in Arizona's workforce, ensure that the state's regulatory climate is reasonable and competitive, and perpetuate Arizona's economic momentum.

> **"There are no new grand entitlements in our plan – we're not going to saddle future generations with ever-growing bills that will be increasingly difficult to pay. The investments we're proposing are targeted and focused on areas of real need – like public education – not frivolous fads of the moment. And they're sustainable."**
>
> Gov. Doug Ducey

Arizona is winning in the game of states. In a typical day, more than 300 Americans vote with their feet and – recognizing our state's boundless opportunity, exceptional quality of life, affordability, and business-friendly climate – choose to make Arizona their new home.

With over 350,000 jobs added since 2015, rising paychecks, and the strongest manufacturing growth in 30 years, the state's robust economy is a compelling attraction for businesses and families seeking a better future.

In promoting economic opportunity for all, the "Arizona Way" under Governor Ducey carries a clear mandate: Government should run at the "speed of business" – to *decide* faster, *respond* faster, and *resolve* faster; to, add more services online that make interactions with State Government a satisfying experience; and to keep tax burdens at a minimum. This is the proven way to develop and retain talent in Arizona's workforce, ensure that the state's regulatory climate is reasonable and competitive, and perpetuate Arizona's economic momentum.

Underpinning Arizona's success is a commitment to smart policy that manifests itself in many vital ways:

- Fulfilling, ahead of schedule, a $1 billion promise to Arizona's K-12 teachers and schools.
- Expanding the scope and reach of the Arizona Teachers Academy.
- Enhancing the State's investment in school capital.
- Raising the level of public safety by tackling wrong-way and impaired driving.
- Improving prison environments so that a genuine "second chance" is possible for individuals who have served their time.
- Addressing the staffing shortages at the Department of Corrections and the Department of Child Safety.
- Meeting the needs of children in the State's care, the elderly, and individuals with physical or mental disabilities.
- Bolstering the State's cybersecurity protection.
- Strengthening the judicial system through competitive staff and jurist pay.
- Fostering a business-friendly tax and regulatory climate and a thriving startup ecosystem.

These policies vividly illustrate State Government's abiding commitment to Arizona's standing as a desirable destination for families and businesses. The Executive strives to produce a government that promotes economic prosperity and uses taxpayer dollars responsibly – not to fund a bigger government, but to help Arizonans keep more of what they earn for investment in their families and futures.

FY 2020 Budget Forecast

For the third consecutive year, the State of Arizona has maintained a structural budget balance that is expected to continue for years to come. The Executive forecasts a current fiscal year structural surplus of $763 million and an ending cash balance of $671 million.

FY 2021 Executive Budget

The FY 2021 Executive Budget is faithful to the "Arizona Way": fiscally conservative, balanced, and supportive of the State's bedrock priorities – K-12 education, child safety, public safety, infrastructure, and workforce development.

Including the baseline changes and Executive initiatives, the Executive forecasts a structural surplus of $250 million, resulting in an ending cash balance of $165 million.

Average ongoing spending growth over the past five years remains at 5.2%, compared to 11.1% in the five years leading up to the Great Recession. Under the Executive's FY 2021 spending plan, average spending growth over the next three years is 2.1%, which is below the levels of the mid-2000s and the 10-year average of 4.0%.

Education

The Arizona Way is paved with the success and strength of the state's education system in meeting student needs and offering them a pathway to a bright and productive future.

Since 2015, the State has made year-by-year progress in significantly boosting public education funding by cumulatively spending over $4.5 billion. With the investments proposed in the FY 2021 Executive Budget, that figure grows to $6.6 billion. Together, the Executive and Legislature have restored school funding that was cut in previous budgets and resolved Recession-era gimmicks and school finance lawsuits through smart, sustainable decisions.

The FY 2021 Executive Budget allocates 58% of new discretionary spending, or $447 million, for K-12 and higher education. When counting General Fund baseline and Executive initiatives, the Executive Budget includes $456 million, or 64% of the total spending increase.

The Executive Budget advances education by accelerating signature education investments, expanding the school safety program, incentivizing academic improvement and excellence, and preparing students for tomorrow's "New Economy" workforce.

K-12 EDUCATION

K-12 education is a box that the Executive will never check as "complete." The ongoing pursuit of improving the quality and expanding the quantity of Arizona's excellent public schools is fundamental. In support of that effort, the FY 2021 Executive Budget:

- fulfills a $1 billion promise to K-12 education, ahead of schedule;
- fully restores additional assistance formula funding in FY 2021, instead of FY 2023 as originally planned;
- implements the final piece to the "20x2020" plan that funds a permanent 20% teacher pay raise by school year 2020-2021;
- increases funding for daily operations pursuant to Proposition 123;
- includes more high-performing schools in the Results Based Funding formula and incentivizes more schools to prepare more students to pass college credit exams, enabling Arizona students to save on tuition dollars and potentially graduate sooner;
- invests in schools and students in need by (a) providing additional funding to close the achievement gap at struggling schools; (b) expanding the pipeline of teachers in low-income schools; (c) knocking down barriers to graduation, college, or the workforce by supporting at-risk youth; and (d) eliminating financial hurdles for low-income students to take examinations that qualify for college credit;
- doubles the amount of funding available for the School Safety Grant Program;
- supports parents who use the Empowerment Scholarship Account program;
- introduces a new incentive program for schools to offer programs in high-demand industries, in recognition of the importance of equipping students with hands-on skills needed to succeed in the workforce and postsecondary education; and
- fully funds schools' anticipated building renewal needs and significantly enhances the square-footage calculations for new construction.

HIGHER EDUCATION

For Arizona's three public universities – the University of Arizona, Arizona State University, and Northern Arizona University – and the State's community colleges, the Executive Budget:

- continues to tackle teacher shortage through the Arizona Teachers Academy and funds an even more robust marketing, outreach, and recruitment program to attract more talent and the next generation of Arizona teachers;
- enhances the universities' capacity for graduating more students in critical areas, to help Arizona compete in the New Economy;
- continues support of university operating and capital investments initially funded in the FY 2020 budget;
- expands adult learners' access to quality educational opportunities that support job training, employment, and aspiration for higher education;
- fully funds the Community College STEM and Workforce formula for *all* colleges for the first time since its creation in 2013; and
- expands educational opportunities in Arizona's rural communities with flexible operating funding, plus targeted support for advanced technology development at colleges that primarily serve rural Arizona.

Public Safety

The Executive Budget makes strategic investments to enhance and modernize public safety statewide; provides competitive pay for targeted personnel; and equips public safety workers with the tools they need to fulfill their mission.

LAW ENFORCEMENT

Wrong-Way and Impaired Driving. Strategic law-enforcement investments focused on wrong-way and impaired drivers will make Arizona highways safer.

The Executive Budget:

- expands the "Night Watch" shift by adding six Department of Public Safety (DPS) troopers to patrol State highways in Maricopa County between 8:00 PM and 6:00 AM, when impaired driving and safety threats to motorists are highest;
- fully funds DPS overtime expenses for troopers who are required to respond to emergencies, including incidents of impaired driving;
- establishes a Driving Under the Influence (DUI) Investigative Task Force at the Department of Liquor Licenses and Control to increase the Department's prevention, investigative, and corrective actions for liquor-licensed establishments;
- over the next three fiscal years, increases DUI checkpoint and enforcement activities administered by local police departments; and
- to detect wrong-way driving, installs 76 thermal cameras along I-40, I-17, and I-19.

Public Safety Assets. The Executive Budget includes funding for the right tools to strengthen DPS's capacity for carrying out its mission:

- replaces DPS's aging helicopters, to strengthen the Department's air rescue capabilities in supporting local law enforcement;
- adopts a new funding standard to maintain and replace DPS vehicles at regular intervals, to help ensure the safety of troopers and the public; and
- upgrades the State's public safety radio system and a portion of DPS radios, which allow for critical radio communications for over 12,000 users, including 12 State agencies and number of local, federal, and tribal agencies.

TRAVEL DOCUMENTATION

The Executive Budget provides supplemental and FY 2021 funding to increase staffing at Motor Vehicle Division (MVD) locations, to accommodate the anticipated surge of Arizonans needing to acquire a federally compliant license for domestic air travel and admittance into federal buildings.

CORRECTIONS

Investments in Correctional Officers. The Executive Budget includes $42.5 million to provide salary increases to key positions at the Department of Corrections (ADC) and Department of Juvenile Corrections (ADJC), with a primary focus on security personnel, which are difficult to recruit and retain. In keeping with that initiative, the Executive Budget:

- adds funding to complete the phase-in of a 15% raise for security personnel that began in FY 2020;
- establishes a new Corporal position that provides leadership opportunities for senior Correctional Officer II (COII) positions in addition to becoming a Sergeant (in turn, Sergeants will have more time to develop, coach, train, and engage COIIs, which is imperative to improving workplace culture);
- addresses salary compression issues for correctional supervisors; and
- provides funding to maintain salary parity for several positions across ADJC that align with comparable ADC positions receiving pay raises.

Prison Safety. To address the safety and security of staff and inmates, the Executive Budget:

- increases funding to complete critical infrastructure improvement to locks, fire alarm and suppression systems, and HVAC units at the Lewis and Yuma prison complexes;
- fully funds the ADC building renewal formula for the first time since the formula's creation;
- closes the Florence prison and moves existing staff to the nearby Eyman prison complex to fill vacant positions at that facility;
- allows for partnering with county jails and other third-party facilities that will manage and operate temporary replacement beds for Florence and increase general bed management capacity.

The focus of this bed-management initiative is to ensure that ADC employees and inmates occupy an environment that is conducive to reducing the rate of recidivism. By eliminating the COII vacancy rate, inmates will receive better access to educational and substance-abuse treatment programs. Safe, improved, and consistent access to programming opportunities will help inmates receive the support they need to get a genuine "Second Chance" upon serving their sentences and rejoining society.

Reducing Inmate Recidivism. **"**Second Chance" is an operating principle at ADC. The Department's ultimate goal is to reduce the State's prison population by offering inmates additional pathways to employment and post-release success in life.

In addition to meeting the security staffing needs necessary to offer programs aimed at reducing recidivism, the Executive Budget continues to expand educational opportunities by funding more personnel to address the current waiting list of inmates in need of mandatory literacy or special education classes. The Executive Budget also invests in the prison braille transcription program to allow more inmates to participate, and to increase the number of textbooks for the visually impaired.

The Executive Budget also supports appropriating the Medical Marijuana Fund to:

- expand substance abuse treatment programming within ADC;
- establish a student loan repayment program for substance abuse counselors providing services in a correctional setting;

- add an employment specialists to work with inmates who were convicted of drug possession and who have successfully completed substance abuse treatment; and
- offer Medicaid "reach-in" programs for inmates convicted of drug possession nearing the end of their sentences, to ensure that medical providers are identified and scheduled prior to an inmate's release from prison.

Health and Welfare

The Executive Budget helps vulnerable Arizonans, with an emphasis on children who are in foster care or are victims of abuse; the elderly; individuals struggling with opioid addiction or at risk of suicide; and providers of services for the developmentally disabled.

SAFE, HEALTHY CHILDREN

In providing protections for at-risk children, the Executive Budget:

- improves access to child care for low-income working families and foster parents by (a) providing incentive bonuses to quality child-care facilities ranked by First Things First; (b) helping unranked facilities achieve certification as quality child-care centers; (c) sustaining the suspension of the waitlist, to ensure that this important workforce and early childhood development program is available to those who need it; and (d) providing up to $200 to cover the one-time cost of child care enrollment fees for kinship families.
- continues targeted salary adjustments for mission-critical staff at the Department of Child Safety (DCS) to support strides in investigating child welfare cases, enhancing in-home preventive services, and reducing the number of out-of-home child placements;
- establishes adoption incentives to encourage adoption of sibling groups and children with significant developmental disabilities;
- doubles the "Grandmother Stipend" for family members who, in the absence of parents, serve as caregivers for children;
- modifies the Arizona Newborn Screening Program to improve screening-fee collection rates and adding two screens recommended by the Arizona Newborn Screening Committee and the U.S. Department of Health and Human Services;
- invests in the Child and Family Advocacy Center program to improve victim advocacy, case management, and counseling services to primary and secondary victims of child abuse, domestic violence, sexual assault, elder abuse and homicide; and
- expands the Dependency Alternative Program (DAP) statewide to address the needs of children and families involved in dependency court proceedings and to resolve cases more quickly and in a manner that results in less costly and more sustainable and stable outcomes for children.

ADULT PROTECTION

Suicide Prevention. The Executive responds to the October 2019 Arizona Suicide Prevention Action Plan, released by the Department of Health Services (DHS) and the Arizona Health Care Cost Containment System (AHCCCS). The plan recommends that, among other strategies, the State enhance crisis-response teams, expand suicide-prevention resources, initiate a campaign to address social isolation, and establish a Suicide Mortality Review Team.

The purpose of the Suicide Mortality Review Team is to identify gaps in current suicide reporting and help DHS improve suicide prevention. The Executive contemplates that DHS and AHCCCS will identify existing resources, particularly federal grants, to support other recommendations contained in the action plan.

Protecting Vulnerable Adults and the Elderly. The Executive Budget consistently strives to make Arizona safer for at-risk individuals by addressing funding needs identified through stakeholder engagement and known utilization trends.

The Executive Budget includes:

- targeted rate increases for providers of therapy and respite and habilitation care;
- rate increases for Aging and Adult Services to reduce high turnover rates and enhance access by vulnerable and homebound adults and seniors; and
- support for using the Medical Marijuana Fund to provide health care services to uninsured or underinsured Arizonans who struggle with substance abuse.

Government That Works

The Executive Budget continues to pursue excellence in public asset management, agency operations, customer service, and business creation and relocation, including:

- a cybersecurity package that improves State Government's cyber preparedness by (a) establishing a new Statewide Cybersecurity Risk Management Program to cover financial losses from cyber incidents and help the State execute response and recovery efforts; (b) increasing staffing at the Statewide Information Security and Privacy Office, to focus on agency cybersecurity preparedness; and (c) expanding the Arizona National Guard Cyber Response Team;
- funding for agencies to migrate to internet-based or "cloud" computing services, which will improve operational

efficiency, reduce IT infrastructure complexity, enhance data security, and reduce equipment costs;

- creating a customer assistance team at the Department of Revenue to help Arizona taxpayers navigate other states' tax requirements under the new remote-seller regime (per the U.S. Supreme Court's *Wayfair* decision);
- investing in building renewal across the State's building system, including fire and life safety projects and targeted infrastructure repair, replacement, and renovation; and
- continued support for e-licensing, a key quality of a business-friendly environment.

The Executive Budget's business-friendly focus also includes State support for continued development of a Business One-Stop web portal – a single online location to help companies and individuals seamlessly plan, start, and grow Arizona businesses and relocate business from other states.

The Executive Budget's other key infrastructure investments include:

- accelerating the Interstate 10 (I-10) widening project between Phoenix and Tucson by replacing the four-lane Gila River Bridge with six lanes; and
- funding almost $60 million in Smart Highway Corridors with the installation of 514 miles of broadband infrastructure along the entire lengths of I-40 and I-19 and a significant stretch of I-17 south of Flagstaff, to improve highway safety technology systems (traffic cameras, wrong-way driving detection, dynamic message boards, weather information, and variable speed limit signage).

Finally, the Executive Budget reverses a reduction of $6 million in Arizona Competes funding and adds $10 million to invest further in the newly created Rural Broadband Grant program.

Natural Resources

The Executive Budget includes targeted funding to protect air and water quality, promote fire safety in schools, preserve the state's forests, and maximize the value of State Trust land.

AIR AND WATER QUALITY

The Executive Budget places a strong emphasis on complying with federal air standards and preserving Arizona's most precious resource: water.

Specifically, the Executive Budget:

- increases funding and flexibility for the Department of Environmental Quality (DEQ) to implement (a) a public outreach campaign to reduce travel on high-pollution days and (b) a remote emission-testing pilot to discover technologies that can significantly help the state meet federal air quality requirements; and
- commits full funding of the State's program for hazardous waste cleanups, using the statutorily required formula for the first time since FY 2007 to support DEQ's efforts to evaluate and remediate polluted land.

Waters of the State. The Executive Budget also provides DEQ with the resources to conduct analysis, engage stakeholders, and develop program requirements to establish the "Waters of the State" program. The federal government is redefining its jurisdiction, which will ultimately lead to the regulatory abandonment of nearly all streams and lakes in Arizona. The investment will ensure that newly unprotected waters are under the State's appropriate and reasonable supervision.

FIRE SAFETY

The Executive Budget funds additional staff in the Office of the State Fire Marshal to accelerate the frequency of fire inspections while leveraging more agreements with local fire departments to conduct school inspections.

Fire Suppression. As the western U.S. experiences drier, warmer climates, with federal forests that have not been adequately maintained, Arizona faces a larger number of fires at a higher per-acre cost.

To address this more dangerous environment, the Executive Budget:

- repays all outstanding cost-share fire bills that the State owes federal partners from abnormally high concentrations of prior-year fires on State land;
- increases the General Fund deposit into the Fire Suppression Fund to reflect the State's higher costs associated with recent increases in multijurisdictional fires;
- raises by 5% the rate of firefighter pay at the Department of Forestry and Fire Management (DFFM), in recognition of longer wildfire seasons and increased work hours and safety risks of the State's firefighters; and
- helps the State fight fires more efficiently by providing the Arizona National Guard with equipment to access video from federal drone aircraft and share it with State partners.

School Fire Inspections. The Office of the State Fire Marshal (OSFM) is responsible for inspecting 15,000 State- and county-owned buildings, including schools. Schools have been inspected at a low rate in recent years, and the Executive Budget increases OSFM's funding to add three deputy fire marshal positions to accelerate the frequency of inspections.

PROACTIVE MANAGEMENT OF STATE TRUST LAND

The Executive Budget provides funding for the State Land Department to begin soil and drainage studies of the Superstition Vistas Planning Area in Pinal County. This parcel of State land has been identified as a high priority for future growth that could lead to substantial revenue to the Trust.

The Executive continues to advocate for timely payment of fees from the Central Arizona Project for water rights that benefit State Trust lands. The average supplemental appropriation included in previously enacted budgets has increased dramatically over the past decade, suggesting that this process is inadequate. Further, the Central Arizona Project has notified the State Land Department that failure to timely pay water bills will begin resulting in costly late penalties.

Major General Fund Budget Issues, FY 2020 and FY 2021

In Millions of Dollars

K-12: 20x2020 Teacher Salary Increase	$ 124.5
K-12: Fully Restoring Additional Assistance	203.0
K-12: Baseline Enrollment Growth and Inflation	156.0
SFB: Building Renewal Grants (Including FY 2020 Supplemental)	125.0
School Facilities Board (SFB): New Schools	59.0
Corrections: Prison Safety	50.5
Infrastructure: Smart Highway Corridors (I-40, I-19, I-17)	49.7
K-12: Closing the Achievement Gap	43.6
K-12: School Safety Package	38.0
Corrections: Security Pay Package	37.1
Universities: Capital and Operational Funding	35.0
Universities: New Economy Initiative	35.0
K-12: Results Based Funding Expansion	34.7
Infrastructure: Accelerating the I-10 Widening Project (Gila River)	28.0
K-12: Prop. 123 Operational Funding	25.0
Fiscal Responsibility: Rainy Day Fund Deposit	25.0
Environment: Fully Funding WQARF Program	15.0
Community Colleges: STEM/Workforce Formula	11.1
Community Colleges: Rural Community College Support	10.6
Public Safety: Updating Public Safety Assets	10.2
Commerce: Rural Broadband Grant Program Expansion	10.0
Counties: Eliminate DJC Cost Sharing for All Counties	8.4
SFB: New Schools Funding Enhancement	6.4
Fire Safety: Fire Suppression and Federal Repayment	6.3
Commerce: Restore Arizona Competes Fund	6.0
Judiciary: Pay Package	5.6
K-12: Arizona Industry Credential Incentive Program	5.0
DES: Rate Increases for Home and Community Based Services	5.0
K-12: College Credit Incentive and Aid Programs	3.3
Public Safety: Wrong-Way and Impaired Driving	1.6
DES: Rate Increases for Vulnerable Adults and the Elderly	1.5
Universities: Arizona Teachers Academy	1.0
Environment: Water of the State Program Start-Up	1.0
Health and Welfare: Suicide Prevention	0.4

Projected Ending Balances

FY 2020	671.0
FY 2021	165.4
FY 2022	102.6
FY 2023	128.4

Projected Structural Balances

FY 2020	762.9
FY 2021	250.5
FY 2022	98.0
FY 2023	193.8

Executive Budget In-A-Flash

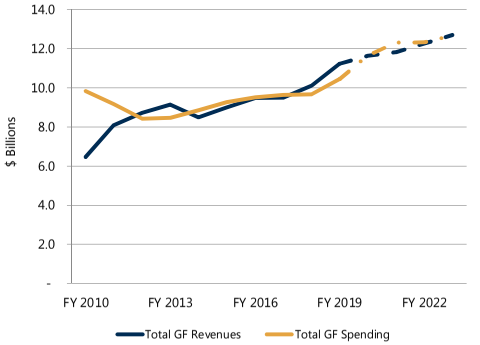
GENERAL FUND CASH FLOW

	Prelim Actual FY 2019		Executive Budget FY 2020		Executive Budget FY 2021		Executive Budget FY 2022		Executive Budget FY 2023	YOY[1] % growth
Beginning Balance	$ 449,632,000		$ 957,241,000		$ 671,035,000		$ 165,411,600		$ 102,566,251	
Adj. Base Revenues	10,976,305,800		11,554,322,300		11,873,320,900		12,287,974,351		12,748,940,800	
Revenue Changes	-		-		(52,060,700)		(52,525,400)		(46,629,800)	
One-time Revenues	255,425,900		80,518,700		6,813,700		26,725,700		0	
Total Revenues	**$ 11,681,363,700**		**$ 12,592,082,000**		**$ 12,499,108,900**		**$ 12,427,586,251**		**$ 12,804,877,251**	
Enacted Spending	$ 10,453,015,700		$ 11,582,558,100		$ 11,582,558,100		$ 12,308,697,300		$ 12,325,020,000	
Baseline Changes			24,439,800		(48,842,300)		(185,422,100)		180,597,300	
Net New Initiatives			42,942,100		774,981,500		201,744,800		170,860,300	
Total Spending	**$ 10,453,015,700**	**11.0%**	**$ 11,649,940,000**	**11.2%**	**$ 12,308,697,300**	**3.5%**	**$ 12,325,020,000**	**0.1%**	**$ 12,676,477,600**	2.9%
BSF Deposit	271,107,000		271,107,000		25,000,000		0		0	
Ending Balance	**$ 957,241,000**		**$ 671,035,000**		**$ 165,411,600**		**$ 102,566,251**		**$ 128,399,651**	

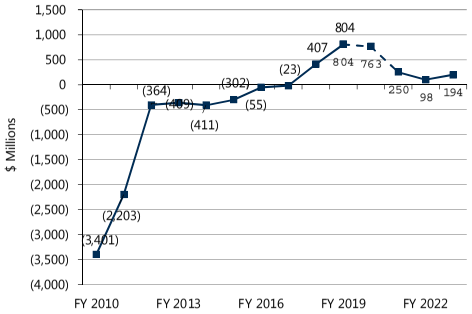
GENERAL FUND STRUCTURAL BALANCE

	Prelim Actual FY 2019		Forecast FY 2020		Forecast FY 2021		Forecast FY 2022		Forecast FY 2023	YOY % growth
Ongoing Revenues	$ 10,976,305,800		$ 11,554,322,300	5.3%	$ 11,821,260,200	2.3%	$ 12,235,448,951	3.5%	$ 12,702,311,000	3.8%
Ongoing Spending	10,172,103,900		10,791,398,100	6.1%	11,570,774,300	7.2%	12,137,435,600	4.9%	12,508,555,200	3.1%
Structural Balance	**$ 804,201,900**		**$ 762,924,200**		**$ 250,485,900**		**$ 98,013,351**		**$ 193,755,800**	

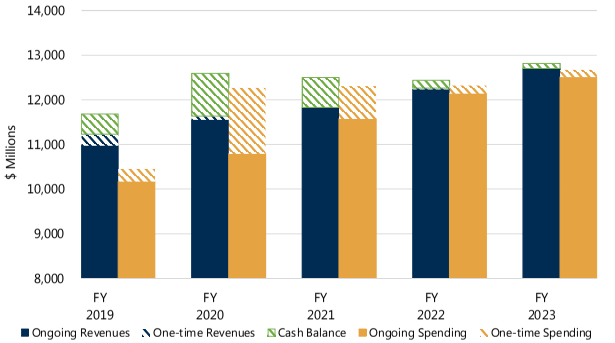
HISTORICAL REVENUES TO SPENDING



GENERAL FUND STRUCTURAL BALANCE



COMPARISON OF REVENUES TO SPENDING



[1]Year-over-year growth compares total spending, including supplemental appropriations and Budget Stabilization Fund deposits, to the prior year.

Average ongoing General Fund spending growth over the past 5 years has been just 4.5% compared to 11% in the 5 years prior to the Great Recession.

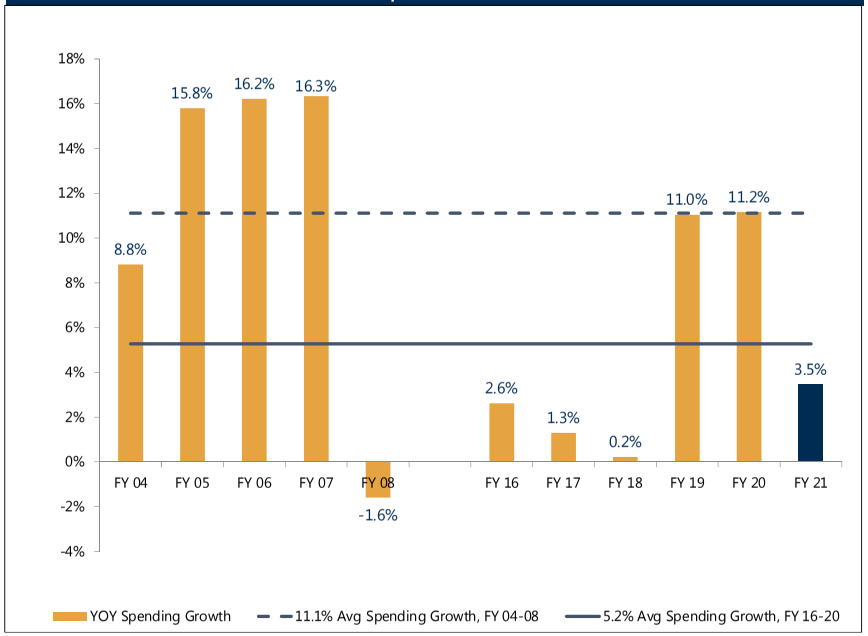
Cognizant of the mistakes of the past, the FY 2021 Executive Budget slows total spending growth to 3.5% next year, while ongoing spending growth falls from 7.2% to 3.1% over the next 3 years.

