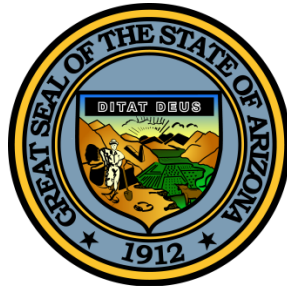


State of Arizona Executive Budget

SUMMARY

FISCAL YEAR 2022

Douglas A. Ducey
GOVERNOR



JANUARY 2021

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The Budget Summary

The FY 2022 Executive Budget moves the state forward with immediate attention to addressing the health and educational effects of the COVID-19 pandemic, while looking beyond to a recovery that displays the compassion, innovation, and resilience of Arizonans.

“Despite the pain and hardships we’ve experienced this year, we’ve seen hope triumph over darkness.”

Gov. Doug Ducey

Arizonans are resilient. The year 2020 began with the “Arizona Way” on full display: leading the nation in poverty reduction, with over 175,000 Arizonans pulling themselves out of poverty; ranking second in job growth, with more jobs than people to fill them; ranking fourth for average weekly wage growth; and ranking sixth in export growth.

Then came the COVID-19 pandemic, triggering unprecedented loss and economic hardship.

That shock was followed by a steady rebound. As the year progressed through an unfamiliar environment, Arizona citizens, companies, not-for-profits, and State and local governments responded with a focus on creating and seizing opportunity.

Through it all, Arizona continued to be a destination for business and families, and the state’s population growth rate propelled Arizona into third place nationally.

THE ROLE OF STATE GOVERNMENT

From the standpoint of State fiscal management, the concept is simple:

- Keep taxes straightforward and low.
- Eliminate government red tape and unnecessary regulations.
- Adhere to a fiscal discipline that keeps the cost of State government in a sustainable condition.

Far ahead of most predictions, Arizona has emerged from the pandemic stronger than ever. By following common-sense public health guidance to keep people safe and employed, the state remains well positioned as a top national performer.

Since the low point of the pandemic-induced national recession in the second quarter of 2020, Arizona has achieved the third-strongest economic performance of any state, and the nation’s largest quarterly gain in homeownership.

A pace-setting recovery requires a state government that simultaneously (a) recognizes its responsibility to help improve the lives of its citizens and (b) subdues its impulses to act in ways that usurp the essential role of the private sector.

The Executive’s carefully calibrated financial priorities during the pandemic have reflected the appropriate role of government:

- Protect the lives and livelihoods of Arizonans from the ravages of COVID-19.
- Fulfill, ahead of schedule, the promise to restore the last Great Recession-era cut to the K-12 funding formula.
- To address the serious learning loss from COVID-19 and to help make up lost ground ahead of the 2021-2022 school year, provide significant resources for high-impact, results-oriented intervention and acceleration programming.
- Raise the level of public safety by fully funding State Trooper overtime and recruiting more individuals to join the State’s police force.
- Improve prison environments and equipment that promote staff and inmate safety and offer more opportunities for inmate rehabilitation.
- Provide more resources and pursue more aggressive forest management strategies in order to fight wildfires and reduce future fire risk.
- Keep Arizona known as a beacon of low taxes and reasonable regulation to attract businesses and families fleeing oppressive, big-government states.

FY 2021 Budget Forecast

The enacted FY 2021 budget funded mainly baseline formula programs and actually resulted in a year-over-year spending decline compared to the FY 2020 budget.

The State’s impressive revenue performance, along with restrained spending, has resulted in the State maintaining structural budget balance despite the most severe economic downturn in American history.

The Executive forecasts a current fiscal year structural surplus of \$352 million and an ending cash balance of \$625 million.

FY 2022 Executive Budget

The FY 2022 Executive Budget remains focused on areas of real need that, if properly addressed, will have a lasting, positive impact for Arizona in the areas of education, public safety, natural resources, and infrastructure.

Including the baseline changes and Executive initiatives, the Executive forecasts a structural surplus of \$52 million, resulting in an ending cash balance of \$219 million.

Average total spending growth over the last five years remains at 4.1%, compared to 11.1% in the five years leading up to the Great Recession.

Under the Executive's FY 2022 spending plan, average spending growth over the next three years is 3.3%, which is below the levels of the mid-2000s and the 10-year average of 3.4%,

Education

The past 10 months have challenged Arizona's schools in unprecedented ways, and those challenges will not end when the massive vaccine administration is complete.

Arizona children have missed out on so much, and the State must leverage its deep bench of creative and determined educational champions to address the severe learning loss caused by COVID-19.

In FY 2021 alone, more than \$1.8 billion in federal funding has flowed into schools, bringing inflation-adjusted per-pupil funding from all sources to an all-time high of \$11,221 per student.

With the investments proposed in the FY 2022 Executive Budget, the State is on track to have invested \$9.0 billion in K-12 education since 2015.

The FY 2022 Executive Budget allocates 30% of new General Fund spending, or \$274 million, for K-12 and higher education. The Executive Budget:

- makes a significant investment in remediation programming for students disproportionately impacted by COVID-19 learning loss;
- expands early literacy education;
- takes the next step in the Arizona school choice movement; and
- strengthens the civic muscles of Arizona's future.

K-12 EDUCATION

In dealing with the COVID-19 pandemic, many states moved to solve projected budget shortfalls by cutting education spending.

In Arizona, the Executive and Legislature actually increased funding for signature education investments in FY 2021.

The FY 2022 Executive Budget:

- includes a significant supplemental investment to conduct high-impact, results-oriented intervention and acceleration programming to benefit Arizona students impacted most by the challenges of 2020-2021;
- expands transportation options for families to get their children to and from the school they choose;

- completes the final step of a \$1 billion promise to K-12 education, ahead of schedule, by fully restoring additional assistance formula funding in FY 2022;
- markets an "Open Enrollment Month" to inform parents about open-enrollment options;
- awards grants to K-12 schools to scale innovative models of schooling and instruction;
- supports professional development for educators and schools to provide personal learning opportunities for students – an educational approach designed to ensure mastery of academic content and social and emotional skills, and to foster student ownership in their own learning;
- establishes new Arizona civics programs to engage students in community service and help schools create unique and engaging ideas;
- provides a multi-pronged approach to early literacy strategies, including teacher training, student evaluation, literacy coaches, and dyslexia specialists;
- invests in schools and students in need by (a) expanding the pipeline of teachers in low-income schools; (b) knocking down barriers to graduation, college, or the workforce by supporting at-risk youth; and (c) eliminating financial hurdles for low-income students to take examinations that qualify for college credit; and
- fully funds schools' anticipated building renewal and school construction needs.

HIGHER EDUCATION

For Arizona's three public universities – the University of Arizona, Arizona State University, and Northern Arizona University – the Executive Budget enhances their capacity for graduating more students in critical areas, to help Arizona compete in the New Economy.

The Executive Budget also expands adult learners' access to quality educational opportunities that support job training, employment, and aspiration for higher education.

Public Safety

The Executive Budget makes strategic investments in law enforcement to modernize communications and physical plant infrastructure; address critical staffing shortages; and expand services to lower the recidivism rate among individuals leaving the State prisons.

LAW ENFORCEMENT

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

- Upgrades the State's public safety radio system, which allows for critical radio communications for over 12,000

users, including 12 State agencies and several local, federal, and tribal agencies.

- Purchases body camera equipment to enhance trooper safety, improve agency efficiency, and promote public transparency.

State Trooper Force Enhancement. DPS faces operational challenges aggravated by an insufficient overtime budget that forces troopers to go off duty before the end of their five-day work week. This system often results in Friday shifts being short-staffed, creating service gaps during rush hour.

The Executive Budget seeks to resolve this issue by increasing the overtime budget, which will improve trooper coverage, morale, and retention.

Additionally, the Executive Budget adds more funds to DPS's annual recruitment budget, to address a growing share of unfilled cadet trooper slots at the State Trooper Academy. Left unabated, the risks of a shrinking trooper force and sparse coverage will become a reality when the Department is unable to replace troopers who separate from State service.

CORRECTIONS

Prison Safety. To make a prudent investment in safety for correctional officers, inmates, and the general public, the Executive Budget:

- upgrades radio communication and safety vests so that prison operations and safety are not compromised;
- increases funds to complete critical fire and life safety projects at the Eyman complex;
- fully funds the Department of Corrections, Rehabilitation & Reentry (ADCRR) building renewal formula for the first time since the formula's creation; and
- vacates and deactivates the Florence prison and moves existing staff to the nearby Eyman prison complex to fill vacant positions.

The focus of this initiative is to ensure that ADCRR employees and inmates occupy an environment that is conducive to reducing the recidivism rate. 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 educational and substance-abuse treatment programs. Safe, improved, and consistent access to programming opportunities will allow inmates to receive the support and education they need to reform and become productive members of society. Furthermore, the deactivation will allow the health care vendor to relocate its health care staff, which will reduce staffing shortages and alleviate strain on current staff, resulting in better inmate health care.

Reducing Inmate Recidivism. In addition to meeting the security staffing needs necessary to offer programs aimed at reducing recidivism, the Executive Budget increases substance-

abuse treatment capacity available to inmates by contracting with third-party organizations.

Health and Welfare

The Executive Budget remains focused on keeping Arizonans safe from COVID-19 while addressing other key needs, including:

- access to child care;
- safe placements for children in foster care;
- expanded long-term care oversight;
- more caseworkers to investigate abuse of the elderly and vulnerable adults; and
- a new infusion of resources for substance abuse disorder treatment.

COVID-19 RESPONSE

Public Health. Since the start of the COVID-19 pandemic, the Department of Health Services has spent \$587 million in response to the emergency. Major categories of expenditures include:

- testing and contact tracing;
- personal protective equipment;
- public health and public safety employees to bolster healthcare staff capacity; and
- other health initiatives, including immunizations and vaccination management programs.

COVID-19 Provider Assistance. In FY 2020 and FY 2021, to stabilize the social safety net during the pandemic, the Executive has provided nearly \$500 million in assistance, not including additional federal COVID-19 support, to a multitude of providers serving children, the elderly, and individuals with developmental disabilities. This funding supported providers as they (a) changed the way they cared for their clients to protect them from contracting COVID-19 or (b) saw a decrease in utilization due to individual isolation.

SAFE, HEALTHY CHILDREN

The Executive Budget ensures more safe and caring places for children.

This initiative includes increasing access to child care for low-income working families and foster parents by:

- sustaining the suspension of the waitlist through FY 2023, to ensure that this important workforce and early childhood developing program is available to those who need it;
- establishing a pilot program that provides child care subsidies to low-income parents pursuing degrees in nursing and education; and
- increasing the number of paid absences for which the State reimburses child care providers, which helps children who are sick to stay at home without families risking disenrollment from the program.

The Executive Budget also provides additional funding to the Department of Child Safety, to support congregate care placements for children in foster care beyond the level that the federal government will reimburse.

Finally, the Executive Budget completes a years-long effort to integrate physical and behavioral health services for children in foster care, which will improve care coordination and quality.

ADULT PROTECTION

The Executive Budget includes funding to protect vulnerable adults from neglect and abuse with:

- more staff, to address the increase in Adult Protective Services (APS) cases and to reduce the caseworker caseload, expediting the processing time for getting help to senior and vulnerable adults;
- rate increases for Aging and Adult Services, to reduce high turnover rates and enhance access for vulnerable and homebound adults and seniors; and
- doubling the long-term care facility surveyor team, which is responsible for reviewing complaints about rule violations and the quality of care at facilities throughout the state.

