

Executive Summary for Companion Spreadsheet Proposed Revisions to the Governor's FY 2020 Budget Proposal

The proposed changes to the Governor's FY 2020 Budget Proposal are designed to be simple, straightforward and make funding improvements to a few key programs. They are suggestions to the Governor on how to best fund critical core needs for Arizona's schools, infrastructure, affordable housing programs and the most vulnerable populations. The proposed changes would adopt most of the Governor's spending plan for Arizona's state agencies, capital outlay and other miscellaneous items. However, there are some key differences:

Additional Investments

The proposed changes are as follows, with the primary changes coming from additional investments:

- Fully fund K-12 Additional Assistance \$203.3 million in FY20
- Provide critical funding for roads and infrastructure throughout Arizona \$100 million in FY20
- Provide funding for affordable housing solutions statewide \$30 million in FY20
- Provide additional funding for Arizona's most vulnerable populations \$40 million in FY20

- Rainy Day Fund Deposit \$466 million for FY20

Item	Program / Funding Proposal	Spreadsheet Line (for FY20)	Funding Amount
1	AHCCCS – Additional ALTCS Provider Funding	31	+ \$10 million ongoing
2	DES – Additional DD Provider Funding	44	+ \$30 million ongoing
3	ADE – Results-Based Funding	46	TBD
4	ADE – Fully Fund K-12 Additional Assistance	47	+ \$203.3 million in FY20
5	ADE – Eliminate proposed CTED Incentive Program; Provide CTED / CTE 4 th Year Funding Instead	Lines 48-49	+ \$900,000 in FY20, \$4 million in FY21 and \$8 million in FY22
7	ADE – College Credit Examination Program	Line 50	TBD
8	ADE – SROs and Counselors – Combine Grant Program and Designate for Counselors and Social Workers	Lines 51 – 53	+ \$19 million ongoing
9	Housing – Housing Trust Fund	Line 57	+ \$30 million ongoing
10	Universities – Freedom School Funding	Line 74	TBD
11	ADOT – Additional Infrastructure (Fund thru Local HURF Formula)	Line 121	+ \$100 million in FY20
12	Rainy Day Fund Deposit – Reduce from \$542 million	Line 131	+ \$466 million for FY20

Revenues

1. The proposed changes would adopt tax conformity (line 4) to improve Arizona's revenue position relative to the spending plan. Most recent estimates around tax conformity suggest estimated enhanced revenues of \$155 million in FY19 and \$217 million annually thereafter.
2. The proposal would combine a deposit of \$311 million from the general fund and the estimated receipts from the first year of tax conformity of \$155 million into the Rainy-Day Fund for FY 2020. This would bring the overall Rainy-Day Fund up to a level of \$937 million.
3. The proposed changes would also adopt the Wayfair regime (line 5) for taxation purposes, which is estimated to generate revenue of \$64 million in FY 2020 and \$85 million annually thereafter.
4. The Governor's proposed indexing of the dependent exemption for tax purposes would be eliminated (line 8). This would produce estimated budgetary savings of \$3 million in FY21 and \$6 million in FY22.
5. The corporate School Tuition Tax Credit (STO) growth would be frozen at the FY19 level (line 9). This would produce estimate budgetary savings of \$17.8 million in FY20, \$39.2 million in FY21, and \$64.9 million in FY22.
6. There would be a proposed policy change for non-resident real estate capital gains compliance (line 10). This would produce estimated revenue of \$4.2 million annually beginning in FY20.

Cash and Structural Balances. The proposed changes would produce healthy cash and structural balances which could then be used for a variety of other funding initiatives and investments. Dollars are in millions below.

Balances	FY 2019	FY 2020	FY 2021	FY 2022
Cash Balances	969.3	293.7	470.9	907.1
Structural Balances	707.3	371.6	328.1	465.2

Notes: Funding Items/Proposals in the Governor's proposed FY 2020 Budget. Below is a list of funding proposals proposed in the Governor's FY 2020 Budget that the caucus had previously deemed favorable, although not an exhaustive list:

Ongoing

1. AHCCCS – Eliminate KidsCare Freeze \$1.6 million in FY20
2. Department of Juvenile Corrections – Repeal County Cost Sharing \$11.3 million in FY20
3. Universities – Fund the Teacher's Academy \$21 million in FY20
4. State Public Safety Employee Pay Raises Avg. 5-15% raise for FY20

One-Time

5. Agriculture - Mariposa Port of Entry Cold Inspection Facility \$700,000
6. Commerce - Rural Broadband Grants \$1 million
7. Comm Colleges - Maricopa CCD HealthCare Expansion Specialty Expansion \$5.8 million
8. Comm Colleges - Pima CCD Aviation Center \$20 million
9. Department of Health Services - Rural Hospital Prenatal Equipment \$1 million
10. School Facilities Board – '20 New Schools, Advance Funding and Building Grants \$204.7 million
11. ADOT - Interstate 17 Expansion (Capital) \$40 million in FY20
12. Universities – One-Time Operating Funding \$35.1 million
13. Universities – Health Insurance Trust Fund (HITF) Deposits \$30 million