GENERAL FUND SPENDING

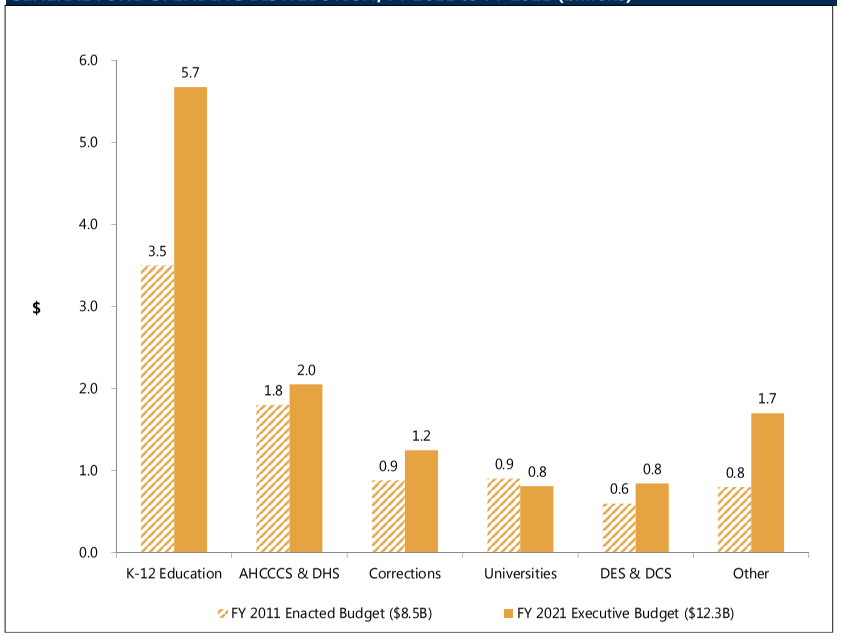
				New FY 2020 Spending:	$ 67,381,900	
				New FY 2021 Spending:	$ 726,139,200	
	Prelim Actual	Executive Budget	Baseline Adjustments[3]	New Initiatives	Executive Budget	YOY
	FY 2019	FY 2020	FY 2021	FY 2021	FY 2021[4]	% growth
Education	4,704,652	5,200,185	258,235	214,295	5,672,715	9.1%
AHCCCS	1,777,094	1,785,188	192,007	3,087	1,955,842	9.6%
Corrections	1,099,670	1,167,111	0	80,915	1,248,027	6.9%
Economic Security	650,937	749,708	65,875	6,500	822,083	9.7%
Child Safety	375,839	384,653	2,352	21,441	408,446	6.2%
ASU - Tempe	328,776	341,917	(18,669)	35,000	358,248	4.8%
School Facilities Board	274,700	360,650	(181,050)	97,410	242,010	-32.9%
U of A	208,836	215,809	(9,246)	20,650	227,213	5.3%
NAU	112,096	117,251	(7,583)	14,350	124,018	5.8%
Health Services	89,931	97,158	(4,307)	1,000	93,852	-3.4%
Other[1]	1,101,592	1,501,416	(346,456)	280,334	1,181,245	-21.3%
Total	**$ 10,724,122.70**	**$ 11,921,047**	**$ (48,842)**	**$ 774,982**	**$ 12,333,697**	3.5%

[1] Other spending includes Budget Stabilization Fund deposits, if any.

GENERAL FUND SPENDING GROWTH RATES, FY 2004 to FY 2008 vs. FY 2016 to FY 2020



GENERAL FUND SPENDING DISTRIBUTION, FY 2011 to FY 2021 (billions)



[3] The Baseline Adjustments for School Facilities Board include removal of one-time funding in FY 2020 and retired debt service on construction of new schools that occurred in the 2000s.

[4] The amounts in the FY 2021 Executive Budget column may not equal to the sum of the FY 2020 and FY 2021 Baseline and Initiative columns because of supplementals included in FY 2020 that are considered one-time spending and not necessarily carried into FY 2021.

GENERAL FUND SPENDING BREAKDOWN

KEY HIGHLIGHTS

- The Executive Budget protects and continues to grow the Budget Stabilization Fund balance, investing another $25 million and keeping total reserves at $1.2 billion in FY 2021
- Additionally, the Budget fully funds the final leg of the Governor's '20x2020' plan and acclerates Additional Assistance Restoration

K-12 AND HIGHER EDUCATION

DEPARTMENT OF EDUCATION

$258.2M FY 2021 Baseline	
$131.7M	Inflation Adjustment
$124.5M	Teacher Salary Increase
$67.8M	Increase Additional Assistance
$64.1M	Proposition 301 Bridge
$25M	State Aid Supplement
$24.3M	Enrollment Growth
$19M	1% Cap Increase
$5M	Arizona Industry Credential Incentive Program
$1.5M	Empowerment Scholarship Account - BSA Increases
$0.4M	Teacher Professional Development Pilot
($10.8M)	Increased Permanent Fund Distributions
($59.7M)	Property Taxes From New Construction
($134.6M)	Remove One-Time FY 2020 Appropriations
$214.3M FY 2021 Initiatives	
$135.5M	Accelerate Additional Assistance
$38M	School Safety Grant Program
$34.7M	Results Based Funding
$2.1M	College Credit by Examination Incentive Program
$1.2M	College Placement Exam Fee Waiver
$1M	Gifted Education
$0.5M	Alternative Teacher Development Program Expansion
$0.4M	Jobs for Arizona Graduates
$0.4M	Adult Education State Match
$0.4M	Investigations Unit Expansion

SCHOOL FACILITIES BOARD

($181M) FY 2021 Baseline	
$45.8M	New School Facilities - In Progress
$13.2M	New School Facilities - Conceptual Approvals
($62.8M)	Prior Year Building Renewal Grants
($64.7M)	New School Facilities Debt Service
($112.6M)	Prior Year New School Construction
$97.4M FY 2021 Initiatives	
$90.8M	Building Renewal Grants
$6.4M	Enhanced Square Footage Calculations
$0.2M	Enhanced Operational Support

UNIVERSITIES

($35.5M) FY 2021 Baseline	
$0.5M	2017 University Capital Infrastructure Financing
($1.0M)	2003 Research Infrastructure Refinancing
($35.0M)	Remove One-Time FY 2020 Appropriations
$71M FY 2021 Initiatives	
$35.0M	Workforce Development for the New Economy
$35.0M	Restore FY 2020 Additional Investment
$1M	Teachers Academy Marketing, Outreach, and Recruitment

COMMUNITY COLLEGES

($32.8M) FY 2021 Baseline	
$2.6M	Equalization Aid
($0M)	STEM and Workforce Programs Aid
($0.4M)	Operating State Aid
($35M)	Remove One-Time FY 2020 Appropriations
$17.6M FY 2021 Initiatives	
$11.1M	Fully Fund STEM & Workforce Programs Aid Formula
$6.5M	Rural Community College Aid

HEALTH AND WELFARE

ECONOMIC SECURITY

$65.9M FY 2021 Baseline	
$58.2M	DDD Caseload Growth & Capitation
$8.7M	Integration of Behavioral Health Services for DD into DES
($1M)	Remove One-Time FY2020 Appropriation
($0M)	Technical Adjustments
$6.5M FY 2021 Initiatives	
$5M	DDD HCBS Provider Rate Increases and Quality Care System
$1.5M	Provider Rate Increases for Adult and Aging Services

AHCCCS

$192M FY 2021 Baseline	
$129.6M	Traditional Formula Adjustments
$39.8M	Arizona Long Term Care System Formula Adjustments
$14M	Proposition 204 Formula Adjustments
$12.3M	KidsCare Formula Adjustments
$5.9M	Comprehensive Medical and Dental Formula Adjustments
($0.1M)	Newly Eligible Adults Formula Adjustments
($0.8M)	Remove FY 2020 Appropriations
($8.7M)	Integration of BHS into the DES DDD
$3.1M FY 2021 Initiatives	
$3M	Information Technology Systems Operating Costs
$0.1M	PMMIS Information Technology Roadmap Consultant
($0M)	CRS Administration Base Modification

DEPARTMENT OF CHILD SAFETY

$2.4M FY 2021 Baseline	
$2.4M	Adoption Subsidy Caseload Growth
$21.4M FY 2021 Initiatives	
$9.3M	DCS Pay Package
$5M	Kinship Stipend Enhanacement
$3M	Adoption Incentive for Sibling Groups
$3M	Administrative Support
$1.2M	Adoption Subsidy Increase for Children with Disabilities

PUBLIC SAFETY

DEPARTMENT OF PUBLIC SAFETY

($8.2M) FY 2021 Baseline	
($8.2M)	Remove One-Time FY 2020 Appropriations
($16.3M) FY 2021 Initiatives	
$5.5M	Helicopter Replacement
$2.9M	Overtime
$2.9M	Radio Replacement
$1.8M	ACTIC, Caseload, and Replacement Equipment
$1.6M	Wrong Way Driving Patrol
($31M)	Ex-Appropriation

CORRECTIONS

$0M FY 2021 Baseline	
$80.9M FY 2021 Initiatives	
$37.1M	Salary Increase for Security and Investigators Series
$33.2M	Bed Management Strategy
$5.8M	Leadership Enhancement & Development
$2.8M	Private Prison Inflation Adjustment
$1.1M	Recidivism Reduction Programs
$0.7M	Inmate Food Contract Inflation Adjustment
$0.3M	Braille Transcription Program Expansion
($0M)	Community Corrections SLI Adjustment

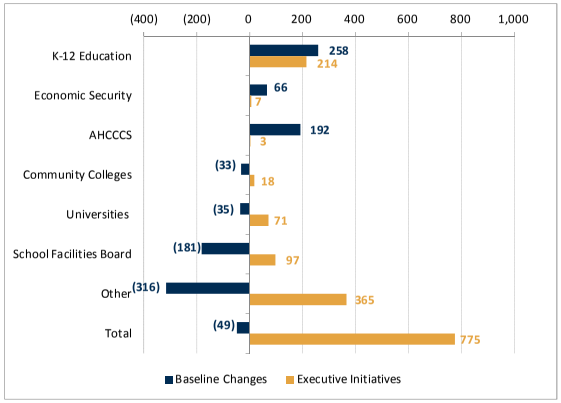
OTHER CHANGES

($312.2M) FY 2021 Net Baseline	
$80M	Extra Pay Period Costs for FY 2021
$6M	State Funding for Maricopa Superior Court Judges
$0.4M	Charter Accountability
($396.2M)	All Other, Net Baseline
$295.4M FY 2021 Net Initiatives	
$49.7M	Transportation - Smart Highway Corridors
$43.6M	Closing the Achievement Gap
$29.4M	Corrections - Lewis and Yuma Locks, Fire, and HVAC
$28M	Transportation - Gila River Bridge
$10M	Rural Broadband Grants
$2.1M	Deposits into the Automation Projects Fund
$135.5M	All Other Initiatives

OVERALL SPENDING

($48.8M) FY 2021 Net Baseline	
$524.8M	Baseline Increases
($573.6M)	Baseline Decreases
$775M FY 2021 Net Initiatives	
$806.3M	Initiative Increases
($31.3M)	Initiative Decreases
$726.1M Total New Spending	

NEW GENERAL FUND SPENDING PROFILE FY 2021



General Fund Sources and Uses

$ in thousands

	FY 19 Prelim Actual	FY 20 Enacted Base	FY 20 Net Changes	FY 20 Executive Budget	FY 21 Net Changes	FY 21 Executive Budget	FY 22 Net Changes	FY 22 Executive Budget	FY 23 Net Changes	FY 23 Executive Budget
SOURCES OF FUNDS										
Beginning Balance	449,632	764,372		957,241		671,035		165,412		102,566
Ongoing Revenues										
Base Revenues	11,651,110	11,839,225		12,291,896		12,701,814		13,141,043		13,625,803
Urban Revenue Sharing	*(674,804)*	*(737,574)*		*(737,574)*		*(828,493)*		*(853,068)*		*(876,862)*
Adjusted Base Revenues	10,976,306	11,101,651		11,554,322		11,873,321		12,287,974		12,748,941
Transfers & Newly Enacted Changes	255,426	80,519		80,519		(45,247)		(25,800)		(46,630)
PDRF Transfer	0	69,000		69,000		16,700		16,700		0
Wells Fargo Settlement	0	20,000		20,000		0		0		0
IIT - One-time Conformity Revenue	155,000	0		0		0		0		0
TPT - Estimated Payment Thresholds	0	(10,322)		(10,322)		(10,005)		(9,974)		0
Water Infrastructure Repayment	0	0		0		0		20,000		0
Executive Changes to the Liquor Licensing Fund	0	0		0		(1,770)		(1,325)		(1,325)
Executive Changes to the DPS Forensics Fund	0	0		0		(4,800)		(4,800)		(4,800)
New Fund Transfers	0	0		0		119		0		0
Prior Fund Transfers	100,426	1,841		1,841		0		0		0
Military Pension Pay Exemption	0	0		0		(45,491)		(46,401)		(40,505)
Subtotal Revenues	11,231,732	11,182,170		11,634,841		11,828,074		12,262,175		12,702,311
TOTAL SOURCES OF FUNDS	**11,681,364**	**11,946,542**		**12,592,082**		**12,499,109**		**12,427,586**		**12,804,877**
USES OF FUNDS										
Operating Budget Appropriations	**10,320,966**	**11,220,212**	**67,382**	**11,287,594**	**860,139**	**12,147,733**	**123,688**	**12,271,421**	**345,957**	**12,617,377**
Other Expenses/(Revenues)	**403,157**	**633,453**	**0**	**633,453**	**(447,489)**	**185,964**	**(132,365)**	**53,599**	**5,501**	**59,100**
Extra Pay Period Costs for FY 2021	0	0	0	0	80,000	80,000	(80,000)	0	0	0
Prior Year Capital Outlay	4,959	4,575	0	4,575	(4,575)	0	0	0	0	0
FY 2019 One-time Supplementals	33,956	0	0	0	0	0	0	0	0	0
FY 2019 Ongoing Supplementals/Ex-Appropriations	(42,839)	0	0	0	0	0	0	0	0	0
Phoenix Convention Center Payment	22,996	23,500	0	23,500	498	23,998	501	24,499	501	24,999
Rio Nuevo District	14,000	14,000	0	14,000	0	14,000	0	14,000	0	14,000
Asset Sale/Lease-Back Debt Service	84,112	77,709	0	77,709	(24,007)	53,702	2	53,704	0	53,704
Arts Commission	0	2,200	0	2,200	(200)	2,000	(2,000)	0	0	0
2010B Debt Payoff	0	190,000	0	190,000	(190,000)	0	0	0	0	0
Unallocated Retirement Rate Adjustment	0	0	0	0	16,890	16,890	0	16,890	0	16,890
Unallocated FY 2019-20 Health Insurance Adjustment	32	52	0	52	(52)	0	0	0	0	0
Prior Year Transportation Funding	0	95,310	0	95,310	(95,310)	0	0	0	0	0
HITF One-Time Adjustment	0	0	0	0	15,375	15,375	(25,868)	(10,493)	0	(10,493)
Administrative Adjustments	185,833	128,000	0	128,000	10,000	138,000	5,000	143,000	5,000	148,000
Revertments	(171,000)	(173,000)	0	(173,000)	(10,000)	(183,000)	(5,000)	(188,000)	0	(188,000)
Transfer to Rainy Day Fund	**271,107**	**271,107**	**0**	**271,107**	**(246,107)**	**25,000**	**(25,000)**	**0**	**0**	**0**
TOTAL USES OF FUNDS	**10,724,123**	**11,853,665**	**67,382**	**11,921,047**	**412,650**	**12,333,697**	**(8,677)**	**12,325,020**	**351,458**	**12,676,478**
ENDING BALANCE	**957,241**	**92,877**		**671,035**		**165,412**		**102,566**		**128,400**
Ongoing Revenues	10,976,306	11,101,651		11,554,322		11,821,260		12,235,449		12,702,311
Ongoing Expenditures	10,172,104	10,791,398		10,791,398		11,570,774		12,137,436		12,508,555
STRUCTURAL BALANCE	**804,202**	**310,253**		**762,924**		**250,486**		**98,013**		**193,756**

Note: FY 2020 to FY 2023 Net Changes columns include baseline and initiative issues.

The Economy

While consensus projections for the next 12 to 18 months suggest that the nation's economy will moderate from its robust performance of the last two years, Arizona is well positioned to remain one of the nation's growth leaders.

> **"With hundreds of new residents and businesses moving to Arizona every day, one thing is clear: Smart policy matters."**
>
> Gov. Doug Ducey

The current economic recovery, while slow by historical standards, is the longest in U.S. history, surpassing the 120-month expansion between 1991 and 2001. As this forecast was prepared, the nation's economy was on track to finish 2019 with just over 2% growth in real gross domestic product (GDP).

Current data puts the third-quarter economic growth rate at 1.9%, down from 2% in the second quarter and 3.1% in the first. Those results follow a year of unusually strong growth for the post-recession period, when national GDP growth briefly returned to the 3% level.

The American labor market is stronger than it has been in decades. The unemployment rate is at a 50-year low, and, for the first time since the Great Recession, labor force participation is increasing.

At the same time, real economic activity as measured by GDP growth has returned to a stubbornly persistent 2% level, following brief acceleration last year. Generally strong overall, the U.S. economy slowed in 2019 from its 2018 surge, as business capital investment returned to more normal levels after being stimulated by corporate tax cuts.

Arizona. While the nation's economy was moderating in 2019, Arizona's economy grew at a robust pace. Current Executive projections call for that growth to continue through at least 2020, and the Executive's conservative fiscal policies leave the State well positioned to weather most downturn scenarios.

While boosted by national economic momentum, Arizona is a growth leader in its own right, thanks to a booming local economy fueled by a business-friendly tax and regulatory climate and a thriving startup ecosystem.

National Outlook

The consensus national outlook assumes growth will continue to moderate into 2020 as the primary impact of stimulating policies diminishes. However, as long as consumer confidence remains high, labor markets tight, and wage gains moderate, the economy will continue to grow.

While few economists predict negative growth in the near term, many point to a higher risk of recession over the next 24 months, due in part to an expected return to cyclical normality after the impact of recent pro-growth national policies. However, even the most aggressive prognosticator is more sanguine about the short term than the 13- to 24-month period, and forecast accuracy falls off rapidly after six to 12 months.

The most recent consensus outlook suggests real GDP growth trajectory of about 2% through 2020, with the growth outlook beyond that point increasingly difficult to forecast with certainty. Some economists believe the slowing in the near term largely reflects investor concern over trade uncertainty, and the resolution of those issues could allow a return to 2018 levels. Others warn that the ongoing global slowdown could have more sustained and substantial impacts on the U.S. economy, preventing a return to the rate of growth seen over the past 18 months. The Executive projection reflects this uncertainty through a forecast for conservative but sustained growth at a rate between the two extremes.

In response to recent rhetoric about the long duration of the current U.S. expansion and the possibility of a mild recession in 2020, experts are quick to caution that most expansions die not of old age but from external shocks, such as excessive Federal Reserve tightening or other negative economic stimuli. While those factors could be present in the next 18 months, the Fed has demonstrated its ability to pivot from the tightening cycle that persisted through 2017 and 2018 to a more accommodating position throughout 2019. This shift reduces the risk that excessive regulatory intervention will inadvertently end the current expansion cycle.

The Executive will be monitoring how Congress and the federal government respond to economic pressures or any other shocks that arise. The Federal Reserve has clearly illustrated a willingness to respond to changes in the health of the national economy, but fiscal and trade policy may have a bigger impact on near-term growth, given the more relaxed Reserve Board posture.

The key national policy wild card is trade negotiations. Settling the ongoing trade dispute with China and ratifying the United States-Mexico-Canada Agreement (USMCA) would be strong catalysts for accelerated economic growth into 2021.

EMPLOYMENT

The national labor market is very healthy. Job creation has occurred steadily for most of the last decade, as employers have largely set aside lingering concerns from the Great Recession and seized opportunities stemming from corporate tax cuts and federal regulatory reform.

Consensus employment projections suggest that the U.S. economy will continue to create jobs at a pace of about 150,000 per month through 2020, which would be on par with 2019 but down significantly from 2018. The unemployment rate should remain below 3.5%, with primary concerns coming from the slow growth in the working-age population and continued challenges in labor force participation.

Against a backdrop of low unemployment and continued strong job gains, the conversation will likely shift to labor force participation and wage growth. A tightening labor market, in concert with continued strong employer demand, should lift wages and increase labor force participation over the next few years. Both outcomes would benefit the national and Arizona economies.

CONSUMER SPENDING

Service expenditures still bolster overall consumption rates. While consumer confidence continues to be underpinned by a strong labor market, there are warning signs:

- The rate of growth in the Consumer Confidence Index has slowed markedly.
- The pace of overall spending has slowed somewhat, based on 2019 retail sales nationwide.
- Student loan debt is a growing burden.
- October 2019 data suggests some erosion in confidence among high-income consumers.

Those concerns are mitigated by a low overall debt-to-income ratio, due largely to a lower share of debt devoted to mortgages and a national personal savings rate that remains above pre-recession levels.

Restoring business confidence will be necessary to rekindle capital investment spending. Considerable erosion in CEO confidence has occurred over the last year, following acceleration of trade tensions in 2018, and the pace of equity prices may dictate whether sentiment in this sector rebounds or continues to erode.

INTEREST RATES

Interest rate policy is not holding back economic growth today, nor should it in the near future, as businesses have an abundant supply of liquidity available at historically low rates.

As evidenced by its sharp move away from the tightening policy that was in place a year ago, the Federal Reserve has forcefully demonstrated that it does not intend to be the catalyst for a downturn and that it will strive for flexibility in response to economic trends and occurrences.

In 2019, interest rate movements captured considerable attention as a yield-curve inversion (i.e., short-term rates higher than long-term rates) sent warning signals throughout national markets. This was especially newsworthy when the two-year Treasury note traded at rates that exceeded the 10-year Treasury note. Historically, this situation has been followed by recession within 12 to 18 months. However, the inversion was short-lived, as the Federal Reserve responded by reducing short-term target rates and, more recently, the 10-year Treasury note firmed.

It is difficult to assess the overall credit market in a global economy characterized by negative interest rates. Indeed, global investors in search of yield may be investing in the U.S. at historically high rates, which would tend to push bond prices up and corresponding yields down. The signal sent by the recent yield-curve inversion may simply not have the same meaning it had historically.

More troubling would be a lack of appetite for long-term borrowing among businesses seeking capital expansion. If this is at the root of long-term rate erosion, it may indeed be a harbinger of a more serious slowdown. The Executive will continue to monitor long-term rates over the next year to assess pressures in the long-term debt markets.

The overall pace of short-term interest rates will be determined by the change in economic growth as well as how equity markets respond to a higher interest-rate environment.

MARKET PERFORMANCE

Equity performance was very strong in 2019, buoyed by persistently low interest rates, record-level stock repurchase programs, and steady growth in revenues and earnings.

The pace of equity appreciation will be influenced by a variety of global or national factors, including:

- progress on trade agreements,
- global growth,
- political uncertainty,
- foreign appetite for U.S. securities,
- concerns over U.S. debt levels,
- Federal Reserve policy,
- any signs of credit tightening or credit rating deterioration, and
- the size of corporate profits.

Given the expectation that equity investors are forward looking and prices reflect assumptions about future earnings, market indications since October have been positive for the national economy.

In the longer term, predicting equity markets is a challenging endeavor. However, the renewed conservative posture of the Federal Reserve, coupled with continued pro-growth policy from the Federal Government gives reason for optimism.

BUSINESS SPENDING

Mirroring trends in the broader national economy, capital investment by American businesses slowed in 2019 after a surge in investment spending during 2018. While a decline in business spending has contributed to the slowdown in national economic growth, and trade policy has contributed to that trend, there remains ambiguity concerning the longer-term prospects in this sector.

What is clear is that favorable federal tax policies – including lower income tax rates, accelerated depreciation schedules, and the small-business income tax subtraction – have induced more fixed investment by businesses. Meanwhile, higher foreign and domestic tariffs and national political uncertainty have served to undermine these gains.

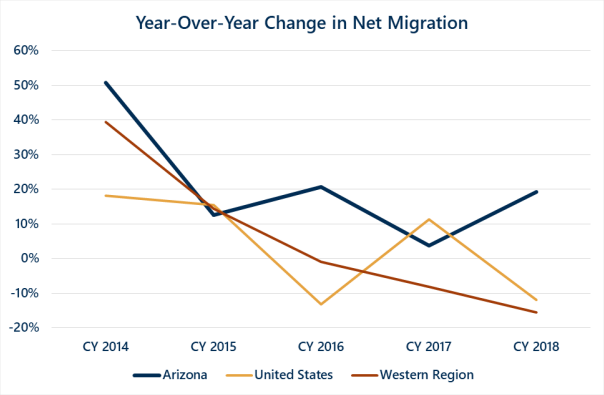
Combined with many of the provisions of the 2017 Tax Cuts and Jobs Act, overall prospects for the medium term remain somewhat of a mystery. The Executive will continue to monitor the national climate and pursue appropriate policy responses to alleviate any recognized risks.

Arizona Outlook

Despite a slowing of the national economy, Arizona's economy grew at a robust pace in 2019, and current Executive projections call for that growth to continue through at least 2020.

Arizona has historically been among the nation's leaders in population growth, employment growth, and income growth, and those trends have accelerated in the last year, even in the face of a national and regional slowdown in movers. In fact, last year Arizona captured nearly a tenth of total national migration, despite accounting for only about 2% of the national population.

Figure 1



Arizona's new working-age residents are expected to contribute to the state's overall economic strength, which in turn enhances the consistent and sustainable revenue growth needed to support the Executive's conservative spending commitments.

EMPLOYMENT

Job creation in Arizona is growing at its most robust pace in more than 12 years. In 2018, employment gains exceeded 3% on a year-over-year basis for the first time since the Great Recession. While 2019 growth rates were slightly slower, the pace remains healthy.

Arizona's economy today is more diverse than before the recession, when the construction industry accounted for nearly 9% of Arizona employment. By the end of 2018, construction employment was strong, but its share of the state's employment base had dropped below 5%.

With a relatively larger manufacturing and service-sector orientation, the state's economy is more mature and balanced, absent signs of the heavy real estate excesses that made the Great Recession so severe.