ENSURING ACCESS TO OPIOID TREATMENT SERVICES

The need for treatment of substance abuse disorders remains high. Since the initial deposit of \$10 million into the Substance Use Disorder Services (SUDS) Fund in FY 2018, the Arizona Health Care Cost Containment System (AHCCCS) had provided, at the time of this writing, nearly 55,000 services to 33,383 underinsured or uninsured individuals who were ineligible for Medicaid.

With SUDS resources expected to be exhausted in FY 2021, the Executive Budget adds new funding for AHCCCS to continue health care services to persons in crisis or who struggle with substance abuse.

The increased funding will allow AHCCCS to serve an estimated 18,000 individuals in need of treatment.

Natural Resources

The Executive Budget maintains formula funding to improve water quality, and it provides more resources to (a) respond effectively to the heightened threat of wildfires and (b) pursue a more aggressive fire prevention strategy.

WATER QUALITY

The Executive Budget fully funds the State's program for hazardous waste cleanups, using the statutorily required formula to fund Department of Environmental Quality (DEQ) efforts to evaluate and remediate polluted land, including serious contamination in southern Arizona.

FIRE SAFETY

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 higher per-acre costs.

To address this more dangerous environment, the Executive Budget:

- repays all outstanding cost-share fire bills that the State owes federal partners in fighting 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;
- doubles the Governor's Emergency Fund and dedicates the increase for Department of Forestry and Fire Management (DFFM) fire suppression; and
- provides the Arizona National Guard with equipment to access video from federal drone aircraft and share it with State partners.

Fire Prevention. Failure to reduce overgrown forests has caused the State to incur increased fire-suppression costs. The Executive Budget:

- adds 72 inmate crews to perform vegetation management at strategic locations statewide;
- funds mechanized contract crews for steep-slope operations; and
- expands grant funding for private partners that perform forest treatment.

Public Recreation

The Executive Budget includes investments that improve and expand access to 35 State parks and wildlife infrastructure, which play an increasingly prominent role in tourism and the economic health of rural Arizona.

Funding initiatives include:

- remediation of park wastewater treatment systems, beginning a multi-year plan;
- renovation of park structures and fish hatcheries at the end of their useful life; and
- adding new park features that enhance the visitor experience.

Government That Works

The Executive Budget strengthens the responsible stewardship of State assets, boosting internet connectivity statewide and investing in business-friendly digital infrastructure that optimizes access to State services.

Funding initiatives include the following:

- Expanding the capacity of the Arizona National Guard Cyber Response Team, which will improve statewide cyber preparedness and emergency response.
- 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.
- Increased investment in rural broadband connectivity with the installation of nearly 300 miles along I-40 West, from Flagstaff to Lake Havasu City and recapitalization of the Rural Broadband Grant program.
- Investing in building renewal across the State’s building system, including fire and life safety projects and targeted infrastructure repair, replacement, and renovation.

Major General Fund Budget Issues, FY 2021 and FY 2022

In Millions of Dollars

K-12: Student Focused Acceleration	\$ 389.0
K-12: Baseline Enrollment Growth and Inflation.....	172.9
SFB: Building Renewal Grants (Incl. FY 2021 Supplemental)	142.5
K-12: Fully Restoring Additional Assistance	135.5
School Facilities Board (SFB): New Schools.....	52.6
Universities: New Economy Initiative.....	35.0
Transportation: I-40 West Broadband.....	33.1
K-12: Reduce Rollover	30.0
ADCRR: Eyman Fire and Life Safety Project	25.6
Child Safety: Families First Prevention Services Act	25.1
Forestry and Fire Management: Arizona Health Forest Initiative.....	23.8
ADCRR: Building Renewal	22.2
DES: <i>Johnson</i> Case Impact on DDD Caseload Growth.....	19.8
Public Safety: Body Cameras	13.8
Commerce: Rural Broadband Grant Program Expansion	10.0
Fire Safety: Fire Suppression and Federal Repayment.....	8.5
Public Safety: Overtime and Recruitment/Retention.....	7.0
K-12: Early Literacy Support.....	6.9
ADOA: Building Renewal	6.2
K-12: Statewide Assessments.....	5.0
Environment: Fully Funding WQARF Program	5.0

Projected Ending Balances

FY 2020.....	\$ 372.5
FY 2021	624.9
FY 2022.....	219.3
FY 2023.....	225.5

Projected Structural Balances

FY 2020.....	\$ 177.4
FY 2021	351.8
FY 2022.....	51.6
FY 2023.....	57.9

Executive Budget In-A-Flash



GENERAL FUND CASH FLOW

	Prelim Actual FY 2020	Executive Budget FY 2021	Executive Budget FY 2022	Executive Budget FY 2023	Executive Budget FY 2024
Beginning Balance	\$ 957,241,000	\$ 372,457,000	\$ 624,913,300	\$ 219,329,554	\$ 225,545,029
Adj. Base Revenues	\$ 10,879,587,100	\$ 11,783,559,800	\$ 12,413,452,354	\$ 13,025,472,855	\$ 13,562,989,393
Revenue Changes	-	\$ (43,900,000)	\$ (230,212,600)	\$ (400,412,600)	\$ (600,412,600)
One-time Revenues	\$ 90,908,000	\$ 97,033,600	\$ 36,700,000	\$ 16,700,000	\$ 16,700,000
Total Sources of Funds	\$ 11,927,736,100	\$ 12,209,150,400	\$ 12,844,853,054	\$ 12,861,089,809	\$ 13,204,821,822
Enacted Spending	\$ 11,284,172,100	\$ 11,761,208,000	\$ 11,761,208,000	\$ 12,625,523,500	\$ 12,635,544,780
Baseline Changes		(212,241,000)	573,944,200	(10,948,820)	323,055,700
Net New Initiatives		35,270,100	290,371,300	20,970,100	(1,814,900)
Total Uses of Funds	\$ 11,284,172,100	\$ 11,584,237,100	\$ 12,625,523,500	\$ 12,635,544,780	\$ 12,956,785,580
BSF Deposit	271,107,000	0	0	0	0
Ending Balance	\$ 372,457,000	\$ 624,913,300	\$ 219,329,554	\$ 225,545,029	\$ 248,036,242

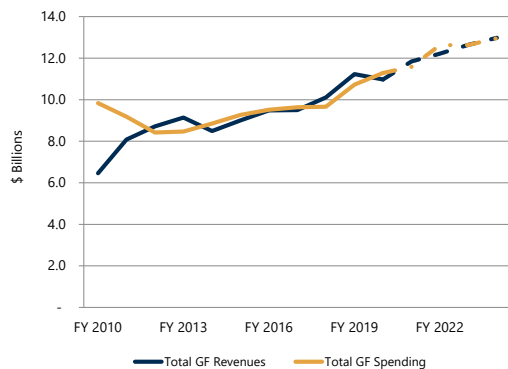
YOY¹
% growth
2.5%

GENERAL FUND STRUCTURAL BALANCE

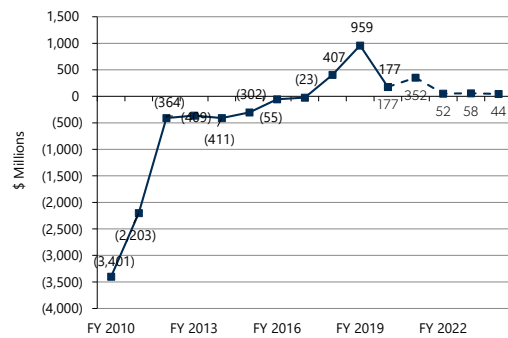
	Prelim Actual FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024
Ongoing Revenues	\$ 10,879,587,100	\$ 11,783,559,800	\$ 12,213,039,754	\$ 12,625,060,255	\$ 12,962,576,793
Ongoing Spending	10,702,177,900	11,431,755,800	12,161,404,580	12,567,190,780	12,918,098,580
Structural Balance	\$ 177,409,200	\$ 351,804,000	\$ 51,635,174	\$ 57,869,475	\$ 44,478,213

YOY
% growth
2.7%
2.8%

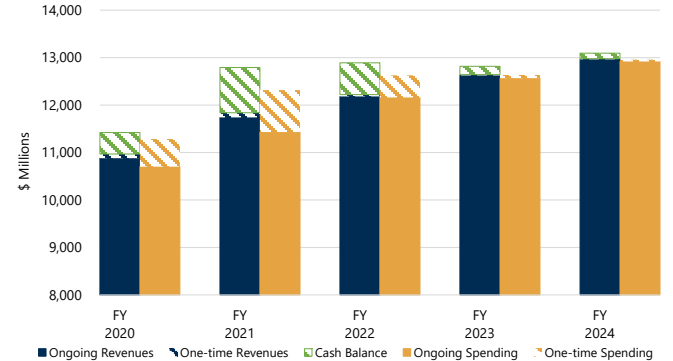
HISTORICAL REVENUES TO SPENDING



GENERAL FUND STRUCTURAL BALANCE



COMPARISON OF REVENUES TO SPENDING



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

Over our first six years in office, this Administration has limited average spending growth to just 3.9% - while increasing K-12 Education funding by over \$1.7 billion.

The FY 2022 Executive budget continues this conservative trend. While total spending grows by 7.3%, Executive Initiatives only account for a 2.5% increase, with the remainder attributed to formula increases in health care and education.

GENERAL FUND SPENDING

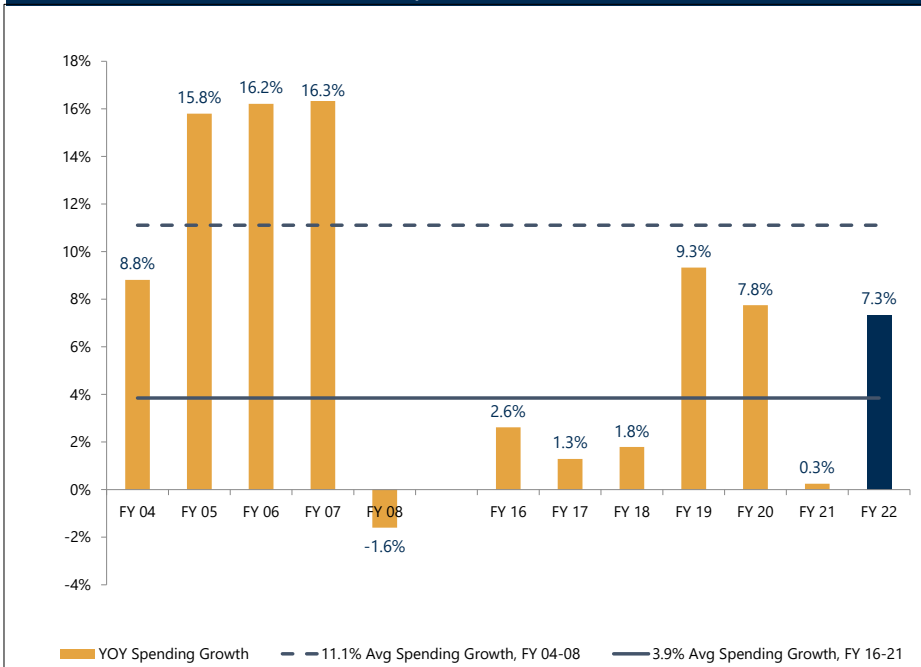
	Prelim Actual	Executive Budget	Baseline Adjustments ³	New Initiatives	Executive Budget	YOY % growth
	FY 2020	FY 2021	FY 2022	FY 2022	FY 2022 ⁴	
Education	5,200,185	5,210,531	195,350	21,330	5,816,272	11.6%
AHCCCS	1,760,748	1,951,981	127,568	3,334	2,082,883	6.7%
Corrections	1,167,111	1,205,396	0	25,959	1,231,355	2.2%
Economic Security	749,708	812,054	133,125	4,400	949,580	16.9%
Child Safety	384,653	387,893	0	25,138	413,031	6.5%
ASU - Tempe	341,917	324,717	0	18,900	343,617	5.8%
Public Safety	92,350	91,138	160,709	21,277	273,124	199.7%
School Facilities Board	325,650	273,995	5,500	0	240,735	-12.1%
U of A	215,809	207,722	0	9,450	217,172	4.5%
NAU	117,251	109,805	0	6,650	116,455	6.1%
Other ¹	1,199,896	1,009,005	(48,308)	153,933	941,299	-6.7%
Total	\$ 11,555,279.10	\$ 11,584,237	\$ 573,944	\$ 290,371	\$ 12,625,524	9.0%