The state's manufacturing sector in particular has defied prognostications by achieving steady growth since 2017. Manufacturing employment growth has averaged more than 4% over the past two and a half years, and Arizona is poised to add another 9,000 manufacturing jobs in 2019 despite speculation of a manufacturing slowdown nationwide.

Professional services job creation is also strong, and health care's share of the state's GDP is now similar to that of manufacturing.

Arizona is well positioned to continue these positive trends:

- Trade relations with Mexico have improved significantly in recent years.
- Western states have experienced significant growth as workers and businesses have migrated west.
- Arizona's business-friendly tax and regulatory environment, which contrasts favorably with anti-growth policies pursued by California and some other western states, will continue to attract capital and ensure the state's participation in national growth.

While the state's 4.8% unemployment rate remains elevated relative to the nation's 50-year low levels, this condition gives the Executive more confidence in Arizona's immediate prospects. Falling unemployment rates nationally have generally been followed by slowing rates of job creation, but the continued availability of willing workers within Arizona should allow the state to sustain its historically high levels of employment growth over the next 12 to 24 months.

PERSONAL INCOME

Growth in employment and inflation is generally a leading indicator of growth in personal income. Consistent with that tendency, Arizona's personal income has continued to grow at or near post-recession highs over the past 12 months, even as the national economy appeared to slow compared to its 2018 highs.

In 2018, Arizona personal income grew by more than 6%, which ranked fifth among all states. It continued to do well in

2019, with the first three quarters growing at a 5.4% clip. That performance reflects Arizona's healthy job and business growth over the past several years and compares very favorably to the post-recession rate of 4%.

Looking forward, the Executive expects a continued robust Arizona labor market to sustain elevated rates of personal income growth in the range of 5% to 5.5%.

IN-MIGRATION

As was mentioned earlier in the "Arizona Outlook" section, people and businesses continue to move to Arizona at rates that rank among the nation's leaders. While the relocation rate is lower than in previous decades, Arizona has succeeded in capturing an increasingly disproportionate share of interstate migration and is well positioned to continue that trend.

Business relocation, wage appreciation, and abundant job and quality-of-life opportunities, buoyed by low taxes and affordable costs of living, will continue to fuel Arizona's standing as a desirable destination for businesses and families.

The quality and skill levels of the workers that Arizona attracts and retains will continue to be dictated by the needs of Arizona employers. As the needs of the manufacturing, healthcare and professional business service industries grow, so too will the demand for workers with requisite skills. That demand will be met in large part by younger professional job seekers graduating from the state's universities and joining with young workers moving into Arizona to start their families and careers.

RISKS

While predicting economic change is an imperfect exercise, current prognostications are largely positive. As in previous years, the most serious risk to Arizona comes from a scenario in which the nation falls back into recession due to macroeconomic conditions.

Arizona remains reliant on the health of the defense industry, including Boeing, Raytheon, and other defense contractors. Various factors suggest that, in the event of an economic shock, the positive qualities specific to Arizona will position the state more favorably than the nation as a whole.

The pace of national growth may be influenced by the current erosion of global growth and the continued slowdown in the pace of capital investment. It is too soon to know whether those or other factors will push the U.S. economy into a recession, but it is clear that Arizona is better positioned to weather a mild U.S. recession today than it was in 2009, due to the strength of the state's economy and State Government's fiscal health.

UPSIDE POTENTIAL

In recent years, economic growth has been strong in Arizona and throughout the West, and the impetus from that strength is likely to endure into 2020 and beyond. While the baseline Executive forecast calls for some return to normality following two years of unusually strong economic and revenue growth, the possibility of continued over-performance remains.

Economic over-performance could come in at least three forms:

- Resolution of trade frictions would likely stimulate capital investment, and Arizona's business-friendly environment positions the state to benefit from any form of capital expansion.
- Arizona always benefits from the upside of a real estate cycle. Opportunities for steady growth in that sector, absent any excesses, would boost the Arizona economy.
- Despite the lack of recent progress on policy initiatives from Washington, significant federal investment in infrastructure is a possibility. Arizona is well positioned to take advantage of a national infrastructure investment program, especially in the area of transportation.

Revenue Outlook

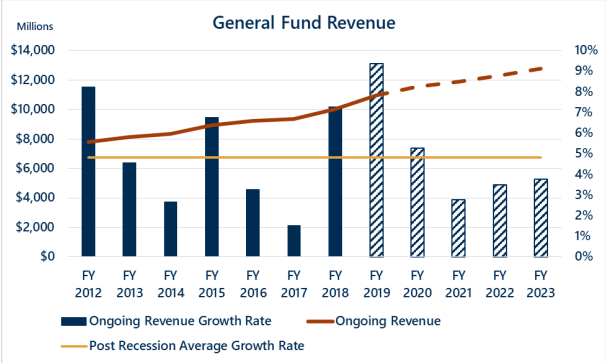
During FY 2019, the State's General Fund again achieved strong growth, easily exceeding post-recession and longer-term trends. On an ongoing basis, the State achieved a 9.4% year-over-year growth rate and exceeded FY 2020 budget expectations by approximately $250 million.

Collections in FY 2020 and beyond will continue to be influenced by changes in State and federal tax law. The State's 2019 Tax Omnibus (Laws 2019, Chapter 273) helps in this regard by (a) making permanent Arizona's conformity to the federal changes and (b) reducing the State's reliance on the volatile income tax in favor of the Transaction Privilege Tax (TPT), a consumption-oriented sales tax.

Seizing an opportunity made available to the states by the U.S. Supreme Court's 2017 *Wayfair v. North Dakota* decision, State Government has adopted an economic nexus test under which remote sellers would be obligated to collect and remit TPT. In turn, policymakers were able to reduce individual income taxes by an additional $85 million in a net revenue-neutral fashion.

Overall, collections from the "Big 3" revenue sources – Transaction Privilege Tax, Individual Income Tax, and Corporate Income Tax – are on track to meet or exceed the Executive Budget forecast *(see Figure 2 below)*.

Figure 2



The State's Transaction Privilege Tax – the largest component of General Fund revenue and a key bellwether of state economic and fiscal health – has been a strong performer, posting a 10.1% gain over the prior year through November 2019. That growth rate exceeds levels contemplated in the enacted budget and as of November includes only the first month of anticipated revenues from the State's new remote seller's tax.

In the first five months of FY 2020, Individual Income and Corporate Income taxes were, respectively, 10.1% and 18.1% higher than in the same period in FY 2019, which was also a very strong year. That pace puts revenue flows for each component ahead of the enacted FY 2020 budget forecasts for the year by 6.3% and 51.9%, respectively, and on track to meet or exceed current Executive projections.

Table 1

Historical and Projected Revenue Growth

	8-Year Average	FY 2020[1]	FY 2021
TPT	4.5%	7.0%	4.1%
IIT	8.3%	6.4%	2.9%
CIT	0.8%	1.7%	2.1%
GF	5.5%	5.3%	2.8%

[1]Adjusted for prior tax law changes

Because of the volatility stemming from significant changes in federal tax law pursuant to the 2017 Tax Cuts and Jobs Act, the Executive Budget's projections for the Individual Income Tax assume that the estimated fourth-quarter 2018 payments will revert to more normal levels, compared to the huge influx witnessed in 2017. Conversely, revenue flows in the spring of 2019 will display substantial growth over the depressed levels observed during the same period in 2018.

Overall, considering both the pace of recent revenue growth and the tailwinds boosting Arizona's economy, the Executive Budget is well positioned to meet or exceed its baseline forecast of approximately $11.6 billion.

CONTINUED INCOME TAX REFORM

In December 2017, passage of the Tax Cuts and Jobs Act provided the largest federal tax law change in decades and yielded significant tax savings to Arizona residents.

Last year the Legislature passed and the Executive signed the 2019 Tax Omnibus (Laws 2019, Chapter 273), which not only conformed Arizona to those important changes but also enacted meaningful State reform in its own right, with taxpayer benefits that include:

- reducing the number of brackets;
- lowering individual income tax rates;
- creating a new child tax credit; and
- allowing taxpayers who claim the Arizona standard deduction to deduct a portion of their charitable giving.

As previously mentioned, the legislation also expanded the reach of the State's TPT to include out-of-state sellers and online marketplaces.

While these changes have had a positive impact on Arizona's economy and helped modernize Arizona's tax systems, there is more to be done.

Exemption for All Military Pension Pay. Since 1989, Arizona has provided a partial exemption for public service pension pay - including military pensions. Acknowledging the fact that this tax benefit had gone unchanged for more than two decades, in 2018 the Executive called on the Legislature to increase the exemption from $2,500 to $10,000 for retired military personnel. Ultimately, the exemption was increased to just $3,500, leaving incomplete the efforts to recognize the service of Arizona's veterans.

Thankfully, since then the state's economy and General Fund revenues have experienced extraordinary growth under the conservative fiscal management of the Executive and our Legislative partners. Today, the State of Arizona is in its strongest-ever fiscal position. It is time for the State to recognize the sacrifice of its more than 53,000 retired veterans, who receive a lifetime benefit from our nation in the form of a pension, by allowing them to keep as much of that benefit as possible.

Therefore, the FY 2021 Executive Budget fully eliminates this tax by exempting all pension pay of the Uniformed Services of the United States. This new exemption – retroactive to tax year 2020 – is expected to save the average pensioner more than $840 per year in State income tax and reducing General Fund revenues by approximately $45.5 million beginning in FY 2021.

General Fund Revenue Summary

TAXES	Actual FY 2019	Estimate FY 2020	Estimate FY 2021	Estimate FY 2022	Estimate FY 2023
Individual Income	5,009,021.6	5,164,121.5	5,311,765.0	5,537,951.5	5,752,469.5
Corporate Income	514,264.1	523,000.0	533,980.0	543,590.0	559,166.7
Sales and Use	5,096,750.3	5,444,336.7	5,669,903.4	5,891,450.5	6,107,974.7
Property Taxes	29,683.3	36,094.0	37,307.4	36,845.6	31,012.0
Luxury Taxes	58,300.1	58,396.0	58,812.5	59,286.8	52,565.0
Insurance Premium Taxes	549,760.6	545,100.0	553,276.5	561,575.6	567,191.4
Estate Taxes	-	-	-	-	-
Other Taxes	13,539.4	12,548.7	13,257.1	14,005.8	6,211.0
TOTAL TAXES	11,271,319.4	11,783,596.9	12,178,301.9	12,644,705.8	13,076,590.3
OTHER REVENUES					
Licenses, Fees & Permits/Misc.	167,387.3	186,831.6	189,745.1	193,099.7	214,545.4
Interest Earnings	53,106.7	42,378.6	47,118.5	48,738.3	51,175.2
Lottery	82,886.1	94,349.2	102,048.1	109,191.5	114,651.1
Transfers & Reimbursements	63,365.0	55,574.7	58,501.9	61,332.9	94,840.5
TOTAL REVENUES	11,638,064.5	12,162,731.0	12,575,715.5	13,057,068.3	13,551,802.5
ADJUSTMENTS					
Urban Revenue Sharing	(674,804.4)	(737,573.9)	(828,492.9)	(853,068.2)	(876,861.7)
Disproportionate Share	95,552.6	95,500.0	92,750.0	74,000.0	74,000.0
Public Safety Transfers	72,364.5	23,343.2	23,343.2	-	-
Temporary Transaction Privilege Tax	128.6	-	-	-	-
Scheduled Fund Transfers	100,425.9	90,840.7	16,818.7	36,700.0	-
Recommended Revenue Changes	-	-	(52,060.7)	(52,525.4)	(46,629.8)
GRAND TOTAL REVENUES	11,231,731.7	11,634,841.0	11,828,073.9	12,262,174.7	12,702,311.0

Note : Projected impacts from previously enacted tax law changes are included in the forecast.

Other Fund Revenue Summary

	(in thousands)		
	Actual	Estimate	Estimate
TAXES	FY 2019	FY 2020	FY 2021
Motor Vehicle Fuel Tax	2,256,028.3	790,919.2	810,409.9
Property Taxes	11,729.1	13,498.1	13,013.2
Sales and Use	672,191.5	422,668.9	373,516.9
Luxury Taxes	303,038.2	293,986.5	293,473.9
Insurance Premium Taxes	40,779.3	43,400.2	45,039.0
Motor Carrier Tax	(8,584.3)	22,197.9	23,134.5
Vehicle License Tax	(424,980.6)	670,013.2	705,722.1
Other Taxes	1,838,285.0	1,468,383.4	1,523,583.0
TOTAL TAXES	4,688,486.4	3,725,067.4	3,787,892.5
OTHER REVENUES			
Licenses, Fees & Permits/Misc.	1,953,926.9	2,111,811.4	2,187,484.6
LF & P	889,036.2	933,450.0	991,550.6
S & S	1,064,890.8	1,178,361.4	1,195,934.0
Misc	-	-	-
Interest Earnings	441,025.4	387,199.4	386,768.3
Lottery	1,787,482.0	1,891,318.5	1,891,318.5
Charges for Services	4,668,912.9	4,825,931.0	4,945,246.1
Miscellaneous Revenues	1,442,477.2	1,539,597.3	1,491,747.7
TOTAL OTHER REVENUES	10,293,824.4	10,755,857.6	10,902,565.2
TOTAL REVENUES	14,982,310.9	14,480,925.0	14,690,457.7
OTHER FINANCING SOURCES			
Transfers & Reimbursements	21,901,436.6	22,823,155.9	24,559,635.2
GRAND TOTAL REVENUES	36,883,747.4	37,304,080.9	39,250,092.9

*Other Appropriated Funds Revenues include all revenues for funds which may only be partially subject to statutory or legislative appropriation. The expenditures shown in the "Other Funds Budget Summary" are for the appropriated portion of these funds only and may represent only a small portion of the funds' total expenditures. There are several funds where a General Fund appropriation is deposited into an "Other Appropriated Fund" and these deposits are reflected in the figures above; as such General and Other Fund Revenues may not sum to total State revenue.

Education

The Executive Budget increases per-pupil spending to record highs, provides more money for teachers, promotes access to high-quality schools, expands charter school oversight, enhances funding new school construction, and improves students' readiness for college and careers.

> **"When it comes to the improved K-12 results we are seeing in Arizona, credit goes to our teachers and educators. And we are truly grateful, because the state of our state can only be strong with strong public schools. Arizona is one of only a few states in the nation demonstrating academic improvements over the last decade."**
>
> Gov. Doug Ducey

For years, Recession-era gimmicks, school finance lawsuits, and long-standing cuts dominated Arizona's education funding landscape. Those days are over, thanks to the Executive's leadership, a committed and supportive Legislature, and the influence and input of education stakeholders from all sectors of the state.

Today, policies of the past continue to be replaced through smart, sustainable decisions that position Arizona to perpetuate, for the long term, the momentum achieved for K-12 schools since 2015.

Learning from the Past, Focusing on the Future

The Executive Budget for FY 2021 features a heightened continuation of the disciplined year-by-year progress achieved over the last five fiscal years:

- The FY 2016 budget, in conjunction with Proposition 123, settled lawsuits over inflation and school capital funding.
- The FY 2017 budget transitioned school finance from a prior-year funding model to a current-year funding model, ensuring that the State is funding schools in the right amount for the current year.
- The FY 2018 budget expanded access to high-quality schools by implementing Results Based Funding.
- The FY 2019 budget charted a path to increase teacher pay and restore Recession-era budget cuts.
- The FY 2020 budget not only honored the previous year's promises – it accelerated them.
- The FY 2021 Executive Budget resets K-12 funding by fully implementing the 20x2020 plan and fully restoring formula cuts.

Thanks to these smart policies, Arizona is poised to do more than simply restore the cuts of the past. The FY 2021 Executive Budget advances education the "Arizona Way," including expanding the school safety grant program, incentivizing academic success, and supporting school choice.

PRIOR K-12 INVESTMENTS

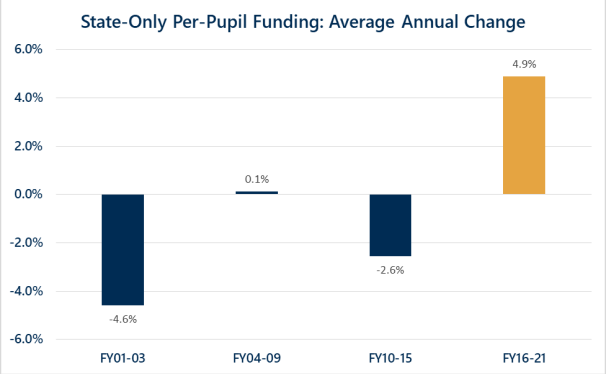
Cumulative Spending Since 2015. Over the past five years, the State has increased real per-pupil State-only funding by an average of 4.9% per year. No administration has matched this record since 2000. (In fact, between 2003 and 2008 – a period of historic economic growth – the State averaged just 0.1% in annual increases.)

The Executive Budget builds on the recent record of success by continuing to deliver increases in K-12 spending above and beyond inflation and population growth.

Over Governor Ducey's first five budgets, the State has cumulatively spent nearly $4.5 billion on public education. With the investments proposed in this budget, that figure grows to $6.6 billion.

These sustainable and ongoing investments have been made without any tax increases.

Figure 3



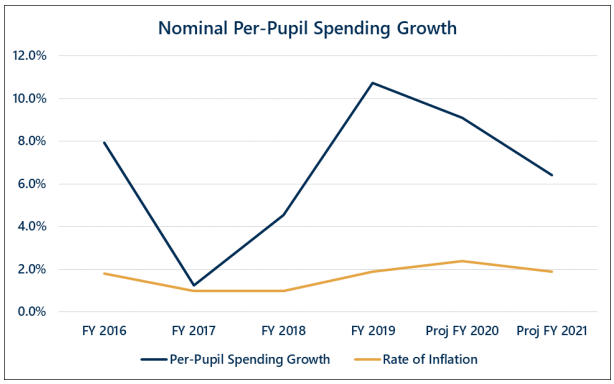
The Executive estimates that, in FY 2021, nominal State-only per-pupil spending will reach a post-Recession high of $6,156 – a 6.7% increase, or $387 per pupil, over the prior year. When all funding sources are included, nominal per-pupil spending is estimated to reach $11,253. In real, 2012 inflation-adjusted dollars, these figures are estimated at $5,250 per pupil for State-only dollars and $9,597 per pupil for all sources.

For perspective, the Joint Legislative Budget Committee reports that in FY 2015, immediately prior to the Governor's first term, the State spent just $3,958 (State-only, inflation adjusted) and $8,605 (all funding sources, inflation adjusted) per pupil, as adjusted for inflation. This represents a 33% increase in State-only investment and 12% in all-funds investments since Governor Ducey took office.

Increasing Education Spending Beyond Inflation. Since taking office, Governor Ducey committed the State to increase education funding above and beyond the rate of inflation every year that he is in office. The FY 2021 Executive Budget continues Arizona's five-year record of achieving that objective.

In fact, while inflation over the past five years has averaged just 1.6% per year, nominal State-only per-pupil spending growth each year has averaged nearly 6.6%.

Figure 4



New School Construction. For years, the State built new schools in the year that they were needed. As a consequence, schools outgrew their facilities and were forced into temporary structures while new classrooms were being built – a process that typically takes about two years.

Last year, the Executive proposed and the Legislature enacted a budget that provides for starting construction on new school buildings two years before they need to be occupied. Not only does this allow for schools to stay ahead of overcrowding situations; it is also more fiscally responsible, as the School Facilities Board is no longer forced to incur unnecessary design and construction costs to meet accelerated schedules.

The FY 2021 Executive Budget continues to fully fund this policy on a cash basis.

Public Charter Accountability. For years, Arizona has responsibly promoted school choice and educational excellence through competition. While our State-sponsored charter schools include some of Arizona's and the nation's best-performing public school options, their rapid growth has created a commensurate need for additional oversight capacity of the Arizona State Board for Charter Schools.

The FY 2020 budget included 5.0 FTE positions in FY 2020 and 5.0 FTE positions in FY 2021 to (a) implement a new intervention process for schools that do not meet the State's standards for financial strength or academic performance and (b) increase the frequency of Board staff on-site visits. The Executive has monitored the implementation of this plan to date, and the Executive Budget includes the second year of funding increases for oversight contemplated in the FY 2020 budget.

This increase in on-site monitoring and targeted visits is intended to increase the Board's ability to hold charter schools accountable for operational, academic, and financial performance standards. As a result of this investment, the Board is expected to increase site visits from 89 in FY 2019 to 169 in FY 2021, an increase of 89%.

FUTURE K-12 INVESTMENTS

20x2020: Fully Implementing Teacher Salary Increases. The FY 2021 Executive Budget provides the third installment of the State's $645.2 million cumulative investment in Arizona's public school teachers.

The Executive's 20x2020 plan began in the FY 2018 budget with a $34 million investment and achieved a 10% increase in FY 2019, for a cumulative investment of $306 million.

The FY 2020 budget continued to implement the 20x2020 plan with a $164.7 million increase, bringing the total cumulative effect to $470.7 million and a 15% increase in salary.

The Executive Budget seals this commitment with $174.5 million in new funding – the final payment of 20x2020 – resulting in permanent funding for a 20% increase for average teacher pay.

Fully Restoring Recession-Era Cuts. District Additional Assistance (DAA) and Charter Additional Assistance (CAA) are components of the Basic State Aid formula that were suspended during the Great Recession. DAA and CAA are formula dollars that can be used for capital and operational costs, including additional pay for all categories of certificated teachers and classified staff, as well as soft capital needs such as textbooks.

The DAA formula provides annual per-pupil funding of approximately $450 to $600 to school districts, while the CAA formula provides annual per-pupil funding of $1,843 to $2,148 to charters. CAA funding has historically been higher than DAA because, unlike school districts, charters cannot levy property taxes and do not receive State funding for capital costs or some types of maintenance and operating costs.

The FY 2019 budget charted a five-year plan to restore $371 million in cuts to DAA and CAA. The FY 2020 budget (a) continued this plan with a $68 million increase in new funding and (b) accelerated restoration with an additional $68 million one-time investment.

The FY 2021 Executive Budget fully restores cuts to DAA and CAA, two years ahead of schedule. The Executive Budget includes the planned $68 million increase and provides an additional $136 million in one-time funding to fully reverse long-standing suspensions of two portions of the State Aid formula.

Table 2

District Additional Assistance

	Laws 2018, Chapter 285		Executive Recommendation		Acceleration
	Suspension	Restoration	Suspension	Restoration	Needed
FY 2018	$ 352,442,700	$ 0	$ 352,442,700	$ 0	
FY 2019	257,469,900	94,972,800	257,469,900	94,972,800	
FY 2020	193,102,400	159,340,300	64,367,400	223,707,800	n/a
FY 2021	128,734,900	223,707,800	0	352,442,700	128,728,800
FY 2022	64,367,400	288,075,300	0	352,442,700	64,367,400
FY 2023	0	352,442,700	0	352,442,700	0

Table 3

Charter Additional Assistance

	Laws 2018, Chapter 285		Executive Recommendation		Acceleration
	Suspension	Restoration	Suspension	Restoration	Needed
FY 2018	$ 18,656,000	$ 0	$ 18,656,000	$ 0	
FY 2019	13,628,800	5,027,200	13,628,800	3,407,200	
FY 2020	10,221,600	8,434,400	6,814,400	11,841,600	n/a
FY 2021	6,814,400	11,841,600	0	18,656,000	6,814,400
FY 2022	3,407,200	15,248,800	0	18,656,000	3,407,200
FY 2023	0	18,656,000	0	18,656,000	0

Increased Funding for Daily Operations. In May 2016, Arizona voters passed Proposition 123, an education funding plan that settled a five-year lawsuit by infusing an estimated $3.5 billion over ten years into Arizona's K-12 public education system.

The State Aid Supplement was a key component of this funding plan, which originally included $50 million annually between FY 2015 to FY 2020 for general maintenance and operations of public schools.

In FY 2021, this investment increases by $25 million, to $75 million, in new funding for schools. The additional funding is outside the K-12 formula and is paid on a pro rata share based on student count.

Inflation and Enrollment Growth. The Executive Budget includes $156 million in the base as permanent funding for a 0.6% increase in student enrollment and a 1.88% inflation adjustment. This increase is sourced from (a) higher property tax revenues generated from new construction, (b) increased distributions from the Permanent School Fund, and (c) a General Fund baseline increase of $87 million for enrollment growth, inflation, and related adjustments, or $76 per pupil.

INVESTING IN SMART POLICIES, SUPPORTING SCHOOL CHOICE

Rewarding Academic Excellence. In FY 2018, Governor Ducey created the Results Based Funding (RBF) program to incentivize high-performing schools to expand and replicate, thereby increasing access to high-quality public K-12 education. The monies could be used to increase teacher salaries, provide professional development opportunities for teachers, and expand enrollment capacity.

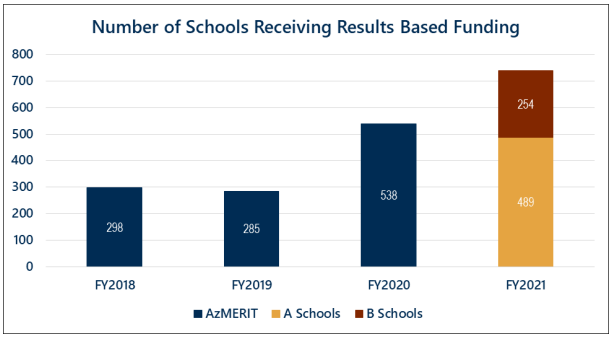
As a result, during FY 2018, $39 million was distributed to 298 schools based on AzMERIT scores. However, statute called for the RBF distribution formula to transition to the letter grade framework beginning in FY 2019, and to award RBF to schools earning an A rating. The FY 2019 and FY 2020 budgets notwithstood this section of statute, continuing to award RBF using AzMERIT scores, awarding $38 million to 285 schools in FY 2019 and an estimated $72 million to an expected 538 schools in FY 2020.

A consequence of relying on AzMERIT scores over school letter grades is that rewards are zero-sum – i.e., if one new school improves and earns the funding, another school must necessarily lose it.

The FY 2021 Executive Budget addresses this issue by (a) making the transition to the distribution formula contemplated in the original law, and (b) going beyond that to include high-performing B-rated schools with 60% or more pupils enrolled in the free and reduced-price lunch (FRL) program. Expanding RBF to include qualifying B-rated schools recognizes high-performing schools by taking into account the extra resources required by schools that have high rates of FRL participation and continue to perform above the state average.