New FY 2021 Spending: \$ (176,970,900)

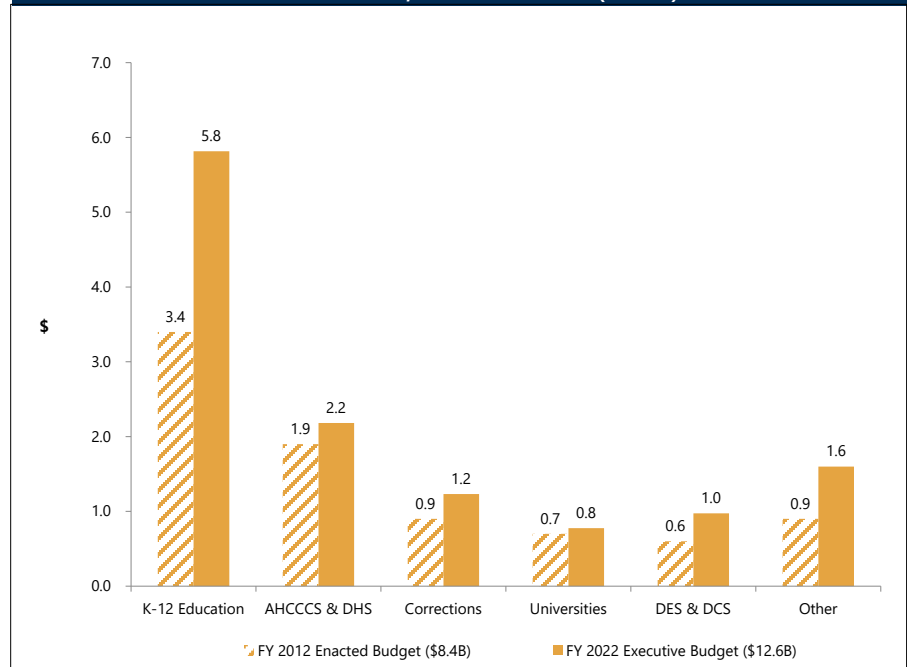
New FY 2022 Spending: \$ 864,315,500

¹ Other spending includes Budget Stabilization Fund deposits, if any, as well as one-time spending offsets or other savings that do not reduce Budgeted levels.

GENERAL FUND SPENDING GROWTH RATES, FY 2004 to FY 2008 vs. FY 2016 to FY 2022



GENERAL FUND SPENDING DISTRIBUTION, FY 2012 to FY 2022 (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 public health & safety, with over \$500 million in Baseline and Initiative spending in these Areas.
- Additionally, the Budget invested \$464 million on various One-Time priorities, including investing in our State's capital infrastructure, expanding access to Broadband, and building and maintaining our K-12

K-12 AND HIGHER EDUCATION

DEPARTMENT OF EDUCATION

\$195.3M FY 2022 Baseline

\$135.5M	Accelerate Additional Assistance
\$87.7M	Enrollment Growth
\$85.2M	Inflation Adjustment
\$30M	Reduce K-12 Rollover
\$5M	Arizona Industry Credential Incentive Program
\$0.9M	Empowerment Scholarship Account - Basic State Aid Increases
\$0.4M	Teacher Professional Development Pilot
(\$8.2M)	Increased Permanent Fund Distributions
(\$53.9M)	Property Taxes From New Construction
(\$87.3M)	Remove One-Time FY 2021 Appropriations

\$21.3M FY 2022 Initiatives

\$6.9M	Early Literacy Support
\$5M	Statewide Assessments
\$3M	Expansion and Innovation Fund
\$2.5M	College Credit by Examination Incentive Program
\$1.3M	College Placement Exam Fee Waiver
\$1M	Arizona Personalized Learning Network
\$0.5M	Alternative Teacher Development Program Expansion
\$0.4M	Jobs for Arizona Graduates
\$0.4M	Investigations Unit Expansion
\$0.4M	Adult Education State Match

SCHOOL FACILITIES BOARD

\$5.5M FY 2021 Baseline

\$102.5M	Building Renewal Grant
\$40.9M	New School Facilities - Conceptual Approvals
\$11.7M	New School Facilities - In Progress
(\$149.6M)	Remove One-Time FY 2021 Appropriations

UNIVERSITIES

\$35M FY 2021 Initiatives

\$18.9M	ASU - Workforce for New Economy
\$9.5M	U of A - Workforce for New Economy
\$6.7M	NAU - Workforce for New Economy

COMMUNITY COLLEGES

\$1.4M FY 2021 Baseline

\$2.6M	Equalization Aid
(\$0.5M)	STEM and Workforce Aid
(\$0.7M)	Operating State Aid

HEALTH AND WELFARE

ECONOMIC SECURITY

\$133.1M FY 2021 Baseline

\$113.3M	DDD Caseload & Capitation Growth
\$19.8M	DDD Johnson Case Impact

\$4.4M FY 2021 Initiatives

\$2.9M	Adult Protective Services Caseload Growth
\$1.5M	Provider Rate Increases for Adult and Aging Services

AHCCCS

\$127.6M FY 2021 Baseline

\$121.1M	Traditional Formula Adjustments
\$9.6M	CMDP Formula Adjustments
\$8.2M	KidsCare Formula Adjustments
\$7.6M	ALTCS Formula Adjustments
(\$2.2M)	ACA Newly Eligible Adults Formula Adjustments
(\$8M)	Reversal of One-Time Childrens' BHS Fund Deposit
(\$8.7M)	Proposition 204 Formula Adjustments

\$3.3M FY 2021 Initiatives

\$3M	Ongoing IT Projects
\$0.3M	Federal Interoperability Rule Implementation
\$0.1M	PMMIS Roadmap

DEPARTMENT OF CHILD SAFETY

\$25.1M FY 2021 Initiatives

\$25.1M	FFPSA Implementation
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PUBLIC SAFETY

DEPARTMENT OF PUBLIC SAFETY

\$160.7M FY 2021 Baseline

\$160.7M	Public Safety Fee Backfill
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\$21.3M FY 2021 Initiatives

\$7M	Overtime and Recruitment/Retention
\$13.8M	Body Cameras
\$0.5M	AZPOST Officer Misconduct Database

CORRECTIONS

\$26M FY 2021 Initiatives

\$17.9M	Bed Management Strategy
\$5M	Recidivism Reduction: Substance Abuse Treatment Expansion
\$2.8M	Staff Safety Equipment
\$0.3M	Braille Transcription Program Expansion

OTHER CHANGES

(\$49.7M) FY 2021 Net Baseline

\$20.1M	27th Pay Period Universities
\$12.8M	Unallocated Retirement Rate Adjustment
(\$82.5M)	All Other, Net Baseline

\$153.9M FY 2021 Net Initiatives

\$25.6M	Department of Corrections, Rehabilitation & Reentry- Eyman Fire & Life
\$18.5M	Arizona Healthy Forest Initiative
\$14M	HITF One-Time Adjustment
\$10M	Rural Broadband Grants
\$5M	WQARF Priority Site Cleanups
\$4M	Governor's Emergency Fund Cap Increase
\$3.6M	Convening the Independent Redistricting Commission
\$2.5M	Unallocated ADOT Vehicle Fee Adjustment
\$0.2M	Inspection and Reclamation Mine Land Programs
\$70.5M	All Other Initiatives

OVERALL SPENDING

\$573.9M FY 2021 Net Baseline

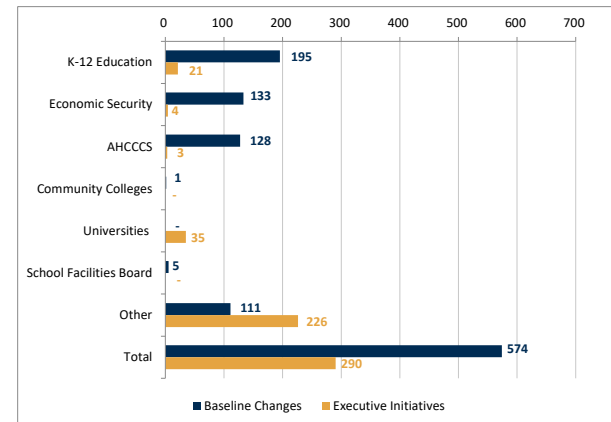
\$623.7M	Baseline Increases
(\$49.7M)	Baseline Decreases