A-rated schools with 60% or higher FRL will receive $400 per pupil, and A-rated schools with less than 60% FRL will receive $225 per pupil. As part of this policy change, B-rated schools with 60% or higher FRL will also receive $225 per pupil. The Executive estimates that a total of 743 schools will receive RBF in FY 2021, with awards totaling $107 million, an increase of $35 million over FY 2020.

Figure 5



Additionally, the FY 2020 budget included enhanced reporting requirements for schools receiving RBF. As this document was being prepared, the Executive anticipated receiving the first report containing this school site-level data in December 2019. The report is expected to provide insights into the strategies and approaches that are used by Arizona's highest-performing schools and can be replicated at other schools.

Through this combination of changes, the Executive looks forward to every Arizona school having the opportunity to be rewarded for the results they achieve and to expand opportunities for more students to attend the state's highest performing schools.

Supporting School Choice. Arizona is among the nation's top states for school choice. Students and families have the ability to apply for admission to any Arizona public school with available classroom space: local school district, neighboring school district, charter school, online schooling, or homeschooling.

One of the ways in which parents exercise school choice is the Empowerment Scholarship Account (ESA). ESAs give parents the freedom to choose a schooling option that works best for their child. The ESA program grew by 1,405 students last year, and the number of ESAs has increased by an average of 52% each year since FY 2015.

In turn, this growth has created administrative challenges at the Department of Education (ADE), and those challenges have made it more difficult for parents in need to receive in a timely fashion the scholarships for which they are eligible.

The Executive Budget supports parents who pursue school choice, and it provides funding for five student and family engagement specialists for technical support of families applying for and participating in the ESA program. Additionally, the Executive Budget provides funding for ADE to create resources and engage in outreach, including seminars on the benefits of the ESA program and how to apply.

Helping Students Become Workforce Ready. The Arizona Industry Credential Incentive Program incentivizes schools to encourage high school students to complete career and technical education programs and to graduate with industry-recognized certificates, credentials, and licenses in a high-demand industry.

The Executive Budget includes $5 million that was promised by the FY 2020 budget to create this program and that will reward schools for up to 5,000 graduates who earn approved credentials beginning in FY 2021.

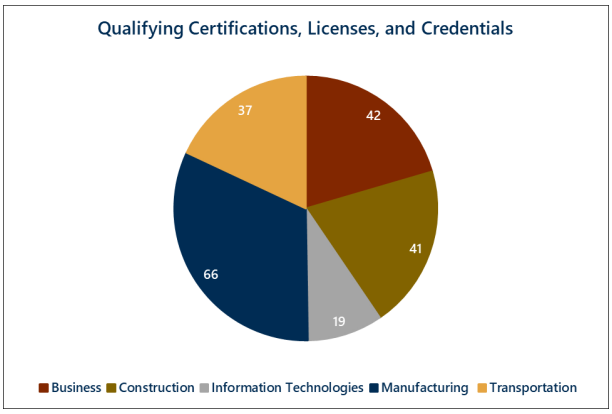
All school districts, charter schools, and career and technical education districts (CTEDs) are eligible to participate. Public schools must have approved CTE programs that offer certificates, credentials, or licenses in high-demand industries as identified by the Arizona Commerce Authority. These certificates must be approved by the State Board of Education and placed on the CTE Industry Credential List maintained by ADE. The CTE Industry Credential List includes 165 certificates and credentials in the business, construction, health, information technology, manufacturing, and transportation sectors. Some credentials appear in multiple sectors. (See *Figure 6* for a chart of all qualifying credentials, by sector.)

District and charter schools will earn $1,000 for each high school graduate who obtains an approved industry-recognized certificate. Schools may use the monies for:

- professional development for CTE teachers;
- creating, expanding or improving an approved CTE program or course;
- purchasing instructional hardware, software or supplies;
- career exploration; and
- offsetting the student's cost of certification.

ADE will begin data collection efforts to identify qualifying students in May 2020, with the first incentive payments scheduled for September 2020.

Figure 6



SETTING UP STUDENTS FOR SUCCESS

Earning College Credit and Saving Money. In FY 2018, Arizona started the College Credit by Examination Incentive Program (CCEIP), which provides incentive bonuses to teachers, school districts, and charter schools for students who obtain a passing score on a qualifying examination for college credit while in high school.

The majority of students who pass qualifying examinations take advanced placement (AP) tests offered by the College Board. The College Board estimates that Arizona students and their families saved $48 million in tuition payments as a result of achieving passing scores on AP tests in 2018, based on an average rate of $384.67 per credit hour for tuition at Arizona four-year public institutions.

The Executive Budget provides additional resources for CCEIP to incentivize high performance and earning college credit, enabling Arizona students to save on tuition dollars and graduate sooner.

The CCEIP bonus is $450 per passing score for a student who is enrolled in a district or charter school where at least 50% of students are eligible for free or reduced-price lunch (FRL). Schools that do not meet this threshold receive $300 per passing score.

In FY 2018, CCEIP awarded $4 million for 13,388 passing exams. In FY 2019, 46 exams were added to the list of qualifying exams, and the total number of passing exams in FY 2019 increased to 22,296 and generated demand for $7 million in incentive payments. Because the FY 2019 appropriation was $5 million, ADE prorated the per-pupil award amounts. The Executive Budget funds $2 million in FY 2021 based on the excess program demand from FY 2019.

The Executive Budget also includes funding to waive test fees for low-income students who take examinations that qualify for college credit. In 2018, Arizona students qualifying for free and reduced-price lunch took 18,862 college placement exams and, after receiving other rebates and State support, paid out of pocket an average of $35 per test.

The Executive Budget provides funding to eliminate this financial hurdle and enable qualifying students to take exams resulting in college credit free of charge.

Supporting Gifted Education Programs. Approximately 8% of Arizona students qualify as gifted and advanced learners. State law requires all public schools to identify and provide appropriate educational programs and services for gifted learners.

The Gifted Education Grant program was most recently funded in 2019 as a one-time investment to supplement gifted education programs and services. The grant program was funded again in FY 2020 as one-time funding and provided grants benefiting students at 240 schools across the state.

The Executive Budget continues $1 million in funding for this important resource and makes it permanent.

SCHOOL SAFETY AND ACCOUNTABILITY

Dedicating More Resources to the School Safety Grant Program. The Executive Budget responds to the dramatic increase in demand for school safety personnel. The FY 2020 budget expanded the School Safety Grant program to include grants for school counselors and school social workers, in addition to the school resource officers the program has historically supported.

In response to this $20 million program expansion, 931 districts and charters submitted requests for 302 school resource officers (SROs), 473 school counselors, and 396 social workers, totaling more than $97 million – nearly five times the available funding.

Applicants were asked to denote their first choice for funding, which included requests for 267 SROs, 337 school counselors, and 279 social workers, for a total of $73.8 million, which is more than three times the current funding for this grant program.

The Executive Budget funds the 461 remaining unfunded applications after the State Board of Education approved grant awards in December 2019. The cumulative request of those schools encompasses an estimated 144 school resource officers, 162 school counselors, and 155 social workers, totaling $38 million in grant funding.

Investigating Educator Misconduct. Student safety is a high priority, and the Executive Budget provides additional resources to increase ADE's capacity for investigating teacher misconduct.

Since 2012, the number of disciplinary actions taken annually by the State Board of Education on cases investigated by ADE has increased by 238%, from 55 to 131. While not every case reaches the Board, an average of 1,000 cases are opened each year, requiring varying levels of investigation given the nature of the complaint or allegation.

The Executive Budget provides $430,000 for four additional investigator positions and one additional administrative assistant, doubling the size of the Investigations Unit. The new positions are expected to decrease the average number of open cases per investigator by 50% to ensure more manageable caseloads and faster case management.

RESOURCES FOR SCHOOLS IN NEED

Developing New Teachers. The Executive Budget doubles the State's investment in the Alternative Teacher Development Program. Established in FY 2007, the program accelerates the process of identifying, training, and placing highly qualified individuals into low-income schools.

Historically, the State Board of Education has awarded program funding to the Teach for America-Phoenix (TFA) program, which has demonstrated success in improving student outcomes. TFA reports that 71% of its first- and second-year teachers improved student academic growth by one to one-and-a-half grade levels.

To receive the funding, TFA must match the State grant allocation with an equal or greater amount of private-sector funding. TFA has 141 corps members in 50 Arizona district and charter schools that serve 8,400 students. The average percentage of students eligible for free and reduced-price lunch (FRL) in TFA schools is 86% (compared to the state average of 56%), and test scores are 29.5% in math and 30.1% in English language arts relative to the state average of 42% for both tests.

Over 92% of TFA teachers are retained after two years of teaching, compared to 78% of all new Arizona teachers.

Knocking Down Barriers to Graduation and College and Career Readiness. The Executive has provided support for Jobs for Arizona Graduates (JAG) through the use of Workforce and Innovation Opportunity Act dollars, and through Legislative appropriations beginning with the FY 2018 budget.

JAG is currently offered as an elective course at 17 high schools. Each program is spearheaded by a program coordinator (JAG teacher) who takes personal responsibility for the JAG students and helps ensure that program participants stay in school, graduate, have a career and post-secondary plan to enact after graduation, and are supported for at least one year after graduation to transition successfully into the workforce and/or college.

In 2019, JAG served 708 high school students and saw increases in GPA for 71% of participants and improved attendance for 58%.

The FY 2021 Executive Budget increases the State's contribution from $100,000 to $500,000. The Executive estimates that this $400,000 increase will fund an additional 500 students and create new JAG programs across the State.

Investing in Closing the Achievement Gap. To close the achievement gap of performance-challenged schools, the Executive Budget builds on successful pilots by scaling resources and support provided to three diverse districts to a statewide model that the Executive calls the "Closing the Achievement Gap."

In FY 2016, the State invested $575,000 to support a public-private partnership with the Challenge Foundation and Avondale

Elementary School District (AESD) to implement a comprehensive school-improvement model that included $150 per pupil in resources and is designed to assist students, teachers, and staff members in meeting the goal of increasing student achievement.

Over the course of three years, AESD increased its AzMERIT performance by 13% in English Language Arts and by 18% in Math, relative to the statewide average of 7% and 6%, respectively. The Executive added Wickenburg Unified School District (WUSD) and Deer Valley Unified School District (DVUSD) to the program and is seeing similar positive results. The Executive Budget proposes expanding access to funding to close the achievement gap statewide in FY 2021.

This initiative scales the success of the initial pilot and will include first priority in the "Beat the Odds" School Leadership Academy and access to funding grants. To accomplish this expansion, the Executive Budget includes $44 million annually as recurring one-time funding over the next three years.

The achievement gap funding grants will provide targeted financial support to underperforming and failing schools. Grant funding can be used to support implementation of proven achievement gap strategies, such as the model used by the AESD, WUSD, and DVUSD pilots.

The three-year pilot will monitor academic success across three indicators, including moving up a letter grade, earning at least 50% of growth points in the letter grade framework, and improvement in attendance.

C-rated schools with 60% or higher FRL and any D- or F-rated schools may opt into the pilot program. Funding will be provided on a $150-per-pupil basis. The Executive's investment is estimated to serve all schools in the three categories.

Table 4

Per Pupil Awards

	0-60% FRL	60-100% FRL
"C" Schools	n/a	$ 150
"D" Schools	$ 150	$ 150
"F" Schools	$ 150	$ 150

BUILDING RENEWAL AND NEW SCHOOL CONSTRUCTION

Achieving Efficiencies with Technology Solutions. The School Facilities Board (SFB) uses multiple applications designed in-house to manage the Building Renewal Grants Program. Grants are administered to school districts to cover the cost of HVAC, electrical, plumbing, and other building repairs and maintenance.

As a result of the Auditor General's recommendation in a June 2019 report, in consultation with SFB and the Arizona Department of Administration (ADOA) the Executive has determined that migrating to the State's enterprise grants management software would help SFB process building-renewal grant applications more quickly and efficiently and reduce the backlog of more than 500 applications that have remained open for more than a year.

Building Renewal Grants. The SFB administers the Building Renewal Grant (BRG) program, which provides financial assistance to school districts to repair or replace existing school building systems.

Between 1999 and 2004, SFB completed deficiency-corrections projects totaling $1.3 billion. As many of those projects are nearing the end of their useful life, SFB has recently seen an increase in school district building-renewal requests. From FY 2013 to FY 2019, applications have nearly tripled, from 319 to 878.

The Executive Budget includes funding of $107.5 million, which is $90.8 million more than the "base" amount of $16.7 million that the State typically appropriates for BRG funding for districts' capital needs. This level of funding amounts to a 35% increase over the $79.5 million appropriated for building renewal projects in FY 2020. In addition, based on the awards approved by SFB to date, the Executive anticipates a supplemental funding need of $35 million in FY 2020 to fully fund the entirety of current-year BRG applications.

New School Construction. The Executive Budget includes funding of $65.4 million in new school construction. Laws 2019, Chapter 265 requires new school capital funding if projections indicate that a school or additional space will be needed within two years.

The Executive projects that two new schools will reach capacity in FY 2022 and has included funding that reflects the 5.29% inflation adjustment adopted by the Joint Legislative Budget Committee at its December 2019 meeting. Additionally, the Executive Budget includes the second installment of funding for seven schools that were funded beginning in FY 2020.

The Executive Budget further invests $6.4 million to enhance the square-footage calculations for schools reaching capacity in FY 2022.

Tables 5 and 6

New School Construction - Conceptual Approvals

School District	Fiscal Year at Capacity	FY 2021 Funding Using Inflation of 5.29% (Baseline Amount)	Executive Budget Amount Above Baseline for FY 2021 Using Enhanced Inflation	Executive Budget Total Funding: Baseline Plus Enhanced Inflation
Chandler	2022	$8,789,375	$4,717,563	$13,506,938
Tanque Verde	2022	$2,941,426	$1,653,843	$4,595,269
Site Conditions		$1,500,000		$1,500,000
Total		**$13,230,801**	**$6,371,406**	**$19,602,207**

New Schools Under Construction

School District	Fiscal Year at Capacity	FY 2021 Executive Budget Funding
Chandler	2021	$8,984,500
Douglas	2021	$8,254,501
Maricopa	2021	$11,230,625
Safford	2021	$3,257,557
Laveen	2021	$7,306,992
Santa	2021	$2,556,854
Vail	2021	$4,214,700
Total		**$45,805,729**

Adult Education

The Executive Budget includes an increase in funding to enable ADE to continue to meet State match requirements for federal dollars that support adult education.

Arizona's adult education program offers access to quality educational opportunities that support job training, employment, and aspiration for higher education. The Governor's Office will provide federal Workforce Innovation and Opportunity Act dollars to serve the projected waitlist of 2,455 adult learners.

Since FY 2015, the average increase in the federal allocation is 4.5%, yet the General Fund appropriation for adult education has remained flat. Historically, this State appropriation was sufficient to meet the federal match requirement but is $209,400 short in FY 2020. The shortfall is projected to increase to $370,500 in FY 2021. The Executive Budget covers the funding gap.

Higher Education

COMMUNITY COLLEGES

Full Funding of STEM & Workforce Programs Formula. Arizona community colleges are funded largely from three formulas: Operating State Aid, STEM & Workforce Programs Aid, and Equalization Aid.

With an investment of $11.1 million, the Executive Budget fully restores cuts to the formula for STEM & Workforce Programs Aid in the Maricopa, Pima, and Pinal community college districts.

Rural Community College Support. As Arizona companies continue to face major challenges in sourcing and hiring qualified talent, the demand for educational programs that meet those needs continues to be a challenge, especially in rural areas.

The Executive Budget includes $10.6 million in one-time funding to expand educational opportunities in rural communities around the state. Of the total, $6.5 million is allocated to the 10 rural community college districts for general operating expenses and career and technical education programs. The remaining $4.1 million is allocated to the Arizona Commerce Authority to expand the Arizona Advanced Technology Corridor into a network partnership of community colleges serving multiple geographic rural areas around Arizona. This investment will enhance an emerging workforce with skills aligned with industry needs, ultimately leading to the growth and development of the economic diversity in each rural region.

UNIVERSITIES

The Executive Budget makes targeted investments in the State's public universities to expand their capacity for graduating students in critical areas that will allow Arizona to compete in the New Economy.

The FY 2020 budget included $35 million in one-time General Fund support for university operating and capital improvements. The Executive Budget continues this investment in FY 2021.

Additionally, the Executive Budget includes an ongoing increase of $35 million in General Fund support to advance Arizona's workforce and increase Arizona's competitiveness through a "New Economy" initiative. The initiative makes targeted investments to:

- boost post-secondary attainment;
- increase the number of graduates in critical high-demand industries such as coding, artificial intelligence, and entrepreneurism; and
- reduce the time required to obtain a degree by modernizing curriculums and programs.

Increased Support for Research Endeavors. The Executive Budget includes an additional $10 million in one-time General Fund support for research expenditures as a part of the New Economy initiative.

A January 2019 economic impact report by Elliott D. Pollack & Company showed that the statewide economic impact of Arizona's public universities' research activities exceeds $2 billion. The targeted investment in the New Economy initiative provides the State match portion for Arizona's public universities to pursue major competitive national research grants to accelerate the universities' transformation into adaptive drivers of economic success for the state.

Teachers Academy Outreach. The Executive Budget includes $1 million for the Arizona Teachers Academy to attract more potential teachers.

The FY 2020 budget included $15 million to expand the Academy. Participation has increased by over 882% since the 2017-2018 school year, with over 2,170 students participating in the fall 2019 semester.

The Arizona Board of Regents plans to reach even more students through a marketing campaign. As of May 2019, 273 students had completed a program of study through the Academy, which is expected to grow significantly this year with an increase in scholarships in 2019 and 2020.

The Board has engaged in several paid media campaigns aimed at students, school academic counselors, parents of high school students, and other groups. The additional investment will allow the Board to increase marketing efforts that will reach and engage additional populations through social media and print and video media.

In addition, the Executive Budget contemplates expanding the number of participants in the Academy, such as students exclusively pursuing degrees outside of the universities' colleges of education and who are not pursuing traditional teacher certifications. Additional pathways into the Academy and ultimately into the classroom, amplified by the new investment included in the Executive Budget, will further enhance the momentum of the State's efforts to address the critical workforce shortage in the teaching profession.

Further, the Executive Budget changes the statute governing the Academy to clarify that, for the purposes of the Board distributing funding to participating community colleges on a $3,000-per-slot basis, the Board must distribute the full amount for every post-baccalaureate student taking at least nine credit hours per semester.

The community colleges deem this load as full-time for the program, given that nearly all of the participants also serve as full-time teachers. This change will provide adequate funding for the community colleges to administer the Academy and keep students on a two-year track to obtain their post-baccalaureate certification.

Public Safety

The Executive Budget makes strategic investments to enhance and modernize public safety statewide; provide competitive pay for targeted corrections and court personnel; and equip public safety workers with the tools they need to fulfill their mission.

> **"There's no doubt about it, public safety is the most important thing government does - whether it's on our streets or in our corrections facilities."**
>
> Gov. Doug Ducey

The FY 2021 Executive Budget provides the resources necessary to improve public safety across the state in the "Arizona Way." Strategic law-enforcement investments focused on wrong-way and impaired drivers will make highway transportation safer, and resources devoted to communication infrastructure, body cameras, and modernization of the State's helicopter and highway patrol vehicle fleet will provide valuable tools in fighting crime and protecting our residents and visitors.

Additionally, the Executive Budget maintains a concerted effort to reduce recidivism by providing additional funding to the Department of Corrections. This funding will provide much-needed resources to enhance the safety and security of both staff and inmates, resulting in a prison environment in which "corrections" is not merely a label, but an achievable objective for all inmates.

Wrong-Way and Impaired Driving

EXPANSION OF "NIGHT WATCH" SHIFT

The FY 2020 Executive Budget included and ultimately secured funding for six new trooper positions dedicated to patrolling metropolitan Maricopa County between 8:00 PM and 6:00 AM, when impaired driving and threats to motorists are disproportionately high.

The FY 2021 Executive Budget continues efforts to mitigate and prevent wrong-way driving by including funding for six more trooper positions dedicated to the "Night Watch" shift. The new troopers will be trained as impaired-driving enforcement specialists as part of the Department of Public Safety (DPS) Driving Under the Influence (DUI) Squad. As members of the DPS DUI Squad, they will be issued specialized equipment and receive training as phlebotomists to conduct blood alcohol content blood tests that measure a driver's level of impairment.

DUI INVESTIGATIVE TASK FORCE

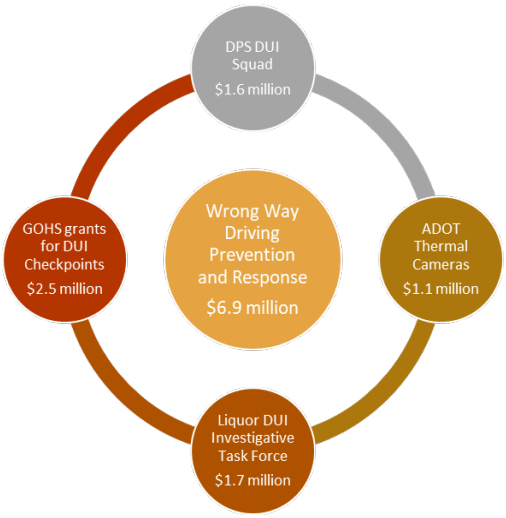
The number of wrong-way driving incident referrals to the Department of Liquor Licenses and Control (DLLC) increased from just six incidents in calendar year 2017 to 62 incidents in the first 224 days of 2019.

For FY 2021, the Executive Budget creates a nine-member DUI Investigative Task Force at the DLLC to increase the Department's prevention, investigative, and corrective actions for liquor-licensed establishments. The Task Force will consist of an additional 7.0 Investigator positions, 1.0 Analyst position, and 1.0 Sergeant position. Its primary mission will be investigating DUI and wrong-way driving incidents that result in death or serious injury, with an emphasis on a coordinated response with local law enforcement so that these incidents are immediately referred to DLLC for further investigation.

The Task Force will also develop and implement best practices and recommendations regarding wrong-way driving prevention as it relates to liquor-licensed establishments.

Figure 7

Funding for Wrong-Way Driving Prevention and Response



INVESTMENTS IN LOCAL PARTNERSHIPS

According to the Governor's Office of Highway Safety (GOHS), in Arizona from 2008 to 2018 the number of:

- traffic stops increased by 1,400%;
- DUI instances increased by 156%, from 13,700 to 35,100;
- DUI arrests more than doubled, and DUI drug arrests increased by more than 900%.

GOHS administers grants to local police departments to perform traffic enforcement responsibilities, such as DUI checkpoints and traffic stops.

The Executive Budget provides a $7.5 million deposit to the GOHS DUI Abatement Fund in FY 2021 to increase DUI checkpoint and enforcement activities over the next three fiscal years. The Executive intends for the recipients of these grants to liaise with the DLLC DUI Task Force to provide DUI and wrong-way driving arrest data, as applicable, to combat and prevent impaired driving at liquor-licensed establishments.

This initiative will be paired with significant infrastructure investments along I-40, I-17, and I-19, including the installation of 76 thermal cameras to detect wrong-way driving located on strategic intersections. (See the "Government That Works" section of the Budget Message for more information on this investment.)

Prison Safety

The FY 2021 Executive Budget includes a total of $164.2 million in new funding for the Department of Corrections (ADC):

- $75.2 million in building renewal and capital management funding;
- $42.9 million for staffing;
- $33.2 million for bed management;
- $9.4 million for recidivism reduction initiatives; and
- $3.5 million for contract inflation

FLORENCE PRISON CLOSURE

In an effort to address staffing shortages and enhance overall officer safety, the Executive has evaluated the current situation at the Florence and Eyman prison complexes and recommends the following changes:

- vacating and closing the Florence Prison (with the exception of the Globe unit), eliminating 3,679 State-operated beds;
- moving existing staff from the Florence prison to the Eyman prison to fill vacant positions; and
- partnering with a third party that will manage and operate 4,193 beds for the State, providing a net increase of 514 beds.

It is the intent of the Executive that Arizona county jails be utilized for a portion of these beds. To the extent additional beds are needed, the State will consider other options.

The closure of the Florence prison complex will not require the termination of any current ADC employees. The Eyman prison complex, also located in Florence, will be able to absorb the majority of employees that currently work at the Florence complex. In particular, the Executive intends that Florence complex Correctional Officers will be transferred to the Eyman complex, helping to eliminate the latter facility's high Correctional Officer vacancy rate, which poses safety and security risks to staff and inmates.

The focus of this initiative is to ensure that ADC employees and inmates occupy an environment that is conducive to reducing the rate of recidivism. Additionally, the closure of the Florence prison will remove $151.8 million in known building-renewal needs at the aged facility, allowing ADC to prioritize building renewal projects at other complexes.

Using a different cost-benefit analysis (the Department of Administration's Facilities Condition Index), the Florence prison would fall into the "Complete Replacement" category. The index is calculated based on Deferred Maintenance needed divided by Full Replacement Value. For Florence, this calculation is 66.1% ($151,800,000 divided by $229,689,594). Any building beyond the 60% threshold warrants full replacement.

The additional staff from the Florence prison will allow the Eyman complex to become fully staffed, eliminating the Correctional Officer II vacancy rate and providing inmates with better access to programs and other services in a safe environment. Safe, improved, and consistent access to programming opportunities will allow inmates to receive the support and education they need in order to reform and become productive members of society.

SECOND CHANCE INITIATIVES

In order to expand educational opportunities available to inmates, the Executive Budget includes an increase in funding of $1.1 million to hire an additional 10.0 Correctional Education Program Teacher FTE positions. Eight of the positions will address the current waiting list for mandatory literacy classes, and two will be used to reduce the special education student-teacher ratio in Tucson.

The Executive Budget also includes $250,000 for ADC to expand the prison braille transcription program. Currently, through a partnership with the Arizona Department of Education and the Foundation for Blind Children, prison inmates are trained to convert textbooks into braille, using braille transcription software. During the 2018-19 school year, this partnership produced for Arizona students 351 braille textbooks, 443 large-print textbooks, and 162 electronic textbooks. The Executive Budget will provide funding for one manager, two braille instructors, and the equipment required to expand the program to additional

inmates, resulting in more transcribed textbooks for the visually impaired.

In addition to the other initiatives included within the Executive Budget, the Executive supports utilization of the Medical Marijuana Fund to expand programming within ADC. This funding will be utilized to provide additional drug treatment opportunities to inmates, including learning the distinction between medical and nonmedical uses of marijuana. This investment will further support Laws 2019, Chapter 310, which allows inmates convicted of drug offenses to end their sentences early if they complete certain drug treatment programming.

BUILDING RENEWAL

To address the safety and security of staff and inmates, the Executive Budget includes an increase in funding to complete critical infrastructure improvements to locks, fire alarm and suppression systems, and HVAC units at the Lewis and Yuma prison complexes. Further, the Executive provides an additional $20.9 million in funding to expand the projects' scope by replacing indirect evaporative cooling with air conditioning. The total project cost is estimated at $72.3 million.

The shift from evaporative cooling to air conditioning is estimated to cost an additional $20.9 million. Historically, evaporative cooling has posed a variety of problems for ADC, as the humid environment causes deterioration of both capital and electronic infrastructure. The installation of air conditioning better preserves prison infrastructure.

The building renewal project, which ADC plans to complete in 2021, is divided into three phases:

- Phase 1 - **Lewis Prison**. Repair or replace locks and fire alarm and suppression systems: $25.9 million
- Phase 2 - **Lewis Prison**. Repair or replace HVAC systems: $26.4 million
- Phase 3 - **Yuma Prison**. Repair or replace locks, fire alarm and suppression, and HVAC systems: $20 million

Public Safety Assets

FULLY FUNDING HELICOPTER REPLACEMENT CYCLE

The Department of Public Safety (DPS) Aviation Unit supports State and local law enforcement with critical search-and-rescue functions and high-speed emergency transportation. In FY 2019, the Unit conducted 2,127 air rescue missions.

DPS operates a fleet of five helicopters: four single-engine Bell 407s and one twin-engine Bell 429. Per industry standards, helicopters should be replaced every 10 years or 10,000 flight hours, whichever occurs first.

Table 7

DPS Helicopter Fleet Years in Service by Fiscal Year

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
1999 Bell 407	20	0	1	2	3	4
2004 Bell 407	15	0	1	2	3	4
2004 Bell 407	14	15	16	0	1	2
2006 Bell 407	12	13	14	15	16	0
2016 Bell 429	2	3	4	5	6	7

DPS Helicopter Fleet: Years in Service by Fiscal Year

The Executive Budget includes funding to strengthen DPS's air rescue capabilities to support local law enforcement, by replacing two aging single-engine helicopters with two new twin-engine models. One helicopter will be purchased outright, while the other will be acquired on a lease-purchase for a period of two years. (At an estimated 3% annual interest rate, the cost equates to $5.5 million per year.)

The one-time cost in FY 2021 to purchase a helicopter is $10.5 million; this purchase cost is expected to be offset by $887,700 in trade-in value for the oldest helicopter, a Bell 407. As of September 2019, that helicopter was 20 years old – 10 years beyond the industry's replacement standard. Additionally, unlike the model it is replacing, the new helicopter will be capable of hoisting persons into the aircraft without landing, thus decreasing the time it takes to provide critical life-saving care.

The Executive Budget further provides an equipment replacement lifecycle for the DPS helicopter fleet, so that a new helicopter is lease-purchased every two years at an ongoing cost of $5.5 million. As a result of the lifetime replacement cycle, the entire fleet will be operating within recommended replacement standards by FY 2026.

FULLY FUNDING VEHICLE REPLACEMENT CYCLE

DPS troopers depend on reliable vehicles to patrol Arizona highways safely. Maintaining and replacing vehicles at regular intervals helps ensure the safety of troopers and the public.

The DPS fleet consists of 2,413 vehicles, including the 42 vehicles added as part of the FY 2020 budget's new positions and the proposed six additional Night Watch vehicles. The fleet also includes a total of 1,221 Highway Patrol vehicles.

DPS seeks to replace patrol vehicles after 120,000 miles or six years. As of September 2019, 19.1% of patrol vehicles exceeded one or both of those thresholds.

The Executive Budget provides funding for a constant lifetime replacement cycle for the DPS vehicle fleet. Under the replacement cycle, a sixth of DPS vehicles will be traded in, and new vehicles will be lease-purchased for six years (at an estimated annual interest rate of 2.94%). This cycle will allow the entire vehicle fleet to be replaced every six years, within the recommended replacement benchmarks.

ENHANCING TROOPER SAFETY & EFFICIENCY

The Executive Budget funds the purchase of 1,267 body cameras for the Department's sworn personnel and other agency personnel assigned to DPS task forces to enhance trooper safety, improve agency efficiency, and promote public transparency.

The Executive Budget also provides funding for 20 additional positions to manage the video collected by the body cameras, including relevant retention and redaction services. DPS will establish and train on policies and procedures for the use of body cameras in the field that align with industry standard best practices.

MAINTAINING COMMUNICATION INFRASTRUCTURE

DPS owns, operates, and maintains a statewide microwave network that provides critical radio communications for over 12,000 users, including 12 State agencies and a number of local, federal, and tribal agencies.

The State's microwave radio system is divided into three loops: southern, western, and northern. Upgrades to the southern and western loops were completed in FY 2011 and FY 2018, respectively. The FY 2019 budget included $1.3 million from the Public Safety Equipment Fund to help fund an estimated $13.7 million of upgrades to the northern loop.

The existing network consists of 80 analog sites and 32 digital sites (the majority of which are located in southern Arizona). The Executive Budget includes $4.4 million to purchase radios for the Highway Patrol in areas of the state that are digitally enabled but in which the Highway Patrol currently operates with analog equipment.

The microwave equipment used to support this network is aging and has not been supported by the industry for 20 years. As a result, DPS has found it difficult to find replacement parts for system repairs, and the risk of critical system failure has grown.

The Executive Budget also includes $1.2 million in supplemental funding for FY 2020 to initiate site permitting for the upgrade project. Further, the Executive Budget advance-appropriates $16 million each year, from FY 2021 through FY 2023, from the Highway Patrol Fund to complete upgrades to the microwave radio communications system backbone. The appropriations will lapse after two years, consistent with capital appropriations.

This funding will pay for the remaining upgrades to the radio backbone and the construction of 10 new microwave sites that will improve signal quality. The microwave backbone upgrade project is anticipated to be completed in FY 2023 at a total cost of $49.2 million. Of that cost, $150,000 is expected to be ongoing for additional land lease purposes.

Public Safety Compensation

DEPARTMENT OF CORRECTIONS SALARIES

The Executive Budget provides salary increases to key ADC positions, primarily with a focus on security personnel, which are difficult to recruit and retain. This initiative is projected to result in increases for 8,434 ADC employees.

This funding will result in a 15% salary increase for the Correctional Officer II FTE position since FY 2019. The impacts of this increase can be seen in the following table.

Table 8

Correctional Officers and Jailers: Mean Annual Wage

Area	Average Pay/Year	$ Difference from ADC	% Diff. from ADC (FY 2019)
Phoenix-Mesa-Scottsdale	$ 45,060	$ 8,058	21.8%
Arizona	44,150	7,148	19.3%
ADC – FY 2021	42,516	5,514	15.0%
Tucson	42,440	5,438	14.7%
ADC – FY 2020	40,668	3,666	10.0%
ADC – FY 2019	37,002	n/a	0.0%

Source: U.S. Bureau of Labor Statistics, May 2018

ESTABLISH CORPORAL POSITION AT ADC

The Executive Budget also establishes 286.0 Corporal FTE positions. This initiative will not require any additional FTE authority, as ADC will convert 286.0 vacant Correctional Officer II FTE positions to Corporal positions.

Corporals will be the intermediate supervisor between Correctional Officers and Sergeants and will be responsible for routine assignments within a unit and serving as the "officer in charge." The newly established Corporal position will assume some of the current Sergeant duties, which will allow Sergeants additional time to develop, coach, train, and engage Correctional Officers.

The total cost of this initiative is $18.6 million. This cost is largely offset by eliminating 286.0 vacant Correctional Officer II positions, for a net cost of $1.6 million.

Additionally, the Executive Budget includes a total of $4.1 million to address salary compression issues for correctional supervisors. Currently, 51.0 Sergeants have higher salaries than Lieutenants, and similar compression issues exist throughout the Correctional Series. This funding will help to establish clear delineations of supervisory tasks and responsibilities from a pay scale perspective.

JUVENILE CORRECTIONS SALARIES

The Department of Juvenile Corrections (DJC) faces many of the staffing challenges that plague ADC. In FY 2018, DJC experienced 60% turnover within the Youth Correctional Officer I and II FTE positions. The resulting costs of recruiting and training, and the consequences of relative inexperience in those positions, are a major burden for the Department. These issues resulted in the FY 2020 Executive Budget including a recommendation to increase pay and bring salaries into parity between ADC and DJC.

In the FY 2020 budget, DJC received $3.2 million to increase pay in several positions across the agency. The FY 2021 Executive Budget includes $1.3 million to increase pay further and maintain parity for several positions across the agencies. Security personnel, such as Youth Corrections Officers, will receive 69% of the total funding.

The Executive Budget's salary adjustments will closely align DJC's salary schedules with those of ADC for comparable positions and alleviate interagency competition in recruiting and retention.

Additionally, the salary increase continues to fund the recently established eight-year "step plan" for Youth Correctional Officers that provides an annual salary increase for the first eight years of an individual's employment. This plan is similar to that of ADC and will provide another annual incentive to remain in service at DJC.

COURT SALARY INCREASES

The Supreme Court and the Administrative Office of the Courts (AOC) handle the administration for more than 200 courts within the state, with over 10,000 employees in their purview.

The type of staff needed to carry out the functions required at the Supreme Court and AOC are highly technical and require many years of experience within the judicial system. Over the years, it has become increasingly difficult for AOC to recruit talented staff with the necessary years of court experience; in fact, the main cause of staff departures (excluding retirements) is to accept a higher paying job, mostly within general jurisdiction or limited jurisdiction courts.

Each year the AOC conducts a personnel salary review. The most recent review, conducted in July 2019, revealed that the Supreme Court, AOC, and Court of Appeals (COA) were 12.6% below market on a position-by-position review. During the last two fiscal years, the courts' average turnover rate has been just over 12%. Additionally, 22% of the AOC workforce will be eligible for retirement in the next five years.

Additionally, salaries for Arizona judges rank 39th nationally among state supreme court justices, 31st among court of appeals judges, and 35th among trial court judges. The Executive Budget includes funding to adjust salaries as needed for retention and recruitment of AOC staff and the judicial bench (Supreme Court, Court of Appeals, and Superior Court).

FULLY FUNDING OVERTIME AT DPS

DPS troopers are often required to extend their shifts when responding to collisions, protests, rallies, storms, and other emergencies and when completing investigations. Current practice at the Department is for employees to "adjust out" their week by taking a corresponding amount of time off or by taking the overtime hours off work as compensatory time. This system often results in Friday shifts being short-staffed, creating service gaps during rush hour.

In FY 2019, DPS allocated 1.7% of its overall Personal Services budget for overtime expenses, but that budgeted amount was insufficient to cover the Department's actual overtime expenses of 3.1% of Personal Services.

The Executive Budget provides $2.9 million to fully fund the Department's overtime expenses, including compensatory time, eliminating the need for officers to adjust out and improving employee morale and retention. The dedicated funding will alleviate service gaps and other issues associated with short staffing and reduce the Department's reliance on vacancy savings in order to meet its overtime needs. The vacancy savings offset from this issue could fund 11 new troopers.

Transportation Travel Identification

Pursuant to federal law, beginning October 1, 2020, every air traveler in the U.S. must have a federally compliant license or a passport for domestic air travel. The law prohibits federal agencies from accepting any forms of identification that do not meet the new federal standards.

The Executive Budget includes a total of $9 million in FY 2020 supplemental funding and FY 2021 funding for increased staffing at Motor Vehicle Division (MVD) locations, additional credential issuance, and marketing. The majority of the funding will go toward MVD staffing with the intent of decreasing wait times and enhancing customer satisfaction.

The Arizona Department of Transportation (ADOT) anticipates that 2.5 million Arizonans will board a commercial airline in the year following October 2020. ADOT has issued about 600,000 Arizona travel IDs. Given the close proximity of the deadline and the inability to acquire a travel ID online, ADOT is expecting a surge of applicants during the latter months of FY 2020 and during the first half of FY 2021.

Government That Works

The State of Arizona continues to pursue excellence in public asset management, agency operations, customer service, and business creation and relocation.

> **"The size of our government is actually shrinking — all while providing faster, more efficient customer service to taxpayers and citizens. In Arizona, we believe in maximizing freedom and limiting government. We believe government should do fewer things, but do the things it does well."**
>
> Gov. Doug Ducey

The FY 2021 Executive Budget demonstrates responsible stewardship of State assets and, true to the "Arizona Way," supports important initiatives designed to optimize State agency performance and build on Arizona's momentum in economic development.

Data Protection

In March 2018, Governor Ducey issued Executive Order 2018-03, which created the Arizona Cybersecurity Team to develop a set of recommendations to protect Arizonans from cybersecurity threats. The FY 2021 Executive Budget includes a package of cybersecurity-related initiatives that improve State Government's cyber preparedness.

To further bolster the State's cybersecurity resilience, the Executive Budget provides $11.6 million to establish a Cybersecurity Risk Management Program that is designed to prevent and recover from cyber incidents.

Central to this new program is a partnership with a cyber insurance vendor that will help the State improve its cybersecurity practices while guarding against financial losses from cyber incidents and helping the State execute response and recovery efforts.

The Statewide Information Security and Privacy Office (SISPO), which is the State's primary defense against cybersecurity threats, will work with State agencies to mitigate risks to internal agency technology systems and further develop incident response plans to ensure the continuity of operations in the event of a breach.

National Guard Cyber Response Team. The Executive Budget includes $372,700 to expand the capacity of the Arizona National Guard Cyber Response Team, which will improve statewide cyber preparedness and emergency response. The team will complement the preventive work of SISPO by identifying gaps in cyber defenses through vulnerability assessments and penetration testing. The team can be deployed to provide the initial emergency response, serving as a crucial bridge between incident detection and full activation of the State's response and recovery resources.

Citizen soldiers and airmen of the Arizona National Guard trained to serve in cybersecurity missions present an underutilized resource for the State. Many of these soldiers and airmen have full-time IT careers in the private sector and possess expert-level skills and knowledge.

The Executive Budget provides funding to allow the Department of Emergency and Military Affairs (DEMA) to maintain three full-time team members. The individuals will deploy on one-year rotations, allowing them to serve the State in that capacity while retaining the option to return to their professional careers.

Internal Technology Advancements

ENTERPRISE CLOUD INITIATIVE

In FY 2019, following an in-depth analysis of internet-based or "cloud" computing services, the Executive established the Cloud First policy to promote and encourage the use of internet-based technologies by all State agencies.

A cloud environment offers many benefits to the State, including improved operational efficiency, reduced IT infrastructure complexity, enhanced data security, and lower equipment costs. These efforts will allow the State to move at the "speed of business" through faster and more innovative applications and services.

In FY 2021, the Department of Transportation, Department of Agriculture, State Land Department, Industrial Commission of Arizona, and Secretary of State will begin cloud migration at a total investment of $4.2 million.

OTHER INITIATIVES

The Executive Budget continues to invest in other system upgrades that will help State agencies serve the public more efficiently and provide a more positive customer experience.

Child Safety. The Department of Child Safety is completing the final year of a five-year project to replace the archaic Children's Information Library and Data Source (CHILDS) system with the Guardian information management system. Guardian will be a secure cloud-based system that employs mobile technology to

support key agency functions, including intake processing, case management, provider management, and financial management.

Education. The Department of Education is in the second year of a three-year project to replace its school finance system. The current system is running on a legacy platform that is no longer supported, creating operational and security risks for the State. The new system will calculate and process payments more effectively, thereby reducing cybersecurity risks, eliminating manual payment calculations and errors, and allowing the Department to model comparisons of various funding scenarios.

Worker Safety. The Industrial Commission of Arizona is replacing outdated systems in its Labor Division; enhancing its current claims processing systems in the Claims Division and Administrative Law Judge Division; creating a data warehouse in the Accounting Division for financial reporting; and integrating with federal reporting systems in the Occupational Safety and Health Division.

Identity Protection. The Department of Transportation is upgrading the driver license security software that it uses to detect and prevent identity theft and fraud.

Property Tax Appeals. The Board of Equalization is replacing its archaic property tax appeal system for which technology support is no longer available.

E-Commerce Taxation. Through legislation passed in 2019, Arizona expanded its economic nexus thresholds above which an out-of-state seller is required to collect and remit to the State of Arizona the tax on retail sales.

It is estimated that over 3,000 out-of-state companies will be required to collect and remit tax on retail sales to the State of Arizona. The Department of Revenue estimates that enforcing the new thresholds will generate an additional $85 million per year in General Fund revenue.

The Executive Budget includes funding to establish a permanent eight-person team to monitor and enforce the new economic nexus thresholds instituted by the Legislature. (Two of the team members will be dedicated to providing assistance to Arizona-based businesses in navigating other states' requirements.)

Cybersecurity. The Secretary of State is developing measures to address cybersecurity concerns across their critical IT infrastructure, including its election system. The Executive recognizes that these monies have the potential to be used as a match to draw down newly available federal monies for election security recently signed into law through H.R. 1158 – Consolidated Appropriation Act, 2020.

The Secretary of State anticipates approximately $8.4 million in federal monies to be available to the State and localities requiring an approximate $1.7 million match. The Executive Budget includes half of the match amount with the intention of localities providing the other half. As the Secretary of State reviews the requirements of the newly available federal monies for election security, the Executive would highlight projects that may be of priority: (1) upgrading its failover system to provide faster data recovery; (2) developing an inventory management database; (3) mapping out data sensitivity levels within each application; and (4) conducting an assessment to create a system-specific IT security plan.

Arizona Is Open for Business

The state's thriving business climate requires commensurate improvements in business-focused State infrastructure. Investments included in the FY 2021 Executive Budget support economic development that will continue to bring high-paying jobs to Arizona.

BUSINESS ONE-STOP WEB PORTAL

The Executive Budget includes $7.8 million to continue developing a Business One-Stop web portal that will provide a single online location to help companies and individuals plan, start, and grow Arizona businesses and relocate businesses from other states.

In FY 2020, the State conducted a readiness assessment and began portal design based on stakeholder feedback and a review of existing technologies. This information will be leveraged in FY 2021 to create a functional prototype focused on helping people navigate the legal requirements to start a business. In future development, the portal will be expanded, adding features intended to foster business growth and relocation.

The Department of Administration, which is coordinating the portal development, anticipates that the project will be completed in FY 2025 for a total cost of $32.2 million.

ARIZONA COMMERCE AUTHORITY

Rural Broadband Internet Development. High-speed internet is essential for accelerating economic development, enhancing education, expanding access to healthcare, improving public safety, and modernizing government services.

To offset the construction costs of expanding broadband services, the Executive Budget includes $10 million to provide matching grant funding to underserved rural communities. The Arizona Commerce Authority (ACA) will prioritize awards to local partnerships or ventures with clear and achievable plans to improve broadband services in one or more communities.

The $10 million in funding will be split between broadband infrastructure development and community broadband planning. ACA will evaluate applicants based on multiple criteria, including the number of community anchor institutions and people served, available matching funds, demonstrated local support, and expected economic impact.

Arizona Competes Fund. ACA provides economic development grants to attract and support businesses through the Arizona Competes Fund, which receives deposits from the General Fund through dedicated income tax withholding and tax

revenues. The Executive Budget includes $6 million to restore prior cuts to this grant program.

Economic Development Marketing. The Executive Budget invests $1 million to expand a national marketing campaign that begins in FY 2021. The purpose of the campaign is to increase nationwide awareness of Arizona's favorable business environment.

The ACA will use the funding for an effective media mix that includes TV and radio, local and national print publications, and digital media intended to reach executives and other corporate decision makers.

DEPARTMENT OF TRANSPORTATION

Interstate 10: Gila River Bridge Replacement. The portion of Interstate 10 that connects Phoenix and Tucson is a vital transportation and commerce corridor, and widening it to six lanes will improve public safety and enhance economic development opportunities in central Arizona and the Gila River Indian Community.

The Executive Budget includes $78 million to replace and expand the I-10 bridge across the Gila River, which will add a third highway lane in each direction. The Executive intends for the $50 million scheduled for I-10 improvements in FY 2023 of the ADOT's Five Year Program to be accelerated to start in FY 2021.

Smart Highway Corridors. The Executive Budget includes $49.7 million for broadband infrastructure in rural transportation corridors. The Arizona Department of Transportation (ADOT) will use this funding to install 514 miles of broadband conduit and fiber optic cable along designated highway segments, including:

- Interstate 17 between Sunset Point and Flagstaff;
- Interstate 40 between the Arizona-New Mexico and Arizona-California borders; and
- Interstate 19 between Tucson and Nogales.

This new infrastructure provides multiple benefits. ADOT will improve highway safety by installing smart highway technology systems, including traffic cameras, wrong-way detection systems, dynamic message boards, a weather information system, and variable speed limit signage. (For more on this topic, see the "Smart Highway Connectivity" issue in the "Stewardship of Capital Assets" section.)

In addition, the infrastructure opens the door for providing future broadband capacity for smart infrastructure projects in Arizona's rural and tribal areas.

Interstate 17: Lane Additions. The Executive Budget includes $45 million for the second year of the three-year project to construct a third highway lane in each direction between Anthem and Black Canyon City and add a flex lane from Black Canyon City to Sunset Point. This project will strengthen a critical commerce corridor, reduce congestion, and improve highway safety.

Stewardship of Capital Assets

DEPARTMENT OF ADMINISTRATION (ADOA)

The ADOA building system includes an inventory of 4,500 structures with an aggregate area of 23.7 million gross square feet and an estimated replacement value of $5.1 billion. Effective stewardship of those valuable assets is a priority reflected in the Executive Budget.

System-Wide Building Renewal Investments. The Executive Budget includes $20.8 million in one-time funding (including $3.8 million from the General Fund) for building renewal across the ADOA building system, including fire and life safety projects and targeted infrastructure repair, replacement, and renovation. The majority of the funding for this issue is derived from rental charges paid by State agencies that occupy State buildings.

The Executive Budget also includes $34.2 million to fully fund the building renewal formula for certain agencies, including:

- $26.8 million at the Department of Corrections (ADC), including $21.2 million from the General Fund (ADC facilities represent the largest component within the ADOA building system, with 1,524 structures and a total area of 8.8 million square feet);
- $4.6 million at the Game and Fish Department for building renewal and additional maintenance and repair of dams and hatcheries;
- $2.3 million at Arizona State Parks and Trails for building renewal and maintenance;
- $349,100 at the Pioneers' Home for targeted repairs and replacement of infrastructure and equipment; and
- $146,700 at the Lottery Commission for building renewal and maintenance.

Building Renewal at Capitol Buildings. The Executive Budget includes $4.1 million (including $3 million from the General Fund) to complete greatly needed repair of infrastructure in the Capitol complex, which includes the House of Representatives and Senate buildings and the Executive Tower. In FY 2020, ADOA began replacing air handler units and hot water pumps at these facilities. The Executive Budget includes funding to complete replacement of the remaining outdated equipment.

Elevator Modernization. The Executive Budget includes $2.2 million to modernize elevators at three Capitol Mall buildings: 1616 West Adams Street, 1200 West Washington Street, and 1535 West Jefferson Street.

The elevators in those buildings are beyond their expected service lives and depend on increasingly unreliable machinery. To improve reliability and safety, the funding will be used to modernize the antiquated mechanical and electrification systems, update controllers and signal systems, and replace worn-out machinery.

DEPARTMENT OF CORRECTIONS

The Executive Budget includes $48.4 million for ADC to complete major upgrades and repairs at the Lewis and Yuma prisons. The Department has identified locks, HVAC systems, and fire alarm and suppression systems at those prisons that require replacement. Replacements are underway, and ADC plans to complete the project in August 2021 for a total cost of $72.3 million.

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS

The Executive Budget includes $671,300 for the Department of Emergency and Military Affairs (DEMA) to upgrade, at several Readiness Center facilities around the state, fire suppression systems that do not comply with fire code. DEMA will leverage this State funding to draw down $1.2 million in matching federal funding.

DEPARTMENT OF JUVENILE CORRECTIONS

The Executive Budget includes $2.5 million for the Department of Juvenile Corrections (DJC) to upgrade deteriorating doors in four units at Adobe Mountain School, a secure-care facility for youth who pose a threat to public safety. This funding will allow for the replacement of doors that have exceeded their expected useful life. This project represents a necessary investment in security infrastructure to maintain a safe environment for both staff and the youth that are in the custody of the State.

DEPARTMENT OF PUBLIC SAFETY

The Executive Budget includes $8.2 million for capital projects at the Department of Public Safety (DPS) in response to operational needs.

The new Loop 202 Congressman Ed Pastor Freeway, which opened in FY 2020, is patrolled by DPS. Construction of the DPS South Mountain District Office, at a cost of $6 million, will allow for improved emergency response, safer storage of equipment, and better working conditions for DPS troopers.

In addition, $2.2 million will be used to replace modular housing units that are well beyond their expected useful life and have rapidly deteriorated. These 58 residential facilities, strategically located around the state, are used by DPS troopers who patrol remote sections of Arizona's highways.

This appropriation, along with the FY 2020 appropriation scheduled to replace eight houses, is part of the Executive's effort to completely replace all remote housing buildings that are beyond their useful life and adhere to a robust lifecycle replacement strategy.

DEPARTMENT OF TRANSPORTATION

Highway Maintenance. In FY 2020, ADOT has added to the State highway system over 40 urban lane-miles and 63 rural lane-miles. The Executive Budget includes $1.2 million for ongoing maintenance of the new lane-miles, which will include roadside and shoulder maintenance, landscaping, surface treatments, and traffic signals.

Building Renewal. In addition to managing the state's highways, ADOT maintains an independent building system that includes 1,200 structures comprised of 3.3 million square feet and having an estimated replacement value of $780 million. The Executive Budget includes $14.6 million for ADOT to replace or repair infrastructure and major building systems.

I-10 Tunnel Lighting Upgrades. The lighting fixtures in the Interstate 10 tunnel in central Phoenix are no longer manufactured. After exploring possible alternatives, ADOT implemented a pilot program with new LED lighting fixtures that are compatible with the units that hold the light fixture.

The Executive Budget includes $1.5 million for ADOT to replace the remaining obsolete fixtures with the new LED fixtures, which are expected to reduce utility costs.

Highway De-icing. ADOT uses liquid brine to de-ice highways. The Executive Budget includes $1.7 million for ADOT to construct new liquid brine storage tanks at four locations around the state. Strategic placement of the new tanks will allow ADOT to avoid excessive highway closures due to unsafe icy conditions.

Vehicle Fueling Facilities. The ADOT fueling network supports a majority of the agency's day-to-day operations. Sixteen stations rely on equipment that is beyond the expected useful service life, and the Executive Budget includes $1.8 million to replace equipment at three of those stations.

Major Renovation of Annex Building. An ADOT building at 206 South 17th Avenue in Phoenix requires structural remediation to support loading requirements. The Executive Budget includes $3.9 million for the needed major renovation.