\$290.4M FY 2021 Net Initiatives

\$290.5M	Initiative Increases
(\$0.1M)	Initiative Decreases

\$864.3M Total New Spending

NEW GENERAL FUND SPENDING PROFILE FY 2022



General Fund Sources and Uses of Funds

\$ in thousands

	FY 20 Prelim Actual	FY 21 Enacted Base	FY 21 Net Changes	FY 21 Executive Budget	FY 22 Net Changes	FY 22 Executive Budget	FY 23 Net Changes	FY 23 Executive Budget	FY 24 Net Changes	FY 24 Executive Budget
SOURCES OF FUNDS										
Beginning Balance	957,241	372,457		372,457		624,913		219,330		225,545
Ongoing Revenues										
Base Revenues	11,617,161	11,866,022		12,612,053		13,169,713		13,915,273		14,492,839
<i>Urban Revenue Sharing</i>	<i>(737,574)</i>	<i>(828,493)</i>		<i>(828,493)</i>		<i>(756,261)</i>		<i>(889,800)</i>		<i>(929,850)</i>
Adjusted Base Revenues	10,879,587	11,037,529		11,783,560		12,413,452		13,025,473		13,562,989
Transfers & Newly Enacted Changes	90,908	16,700		53,134		(193,513)		(383,713)		(583,713)
PDRF Transfer	69,000	16,700		16,700		16,700		16,700		16,700
Wells Fargo Settlement	20,000	0		0		0		0		0
Water Infrastructure Repayment	0	0		0		20,000		0		0
Treasurer's Fund Balance Cap Increase	0	0		0		(124)		(124)		(124)
Treasurer Accountant Reclassification	0	0		0		(289)		(289)		(289)
New Fund Transfers	0	0		0		0		0		0
Prior Fund Transfers	1,908	0		0		0		0		0
CRF Transfers	0	0		78,861		0		0		0
Veterans' Income Tax Settlement Fund Revertment	0	0		1,473		0		0		0
TY 2020/21 IRC Conformity	0	0		(43,900)		(29,800)		0		0
Executive Tax Placeholder	0	0		0		(200,000)		(400,000)		(600,000)
Subtotal Revenues	10,970,495	11,054,229		11,836,693		12,219,940		12,641,760		12,979,277
TOTAL SOURCES OF FUNDS	11,927,736	11,426,686		12,209,150		12,844,853		12,861,090		13,204,822
USES OF FUNDS										
Operating Budget Appropriations	11,224,818	11,703,789	74,029	11,777,819	812,260	12,590,079	45,571	12,635,650	320,738	12,956,388
Other Expenses/(Revenues)	330,461	57,419	(251,000)	(193,581)	229,026	35,445	(35,549)	(105)	503	398
Prior Year One-time Supplementals	80,719	0	0	0	0	0	0	0	0	0
Prior Year Ongoing Supplementals/Ex-Appropriations	46,460	0	0	0	0	0	0	0	0	0
Phoenix Convention Center Payment	23,500	23,998	0	23,998	501	24,499	501	24,999	501	25,500
Rio Nuevo District	16,000	16,000	0	16,000	0	16,000	0	16,000	0	16,000
Asset Sale/Lease-Back Debt Service	77,709	53,702	0	53,702	2	53,704	2	53,706	2	53,708
2010B Debt Payoff	190,000	0	0	0	0	0	0	0	0	0
27th Pay Period Non-University	0	0	0	0	(43,079)	(43,079)	0	(43,079)	0	(43,079)
27th Pay Period Universities	0	0	0	0	20,052	20,052	(20,052)	0	0	0
Unallocated FY 2021 Health Insurance Adjustment	0	1,719	0	1,719	(1,719)	0	0	0	0	0
Unallocated FY 2020 Health Insurance Adjustment	52	0	0	0	0	0	0	0	0	0
Prior Year Transportation Funding	95,310	0	0	0	0	0	0	0	0	0
Unallocated Retirement Rate Adjustment	0	0	0	0	12,763	12,763	0	12,763	0	12,763
HITF One-Time Adjustment	0	0	0	0	(8,000)	(8,000)	(14,000)	(22,000)	0	(22,000)
DES FY 2021 Caseload & FMAP Savings	0	0	(103,000)	(103,000)	103,000	0	0	0	0	0
AHCCCS FY 2021 Caseload & FMAP Savings	0	0	(141,000)	(141,000)	141,000	0	0	0	0	0
One-Time Arts Funding	0	0	0	0	2,000	2,000	(2,000)	0	0	0
Administrative Adjustments	128,000	146,000	(3,000)	143,000	0	143,000	0	143,000	0	143,000
Revertments	(598,396)	(184,000)	(4,000)	(188,000)	0	(188,000)	0	(188,000)	0	(188,000)
Transfer to Rainy Day Fund	271,107	0	0	0	0	0	0	0	0	0
TOTAL USES OF FUNDS	11,555,279	11,761,208	(176,971)	11,584,237	1,041,286	12,625,524	10,021	12,635,545	321,241	12,956,786
ENDING BALANCE	372,457	(334,522)		624,913		219,330		225,545		248,036
Ongoing Revenues	10,879,587	11,037,529		11,783,560		12,213,040		12,625,060		12,962,577
Ongoing Expenditures	10,702,178	11,431,756		11,431,756		12,161,405		12,567,191		12,918,099
STRUCTURAL BALANCE	177,409	(394,226)		351,804		51,635		57,869		44,478

Note: FY 2021 to FY 2024 Net Changes columns include baseline and initiative issues.

The Economy

Just as before the COVID-19 pandemic, Arizona remains well positioned for continued rapid expansion. The overall pace of growth will likely be dictated by progress in containing the virus and the State’s response to post-election changes in national and local economic policy.

“When the pandemic hit, Arizona’s economy was booming. We had more jobs than people to fill them. In the last several months, businesses across the state had to adjust or pause operations — and many have done an incredible job of keeping employees and patrons safe. With our economy moving forward and returning stronger, we will continue to support local businesses across the state.”

Gov. Doug Ducey

The national economy suffered due to the 2020 COVID-19 pandemic and brought about the sharpest quarterly real GDP decline in the nation’s history, only to be followed by the fastest rebound in history as many businesses reopened.

Compared to most states, Arizona has weathered the storm particularly well. The reasons:

- a robust pre-COVID-19 economic environment,
- a competitive and pro-business tax and regulatory environment, and
- a targeted and thoughtful approach to public health measures that protects both lives and livelihoods.

The year 2020 will be remembered and studied as a period in which the overall economy was both:

- uniquely policy-driven (there can be little arguing that, however incidental the general impact of public policy on the overall economy might be, pandemic-response policy was the dominant force this year); and
- uniquely local, in that divergent policy responses to the pandemic from state to state provided a nearly real-time analysis of state-level public policy impacts on economic performance.

Even while national economic growth was whipsawed by the impacts of mitigation strategies that had serious economic effects, coupled with consumer reaction to the virus, certain segments of the economy (e.g., online sellers and some “big box” national retailers) flourished.

In contrast, industries that depend on direct personal service (e.g., hospitality and transportation) and many smaller local businesses across the industry spectrum were hit hard.

Further, since the outbreak of the pandemic, some states have performed remarkably well, while others struggled and continue to do so.

While forecasters debate prospects for economic recovery, it can be agreed that:

- the overall pace of recovery will be dictated by how quickly COVID-19’s impact can be mitigated, by either an effective vaccine or other mitigation efforts; and
- Arizona’s performance throughout the pandemic has exceeded all expectations, and therefore strong growth will continue over the four-year budget window.

It is important to note that, prior to the pandemic, the U.S. economy was enjoying its fastest growth rate in a decade. At this writing, multiple highly effective vaccines are being administered across the country, with more on the way, and, at whatever point COVID-19 is no longer perceived as a major threat, the pre-pandemic growth trajectory should resume, absent substantial federal policy shifts.

The Nation. As this forecast was prepared, the nation’s economy was on track to finish the year approximately 5% below the level of GDP in quarter four of 2019. However, the losses occurred during the first two quarters of 2020, at a time when severe economic restrictions were temporarily imposed nearly nationwide, only to be followed by two quarters of unprecedented rapid growth.

The greater concern is for employment, which in November 2020 stood at just under ten million jobs below the high-level mark set in February. While the nation’s economy generally continues to recover, job recovery has slowed following its initial summer rebound, perhaps implying a potentially permanent shift away from some types of labor-intensive commercial activity.

One of the more striking characteristics of the national 2020 economy is the disparity of performance among the states.

While U.S. real GDP fell at an annual rate of 31.4% in the second quarter, performance by state ranged from a decline of just 21.9% in Delaware to 42.2% in Hawaii. Of local interest, Arizona lost just 25.3% of its annual economic output, placing third nationally and joining Utah, Washington, and Virginia in the top five.

Similarly, while as of November 2020 the nation remained about 6% below its February pre-crisis peak employment level, job losses by state ranged from 15.2% in Hawaii (almost triple that of the U.S.) to just 0.4% in Idaho. Again, Arizona has

performed well, down by just 3.1% and ranked sixth across all states.

The sharp state-by-state contrast is unusual. During the Great Recession, some states, including Arizona, were hit harder than others, but generally all states suffered and recovered similarly. When the U.S. lost about 5% of its jobs during the Great Recession, two of the hardest-hit states – Arizona and Nevada – lost about 10% and 11% of its jobs, respectively, only about double the U.S. average.

The strong national recovery in the third quarter of 2020 is a source of encouragement. While growth since then has slowed to less extreme levels, it appears likely that GDP will shortly approach or even return to its pre-pandemic level and then resume a trend in the 2.5% to 3% annual growth range.

Two factors could slow or change those prospects:

- the continued persistence of the COVID-19 pandemic beyond spring 2021; or
- a marked change in federal tax and fiscal policy, especially as the partial expiration of the 2017 Tax Cuts and Jobs Act begins to loom in 2025, requiring cooperation between the President and Congress to extend.

Arizona. The state remains well positioned as a top national performer since the start of the pandemic and the national recession, and it has seen the third-strongest economic performance of any state since the recession's peak in the second quarter of 2020.

In a marked departure from its "slow growth" following the 2008 Great Recession, after the beginning of the pandemic Arizona led the nation in job growth between May and October 2020, recovering approximately 193,900 (66%) of the 294,600 jobs lost.

While confident about the state's economy, the Executive does acknowledge the risks presented by, for example, a persistence of the pandemic and implementation of a nearly \$1 billion state income tax surcharge mandated by Proposition 208, the largest tax increase in Arizona history.

Overall, however, the FY 2022 Executive Budget recognizes Arizona's strong economic and fiscal health, and the resulting revenue projections acknowledge the state's remarkably strong performance since the start of the pandemic.

National Outlook

There is wide variance among forecasters of U.S. real GDP growth, with virtually all agreeing that the pace will ultimately be dictated by progress or lack thereof on the pandemic, coupled with any additional stimulus measures approved by Congress and the White House.

The Blue Chip Economic Indicators forecast, issued by 50 of the nation's top business forecasters, foresees growth ranging from 2% to 6% for 2021 as of this writing.

Interestingly, most historically relevant factors for GDP growth have taken a backseat to the pandemic; economic fundamentals and investor expectations about the future are now secondary to whether an economy is "open" or "closed" by policy and investor expectations about public health today. Still, most economists point to a solid foundation in the economy beyond the current headwinds.

While it is hard to derive many positives from the pandemic experience, at least three warrant mentioning:

- As illustrated by the March 2020 passage of the CARES Act, it is clear that, if significant fiscal policy measures are required, Congressional Democrats and Republicans can work together when a dire situation calls for compromise.
- The Federal Reserve has illustrated that it will continue to provide the necessary accommodative monetary policy to sustain the economy.
- A significant share of the labor market was able to adapt quickly to the flexible "work from home" environment that has allowed millions of American workers to maintain employment in a safe and effective manner.

Of significance will be how Congress and the Executive branch respond to economic pressures or any future shocks that arise, and how the new administration's plans for fiscal, health care, and international trade policies evolve, particularly to the extent that the administration seeks to re-impose some of the more economically damaging policies that were rolled back or relaxed over the past four years.

EMPLOYMENT

In January 2020 the national labor market was very healthy. Job creation occurred at a persistent rate over the better part of the last decade, as businesses put concerns of the Great Recession behind them. A bonus came from corporate tax rate reductions, accompanying regulatory reform, and an array of technological innovations that spurred productivity growth.

Only a few weeks later, the world changed dramatically.

By December, the U.S. economy had regained much of its strength, but net job losses continued to range between eight and 10 million, with losses concentrated largely in personal service sectors that necessitate person-to-person contact with customers. Hospitality, entertainment, and travel have been hit especially hard. Meanwhile, most other workers have, to varying degrees, weathered the storm.

Going forward, labor market conditions will likely improve dramatically as the pandemic begins to be contained and a vaccine or other preventive therapeutic is made widely available. The future will bring continued and improving conditions to those who have maintained employment, and when the economy fully reopens as expected by mid-2021, labor markets will begin to absorb the slack that exists today.