Smart Highway Connectivity. The Executive Budget includes $9.2 million to install multiple smart-highway technologies on the newly created Smart Highway Corridors. The technologies include traffic cameras, wrong-way detection systems, dynamic messaging boards, and weather information and variable speed-limit sign systems. Furthermore, ADOT plans to connect existing smart-highway technology, which will improve reliability, reduce costs, and enable 24/7 access.

These technologies provide considerable opportunity to enhance public safety, economic development, education, healthcare delivery, and government services for rural and tribal areas in Arizona.

Other Funding Initiatives

PRIMARY AND GENERAL ELECTIONS

The Secretary of State has statutorily mandated responsibilities associated with primary and general elections in Arizona. Among other duties, the Secretary is required to:

- reimburse counties for the costs of producing and mailing sample ballots to every household with a registered voter;

- reimburse counties for the costs of certifying petition and referendum signatures;
- for any initiative or referendum, print and mail a publicity pamphlet to every household with a registered voter; and
- review and process initiative and referendum signatures.

The Executive Budget includes $5.2 million for the Secretary to execute the primary and general elections in 2020.

STATE EMPLOYEE HEALTH INSURANCE

In a strong economy with low unemployment, the job market requires employers – including the State of Arizona – to compete for top talent. The Executive Budget makes strategic investments in employee benefits to support workforce recruitment and retention.

The Health Insurance Trust Fund (HITF) supports the State's self-insured medical, pharmacy, and dental insurance for State employees. The Executive Budget includes a one-time increase in premiums paid into the HITF by State agencies on behalf of their employees. The increased premiums are expected to generate an additional $85 million in total HITF revenue, with $26.2 million originating from the General Fund.

Although the State has recently experienced slower growth in medical and pharmacy costs, expenditures continue to outpace revenues, leading to a declining fund balance. The one-time increase allows the State to continue to offer excellent health insurance benefits to employees while ADOA procures new contracts with health insurance vendors that will take effect in January 2021.

Natural Resources

The Executive Budget places a strong emphasis on complying with federal air and water quality standards, meeting the growing costs of fire suppression across Arizona, and purposefully and proactively managing State lands and parks.

"During higher times of wildfire activity, wildland firefighters protected Arizonans from several significant threats including the Museum Fire near Flagstaff and the Woodbury Fire in the Superstition Mountains— the fifth-largest fire in Arizona history. These heroic firefighters and first responders put their lives on the line to keep others safe, and Arizona is deeply grateful."

Gov. Doug Ducey

Maintaining Arizona's natural resources is a core purpose of State Government, and effective stewardship in this area requires deliberate planning and well-conceived funding priorities that are becoming hallmarks of the "Arizona Way."

The FY 2021 Executive Budget includes targeted funding to protect air and water quality, preserve the state's forests, maximize the value of State Trust land, and enhance recreational opportunities for Arizona residents and visitors.

Department of Environmental Quality

AIR QUALITY ATTAINMENT

In 2015, the U.S. Environmental Protection Agency (EPA) raised the National Ambient Air Quality Standard for ground-level ozone. Arizona's unique geography and weather patterns make it difficult to meet that new level of attainment.

Based on the EPA air quality standard, Maricopa County is currently designated as "Marginal." If Maricopa County does not reach the standard by 2020, it will be downgraded to "Moderate" in 2021. If the area does not reach the standard by 2023, it will be further downgraded to "Serious."

With each downgrade, Arizona faces a series of EPA restrictions that would threaten economic growth. The Executive Budget includes initiatives to address this problem, including the following.

Remote Testing Pilot Program. The Executive Budget includes an increase in funding for the Department of Environmental Quality (DEQ) to carry out a remote emissions-testing pilot program authorized by Laws 2019, Chapter 141. Remote emissions testing can shorten travel distance and time to testing stations, reduce idling at testing stations, and make testing less expensive and more convenient for customers.

DEQ will use the funding to award contracts for the development and post-implementation evaluation of pilot technologies.

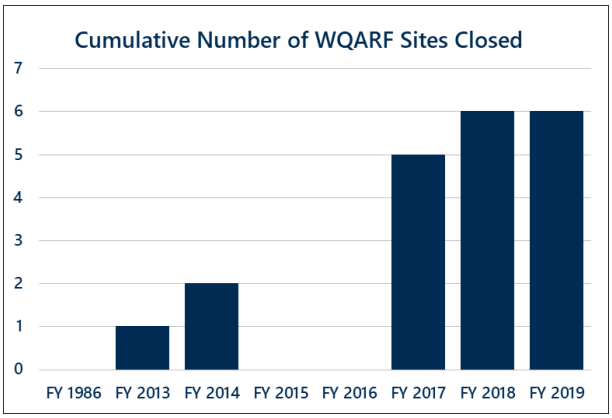
Public Outreach Campaign. Travel reduction programs are a productive way to improve air quality during certain times of the year. The Executive Budget includes funding for a public outreach campaign to increase awareness of these programs.

WQARF FUNDING

The Executive Budget continues support of the Water Quality Assurance Revolving Fund (WQARF) program. WQARF is Arizona's alternative to the EPA's approach to remediation of contaminated hazardous waste sites.

Through WQARF, the State maintains control over determining financial and other responsibility for site remediation. After completing remediation on six WQARF sites over the past six years, 36 sites remain on the WQARF program registry.

Figure 8



A.R.S. § 49-282(B) specifies that the first $15 million in Corporate Income Tax (CIT) revenues is to be appropriated annually to WQARF before CIT collections flow into the General Fund. However, WQARF has not received the full CIT appropriation since FY 2007, and the past three budgets have funded WQARF from other DEQ funds. Those alternative fund sources are now insufficient to sustain both WQARF and the baseline DEQ activities that the funds were originally designed to support.

To ensure that DEQ can continue its work to remediate and close WQARF sites, the Executive Budget includes full funding for the program from the statutorily required CIT revenues.

WATERS OF THE STATE

The EPA and the Army Corps of Engineers are revising the definition of "Waters of the United States" (WOTUS). The proposed revision would remove from Clean Water Act jurisdiction an estimated 95% of stream reaches and 99% of lakes.

The waters impacted in Arizona include ephemeral and intermittent waters and isolated lakes and urban ponds, and all or part of year-round and seasonally flowing streams such as Oak Creek and the Salt, Verde, San Pedro, and Santa Cruz rivers.

While these waters would continue under Arizona's definition of "Waters of the State," there is no regulatory program for the newly unprotected waters. That situation could lead to serious environmental and economic impacts.

The Executive Budget includes one-time funding for DEQ to engage with stakeholders, conduct analysis, and develop program requirements to establish the Waters of the State program.

Department of Forestry and Fire Management

SCHOOL FIRE INSPECTIONS

The Office of the State Fire Marshal (OSFM) is responsible for inspecting 15,000 State- and county-owned buildings, including schools. As school safety is a high priority, the State is taking additional steps to ensure more frequent inspections of fire safety systems.

In August 2019, the State Government Transformation Office worked with OSFM to improve the inspection process and increase inspection frequencies using OSFM's existing resources. Additionally, the Executive Budget increases OSFM's funding to add 3.0 deputy fire marshal positions to accelerate the frequency of inspections.

FIRE SUPPRESSION

The Executive Budget includes an increase in funding for fire suppression. From a financial perspective, there are three types of fires for the State. *Reimbursable* costs stem from fires that occur on federal land. *Non-reimbursable* costs are associated with fires that occur on State land. *Cost-share* fires occur on State and federal land.

Reimbursable. A.R.S. § 35-144 enables DFFM to use up to $20 million from the Budget Stabilization Fund (BSF) for reimbursable costs. DFFM uses the BSF to pay local districts and then returns the BSF to its original balance by depositing all federal reimbursements. Because of this cooperative agreement structure, there is no mechanism for local districts to seek federal reimbursement without going through DFFM.

Non-Reimbursable. The federal government does not reimburse the State for the costs of fire suppression on State-owned and unincorporated lands. Each fiscal year, DFFM is allotted $4 million from the Fire Suppression Fund to pay for non-reimbursable costs for fire suppression on those lands.

Cost-Share Fires. In addition to reimbursable and non-reimbursable situations, "cost-share" fires are a combination of reimbursable and non-reimbursable costs.

The objective of a cost-share agreement is to establish and document the cost sharing and the basic organizational structure in response to multijurisdictional incidents, i.e., fires burning on or threatening lands for which the State and one or more of the cooperating federal agencies are responsible, and for which a decision is made to share costs.

Factors that impact negotiations include mission, the jurisdictions involved, location of resources, values at risk, suppression difficulty, and location of fire-control features.

Fire-Suppression Costs. Due in part to the effects of drought and population growth, the statutorily prescribed amount of funding for the Fire Suppression Fund (FSF) is inadequate. As a consequence, DFFM operates at a deficit.

From 2014 to 2018, fire-suppression costs in Arizona increased from approximately $115 per acre to $353 per acre. The rise in wildland firefighting costs is not restricted to Arizona; at the federal level, from 2015 to 2018, fire-suppression costs increased from $210 per acre to $359 per acre.

Additionally, the western U.S. is experiencing drier, warmer climates, with forests that have not been adequately maintained, resulting in an increase in State spending on multijurisdictional wildfires that did not correlate to a proportional increase to the agency's FSF budget.

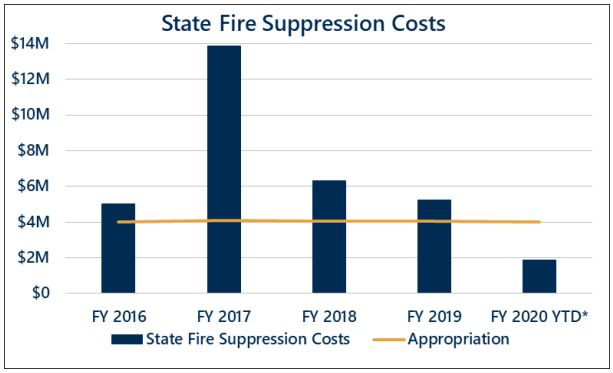
The State depends on the partnership of local cooperators throughout Arizona that deploy crews to fight fires. These cooperators are often small rural fire districts that depend on receiving timely payment from the State to maintain positive cash flow. This funding is critical to ensuring that local cooperators continue to partner with the State in fighting wildfires.

Federal agencies maintain a single cooperative agreement with the State through the Department of Forestry and Fire Management (DFFM), which maintains over 200 cooperative agreements with local fire districts.

As the figure below illustrates, the State's fire-suppression costs for the last four years (excluding FY 2017, which was an outlier) have averaged $5.5 million, whereas the FSF has been appropriated $4 million.

The Executive Budget increases the Fund appropriation to align with actual fire-suppression expenditures.

Figure 9



Fire Expense Repayment. For the past four fiscal years, the $4 million allotted to the FSF has been insufficient to pay for fires occurring on State-owned and unincorporated lands. To address that issue, the Executive Budget includes an increase in supplemental funding above the enacted FY 2020 appropriation for higher fire-suppression costs incurred by the State.

Also, an abnormally high concentration of fires on State land and an increase in complex fires pushed suppression costs from the FY 2017-FY 2018 fire seasons beyond available funding. The Executive has identified available fund sources to cover that shortfall and to manage cash flow in the near term.

However, a $4.8 million shortfall remains. DFFM currently owes the federal government $1.9 million for FY 2017 fires and $7.9 million for FY 2018 fires. Those obligations are mitigated by amounts owed by the federal government to DFFM: $2 million for FY 2017 fires, $2.5 million for FY 2018 fires, and $500,000 for FY 2019-FY 2020 fires.

The Executive Budget increases funding to address that issue.

FIREFIGHTER COMPENSATION

The FY 2020 budget included a Public Safety Compensation Strategy that provided salary increases to key positions – with a focus on public safety – for which agencies were experiencing difficulty in recruiting and retaining highly qualified staff.

No DFFM positions were included in the initiative.

The Executive Budget includes funding for a 5% increase in firefighter salaries. The additional funding will help DFFM attract a more productive, better-educated workforce, which will enhance the agency's vital role in public safety. The pay increase also recognizes the recent lengthening of the wildfire season, with wildfires burning more area each year and increasing the amount of work and risks for firefighters.

Department of Emergency and Military Affairs

To address the State's increasing fire-suppression costs, the Executive Budget invests in an innovative strategy to help DFFM and local partners fight fires more efficiently.

The Arizona National Guard maintains for the federal government four MQ-9 remotely piloted drone aircraft and one RC-26 manned reconnaissance aircraft. The Guard's aircraft have the capability to collect full-motion video in the electro-optical and infrared spectrum that can provide accurate images through smoke and inclement weather conditions.

Some other states (e.g., California, North Dakota, Texas, and New York) use this technology for real-time mapping of forest fires and other emergencies, including flooding and search-and-rescue situations. While live-video images are currently used during federal missions, the State cannot access this technology because it lacks the capacity to receive and disseminate the data.

The Executive Budget makes a one-time investment in communication equipment that will allow the State to establish an operations center to collect and distribute live video, voice, and positional data from the National Guard aircraft. Wildfires and forest fires threaten Arizona seasonally, and the technology will be utilized frequently during the fire seasons.

The support provided by this technology is similar to the efforts that the National Guard currently delivers through the Joint Task Force-Arizona model.

State Land Department

PROACTIVE MANAGEMENT OF STATE TRUST LAND

To maximize revenue for the State Land Trust's 13 beneficiaries, the Land Department has shifted from passive management to proactive management of the State's 9.2 million acres of State Trust land.

Over 90% of State Trust land is held in trust for the benefit of public education; therefore, maximizing the value of Trust land provides more funding directly to Arizona's students.

The Superstition Vistas Planning Area is a 254-square-mile area of State Trust land located immediately east of the Phoenix metropolitan area in Pinal County. The property has been identified as a high priority for future growth that could lead to substantial revenue to the Trust.

The Executive Budget includes one-time funding that will be used by the Land Department to contract for aggregate and drainage studies that will maximize the value of the land as it is developed.

PROTECTING ARIZONA'S CAP WATER RIGHTS

The Land Department holds rights to an allocation of 32,076 acre-feet of Central Arizona Project (CAP) water that benefits State Trust lands.

The Department may assign a portion of its water rights to specific parcels of Trust land, which can greatly increase the value of the land when it is sold or leased. When a portion of the CAP allocation is transferred to a lessee or purchaser, the General Fund is reimbursed for all previous costs, in addition to interest and administrative fees.

The Department is required to pay fees for those rights annually. Failure to pay the annual fees would result in the

Department forfeiting all or part of its CAP allocation and all capital fees paid thus far, which totals approximately $23.8 million.

In five of the last seven fiscal years, including FY 2020, the Department has required supplemental funding to pay its CAP water fees. The supplemental process results in late payment of CAP fees. In the past, CAP has waived the late fee for the State; however, in September 2019 CAP advised the Department that it would not do so in the future.

In addition to supplemental funding for FY 2020, the Executive Budget includes additional funding for CAP fees to match the provisional rate set by CAP in June 2019. That provision rate is 61% higher than the FY 2019 rate, which was used to set the appropriation in the FY 2020 budget. This additional funding will help avoid a future supplemental process and costly late fees.

Health and Welfare

State Government's fundamental purposes include providing critical services and support for Arizona's most needy and vulnerable citizens.

> **"Our youth face more challenges than ever today. Let's focus on the whole child, promoting personal resilience, community and a supportive environment. And tackling loneliness. Connecting with one another. Putting down our phones and talking with our kids, listening to our parents, and helping our neighbors."**
>
> Gov. Doug Ducey

The State of Arizona constantly seeks to improve its service delivery, reflective of the "Arizona Way" in meeting legitimate and compelling needs in the areas of child safety, assistance for low-income individuals and families, and public health.

The FY 2021 Executive Budget provides additional funding to help at-risk children, including child care, newborn health screening, child safety, foster adoptions and kinship assistance, child and family advocacy, and behavioral health in schools.

The Executive Budget also emphasizes services for adults, including suicide prevention and providing protection and expanded resources for the elderly and other vulnerable adults.

Programs That Benefit Arizona Children

CHILD CARE DEVELOPMENT FUND

The Child Care Development Fund (CCDF) provides subsidies that help low-income working families and foster parents afford child care. The FY 2020 budget significantly increased funding for this program with an additional $55 million, boosting rates to child care providers and eliminating the waitlist of families seeking to access this important workforce program. The Executive Budget strategically builds on this year's investments with another increase of the CCDF appropriation.

The child care subsidy program, administered by the Department of Economic Security (DES), is available to:

- low-income parents who are working;
- teen parents in high school or general education development (GED) classes; and
- residents of homeless or domestic violence shelters.

The FY 2021 Executive Budget includes a funding increase in CCDF to sustain the elimination of the waitlist and provide tiered reimbursement and technical assistance to expand high quality child care centers.

Currently, DES subsidies provide families with access to 38% of child care centers in Arizona. The additional funding will:

- provide incentive bonuses to quality child care facilities ranked by "First Things First";
- help unranked facilities achieve certification as quality child care centers; and
- sustain the suspension of the waitlist resulting in an additional 1,285 children in quality child care settings in FY 2021.

First Things First is a voter-initiated statewide organization that focuses on early education and health programs that prepare Arizona's children for success in school. Its 5-star tiered ranking system provides guidance to child care centers on how to improve the quality of the care they provide. A pilot program that began in April 2018 provided incentive bonuses to centers that maintained a 4- or 5-star ranking. Funding in FY 2021 extends those incentive bonuses to 3-star centers.

Additionally, the Department of Child Safety (DCS) provides child care subsidies to foster parents, kinship families, and parents with children who are receiving preventive services. The Executive Budget invests $1 million to provide reimbursement of up to $200 for the cost of one-time child care enrollment fees. The additional funding will make quality child care more accessible for at least 5,000 kinship families.

NEWBORN SCREENING PROGRAM

The newborn screening program currently performs two blood tests for each Arizona newborn. The cost of the first test is currently $36, and the second is $65. The Executive Budget contemplates combining the costs of these tests into a single $101 charge per newborn to better recover the costs of the program. This approach improves efficiency and provides a solution to the long-standing structural deficit in the Newborn Screening Fund.

A structural deficit exists primarily because the collection rate for the second test is approximately 91%. The collection shortfall occurs for a variety of reasons, including uninsured newborns, incorrect billing information, or parents leaving the state within the first two weeks of birth. Combining the costs of the tests will improve collection rates, giving the fund a more predictable revenue source.

The Executive Budget also calls for a statutory change to increase the screening fee from its current $101 level to $113, which will close the fund's structural deficit and cover the costs of (a) hiring two positions to assist in performing two new screens for newborns and (b) the reagents and operations costs associated with adding the two tests.

The two new tests are designed to detect:

- spinal muscular atrophy, a genetic disorder that affects motor nerves, which can lead to loss of motor control and death and affects one in 10,000 newborns per year, and
- X-linked Adrenoleukodystrophy (X-ALD), which causes deterioration of myelin, reduces the ability of nerves to communicate with the brain, and affects approximately one in 20,000 births per year.

Both tests are recommended by the Newborn Screening Advisory Committee and the U.S. Department of Health and Human Services.

CHILD SAFETY

DCS continues to make significant strides in investigating child welfare cases, improving in-home preventive services, and providing quality and timely health services for foster children.

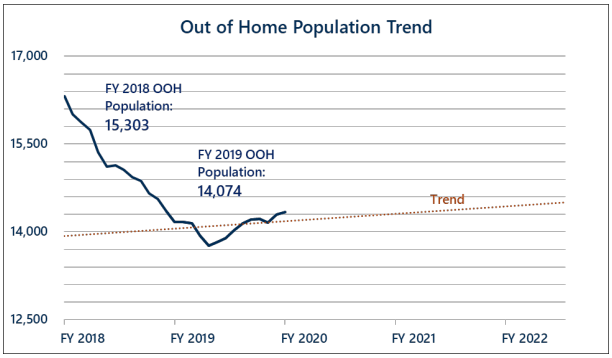
In 2013, the discovery of uninvestigated reports of child abuse brought to light the undeniable need to reform Arizona's child safety agency. Since then, the backlog of more than 16,000 inactive cases and 33,000 open reports that required investigation dropped to an all-time low and is now well below the Legislative benchmark of 1,000 inactive cases and 8,000 open reports.

Out-of-Home Population Trend. Consistent with Arizona's population growth, from FY 2017 to FY 2019 the number of child welfare reports received at the DCS hotline increased by 12%, from 74,000 reports to 83,000 reports.

Similarly, recent DCS data *(see Figure 10)* indicates that, since December 2018, the out-of-home population has also taken an upward turn, increasing by 5% from 13,674 children (below the Legislative benchmark of 13,964) to 14,401. That modest rise reverses a recent trend that saw a three-year decrease in the out-of-home population.

Despite that population increase, DCS continues to provide timely responses to child welfare investigations in 94% of the cases and kept more than 90% of children from reentering care after six months.

Figure 10



Continuing Support for Mission-Critical Staff. In working to create a safe and secure environment for Arizona's vulnerable children, DCS caseworkers and mission-critical staff members work vigilantly to respond to and investigate reports of child abuse and neglect and provide crucial in-home and out-of-home services with the goal to reunify families whenever that can be done safely.

Retaining qualified and experienced staff continues to be a major challenge facing DCS, as the agency has been consistently unable to meet the Legislative benchmark of retaining 1,406 caseworkers.

Despite the 5% average pay increase in FY 2020, DCS caseworker salaries continue to be 8% below market nationally and 10% below market when compared to neighboring states (e.g., Utah, New Mexico, Colorado, and Nevada).

Table 9

Average Caseworker Salaries by State

California	$ 59,500
Nevada	52,410
Colorado	51,060
Texas	48,920
Utah	44,160
Arizona	**42,673**
New Mexico	41,460

In recognition of DCS staff's vital role in ensuring the safety of at-risk children, the Executive Budget includes $11 million to fund another round of targeted salary adjustments.

ADOPTION INCENTIVES

A welcome result of children exiting State's care is an increase in the adoption rate. When reuniting a child with his or her family is not an option, adoption provides children with permanent homes where they will be safe and cared for.

Adoption Services funding covers adoption home recruitment costs, adoption legal expenses, and adoption subsidies for adopted children with special needs.

For the State, adoption is a long-term financial commitment, as DCS pays an adoption subsidy to the adoptive parents until the child reaches age 18 or graduates from high school, whichever occurs later.

The Executive Budget's total investment of $14 million makes good on the Executive's commitment to increase the number of children in loving, forever families. In addition to funding baseline adoption caseload growth, the Executive Budget includes two new initiatives:

Adoption Incentive for Sibling Groups. To encourage adoptions of sibling groups, the Executive Budget provides to adoptive families a one-time incentive of $5,000 per child. Adoptive parents may use the one-time incentive on costs associated with adopting the sibling group, such as buying additional furniture, remodeling or upgrading their home, and buying a vehicle. This initiative will provide payments to adoptive parents of 600 children in sibling groups of two or more.

Adoption Subsidy Increase for Children with Significant Developmental Disabilities. The Executive Budget provides funding to increase the average daily adoption subsidy rate from $36.80 to $75.00 to incentivize the adoption of children with significant developmental disabilities. There are certain financial barriers that make it challenging for families to adopt children with significant developmental disabilities, including additional doctor's visits, therapies, and medical services. This funding will help to provide families with the necessary support to meet the high needs of these children and ensure that quality services are received timely.

The goal is to finalize adoption in FY 2021 for 100 children who have significant developmental disabilities and, without the increased rate, would not be adopted.

DOUBLING FINANCIAL ASSISTANCE TO KINSHIP FAMILIES

To enhance outcomes for children in vulnerable situations, Arizona provides a "Grandmother Stipend" that expands financial assistance for family members who, in the absence of a parent, are caregivers for children under an arrangement commonly referred to as "kinship care."

The FY 2018 budget expanded program eligibility to "fictive kin," i.e., caregivers that have a meaningful relationship with the child but are not related by blood or by marriage. The program expansion provided a $75 monthly stipend to 2,288 caregivers.

In FY 2020, the State again extended the eligibility of the program to all caregivers, regardless of income levels, without filing an application.

For FY 2021, the Executive Budget doubles the Grandmother Stipend to $150 for 5,555 caregivers to maintain and promote lifelong family connections and lessen the disruption of removal. The additional funding will allow thousands of children in uncertain circumstances to be cared for by family and loved ones.

DEPENDENCY ALTERNATIVE PROGRAM (DAP)

In 2015, the Pima County Superior Court created a Dependency Alternative Program (DAP) to help the court better address the needs of a family while potentially avoiding a dependency and prolonged court involvement for filed dependency petitions. Maricopa County started a similar program in January 2019.

DAP has two specific goals:

- Prevent dependency cases when an alternative legal arrangement can provide safety and stability for the children.
- Keep families that reached a resolution via DAP out of the dependency system for at least one year.

The courts estimate that resolving a dependency case takes 141 days on average. With DAP, the average dependency case in 2018 took 22 days, if a case even occurs at all. In fact, a dependency case was prevented in 88% of the 203 cases in which families voluntarily participated in the program between 2015 and 2018, positively impacting 308 children.

In its first year, DAP achieved a high success rate for its second goal, as 98% of the involved children did not return to the child welfare system during the year following DAP involvement. Not only did the family not return to court with a new case filing or modification request; there were also no reports received by or involvement with DCS during that trailing year.

Recognizing the impressive success of Pima County's DAP, the Executive Budget includes funding for a three-year pilot DAP program in the 13 rural counties. Funding will pay for a statewide DAP coordinator and the cost to the counties of attorney fees and county DAP coordinators. The funding will also enable Pima County to expand its program with additional staffing and search for missing parents in privately filed matters wherein a child's legal guardian requests assistance.

DCS OPPORTUNITIES AND CHALLENGES

- As the out-of-home population rises and implementation of the federal Family First Prevention Services Act looms, DCS is working to strengthen its existing prevention programs, help group-home providers attain qualified residential treatment program status, and identify alternative placement for children with high needs.
- DCS continues to move toward completion of its new child welfare technology system in order to meet federal Comprehensive Child Welfare Information Systems standards, with a target date of July 6, 2020.
- DCS remains a defendant in a federal class-action lawsuit, *B.K. v. Faust*, which was filed in 2015. Trial is anticipated to begin in spring 2020.
- Pursuant to Laws 2019, Chapter 305, on October 1, 2020, DCS will integrate behavioral health services for foster children within its current Comprehensive Medical and Dental Program (CMDP), allowing caseworkers and DCS staff to

have close proximity and real-time access to the child's information and provide to foster children higher quality and more timely access to medical, dental, and behavioral health services.

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.

The FY 2018 budget created the Child and Family Advocacy Centers Fund, and the FY 2019 budget included an ongoing General Fund deposit of $100,000 into the new fund. For FY 2020, the Attorney General (AG) made a one-time deposit of $400,000 into the fund, bringing the total available State funding for advocacy centers up to $500,000.

For FY 2021, the Executive Budget increases the ongoing $100,000 General Fund deposit to $500,000, thereby backfilling the one-time contribution from the Attorney General.

Pursuant to A.R.S. § 41-191.11:

- 47.5% of fund monies are distributed equally among the eligible child and family advocacy centers.
- 47.5% is distributed to the centers based on each center's proportion of all victims served.
- 5% is distributed to a statewide membership organization that sets core standards for best practices and provides support and training to emerging and existing child and family advocacy centers and multidisciplinary teams.

No more than 5% of the fund may be retained by the AG for administrative costs. To be eligible for funds, a child and family advocacy center must certify to the AG that it meets certain statutory criteria relating to its ability to provide victim services.

Suicide Prevention

In 2017, suicide was the eighth-highest cause of death in Arizona, claiming the lives of 1,304 individuals, with a rate per 100,000 that was 24% higher than the national average. Certain groups, including military veterans, Native Americans, and individuals living in rural areas, have significantly higher suicide rates.

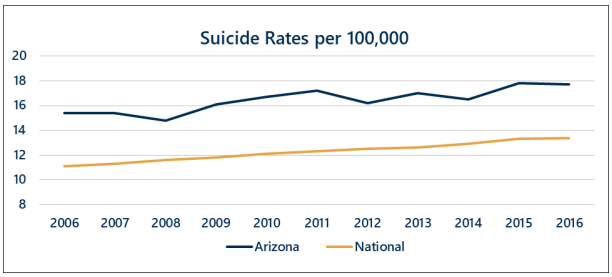
Only 40.3% of Arizonans living with mental illness received treatment in 2018. In providing access to mental health care for adults and children, Arizona ranked 30th and 43rd, respectively, among the states.

To address this growing issue, the Department of Health Services (DHS) has partnered with the Arizona Health Care Cost Containment System (AHCCCS) to establish a suicide prevention strategy that prioritizes developing and disseminating information on suicide prevention. The strategy includes:

- enhancing crisis response teams;
- expand access to suicide prevention resources;
- establishing a suicide mortality review team; and
- running a social isolation campaign.

The Department is on track to implement these interventions by June 30, 2020.

Figure 11



SUICIDE MORTALITY REVIEW TEAM

Identifying gaps in current suicide reporting is the first step toward understanding and beginning to solve the suicide crisis in Arizona. Currently, suicides are reported through hospital discharge data and death certificate data. This data can be delayed for up to 18 months, which does not allow for timely interventions and strategies to take effect. By identifying gaps in reporting and establishing a more timely reporting system, DHS can make better recommendations to prevent suicide in the future.

In 2019, DHS took several steps to prepare for creation of a Suicide Mortality Review Team, including developing a workgroup of medical examiners to standardize death certificate information, develop an online suicide dashboard, and develop and implement a statewide incident reporting system for lethal and non-lethal suicide attempts identified by State-licensed providers and facilities.

By June 2020, DHS plans to map suicide and self-harm hotspots in Arizona and formally initiate the Team, which will be responsible for tracking suicide-related deaths, detecting gaps in reporting, and informing policy changes to address suicide in Arizona more effectively.

The Executive Budget provides $400,000 for the creation of the Suicide Mortality Review Team.

Protecting Vulnerable Adults and the Elderly

DES and other State agencies strive to make Arizona safer for at-risk adults by providing temporary assistance to persons in need, protecting Arizona's most vulnerable citizens, and helping low-income working families and persons with disabilities achieve independence. The Executive Budget supports that mission.

DEVELOPMENTAL DISABILITY PROVIDER RATES

In FY 2020, DES received an additional $13 million from the General Fund and $30.3 million in federal funds to increase rates

for home- and community-based service providers who work with persons with developmental disabilities.

Throughout 2019, DES engaged in stakeholder meetings across Arizona with clients, family members, and provider communities to determine where provider rate increases would make the most impact. Common themes from stakeholder meetings included:

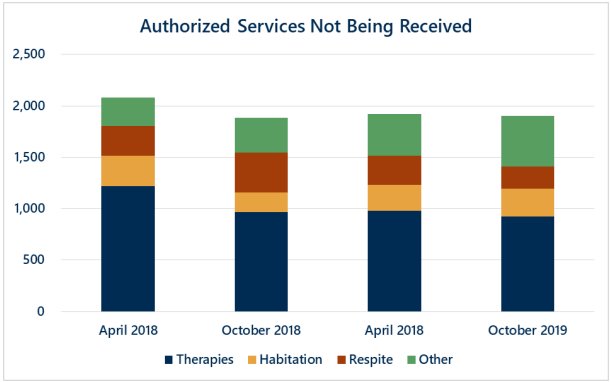
- quality care concerns, such as high turnover rates and quality of direct care provided;
- unmet needs, where clients had been authorized for services but no provider could meet their needs; and
- inadequacy of rates, which led to high turnover among care providers who could make a higher salary in the private market.

The FY 2021 Executive Budget continues to address those and related issues, with an additional $5 million from the General Fund and an $11.7 million federal match to increase provider rates.

Rate increases will be targeted at therapies, respite, and habilitation care. These services were identified during stakeholder meetings as services that have high turnover stemming from non-competitive provider rates and high complexity of care, and that exhibit the highest rates of unassigned authorizations, making the needed services difficult for families to obtain.

Figure 12 provides a breakout of services that have been authorized for DES clients but remain unassigned. In FY 2019, the average number of unassigned services totaled 1,946. Of that total, 55% were attributed to therapies, 16% to respite care, and 14% to hourly habilitation services.

Figure 12



As part of the initiative, DES will establish a transparent and accountable quality care system that will include:

- posting provider profiles online to help connect families with providers that meet their complex needs;
- monitoring unassigned authorizations; and
- identifying opportunities to improve long-term supports and services and home- and community-based services.

In addition to this funding, the Executive Budget includes an increase of $1.5 million to raise rates for Aging and Adult Services providers, to reduce high turnover rates and enhance access by vulnerable and homebound adults to consistent quality care.

ENSURING ACCESS TO OPIOID TREATMENT SERVICES

AHCCCS and other State agencies strive to make Arizona safer for at-risk adults and children by providing health care services to those in crisis or struggling with substance abuse. The Executive Budget supports that mission.

Opioid Addiction. Opioid addiction continues to be a serious problem in Arizona. From June 2017 to November 2019, approximately 30,000 opioid overdoses and 3,700 opioid-related deaths were reported.

To address the increase in opioid-related deaths, in 2018 Governor Ducey signed the Arizona Opioid Epidemic Act, which provided a $10 million deposit into the Substance Use Disorder (SUD) Fund.

Over the past two years, AHCCCS has used the funding to provide substance-use disorder treatment services (e.g., doctor visits, lab tests, and methadone administration) to underinsured and uninsured individuals who are not eligible for Medicaid. From February 2018 through September 2019, the SUD Fund appropriation supplied 42,880 services to 23,328 individuals.

AHCCCS expects to spend the entirety of the original funding by the end of FY 2020.

The Executive Budget supports making an ongoing commitment of $6 million from the Medical Marijuana Fund to continue providing critical services to uninsured and underinsured Arizonans. The increased funding will allow AHCCCS to serve each year

an estimated 18,000 individuals in need of substance use treatment and services.

Using the Medical Marijuana Fund for substance use treatment is consistent with the 2018 Attorney General Opinion I18-009. While accessing the funding would require three-fourths votes in the Legislature, the Executive believes there is bipartisan support for this issue. The Opioid Epidemic Act was passed with unanimous support, and this funding would allow Arizona to continue providing services that reflect the values of both the Legislature and the Executive.

Table 10

Substance Use Disorder Services Count

Service Description	Number of Services
Medical Services	13,071
Methadone	8,304
Case Management Services	7,876
Treatment Services	7,598
Transportation Services	1,885
Peer Support Services	1,444
Support Services	932
Rehabilitation Services	679
Pharmacy Point of Sale-Buprenorphine	362
Crisis Intervention Services	260
Inpatient Services	147
Behavioral Health Day Program	119
Buprenorphine	81
Pharmacy Point of Sale-Naltrexone	65
Detoxification Services	41
Behavioral Health Residential Services	6
Family Support Services	5
Pharmacy Point of Sale-Naloxone	4
Naltrexone	1
Total	**42,880**

FY 2021 Executive Budget

(Dollars in Thousands)

	General Fund	Other Appropriated	Non-Appropriated	All Funds Total
Board of Accountancy	0.0	2,045.3	0.0	2,045.3
Acupuncture Board of Examiners	0.0	176.0	0.0	176.0
Department of Administration	7,876.6	218,977.6	1,025,940.0	1,252,794.2
Office of Administrative Hearings	889.8	0.0	793.9	1,683.7
African-American Affairs	128.1	0.0	20.0	148.1
Department of Agriculture	10,285.1	1,729.3	20,558.0	32,572.4
Arizona Health Care Cost Containment System	1,955,842.0	334,398.7	12,918,083.6	15,208,324.3
Statewide and Large Automation Projects	0.0	25,218.7	0.0	25,218.7
Commission on the Arts	2,000.0	0.0	1,900.9	3,900.9
Board of Athletic Training	0.0	127.0	0.0	127.0
Attorney General - Department of Law	24,982.4	52,735.9	70,805.2	148,523.5
Board of Barbers	0.0	406.3	0.0	406.3
Board of Behavioral Health Examiners	0.0	1,770.0	0.0	1,770.0
Board for Charter Schools	2,082.3	0.0	85.0	2,167.3
Department of Child Safety	408,446.1	756,506.2	6,326.6	1,171,278.9
Board of Chiropractic Examiners	0.0	438.6	0.0	438.6
Citizens' Clean Elections Commission	0.0	0.0	11,468.4	11,468.4
Commerce Authority	37,300.0	0.0	31,618.8	68,918.8
Community Colleges	82,219.1	0.0	0.0	82,219.1
Constable Ethics Standards & Training Board	0.0	0.0	368.0	368.0
Registrar of Contractors	0.0	12,368.8	4,666.8	17,035.6
Corporation Commission	620.8	27,148.0	1,907.0	29,675.8
Department of Corrections	1,248,026.6	61,405.6	71,956.2	1,381,388.4
Board of Cosmetology	0.0	1,879.1	25.2	1,904.3
Criminal Justice Commission	0.0	7,065.4	15,472.7	22,538.1
Schools for the Deaf and the Blind	25,914.9	15,252.7	21,955.3	63,122.9
Commission for the Deaf and the Hard of Hearing	0.0	4,624.9	0.0	4,624.9
Board of Dental Examiners	0.0	1,407.4	0.0	1,407.4
Early Childhood Development and Health Board	0.0	0.0	148,197.9	148,197.9
Department of Economic Security	822,098.3	358,607.4	3,662,109.9	4,842,815.6
State Board of Education	44,773.4	0.0	0.0	44,773.4
Department of Education	5,672,714.9	315,782.1	2,129,989.5	8,118,486.5
Department of Emergency and Military Affairs	12,833.4	1,506.1	68,035.1	82,374.6
Department of Environmental Quality	16,005.8	75,638.3	79,212.0	170,856.1
Office of Economic Opportunity	468.3	0.0	110,047.5	110,515.8
Governor's Office for Equal Opportunity	0.0	190.2	0.0	190.2
Board of Equalization	659.0	0.0	0.0	659.0
Board of Executive Clemency	1,150.0	0.0	30.1	1,180.1
Exposition & State Fair	0.0	13,282.2	0.0	13,282.2
Board of Fingerprinting	0.0	0.0	707.0	707.0
Department of Forestry and Fire Management	14,934.5	0.0	76,695.2	91,629.7
Board of Funeral Directors & Embalmers	0.0	422.8	0.0	422.8
Game and Fish Department	0.0	43,979.1	89,022.1	133,001.2
Department of Gaming	2,509.5	16,138.0	469.3	19,116.8
Office of the Governor	18,699.9	0.0	39,799.6	58,499.5
Governor's Office of Strategic Planning and Budgeting	2,684.1	0.0	0.0	2,684.1
Department of Health Services	93,851.7	56,202.1	319,630.8	469,684.6

FY 2021 Executive Budget

(Dollars in Thousands)

	General Fund	Other Appropriated	Non-Appropriated	All Funds Total
Governor's Office of Highway Safety	0.0	7,500.0	13,951.5	21,451.5
Arizona Historical Society	3,107.7	0.0	1,257.6	4,365.3
Prescott Historical Society of Arizona	837.2	0.0	558.7	1,395.9
Department of Homeland Security	0.0	0.0	20,092.4	20,092.4
Board of Homeopathic Medical Examiners	0.0	46.1	0.0	46.1
Department of Housing	0.0	322.2	92,973.2	93,295.4
Independent Redistricting Commission	500.0	0.0	0.0	500.0
Industrial Commission of Arizona	0.0	20,055.5	17,212.8	37,268.3
Department of Insurance and Financial Institutions	7,644.1	9,349.3	3,902.2	20,895.6
Court of Appeals	17,736.2	0.0	0.0	17,736.2
Superior Court	102,847.2	11,973.2	5,858.0	120,678.4
Supreme Court	22,420.4	31,001.5	25,068.0	78,489.9
Department of Juvenile Corrections	38,475.0	6,405.6	1,126.6	46,007.2
Land Department	12,456.2	8,421.7	1,773.9	22,651.8
Auditor General	20,229.3	0.0	900.8	21,130.1
House of Representatives	16,407.5	0.0	0.0	16,407.5
Joint Legislative Budget Committee	2,834.2	0.0	0.0	2,834.2
Legislative Council	8,814.9	0.0	0.0	8,814.9
Senate	12,948.9	0.0	0.0	12,948.9
Department of Liquor Licenses and Control	0.0	5,064.8	1,096.2	6,161.0
Local Government	10,650.7	500.0	0.0	11,150.7
Lottery Commission	0.0	150,636.6	1,526,197.4	1,676,834.0
Massage Therapy	0.0	471.6	0.0	471.6
Medical Board	0.0	7,036.9	0.0	7,036.9
Mine Inspector	1,269.3	112.9	229.1	1,611.3
Naturopathic Physicians Board of Medical Examiners	0.0	193.4	0.0	193.4
Navigable Stream Adjudication Commission	129.0	200.0	0.0	329.0
Board of Nursing	0.0	5,284.6	413.4	5,698.0
Nursing Care Ins. Admin. Examiners	0.0	511.9	0.0	511.9
Board of Occupational Therapy Examiners	0.0	199.0	0.0	199.0
Board of Dispensing Opticians	0.0	155.9	0.0	155.9
Board of Optometry	0.0	240.7	0.0	240.7
Board of Osteopathic Examiners	0.0	1,012.3	0.0	1,012.3
Arizona State Parks	0.0	15,815.7	19,547.0	35,362.7
Personnel Board	0.0	368.1	0.0	368.1
Board of Pharmacy	0.0	2,610.3	2,473.1	5,083.4
Board of Physical Therapy Examiners	0.0	503.7	0.0	503.7
Pioneers' Home	0.0	6,668.4	0.0	6,668.4
Board of Podiatry Examiners	0.0	168.1	0.0	168.1
Commission for Postsecondary Education	1,680.9	1,536.7	1,692.0	4,909.6
Power Authority	0.0	0.0	23,097.2	23,097.2
Board for Private Postsecondary Education	0.0	423.3	250.3	673.6
Board of Psychologist Examiners	0.0	516.1	0.0	516.1
Department of Public Safety	67,869.8	307,195.1	113,139.0	488,203.9
Public Safety Personnel Retirement System	6,000.0	0.0	15,132.0	21,132.0
Department of Real Estate	2,909.5	0.0	203.3	3,112.8
Residential Utility Consumer Office	0.0	1,348.6	0.0	1,348.6

FY 2021 Executive Budget

(Dollars in Thousands)

	General Fund	Other Appropriated	Non-Appropriated	All Funds Total
Board of Respiratory Care Examiners	0.0	342.6	0.0	342.6
Arizona State Retirement System	0.0	24,194.0	143,403.6	167,597.6
Department of Revenue	31,916.4	47,730.1	1,789.3	81,435.8
School Facilities Board	242,010.1	0.0	266,057.4	508,067.5
Department of State - Secretary of State	18,236.1	1,210.0	4,319.7	23,765.8
Board of Tax Appeals	281.8	0.0	0.0	281.8
Board of Technical Registration	0.0	2,364.3	30.4	2,394.7
Office of Tourism	9,214.0	0.0	25,951.4	35,165.4
Department of Transportation	0.0	448,600.9	853,296.8	1,301,897.7
Treasurer	1,205.1	5,955.0	104.0	7,264.1
Governor's Office on Tribal Relations	62.9	0.0	18.5	81.4
Board of Regents	23,397.7	0.0	196,828.6	220,226.3
Arizona State University	358,247.9	658,196.6	2,534,515.7	3,550,960.2
Northern Arizona University	124,017.6	156,154.5	478,360.9	758,533.0
University of Arizona - Main Campus	227,212.5	353,430.1	1,460,851.6	2,041,494.2
University of Arizona - Health Sciences Center	76,897.7	55,697.4	534,324.8	666,919.9
Department of Veterans' Services	8,209.3	39,005.2	22,860.7	70,075.2
Veterinary Medical Examining Board	0.0	600.0	0.0	600.0
Department of Water Resources	14,237.7	2,444.5	34,497.4	51,179.6
	12,002,911.4	4,807,204.8	29,373,254.1	46,183,370.3

The total amount listed reflects agency operating expenditures and appropriations, but does not include expenditures and appropriations for capital projects or other selected statewide items, such as retirement contribution adjustments.

General Fund Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Department of Administration	7,590.4	8,147.6	8,147.6	7,876.6	(271.0)
Office of Administrative Hearings	868.9	889.8	889.8	889.8	0.0
African-American Affairs	118.2	128.1	128.1	128.1	0.0
Department of Agriculture	9,494.1	10,865.5	10,865.5	10,285.1	(580.4)
Arizona Health Care Cost Containment System	1,745,626.1	1,760,748.1	1,785,187.9	1,955,842.0	195,093.9
Commission on the Arts	0.0	2,200.0	2,200.0	2,000.0	(200.0)
Attorney General - Department of Law	25,069.9	26,082.4	26,082.4	24,982.4	(1,100.0)
Board for Charter Schools	1,078.0	1,714.5	1,714.5	2,082.3	367.8
Department of Child Safety	371,603.0	384,653.4	384,653.4	408,446.1	23,792.7
Commerce Authority	20,957.1	19,275.0	19,275.0	37,300.0	18,025.0
Community Colleges	54,380.5	97,400.7	97,400.7	82,219.1	(15,181.6)
Corporation Commission	814.2	620.8	620.8	620.8	0.0
Department of Corrections	1,088,900.2	1,167,111.3	1,167,111.3	1,248,026.6	80,915.3
Schools for the Deaf and the Blind	20,665.8	23,214.4	23,214.4	25,914.9	2,700.5
Department of Economic Security	662,286.9	749,708.2	749,708.2	822,098.3	72,390.1
State Board of Education	906.2	1,158.9	1,158.9	44,773.4	43,614.5
Department of Education	4,676,681.4	5,200,184.9	5,200,184.9	5,672,714.9	472,530.0
Department of Emergency and Military Affairs	6,531.5	12,201.6	12,201.6	12,833.4	631.8
Department of Environmental Quality	0.0	200.0	200.0	16,005.8	15,805.8
Office of Economic Opportunity	444.2	968.3	968.3	468.3	(500.0)
Board of Equalization	425.3	659.0	659.0	659.0	0.0
Board of Executive Clemency	1,000.0	1,150.0	1,150.0	1,150.0	0.0
Department of Financial Institutions	1,706.3	1,980.9	1,980.9	0.0	(1,980.9)
Department of Forestry and Fire Management	10,241.6	15,917.4	20,761.5	14,934.5	(982.9)
Department of Gaming	1,779.5	2,509.5	2,509.5	2,509.5	0.0
Office of the Governor	7,871.2	8,699.9	8,699.9	18,699.9	10,000.0
Governor's Office of Strategic Planning and Budgeting	2,014.5	2,684.1	2,684.1	2,684.1	0.0
Department of Health Services	84,825.4	97,158.3	97,158.3	93,851.7	(3,306.6)
Arizona Historical Society	3,195.0	3,107.7	3,107.7	3,107.7	0.0
Prescott Historical Society of Arizona	794.9	837.2	837.2	837.2	0.0
Department of Housing	0.0	15,000.0	15,000.0	0.0	(15,000.0)
Independent Redistricting Commission	0.0	0.0	0.0	500.0	500.0
Department of Insurance	5,044.4	5,663.2	5,663.2	0.0	(5,663.2)
Department of Insurance and Financial Institutions	0.0	0.0	0.0	7,644.1	7,644.1
Court of Appeals	15,960.5	16,765.0	16,765.0	17,736.2	971.2
Superior Court	80,392.7	92,596.5	92,596.5	102,847.2	10,250.7
Supreme Court	19,798.4	20,875.0	20,875.0	22,420.4	1,545.4
Department of Juvenile Corrections	21,131.7	36,926.5	36,926.5	38,475.0	1,548.5
Land Department	10,932.7	11,654.3	12,135.4	12,456.2	801.9
Auditor General	19,709.6	20,629.3	20,629.3	20,229.3	(400.0)
House of Representatives	14,774.4	16,407.5	16,407.5	16,407.5	0.0
Joint Legislative Budget Committee	2,307.3	2,834.2	2,834.2	2,834.2	0.0
Legislative Council	6,525.5	8,814.9	8,814.9	8,814.9	0.0

General Fund Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Senate	9,708.4	12,948.9	12,948.9	12,948.9	0.0
Mine Inspector	1,084.5	1,269.3	1,269.3	1,269.3	0.0
Navigable Stream Adjudication Commission	118.7	129.0	129.0	129.0	0.0
Commission for Postsecondary Education	1,646.8	1,680.9	1,680.9	1,680.9	0.0
Department of Public Safety	102,560.2	92,350.3	92,350.3	67,869.8	(24,480.5)
Public Safety Personnel Retirement System	7,000.0	6,000.0	6,000.0	6,000.0	0.0
Department of Real Estate	2,499.7	2,909.5	2,909.5	2,909.5	0.0
Department of Revenue	28,576.9	31,245.2	31,245.2	31,916.4	671.2
School Facilities Board	299,607.4	325,650.3	360,650.3	242,010.1	(83,640.2)
Department of State - Secretary of State	15,885.7	17,367.9	19,984.8	18,236.1	868.2
Board of Tax Appeals	275.1	281.8	281.8	281.8	0.0
Office of Tourism	7,112.0	8,214.0	8,214.0	9,214.0	1,000.0
Department of Transportation	12,592.4	0.0	0.0	0.0	0.0
Treasurer	770.8	1,205.1	1,205.1	1,205.1	0.0
Governor's Office on Tribal Relations	56.9	62.9	62.9	62.9	0.0
Board of Regents	6,898.1	22,397.7	22,397.7	23,397.7	1,000.0
Arizona State University	328,739.7	341,916.8	341,916.8	358,247.9	16,331.1
Northern Arizona University	112,095.7	117,250.9	117,250.9	124,017.6	6,766.7
University of Arizona - Main Campus	208,836.4	215,808.9	215,808.9	227,212.5	11,403.6
University of Arizona - Health Sciences Center	68,897.7	76,897.7	76,897.7	76,897.7	0.0
Department of Veterans' Services	5,728.5	7,792.9	7,792.9	8,209.3	416.4
Department of Water Resources	13,238.4	66,937.7	66,937.7	14,237.7	(52,700.0)
General Fund Operating Total	**10,238,377.4**	**11,200,661.6**	**11,268,043.5**	**11,992,260.7**	**791,599.1**

The total amount listed reflects agency operating expenditures and appropriations, but does not include expenditures and appropriations for capital projects or other selected statewide items, such as retirement contribution adjustments.