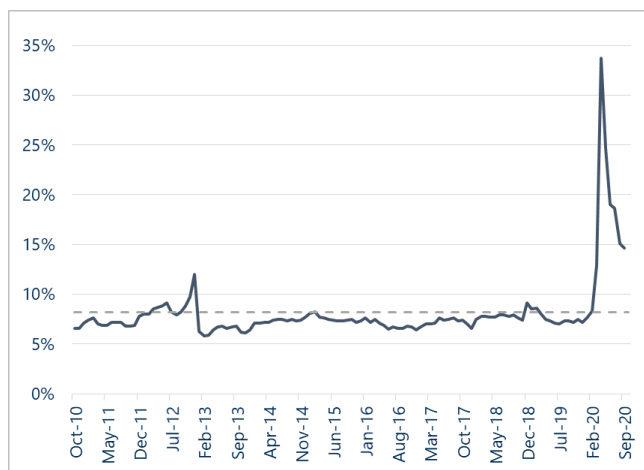
However, there is little denying the shift during this crisis toward more automated, decentralized industries and businesses – e.g., national fast-food chains and drive-throughs versus local sit-down restaurants. How permanent these changes will be along with their long-term implications remains to be seen.

CONSUMER SPENDING

Since the onset of the pandemic, many Americans' disposable incomes have surged above the pace of spending, as savings rates skyrocketed and left many consumers with large cash balances. While savings have certainly not been common to all income groups, they are real and significant, suggesting that the pace of spending in the economy will not erode from here and may indeed accelerate, as financial concerns give way to higher levels of consumer confidence.

Figure 1

10-Year Consumer Saving Rates



This sets the stage for at least moderate spending growth by spring 2021, with steady increases after that as spending spreads to areas hit the hardest by the pandemic.

This positive outlook for overall consumption should not mask the fact that some Americans will struggle to find long-term employment until pandemic fears subside. However, others will spend on durable goods, housing improvements, and ultimately travel and entertainment that have been on hiatus since spring 2020.

While causes for concern include inflated equity prices, the uncertainty of new policy initiatives coming from Washington, D.C., and no immediate resolution to international trade tensions, all concerns are overshadowed by the very real prospects of a robust recovery, with consumers awakening from the year-long COVID-19 slumber. One would expect savings rates to come down as consumer confidence grows and buyers take advantage of nonexistent inflation (except for housing) and historically low interest rates.

INTEREST RATES

The year 2020 illustrated why interest-rate forecasting is so challenging. In 2019, economists debated whether yield curve inversion (a situation in which long-term debt instruments have lower yields than short-term debt instruments of the same credit quality) was sending potential recession signals. This was especially newsworthy when a two-year Treasury note traded at rates that exceeded the 10-year Treasury; historically, such a development has been followed by recession within 12 to 18 months. However, few would suggest that the yield curve inversion could have been predicting the public health crisis or its policy responses.

Regardless, in the last year the Federal Reserve has demonstrated forcefully that it will do whatever it takes to sustain the economy through a crisis, including a massive balance sheet expansion with an unprecedented purchase of private corporate debt. It is expected that low interest rates will continue until the economy is fully healed or inflation finally begins to reveal itself.

MARKET VOLATILITY

As of January 2020, the stock market was at record highs, buoyed by persistently low interest rates despite relatively low, pandemic-induced earnings growth. Investors see future profits, and, with interest rates below 1%, the discount rate on those future profits is very low. Equities have become the only viable game in town, and equity prices continue to move higher.

Going forward, the pace of equity appreciation will be influenced by the pandemic, progress or lack thereof on trade agreements, plans for an infrastructure initiative, tax and tax-related fiscal policy, antitrust actions and tech regulation, foreign appetite for U.S. Treasuries, and concerns or lack thereof over U.S. debt levels. However, low interest rates will likely provide support for ongoing appreciation.

With respect to its impact on the General Fund, stock market volatility could dampen capital gains realizations in the next few years while fueling some of the recent revenue over-performance, since income from sales today is taxable today. This situation, coupled in Arizona with uncertainty regarding taxpayer response to the new Prop. 208 income tax surcharge, will require monitoring as discussed below in the revenue outlook.

BUSINESS SPENDING

Last year at this time it was noted that the sluggish pace of business capital investment spending was clearly a drag on overall 2019 growth. Then, the pandemic put even more pressure on business owners and decreased willingness to expand plants and equipment in the U.S. This posture is likely to continue, despite the economic recovery, to the extent that the 2020 election outcome introduces a new type of uncertainty.

Growth in business investment must be a key component of any expansion, and many economists believe that such a resurgence depends on prospects for global growth, which will require

a resolution of trade disputes and the permanent elimination of recently imposed tariffs coupled with a continuation of recent regulatory and tax changes that have favored fixed investment. How the new administration navigates this environment may play an important role in these prospects.

The Executive Budget’s outlook is built on modest growth assumptions going forward. While Arizona growth and accompanying revenue collections would slow in a national downturn, it is also true that the state is far better positioned than in 2009, both economically and fiscally, to weather a national storm.

Arizona Outlook

In assessing the Arizona economy, it makes sense to recount its strength just prior to the pandemic and during it. Even as many parts of the country experienced deep and persistent economic and revenue losses, similarly dire predictions for Arizona have proved to be far too pessimistic.

Arizona’s response to the pandemic and its accompanying global recession has been more sectoral than total. Where other states imposed broad, persistent, and sometimes arbitrary restrictions, Arizona’s approach was more measured and targeted. As a result, Arizona’s employment market and gross state product were hit less hard and rebounded more quickly, due to continued growth and expansion in sectors that were able to operate safely. That growth offsets what are likely to be lingering and persistent losses in less fortunate areas.

EMPLOYMENT

Before the large swings induced by the pandemic and its accompanying commercial restrictions, Arizona employment growth in 2018 and 2019 was near 3% per annum. The diversity of the state’s economy, coupled with the robust pace of growth in the real estate sector, should allow employment growth to resume.

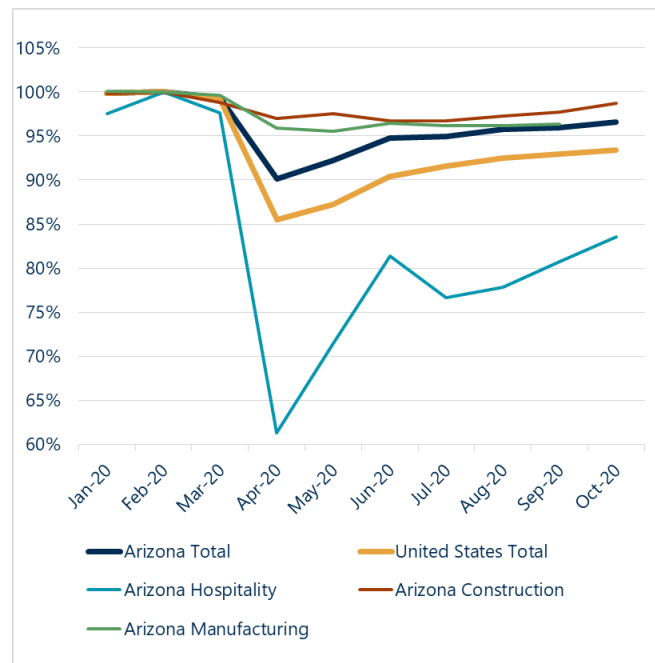
The State’s Blue Chip forecasting panel predicts employment losses in 2020 to be 2% to 3%, followed by a robust recovery of 3% to 5% gains in 2021, as idled sectors of the economy continue their recovery and sectors that were able to continue operating during the pandemic continue to grow.

Arizona is well positioned to continue positive trends that were in place prior to the pandemic. Trade relations with Mexico have improved significantly in recent years, and many western states (aside from California) have witnessed significant growth as workers and businesses have migrated away from high-tax, high-regulation jurisdictions and toward places with lower costs of doing business. Arizona’s economy offers considerable potential, and the economic development community remains active in responding to relocation inquiries.

Manufacturing. Arizona’s manufacturing sector has fared remarkably well both prior to and through the 2020 recession. In Arizona, year-over-year growth in manufacturing employment was growing at about 5% per annum coming into 2020, thanks in

Figure 2

2020 Employment Rates Relative to Pre-Recession Peak



large part to recent state and federal regulatory and tax relief. Further, while all states lost manufacturing jobs in 2020, Arizona’s losses appear to be about half the rate observed in other states, and the state continues to attract the interest of potential new manufacturers, which bodes well for resurgent growth in 2021 and beyond.

Construction. In 2019, the state’s 12,000 new construction jobs ranked Arizona among the top five states in construction job growth. Even as broader employment in Arizona and nationally saw negative growth during 2020, the construction industry in Arizona held its own – a testament both to the resilience of the state’s overall economy and to the Executive’s early decision to designate the sector as an essential service not subject to any mandatory closure orders.

Bright prospects are in place going forward, as the construction sector will be buoyed by surging demand for residential housing, continued industrial expansion, and a robust market for home improvement projects. For context, according to *Arizona Business* magazine, the state’s homeownership rate surged by nearly 8% in 2020 – the fastest such growth rate in the country and the largest annual increase ever recorded. It is difficult to explain a one-month increase of this magnitude given the lack of historical context, but a single month’s data is unlikely by itself to portend the type of “bubble” risk seen, for example, in 2008.

PERSONAL INCOME

Historically, personal income growth has been a reliable indicator of economic growth in the state, and Arizona has regularly been among the nation’s leaders in this measure.

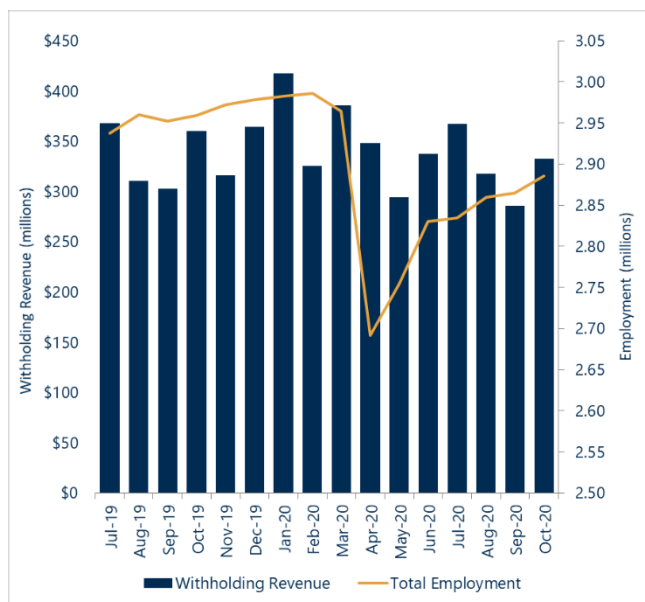
However, 2020 was an unusual year, and historical patterns have seldom held. Large federal transfer payments in the second quarter of 2020 led to personal income surging during that period by nearly 7% nationally and by 8% in Arizona, despite simultaneously soaring unemployment and the pandemic-induced recession. As one-time stimulus measures began to roll off thereafter, measured personal income growth disappeared. Neither trend is particularly informative of underlying economic activity and should be ignored.

Instead, the Executive looks to other bellwethers that were less directly impacted by one-time cash transfers, revealing a state economy that has held up well, coupled with a steady stream of withholding payments throughout the recession. Absent policy factors, it is likely that personal income growth would have been notably stable, if somewhat slowed, and in the 3% to 4% range last year. Personal income growth is expected to continue, and perhaps accelerate, from this trend over the three-year budget period.

Which outcome materializes depends in large part on behavioral responses to State tax increases locally and the sustainability of economic growth coming out of the recession.