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Board of Accountancy					
Accountancy Board Fund	1,537.6	2,045.3	2,045.3	2,045.3	0.0
Acupuncture Board of Examiners					
Acupuncture Board of Examiners	135.2	176.0	176.0	176.0	0.0
Department of Administration					
Capital Outlay Stabilization Fund	14,605.7	18,543.6	18,543.6	18,543.6	0.0
Personnel Division Fund	11,235.2	12,723.8	12,723.8	12,723.8	0.0
Information Technology Fund	4,737.7	8,443.4	8,443.4	8,443.4	0.0
Air Quality Fund	655.3	927.3	927.3	927.3	0.0
Statewide Monument and Memorial Repair Fund	25.3	0.0	0.0	0.0	0.0
State Web Portal Fund	4,636.4	6,844.5	6,844.5	7,094.5	250.0
Special Employee Health	5,056.2	5,291.9	5,291.9	5,291.9	0.0
Motor Pool Revolving	5,675.1	10,191.2	10,191.2	10,191.2	0.0
Admin - Special Services Fund	714.0	1,169.0	1,169.0	1,169.0	0.0
State Surplus Property	2,277.0	2,977.8	2,977.8	2,977.8	0.0
Federal Surplus Materials Property	50.1	465.2	465.2	465.2	0.0
Risk Management Fund	76,343.3	94,579.9	98,513.0	96,828.8	2,248.9
Arizona Financial Information System Collections Fund	8,878.5	9,418.7	9,418.7	9,418.7	0.0
Automation Operations Fund	21,529.8	31,040.9	31,040.9	31,040.9	0.0
Telecommunications Fund	1,591.7	1,645.6	1,645.6	1,645.6	0.0
Cybersecurity Risk Management Fund - NEW	0.0	0.0	0.0	11,642.2	11,642.2
Corrections Fund	506.8	573.7	573.7	573.7	0.0
Agency Total	158,518.1	204,836.5	208,769.6	218,977.6	14,141.1
Department of Agriculture					
Nuclear Emergency Management Fund	274.7	301.4	301.4	280.5	(20.9)
Air Quality Fund	1,428.7	1,448.8	1,448.8	1,448.8	0.0
Agency Total	1,703.4	1,750.2	1,750.2	1,729.3	(20.9)
Arizona Health Care Cost Containment System					
Tobacco Tax and Health Care Fund MNA	66,143.9	61,752.6	61,752.6	62,703.6	951.0
TPTF Emergency Health Services Account	17,469.2	16,216.3	16,216.3	16,183.7	(32.6)
Substance Abuse Services Fund	2,250.2	2,250.2	2,250.2	2,250.2	0.0
KidsCare - Federal Revenue and Expenditures	77,051.8	104,650.2	104,650.2	94,896.1	(9,754.1)
Budget Neutrality Compliance Fund	3,756.2	3,906.4	3,906.4	3,906.4	0.0
Prescription Drug Rebate Fund	148,213.4	150,526.7	150,526.7	148,458.7	(2,068.0)
Medical Marijuana Fund	0.0	0.0	0.0	6,000.0	6,000.0
Agency Total	314,884.7	339,302.4	339,302.4	334,398.7	(4,903.7)
Commission on the Arts					
Budget Stabilization Fund	2,000.0	0.0	0.0	0.0	0.0
Board of Athletic Training					
Athletic Training Fund	109.8	127.0	127.0	127.0	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Attorney General - Department of Law					
Antitrust Enforcement Revolving Fund	111.8	148.6	148.6	148.6	0.0
Consumer Restitution and Remediation Revolving Fund - Remediation Subaccount	0.0	0.0	0.0	1,400.0	1,400.0
Interagency Service Agreements Fund	14,460.0	16,445.5	16,445.5	16,445.5	0.0
Collection Enforcement Revolving Fund - Operating	6,578.1	6,914.7	6,914.7	6,914.7	0.0
Internet Crimes Against Children Enforcement Fund	0.0	900.0	900.0	900.0	0.0
Risk Management Fund	9,005.0	9,590.0	9,590.0	9,590.0	0.0
Attorney General Legal Services Cost Allocation Fund	1,686.6	2,105.0	2,105.0	2,105.0	0.0
Consumer Protection - Consumer Fraud Revolving Fund	4,621.9	15,364.4	15,364.4	11,464.4	(3,900.0)
Victims Rights Fund	2,469.9	3,767.7	3,767.7	3,767.7	0.0
Agency Total	38,933.3	55,235.9	55,235.9	52,735.9	(2,500.0)
Automobile Theft Authority					
Automobile Theft Authority Fund	5,177.5	5,312.1	5,312.1	0.0	(5,312.1)
Board of Barbers					
Board of Barbers Fund	381.6	406.3	406.3	406.3	0.0
Board of Behavioral Health Examiners					
Behavioral Health Examiner Fund	1,497.5	1,770.0	1,770.0	1,770.0	0.0
Department of Child Safety					
Temporary Assistance for Needy Families (TANF)	156,486.1	157,428.8	157,428.8	157,428.8	0.0
Child Care and Development Fund	34,400.0	34,400.0	34,400.0	35,400.0	1,000.0
DCS Expenditure Authority	351,862.0	438,393.6	438,393.6	559,409.0	121,015.4
Child Abuse Prevention Fund	1,149.9	1,459.3	1,459.3	1,459.3	0.0
Children and Family Services Training Program Fund	0.0	207.1	207.1	207.1	0.0
Risk Management Revolving Fund	1,354.0	0.0	0.0	2,602.0	2,602.0
Agency Total	545,252.0	631,888.8	631,888.8	756,506.2	124,617.4
Board of Chiropractic Examiners					
Chiropractic Examiners Board	337.8	438.6	438.6	438.6	0.0
Commerce Authority					
State Web Portal Fund	0.0	2,500.0	2,500.0	0.0	(2,500.0)
Registrar of Contractors					
Registrar of Contractors Fund	9,691.4	12,368.8	12,368.8	12,368.8	0.0
Corporation Commission					
Utility Regulation Revolving	14,006.4	14,491.7	14,491.7	14,491.7	0.0
Securities Regulatory & Enforcement	4,703.1	5,115.8	5,115.8	5,115.8	0.0
Public Access Fund	6,096.3	6,771.8	6,771.8	6,771.8	0.0
Securities Investment Management Fund	714.7	718.0	718.0	718.0	0.0
Arizona Arts Trust Fund	50.7	50.7	50.7	50.7	0.0
Agency Total	25,571.2	27,148.0	27,148.0	27,148.0	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Department of Corrections					
Corrections Fund	22,233.9	30,312.3	30,312.3	30,312.3	0.0
State Education Fund for Correctional Education	726.0	729.3	729.3	729.3	0.0
DOC - Alcohol Abuse Treatment	443.7	555.5	555.5	555.5	0.0
Transition Program Fund	1,202.4	2,400.1	2,400.1	2,400.1	0.0
Prison Construction and Operations Fund	10,000.0	12,500.0	12,500.0	12,500.0	0.0
Inmate Store Proceeds Fund	282.4	1,341.3	1,341.3	1,341.3	0.0
Medical Marijuana Fund	0.0	0.0	0.0	8,125.0	8,125.0
Penitentiary Land Earnings	2,361.6	2,780.3	2,780.3	2,780.3	0.0
State Charitable, Penal & Reformatory Land Earnings	3,046.4	2,661.8	2,661.8	2,661.8	0.0
Agency Total	40,296.5	53,280.6	53,280.6	61,405.6	8,125.0
Board of Cosmetology					
Cosmetology Board	1,852.5	1,949.1	1,949.1	1,879.1	(70.0)
Criminal Justice Commission					
Criminal Justice Enhancement Fund	437.4	655.5	655.5	655.5	0.0
Victims Compensation and Assistance Fund	3,989.4	4,223.0	4,223.0	4,223.0	0.0
Drug and Gang Prevention Resource Center Fund	794.0	613.2	613.2	613.2	0.0
Transition Program Fund	0.0	750.0	750.0	0.0	(750.0)
Fingerprint Clearance Card Fund	11.3	600.0	600.0	600.0	0.0
State Aid to County Attorneys Fund	790.6	973.7	973.7	973.7	0.0
Agency Total	6,022.7	7,815.4	7,815.4	7,065.4	(750.0)
Schools for the Deaf and the Blind					
Telecommunication for the Deaf	1,460.5	0.0	0.0	581.0	581.0
Schools for the Deaf and the Blind Fund	11,387.0	12,921.7	12,921.7	14,671.7	1,750.0
Agency Total	12,847.5	12,921.7	12,921.7	15,252.7	2,331.0
Commission for the Deaf and the Hard of Hearing					
Telecommunication for the Deaf	2,911.4	4,624.9	4,624.9	4,624.9	0.0
Board of Dental Examiners					
Dental Board Fund	1,007.2	1,229.8	1,229.8	1,407.4	177.6

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Department of Economic Security					
Statewide Cost Allocation Plan Fund	0.0	1,000.0	1,000.0	1,000.0	0.0
Temporary Assistance for Needy Families (TANF)	65,324.9	65,395.9	65,395.9	65,395.9	0.0
Child Care and Development Fund	104,317.5	158,952.9	158,952.9	181,251.3	22,298.4
Workforce Investment Grant	56,438.7	56,044.5	56,044.5	56,044.5	0.0
Special Administration Fund	5,066.4	4,511.2	4,511.2	4,511.2	0.0
Child Support Enforcement Administration Fund	10,163.7	17,094.7	17,094.7	17,094.7	0.0
Domestic Violence Services Fund	2,228.3	4,000.0	4,000.0	4,000.0	0.0
Public Assistance Collections Fund	0.0	423.4	423.4	423.4	0.0
Department Long-Term Care System Fund	24,425.2	26,559.6	26,559.6	26,559.6	0.0
Spinal and Head Injuries Trust Fund	4,249.7	2,326.8	2,326.8	2,326.8	0.0
Health Services Lottery Fund	1,000.0	0.0	0.0	0.0	0.0
Agency Total	273,214.4	336,309.0	336,309.0	358,607.4	22,298.4
Department of Education					
School Accountability - Prop 301 Fund	5,105.6	7,000.0	7,000.0	7,000.0	0.0
Teacher Certification Fund	1,880.2	2,342.7	2,342.7	2,342.7	0.0
State Web Portal Fund	500.0	0.0	0.0	0.0	0.0
Empowerment Scholarship Account Fund	1,246.1	1,283.4	1,283.4	2,244.4	961.0
Professional Development Revolving Fund	67.9	2,700.0	2,700.0	2,700.0	0.0
Tribal College Dual Enrollment Program	225.9	250.0	250.0	250.0	0.0
Permanent State School Fund Earnings	277,115.3	290,489.1	290,489.1	301,245.0	10,755.9
Agency Total	286,141.0	304,065.2	304,065.2	315,782.1	11,716.9
Department of Emergency and Military Affairs					
Nuclear Emergency Management Fund	1,459.9	1,458.7	1,458.7	1,506.1	47.4
Emergency Management Assistance Compact Revolving Fund	25.1	0.0	0.0	0.0	0.0
Agency Total	1,485.0	1,458.7	1,458.7	1,506.1	47.4
Department of Environmental Quality					
DEQ Emissions Inspection	30,512.4	30,657.3	30,657.3	29,388.0	(1,269.3)
Hazardous Waste Management	1,444.2	1,748.2	1,748.2	1,748.2	0.0
Air Quality Fund	9,296.9	8,295.9	8,295.9	5,389.8	(2,906.1)
Underground Storage Tank Revolving	0.0	5,126.7	5,126.7	126.7	(5,000.0)
Recycling Fund	3,145.3	3,513.8	3,513.8	1,361.8	(2,152.0)
Permit Administration	5,525.7	8,155.7	8,155.7	7,155.7	(1,000.0)
Emergency Response Fund	130.9	132.8	132.8	132.8	0.0
Solid Waste Fee Fund	962.1	1,247.8	1,247.8	1,247.8	0.0
Water Quality Fee Fund	8,572.2	10,575.5	10,575.5	10,575.5	0.0
Safe Drinking Water Program Fund	1,166.7	1,812.0	1,812.0	1,812.0	0.0
Indirect Cost Recovery Fund	13,187.9	13,615.9	13,615.9	16,700.0	3,084.1
Agency Total	73,944.3	84,881.6	84,881.6	75,638.3	(9,243.3)
Governor's Office for Equal Opportunity					
Personnel Division Fund	179.9	190.2	190.2	190.2	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Exposition & State Fair					
Arizona Exposition and State Fair Fund	12,235.1	13,282.2	13,282.2	13,282.2	0.0
Department of Financial Institutions					
Financial Services Fund	3,592.6	3,986.6	3,986.6	0.0	(3,986.6)
Banking Department Revolving	50.0	50.6	50.6	0.0	(50.6)
Agency Total	3,642.6	4,037.2	4,037.2	0.0	(4,037.2)
Board of Funeral Directors & Embalmers					
Funeral Directors & Embalmers Fund	346.7	399.7	399.7	422.8	23.1
Game and Fish Department					
Game and Fish Fund	31,548.9	37,758.6	37,758.6	37,758.6	0.0
Watercraft Licensing Fund	3,989.4	4,855.4	4,855.4	4,855.4	0.0
Game, Non-Game, Fish and Endangered Species Fund	102.2	347.7	347.7	347.7	0.0
Capital Improvement Fund	1,300.3	1,001.2	1,001.2	1,001.2	0.0
Wildlife Endowment Fund	0.0	16.2	16.2	16.2	0.0
Agency Total	36,940.8	43,979.1	43,979.1	43,979.1	0.0
Department of Gaming					
State Lottery Fund	300.0	300.0	300.0	300.0	0.0
Permanent Tribal-State Compact Fund	1,831.1	2,098.3	2,098.3	2,098.3	0.0
Arizona Benefits Fund	10,424.7	11,153.3	11,153.3	11,153.3	0.0
Racing Regulation Fund	2,143.7	2,402.4	2,402.4	2,486.4	84.0
Racing Regulaions Fund - Unarmed Combat Subaccount	19.1	100.0	100.0	100.0	0.0
Agency Total	14,718.6	16,054.0	16,054.0	16,138.0	84.0
Department of Health Services					
Capital Outlay Stabilization	197.8	0.0	0.0	0.0	0.0
Tobacco Tax Hlth Care Fund MNMI Account	539.8	700.0	700.0	700.0	0.0
Health Services Licenses Fund	10,547.0	15,835.4	15,835.4	15,835.4	0.0
Child Care and Development Fund	845.7	882.6	882.6	882.6	0.0
Disease Control Research Fund	963.4	1,000.0	1,000.0	1,000.0	0.0
Health Research Fund	4,498.8	4,000.0	4,000.0	3,000.0	(1,000.0)
Nuclear Emergency Management Fund	731.6	789.7	789.7	789.7	0.0
Emergency Medical Operating Services	5,225.1	5,740.6	5,740.6	4,290.6	(1,450.0)
Newborn Screening Program Fund	6,690.0	7,664.2	7,664.2	8,676.0	1,011.8
Nursing Care Institution Resident Protection Revolving Fund	0.0	138.2	138.2	208.2	70.0
Prescription Drug Rebate Fund	0.0	1,000.0	1,000.0	2,000.0	1,000.0
Environmental Laboratory Licensure Revolving	812.9	931.1	931.1	931.1	0.0
Child Fatality Review Fund	85.8	96.1	96.1	96.1	0.0
Vital Records Electronic Systems Fund	2,527.9	3,637.6	3,637.6	3,637.6	0.0
The Arizona State Hospital Fund	2,371.8	2,592.0	2,592.0	2,592.0	0.0
DHS State Hospital Land Earnings	649.7	650.0	650.0	1,050.0	400.0
Health Services Lottery Fund	88.9	100.0	100.0	100.0	0.0
Indirect Cost Fund	9,799.2	10,412.8	10,412.8	10,412.8	0.0
Agency Total	46,575.4	56,170.3	56,170.3	56,202.1	31.8

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Governor's Office of Highway Safety					
Arizona Highway Patrol Fund	0.0	0.0	0.0	7,500.0	7,500.0
Board of Homeopathic Medical Examiners					
Homeopathic Medical Examiners	37.6	46.1	46.1	46.1	0.0
Department of Housing					
Housing Trust Fund	322.2	322.2	322.2	322.2	0.0
Industrial Commission of Arizona					
Industrial Commission Administration Fund	18,506.8	20,055.5	20,055.5	20,055.5	0.0
Department of Insurance and Financial Institutions					
Automobile Theft Authority Fund	0.0	0.0	0.0	5,312.1	5,312.1
Financial Services Fund	0.0	0.0	0.0	3,986.6	3,986.6
Banking Department Revolving	0.0	0.0	0.0	50.6	50.6
Agency Total	0.0	0.0	0.0	9,349.3	9,349.3
Superior Court					
Supreme Court CJEF Disbursements	2,327.5	5,455.1	5,455.1	5,455.1	0.0
Judicial Collection - Enhancement	3,965.5	6,015.2	6,015.2	6,015.2	0.0
Drug Treatment and Education Fund	500.2	502.9	502.9	502.9	0.0
Agency Total	6,793.2	11,973.2	11,973.2	11,973.2	0.0
Supreme Court					
Supreme Court CJEF Disbursements	3,496.1	4,399.7	4,399.7	4,399.7	0.0
Judicial Collection - Enhancement	10,752.2	14,872.1	14,872.1	14,872.1	0.0
Defensive Driving Fund	3,295.6	4,226.1	4,226.1	4,226.1	0.0
Court Appointed Special Advocate Fund	3,441.5	3,601.3	3,601.3	4,066.2	464.9
Confidential Intermediary Fund	329.2	492.1	492.1	492.1	0.0
State Aid to Courts Fund	2,044.1	2,945.3	2,945.3	2,945.3	0.0
Agency Total	23,358.7	30,536.6	30,536.6	31,001.5	464.9
Department of Juvenile Corrections					
Juvenile Corrections CJEF Distribution	182.6	531.5	531.5	531.5	0.0
Juvenile Education Fund	772.6	1,861.7	1,861.7	1,861.7	0.0
Local Cost Sharing Fund	11,260.0	0.0	0.0	0.0	0.0
State Charitable, Penal and Reformatory Land Fund	3,036.6	4,012.4	4,012.4	4,012.4	0.0
Agency Total	15,251.8	6,405.6	6,405.6	6,405.6	0.0
Land Department					
Environmental Special Plate Fund	139.9	260.6	260.6	140.0	(120.6)
Due Diligence Fund	40.0	500.0	500.0	500.0	0.0
Trust Land Management Fund	5,786.7	7,281.7	7,281.7	7,781.7	500.0
Agency Total	5,966.6	8,042.3	8,042.3	8,421.7	379.4
Department of Liquor Licenses and Control					
Liquor Licenses Fund	3,072.2	3,373.8	3,373.8	5,064.8	1,691.0
Lottery Commission					
Lottery Fund	127,499.4	146,806.1	146,806.1	150,636.6	3,830.5
Massage Therapy					
Massage Therapy Board Fund	437.0	471.6	471.6	471.6	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Medical Board					
Medical Examiners Board Fund	6,517.2	7,036.9	7,036.9	7,036.9	0.0
Mine Inspector					
Aggregate Mining Reclamation Fund	49.4	112.9	112.9	112.9	0.0
Naturopathic Physicians Board of Medical Examiners					
Naturopathic Board	122.6	193.4	193.4	193.4	0.0
Navigable Stream Adjudication Commission					
Arizona Water Banking Fund	0.0	200.0	200.0	200.0	0.0
Board of Nursing					
Nursing Board	4,729.5	4,771.0	4,771.0	5,284.6	513.6
Nursing Care Ins. Admin. Examiners					
Nursing Care Institution Administrators/ACHMC	420.6	455.0	455.0	511.9	56.9
Board of Occupational Therapy Examiners					
Occupational Therapy Fund	173.0	199.0	199.0	199.0	0.0
Board of Dispensing Opticians					
Dispensing Opticians Board Fund	134.3	155.9	155.9	155.9	0.0
Board of Optometry					
Board of Optometry Fund	215.1	240.7	240.7	240.7	0.0
Board of Osteopathic Examiners					
Osteopathic Examiners Board	844.5	1,012.3	1,012.3	1,012.3	0.0
Arizona State Parks					
State Lake Improvement Fund	0.0	225.0	225.0	0.0	(225.0)
State Parks Revenue Fund	13,465.2	16,065.7	16,065.7	15,815.7	(250.0)
Off-Highway Vehicle Recreation Fund	0.0	692.1	692.1	0.0	(692.1)
Agency Total	13,465.2	16,982.8	16,982.8	15,815.7	(1,167.1)
Personnel Board					
Personnel Division Fund	141.6	368.1	368.1	368.1	0.0
Board of Pharmacy					
Pharmacy Board Fund	2,846.0	2,665.3	2,665.3	2,610.3	(55.0)
Board of Physical Therapy Examiners					
Physical Therapy Fund	419.1	503.7	503.7	503.7	0.0
Pioneers' Home					
Pioneers' Home State Charitable Earnings	4,432.2	4,515.0	5,039.1	4,609.2	94.2
Pioneers' Home Miners' Hospital	2,759.7	2,059.2	2,059.2	2,059.2	0.0
Agency Total	7,191.9	6,574.2	7,098.3	6,668.4	94.2
Board of Podiatry Examiners					
Podiatry Examiners Board	127.0	168.1	168.1	168.1	0.0
Commission for Postsecondary Education					
Postsecondary Education Fund	1,261.5	1,536.7	1,536.7	1,536.7	0.0
Board for Private Postsecondary Education					
Private Postsecondary Education	381.3	423.3	423.3	423.3	0.0
Board of Psychologist Examiners					
Psychologist Examiners Board	434.3	516.1	516.1	516.1	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Department of Public Safety					
State Highway Fund	8,141.4	318.2	318.2	318.2	0.0
Arizona Highway Patrol Fund	116,340.8	194,968.5	196,168.5	256,699.0	61,730.5
Safety Enforcement and Transportation Infrastructure	1,327.6	1,650.9	1,650.9	1,650.9	0.0
Drug and Gang Prevention Resource Center Fund	630.1	0.0	0.0	0.0	0.0
Motor Vehicle Liability Insurance Enforcement	1,250.0	1,250.9	1,250.9	1,250.9	0.0
DPS Forensics Fund	22,758.9	22,554.2	22,554.2	23,880.7	1,326.5
Public Safety Equipment Fund	2,798.1	2,893.7	2,893.7	4,710.5	1,816.8
Gang and Immigration Intelligence Team Enforcement Mission Fund	3,483.7	2,541.2	2,541.2	2,541.2	0.0
Fingerprint Clearance Card Fund	936.1	1,556.4	1,556.4	1,556.4	0.0
State Aid to Indigent Defense Fund	698.0	700.0	700.0	700.0	0.0
Motorcycle Safety Fund	205.0	205.0	205.0	205.0	0.0
Parity Compensation Fund	3,451.5	3,990.5	3,990.5	3,990.5	0.0
Concealed Weapons Permit Fund	3,372.5	2,719.7	2,719.7	2,857.9	138.2
Peace Officer Training Equipment Fund	197.8	1,047.8	1,047.8	1,047.8	0.0
Public Safety Interoperability Fund	0.0	0.0	0.0	1,500.0	1,500.0
Highway User Revenue Fund	15,181.2	0.0	0.0	0.0	0.0
DPS Criminal Justice Enhancement Fund	2,379.7	2,936.8	2,936.8	2,936.8	0.0
Risk Management Fund	1,345.3	1,349.3	1,349.3	1,349.3	0.0
Agency Total	184,497.7	240,683.1	241,883.1	307,195.1	66,512.0
Residential Utility Consumer Office					
Residential Utility Consumer Office Revolving	983.2	1,348.6	1,348.6	1,348.6	0.0
Board of Respiratory Care Examiners					
Board of Respiratory Care Examiners	298.8	322.6	322.6	342.6	20.0
Arizona State Retirement System					
Retirement System Appropriated	21,853.0	22,394.0	22,394.0	22,394.0	0.0
LTD Trust Fund	1,267.7	1,800.0	1,800.0	1,800.0	0.0
Agency Total	23,120.7	24,194.0	24,194.0	24,194.0	0.0
Department of Revenue					
Tobacco Tax and Health Care Fund	541.7	681.5	681.5	681.5	0.0
DOR Liability Setoff Fund	709.0	805.6	805.6	805.6	0.0
Department of Revenue Administrative Fund	40,679.9	48,243.0	48,243.0	46,243.0	(2,000.0)
Residential Contractors' Recovery Fund	75.0	0.0	0.0	0.0	0.0
Agency Total	42,005.6	49,730.1	49,730.1	47,730.1	(2,000.0)
Department of State - Secretary of State					
Election Systems Improvement Fund	2,406.7	0.0	0.0	0.0	0.0
Records Services Fund	941.3	742.8	960.0	1,210.0	467.2
Agency Total	3,348.0	742.8	960.0	1,210.0	467.2
Board of Technical Registration					
Technical Registration Board	1,943.5	2,199.5	2,247.2	2,364.3	164.8

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Department of Transportation					
State Aviation Fund	1,627.7	2,010.9	2,010.9	2,010.9	0.0
State Highway Fund	488,177.4	397,585.4	401,211.7	408,808.4	11,223.0
Highway Damage Recovery Account	3,920.4	8,000.0	8,000.0	8,000.0	0.0
Transportation Department Equipment Fund	17,843.5	18,654.8	18,654.8	18,654.8	0.0
Safety Enforcement and Transportation Infrastructure	1,173.1	880.5	880.5	32.6	(847.9)
Ignition Interlock Device Fund	146.8	320.3	320.3	320.3	0.0
Air Quality Fund	300.9	324.2	324.2	324.2	0.0
Vehicle Inspection and Title Enforcement Fund	1,458.8	2,068.0	2,068.0	2,068.0	0.0
Motor Vehicle Liability Insurance Enforcement Fund	1,647.2	2,675.2	2,675.2	1,723.7	(951.5)
Driving Under Influence Abatement Fund	151.0	0.0	0.0	0.0	0.0
Highway User Revenue Fund	653.1	658.0	658.0	658.0	0.0
Motor Vehicle Fleet Operations Fund - NEW	0.0	0.0	0.0	6,000.0	6,000.0
Agency Total	517,099.9	433,177.3	436,803.6	448,600.9	15,423.6
Treasurer					
Boating Safety Fund	2,183.8	2,183.8	2,183.8	2,183.8	0.0
Treasurer Empowerment Scholarship Account Fund	304.4	304.4	304.4	304.4	0.0
State Treasurer's Operating Fund	2,625.9	3,350.8	3,350.8	3,466.8	116.0
State Treasurer's Management Fund	295.6	0.0	0.0	0.0	0.0
Agency Total	5,409.7	5,839.0	5,839.0	5,955.0	116.0
Arizona State University					
ASU Collections Fund Tuition and Fees	663,811.9	654,596.6	654,596.6	654,596.6	0.0
Technology and Research Initiative Fund	3,464.3	3,600.0	3,600.0	3,600.0	0.0
Agency Total	667,276.2	658,196.6	658,196.6	658,196.6	0.0
Northern Arizona University					
NAU Collections - Appropriated	160,958.9	156,154.5	156,154.5	156,154.5	0.0
University of Arizona - Main Campus					
U of A Main Campus - Collections - Appropriated	423,435.0	353,430.1	353,430.1	353,430.1	0.0
University of Arizona - Health Sciences Center					
U of A Main Campus - Collections - Appropriated	51,395.8	55,697.4	55,697.4	55,697.4	0.0
Department of Veterans' Services					
State Home for Veterans Trust	34,417.7	35,607.9	35,607.9	39,005.2	3,397.3
Veterinary Medical Examining Board					
Veterinary Medical Examiners Board	453.4	600.0	600.0	600.0	0.0
Department of Water Resources					
Arizona Water Banking Fund	612.0	1,212.2	1,212.2	1,212.2	0.0
Water Resources Fund	621.4	963.7	963.7	963.7	0.0
Assured and Adequate Water Supply Administration Fund	120.2	268.6	268.6	268.6	0.0
Agency Total	1,353.6	2,444.5	2,444.5	2,444.5	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2019 Expenditures	FY 2020 Appropriation	FY 2020 Executive Budget	FY 2021 Executive Budget	FY 2021 Changes and Adjustments
Other Appropriated Funds Operating Total	**4,278,810.1**	**4,520,471.0**	**4,530,019.4**	**4,781,486.1**	**261,015.1**

The total amount listed reflects agency operating expenditures and appropriations, but does not include expenditures and appropriations for capital projects or other selected statewide items, such as retirement contribution adjustments.

Resources

Governor's Office of Strategic Planning and Budgeting

Website

Executive Budgets for FY 2020 and Previous Years

Statement of Federal Funds

Master List of State Government Programs

Constitutional Appropriation Limit Calculation

State Agency Technical Resources

Agency Budget Development Software and Training Resources

Managing for Results, Arizona's Strategic Planning Handbook

Other Helpful Links

Arizona's Official Website

Governor's Website

State Agencies' Websites

Openbooks, a searchable database of the State Accounting System

Arizona Employment Statistics

Arizona Population Statistics

FY 2020 Appropriations Report

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