Figure 3

Arizona Withholding Revenue & Employment Stability



IN-MIGRATION

Coming into 2020, Arizona consistently ranked among the top destinations for net domestic in-migration, based on assessments of IRS data. While this trend has been present for decades, the recent pace of migration into Arizona relative to other states has surged. The state captured about 10% of total U.S. migration in 2018 and more than 15% in 2019, despite having only about 2% of the nation’s population. The level of migration reached a contemporary peak at nearly 100,000 people as well.

While direct data on migration between states in 2020 is not yet available, it is assumed based on proxy measures that movement slowed during the pandemic and the recession, even as some states, including Arizona, may have been buoyed somewhat by the state’s appeal relative to more restrictive jurisdictions.

The quality and skill levels of the workers Arizona attracts and retains will continue to be dictated by the needs of Arizona employers. As advanced manufacturing and professional business service, research, and healthcare needs grow, so, too, will the need for workers with requisite skills. The Executive expects the continued growth in the state’s manufacturing and technology sectors to drive additional migration from their traditional hubs – such as the Pacific coast – in the form of young professionals, instead of traditionally older retirees.

However, the Executive recognizes the negative potential impact of Prop. 208 on the state’s growth prospects. Prior to its passage, taxpayers making over \$500,000 per year made up nearly 30% of Arizona’s Individual Income Tax revenues. Prop. 208 jeopardizes current and prospective revenues to the General Fund from these taxpayers and small businesses, along with the jobs they create.

RISKS

A potential risk to Arizona comes from a scenario in which the nation falls back into recession due to the continued spread of the coronavirus.

While Arizona and many other states have adopted postures that simultaneously protect public health and protect the jobs and incomes that make up a state’s economy, there is no guarantee that such a posture will be adopted in all states or at the national level, and Arizona is necessarily subject to national winds.

The Executive intends to continue combating the pandemic and taking necessary steps to mitigate its effects in the least disruptive manner, but much of this risk is beyond the State’s direct control.

A second possible risk comes from shifts in tax and regulatory policy. The combined potential for federal policy changes and Prop. 208’s tax hikes on small businesses and other high-income earners could reduce Arizona’s economic competitiveness and harm economic growth.

Passage of the 2017 Tax Cuts & Jobs Act and efforts to cut red tape at the federal level over the past several years have fueled substantial growth in Arizona, particularly in the mining and manufacturing sectors. However, if the incoming federal administration makes good on some of its promises to roll back those initiatives, some of that growth could be slowed or even reversed, which could impact State revenue growth going forward.

Unfortunately, that prospect was simultaneously paired with the passage of the Prop. 208 income tax surcharge on taxpayers,

including small businesses, making more than \$250,000 per year. The immediate effect of the tax increase is to move Arizona from having the nation's sixth-lowest top marginal individual income tax rate to the ninth-highest, linking it with such high-tax states as New York, California, Minnesota, and New Jersey.

According to data available from the IRS, an outsized portion of income above \$250,000 per year comes from business activity and return on investments. Taxpayers that have that type of income are both highly mobile and critical to a state's growth prospects. It is likely that at least some investment and business activity that would have occurred in Arizona before passage of Prop. 208 will not occur or will occur elsewhere.

While acknowledging the risk posed by this tax, the Executive remains confident in the positioning of Arizona as the best place to work and do business. For the vast majority of taxpayers, the state's overall tax burden (property, sales, and corporate and individual income combined) is relatively low; government spending growth is conservative; and the state's regulatory environment is business-friendly. The Executive is committed to further improving this position in the upcoming budget cycle.

UPSIDE POTENTIAL

In recent years, economic growth has been strong in the West in general and in Arizona in particular, and that strength is likely to continue in 2021 and beyond. Access to vaccine and therapeutics in 2021 will serve only to fuel this growth.

Movement to the upside could come in several forms.

First, resolution of trade frictions may unleash capital investment that could clearly benefit all states. Arizona's business-welcoming environment positions the state to take advantage of any form of capital expansion.

Second, Arizona always benefits from the upside of a real estate cycle and the opportunities for steady growth in the sector, absent excesses, will help sustain the state's economy.

Finally, it is possible that significant new federal spending - in the form of pandemic-related stimulus, a new infrastructure bill, or other new investments - could occur. To the extent that these federal dollars follow population growth, Arizona is well positioned to take advantage of a national infrastructure investment or stimulus program. The State was quick to work with its federal partners to capture, for example, the temporary enhanced unemployment insurance benefit and looks forward to continuing to work to maximize the flow of productive federal dollars into Arizona.

Overall, given 2020's volatile performance ending with two quarters of unprecedented GDP growth, the Executive believes further upside risk thanks to the distribution of a COVID-19 vaccine and the pace of economic recovery to date must be balanced against a realistic acknowledgment of the strong performance of the State's General Fund during this recession, and that risk is managed by the Executive's conservative revenue assumptions.

The Revenue Outlook

General Fund revenue growth in FY 2020 continued to outperform expectations, despite the onset of the pandemic and its associated recession late in the fiscal year.

In contrast to June 2020 Joint Legislative Budget Committee projections that the General Fund would finish FY 2020 with a \$640 million cash shortfall, the State ultimately recorded revenue growth of about 3% (after accounting for the delayed receipt of Income Tax payments due to payment deferral) and a cash balance of \$375 million.

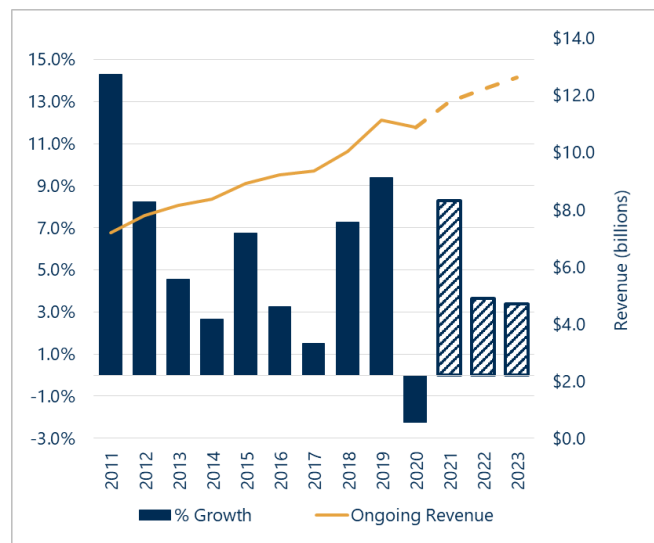
Collections in FY 2020 were buoyed by implementation of the 2019 tax omnibus, the most significant tax reform of the last 30 years. Arizona's income tax code was made simpler, flatter and more fair. The legislation also created a remote sellers tax, subjecting out-of-state sellers to the same sales taxes paid by in-state brick-and-mortar retailers. The Executive expects that the success of this reform will continue to support State revenues throughout the three-year budget window.

ACHIEVING THE FY 2021 BASELINE REVENUE FORECAST

Overall, General Fund revenue collections are on track to achieve or exceed the current Executive forecast. As of October 2020, collections are up almost 20% year-over-year and remain significantly above forecast, even after accounting for the delayed payments received in July.

The State's Transaction Privilege Tax – the largest component of General Fund revenue and a key bellwether of state economic and fiscal health – has held up well during the pandemic, due in large part to the remote sellers tax, which has allowed the State to keep up with rapidly changing consumer behavior. Fiscal year-to-date growth of more than 11% through November 2020 and more than 13% ahead of the enacted FY 2021 budget forecast further support the Executive's revenue projections.

Figure 4
State Revenue Growth



This growth is also likely to increase in the coming years following the passage of Proposition 207, which legalizes the sale of recreational marijuana and imposes a 16% excise tax that will fund various State programs. In addition to the excise tax, sales of recreational marijuana products will also be subject to the 5% Transaction Privilege Tax. The Executive projects this to increase General Fund revenues by \$2.3 million in FY 2021, followed by larger increases in the following years.

Table 1

Prop. 207 General Fund Impacts by Fiscal Year

2021	2022	2023	2024
\$2.3 million	\$13.9 million	\$22.6 million	\$33.3 million

Table 2

Prop. 207 General Fund Growth Rate Impacts

	8-Year Avg.	FY 2020 ¹	FY 2021 ¹
TPT	4.5%	5.8%	3.7%
IIT	8.3%	2.4%	-5.9%
CIT	0.8%	-0.5%	-1.5%

¹Adjusted for the deferral of approximately \$600 million in Individual Income Tax Payments into FY 2021 from FY 2020.

The flow of individual income and corporate income taxes in the first five months of FY 2021 displayed 29% and 16% growth, respectively, over flows observed in those two revenue streams in FY 2020. That pace puts revenue flows for each component ahead of the enacted FY 2021 budget forecasts for the year by 14% and 35%, respectively.

To align with the federal income tax, Arizona acted to extend the filing date for individual income taxes from April to July for tax year 2020, leading to a roughly \$600 million transfer, to FY 2021, from what would have been revenues received in FY 2020. Excluding these deferred income tax payments received in FY 2021 yields an estimated (5.9)% YOY growth rate for this category. However, the Executive Budget still contemplates an impressive 8% increase over FY 2021 budgeted values.

Table 3

Historical & Projected Revenue Growth

	8-Year Avg.	FY 2020 ¹	FY 2021 ¹
TPT	4.5%	5.8%	3.7%
IIT	8.3%	2.4%	(5.9)%
CIT	0.8%	(0.5)%	(1.5)%

¹ Adjusted for the deferral of approximately \$600 million in Individual Income Tax Payments into FY 2021 from FY 2020.

Because of the volatility induced by (a) the pandemic and the associated recession, (b) the one-time federal transfer payments (some of which are taxable), and (c) the state income tax deferral

to align with the federal income tax deadline in July 2020, the Executive Budget’s projections for the Individual Income Tax assume that collections in FY 2021 will be significantly inflated as compared to collections in FY 2020. Conversely, apparent growth will slow somewhat in FY 2022 before resuming in the out-years.

Overall, considering 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 8.3% ongoing General Fund revenue growth in FY 2021 and 5.3% revenue growth in FY 2022.

Internal Revenue Code Conformity

In March 2020, passage of the federal CARES Act provided for substantial but temporary changes to the federal income tax code. Full conformity to those provisions would impose substantial one-time costs on the General Fund during Fiscal Years 2021 and 2022.

The Executive supports conforming to most changes - particularly those affecting individuals in Arizona - so as to make filing as simple as possible for taxpayers, while carefully considering the State’s options to ensure the most competitive tax policy across the board.

The Executive prefers to reserve some of that General Fund capacity for needed permanent income tax relief, which would ultimately better protect small businesses and Arizona taxpayers while improving Arizona’s tax competitiveness.

Income Tax Reform

Every year since taking office, Governor Ducey has signed an income tax reduction. Continuing on the promise he has made to reduce the income tax to as close to zero as possible, the Executive is proposing substantial ongoing income tax reform to ensure that Arizonans and Arizona small businesses that were hit hard by the COVID-19 pandemic, through no fault of their own, are given true and meaningful tax relief.

Taxes on income stifle economic growth by shifting incentives away from savings and investment. The Executive looks forward to partnering with the Legislature during the 2021 session on ways to substantially reform and reduce the income tax, and to signing a tax reform package that makes Arizona even more attractive to businesses, families, and individuals.

To that end, the FY 2022 Executive budget reserves \$200 million, phasing up to \$600 million by FY 2024, for meaningful income tax reform to help Arizona’s hardworking taxpayers recover from the COVID-19 pandemic and pave the way for growth into the future. The Executive’s position is that this tax reform will yield additional economic activity for the state, which will result in higher revenues and continued growth.

General Fund Revenue Summary

	Actual FY 2020	Estimate FY 2021	Estimate FY 2022	Estimate FY 2023	Estimate FY 2024
TAXES					
Individual Income	4,530,737.9	5,428,000.0	5,619,000.0	5,960,470.0	6,186,967.9
Corporate Income	511,882.0	504,000.0	580,000.0	638,000.0	673,090.0
Sales and Use	5,391,913.0	5,591,660.0	5,866,860.0	6,176,940.0	6,454,902.3
Property Taxes	24,140.0	18,800.0	20,050.0	16,430.0	17,070.0
Luxury Taxes	57,140.0	54,163.0	49,558.0	49,508.0	51,562.0
Insurance Premium Taxes	535,163.4	523,032.7	533,493.4	549,498.2	563,235.6
Estate Taxes	-	-	-	-	-
Other Taxes	14,408.0	14,293.0	14,463.0	14,554.0	14,668.0
TOTAL TAXES	11,065,384.3	12,133,948.7	12,683,424.4	13,405,400.2	13,961,495.8
OTHER REVENUES					
Licenses, Fees & Permits/Misc.	183,226.0	181,783.0	177,314.0	182,290.0	186,473.0
Interest Earnings	39,405.0	16,180.0	12,135.0	17,231.7	21,539.6
Lottery	103,594.7	100,520.0	131,600.0	140,290.0	149,550.0
Transfers & Reimbursements	116,450.0	64,981.0	70,240.0	75,061.0	78,781.0
TOTAL REVENUES	11,508,060.0	12,497,412.7	13,074,713.4	13,820,272.9	14,397,839.4
ADJUSTMENTS					
Urban Revenue Sharing	(737,574.0)	(828,492.9)	(756,261.0)	(889,800.0)	(929,850.0)
Disproportionate Share	84,949.1	91,300.0	95,000.0	95,000.0	95,000.0
Public Safety Transfers	23,344.0	23,340.0	-	-	-
Temporary Transaction Privilege Tax	808.0	-	-	-	-
Scheduled Fund Transfers	90,908.0	97,033.6	36,700.0	16,700.0	16,700.0
Recommended Revenue Changes	-	(43,900.0)	(230,212.6)	(400,412.6)	(600,412.6)
GRAND TOTAL REVENUES	10,970,495.1	11,836,693.4	12,219,939.8	12,641,760.3	12,979,276.8

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 2020	FY 2021	FY 2022
Motor Vehicle Fuel Tax	789,072.8	723,812.3	739,243.1
Property Taxes	13,883.8	12,645.4	12,645.4
Sales and Use	706,732.6	372,875.8	389,057.9
Luxury Taxes	314,681.6	301,772.4	300,766.2
Insurance Premium Taxes	40,849.8	40,648.9	40,786.2
Motor Carrier Tax	(5,500.5)	23,489.0	24,560.0
Vehicle License Tax	595,259.0	672,528.2	495,575.3
Other Taxes	1,948,459.8	1,402,476.7	1,241,137.9
TOTAL TAXES	4,403,438.9	3,550,248.7	3,243,772.0
OTHER REVENUES			
Licenses, Fees & Permits/Misc.	6,989,097.7	7,011,102.9	7,506,139.2
LF & P	942,407.7	1,269,722.9	1,501,256.2
S & S	6,046,690.0	5,741,380.0	6,004,883.0
Misc	-	-	-
Interest Earnings	466,661.4	378,957.3	370,597.2
Lottery	1,844,776.0	1,915,245.1	1,915,245.1
Charges for Services	4,908,867.2	4,587,642.7	4,812,507.4
Miscellaneous Revenues	1,534,011.6	1,473,864.1	1,461,930.9
TOTAL OTHER REVENUES	15,743,413.9	15,366,812.1	16,066,419.8
TOTAL REVENUES	20,146,852.8	18,917,060.8	19,310,191.8
OTHER FINANCING SOURCES			
Transfers & Reimbursements	25,795,459.8	26,017,823.7	27,781,525.1
GRAND TOTAL REVENUES	45,942,312.6	44,934,884.5	47,091,716.9

*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.

Fiscal Response to the COVID-19 Pandemic

To help state governments deal with the critical financial and service delivery pressures associated with COVID-19, the federal government responded with an unprecedented level of resources.

The federal government enacted seven measures that provided relief funding directly to States and their residents. In chronological order, they were:

- The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020;
- President Trump’s national emergency declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act which provided the Federal Emergency Management Agency (FEMA) Public Assistance grants;
- The Families First Coronavirus Response Act;
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act;
- The Paycheck Protection Program and Health Care Enhancement Act;
- President Trump’s authorization to use the FEMA’s Disaster Relief Fund (DRF) to establish the Lost Wages Supplemental Payment Assistance program; and
- Coronavirus Response and Relief Supplemental Appropriations Act, 2021.

Arizona received a total of \$35 billion in federal funds from these measures, excluding the recently signed Coronavirus Response and Relief Supplemental Appropriations Act, 2021. Arizona taxpayers earning up to \$99,000/individually or \$198,000/jointly received \$5.82 billion in direct Economic Impact payments from the Internal Revenue Service (IRS). Arizona businesses and nonprofits received direct payments of \$12.24 billion from the three largest Small Business Administration (SBA) programs, while hospitals and healthcare facilities and providers received \$1.43 billion in direct relief fund payments. (See Figure 6, next page.)

The largest of these seven federal funding streams has been the CARES Act, which provided to the State of Arizona a little over \$2.6 billion spanning multiple agencies.

The State has prioritized the health and safety of its residents and made a commitment to ensuring that Arizonans have access to the resources needed to recover from the pandemic. Examples of those resources include the Department of Economic Security (DES) administering the CARES Act Supplemental Nutrition Assistance Program (SNAP) allocation to eligible households, and providing funding from various sources to foodbanks, municipalities, or other nonprofits.

Coronavirus Relief Fund. The CARES Act established the \$150 billion Coronavirus Relief Fund (CRF), through which the U.S.

Department of the Treasury made direct payments to states and eligible units of local government with populations that exceeded 500,000.

The CARES Act required that CRF payments be used only to cover expenses that were:

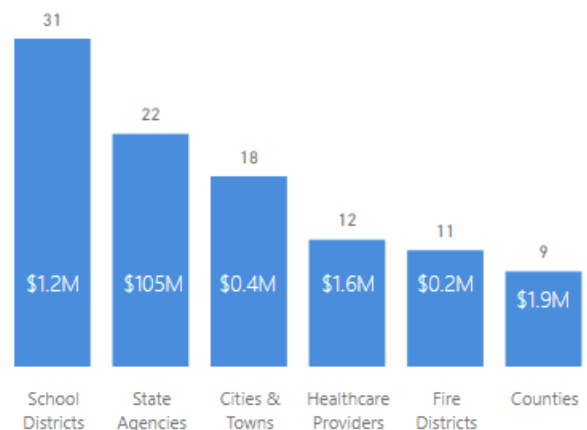
- necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the state or government; and
- incurred during the period that began on March 1, 2020, and ended on December 30, 2020 (with the passage of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021, the end date was extended to December 31, 2021).

The amounts paid to states and eligible units of local government were based on population, with a state payment reduced by the aggregate amount of payments that were disbursed to eligible local governments within that state.

The Office of the Governor established the following grant programs in chronological order, funded by \$1.86 billion in direct financial assistance pursuant to the CRF:

- Arizona Express Pay Program (see Figure 5): \$150 million to expedite relief funding via the FEMA Public Assistance program. This funding provided assistance to a number of public and non-profit entities such as school districts, state and local governments, and hospitals for testing, contact

Figure 5
Number of Express Pay Applications and Overall Value



tracing, personal protective equipment, emergency communications, among other critical needs.

- AZCares Fund: \$440.75 million for immediate relief to Arizona cities, towns, and counties that did not receive a direct CRF allocation. These dollars supported local public health and public safety payroll costs and provided flexibility to local entities to reallocate their own budget resources to other needs
- AZVoteSafe: \$7.6 million total for Arizona counties to support safe election operations and promote voter participation during the coronavirus.
- AZ Stay Connected Program: \$910,000 for technology and other resources required by skilled nursing facilities to help Arizona families stay connected with loved ones confined to those facilities.
- Enrollment Stabilization Grant Program: \$370 million to help mitigate the pandemic's impact on Arizona schools during the 2020-2021 school year.

Also, in coordination with the Arizona Department of Health Services, \$211.95 million was expended for personal protective equipment (PPE), coronavirus tests and testing supplies, and statewide hospital staffing needs.

Finally, State agencies were provided \$436.39 million for public health and public safety personnel and employee-related expenses (EREs), and the three State universities were provided \$115 million to assist with distance learning, public health, coronavirus testing and personnel expenses.

At the time of this writing, \$135 million in available funding remained.

Education Relief. As part of the federal CARES Act, Arizona was awarded \$69.2 million for the Governor's Emergency Education Relief (GEER) Fund, which gives state governors investment flexibility in mitigating the impacts of

Figure 6
Allocation of \$35 Billion Federal Funding

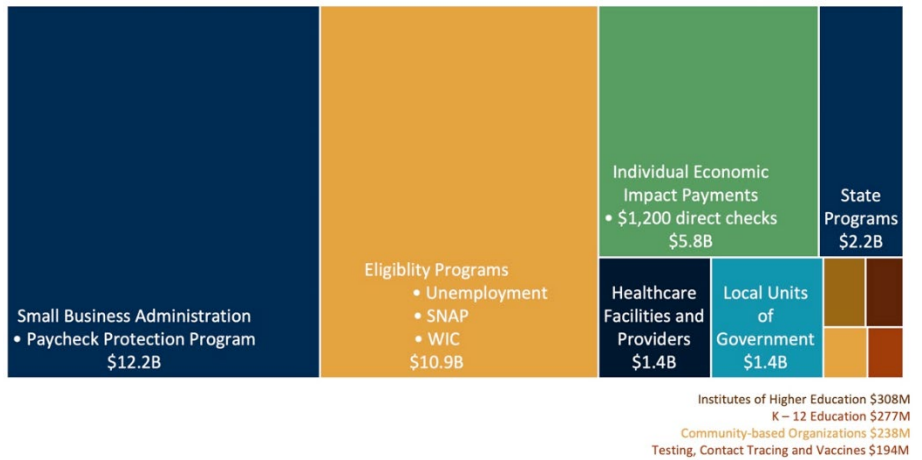


Figure 7
Allocation of CRF Direct Financial Assistance Grants

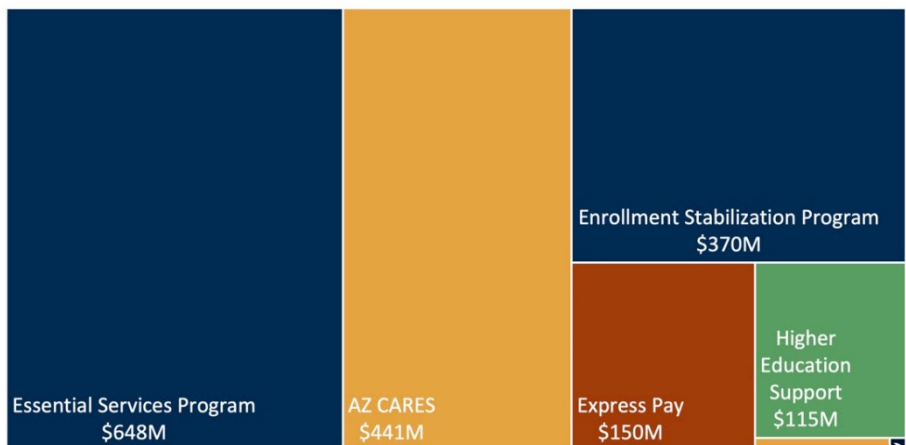


Figure 8
Allocation of the State Crisis Contingency and Safety Net Fund



COVID-19 for schools and students most in need.

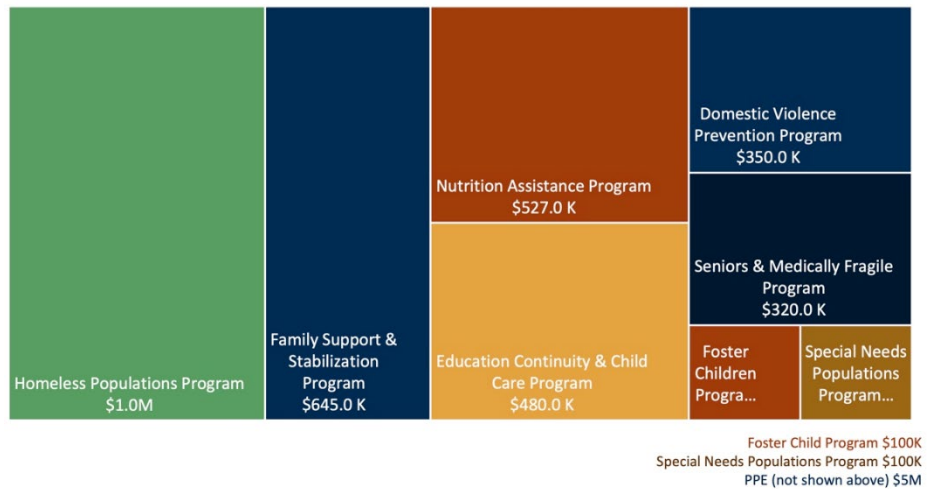
Arizona’s GEER plan accelerates academic achievement for students across the state. The plan also makes a significant investment in long-term digital equity by investing in broadband infrastructure and connectivity. The State of Arizona’s GEER Fund was allocated as follows:

- School Facilities Board: \$40 million to expand broadband in rural communities to bridge the digital divide confronting schools.
- Arizona Department of Education: \$19 million to make available, to high-need Arizona schools and students, math and reading specialists, teams of paraprofessionals, or other types of structure for learning and remediation.
- Arizona Board of Regents: \$6 million for the Arizona Teachers Academy.
- A for Arizona: \$1.5 million for its Expansion and Innovation Fund grant programs, which helped educators and school leaders expand their ongoing efforts and bolster effective innovation.
- Arizona State School for the Deaf and the Blind (ASDB): \$1 million for vehicles to ensure that staff have safe and reliable transportation as they travel statewide to provide critical education and services to students served by ASDB.
- Center for the Future of Arizona: \$700,000 for the virtual delivery of its executive leadership training program for school principals and leaders.
- Teach for America: \$500,000 to provide tutoring for the students most in need, in schools across Arizona most impacted by the pandemic.
- ASU Preparatory Academy: \$500,000 for the Arizona State University’s Virtual Teacher Institute.

Crisis Contingency and Safety Net Fund. In March 2020, Governor Ducey signed a bipartisan State budget agreement that added \$50 million for Arizona’s COVID-19 response, the Crisis

Figure 9

Allocation of CRF Direct Financial Relief Assistance



Contingency and Safety Net Fund. These resources are to be allocated by the Office of the Governor to provide direct relief to communities and aid Arizonans needing eviction assistance; struggling small businesses, nonprofits and health care providers; food banks; and the homeless population.

At the time of this writing, \$4.05 million in available funding remained.

AZ Coronavirus Relief Fund. As part of the Arizona Together Initiative, Governor Ducey established the AZ Coronavirus Relief Fund to support nonprofit organizations working to mitigate COVID-19’s impact on Arizonans. The Fund is made possible by the generous financial donations of individuals and businesses. At the time of this writing, \$9.78 million had been raised, and \$1.3 million in available funding remained.

A committee of Arizona business leaders was formed to evaluate requests for support and make decisions on where funds are directed. The committee’s focus has been on the following immediate needs:

- funding of Personal Protective Equipment (PPE) for front-line medical personnel;
- non-profit organizations that support the most vulnerable Arizonans through food banks, homeless shelters, domestic violence facilities, and other services; and
- efforts to provide low-income students with technology enabling them to transition to online learning.

Education

The FY 2022 Executive Budget sustains the State’s robust commitment to public education, supports focused efforts to mitigate the impacts of pandemic-related learning loss, and emphasizes school choice, early literacy, and K-12 innovation at the local level.

“Across our state, students have been kept out of their classrooms for long enough. They’ve lost out on childhood experiences that can’t be duplicated on a computer screen. In strange, difficult circumstances, parents and teachers have done their resourceful best. But it’s time to get our students back where they belong.”

Gov. Doug Ducey

At the beginning of the COVID-19 pandemic in March 2020, Arizona faced massive and unprecedented uncertainty about what the rest of the school year would bring for all levels, from kindergarten through higher education.

On March 15, in the early stages of the pandemic, Governor Ducey and Superintendent Kathy Hoffman announced a statewide closure of Arizona schools. Five days later, they announced a two-week extension, which ultimately became a closure that endured for the remainder of the school year, punctuating the most damaging series of events ever to befall public education in Arizona and the nation.

As the excruciating events of last spring unfolded, the Governor worked alongside key Legislative partners to quickly enact H.B. 2910 into law, which protected Arizona teachers, prioritized students, and ensured that kids continued to receive instruction even with schools closed. This legislation also provided clarity and flexibility on statewide testing requirements and school letter grades, gave direction on make-up days, and ensured that teachers and staff saw no disruption in pay as a result of COVID-19.

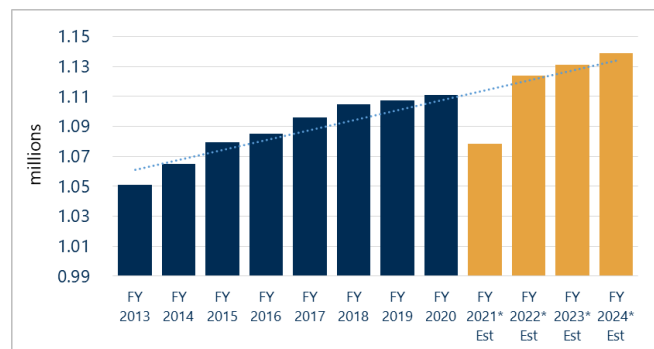
Over the summer, as the nation learned more about COVID-19, the Governor continued to listen to public health experts, including the Center for Disease Control and Prevention, and the Arizona Department of Health Services. These experts, in conjunction with school leaders from all across the state, informed the Governor’s Open for Learning plan, which provides schools with flexibility, resources, and data to guide their decision making on how best to ensure their students receive a quality education during the current school year.

Recognizing the drastic learning loss that students have faced in the absence of in-person instruction, the Governor has been clear that schools should provide options that best serve the families who are counting on them, including in-person learning to the greatest extent possible.

The persistence of the COVID-19 pandemic resulted in delayed 2020-2021 school year start dates for many district and charter schools. Upon returning, many schools adopted entirely virtual learning models. During predominantly virtual instruction, public school attendance fell far short of expectations, resulting in learning loss for many Arizona students. The enrollment decrease in the early part of the school year has resulted in suppressed average daily membership (ADM), the primary metric for calculating state funding for district and charter schools.

Figure 10

Total Unweighted Average Daily Membership



Enrollment has recovered to some extent. However, lower-than-expected attendance in the beginning of the school year, coupled with statutorily required adjustments for distance learning, result in a projected formula funding decrease of \$389 million. The Executive Budget anticipates that a return to trend for unweighted ADM will accompany the full return to in-classroom instruction beginning in FY 2022.

Several allocations of federal dollars have been directed to charter and district schools to support K-12 education amid pandemic response.

The first federal stimulus bill provided \$277 million of funding to directly support Arizona public schools. Additionally, the Governor’s Office allocated \$370 million of discretionary Coronavirus Relief Fund monies to charter and district schools, through the Enrollment Stabilization Grant (ESG) Program, based on the relative impact of COVID-19 on formula funding.

The second federal relief package provides an additional estimated \$1.2 billion to Arizona public schools, bringing total federal funding allocations directed to K-12 charter and district

schools since the beginning of the pandemic to more than \$1.8 billion.

In addition to financial aid provided directly to local education agencies (LEAs), the Governor’s Emergency Education Relief (GEER) Fund has been directed towards strategic investments that provide direct and indirect support to Arizona’s public school system. GEER investments include:

- \$40 million to expand broadband in rural communities and bridge the digital divide;
- \$19 million in additional support for high-need schools;
- \$6 million in the Arizona Teachers Academy;
- \$1.5 million in microgrants to support innovative programs to continue educating Arizona students;
- \$1 million for vehicles for the Arizona School for the Deaf and Blind;
- \$700,000 for leadership development through the Beat The Odds Leadership Academy;
- \$500,000 to the Helios Education Foundation for the Arizona State University Virtual Teacher Institute; and
- \$500,000 to Teach for America to expand the number of college students who work with schools that serve Arizona’s most vulnerable student populations.

STUDENT-FOCUSED ACCELERATION AND SUPPORT

The Executive Budget includes supplemental funding in FY 2021 for a remediation grant program that supports high-impact, results-oriented intervention and programming to mitigate the severe learning loss that has occurred since the COVID-19 pandemic began in the spring of 2020. The funding provided is intended to be equivalent to the lower-than-budgeted State funding formula costs resulting from a steep decline in enrollment.

The Executive Budget addresses the educational crisis by allocating all expenditure reductions resulting from equalization formula decreases to providing for additional instruction for the students most in need.

In the 2019-2020 school year, 595,900 Arizona students were eligible for free and reduced-price meals. The Executive Budget includes funding sufficient to provide to each district or charter school that applies to extend these remediation supports to students at least \$500 per student eligible for free or reduced-price meals. The Executive estimates this cost at approximately \$298 million.

Where students need critical support to stay on track in their educational development, the remaining \$91 million will be targeted to priority grade bands as follows:

- Current K-3 students -> 1-4 grade students, August 2021
- Current 8th grade students -> High School freshmen, August 2021

- Current 11th grade students -> High School seniors, August 2021

This approach provides an additional \$327 for over 278,000 eligible students in the priority grade bands.

Table 4

Student Count in Priority Grade Bands

High-Need Grade Band	Estimated Free-Reduced Lunch Student Count
K-3	181,800
8	50,000
11	46,400
Total	278,200

The Department of Education will calculate final allocations using the Q3 surplus estimate. The Department’s calculations will use a methodology that budgets for potential discrepancies between Q3 surplus estimates and the final surplus total. Participating LEAs may use only Student-Focused Acceleration and Support dollars to supplement Title I dollars eligible for summer school.

Figure 11

New Federal and State Funding vs. Formula Loss

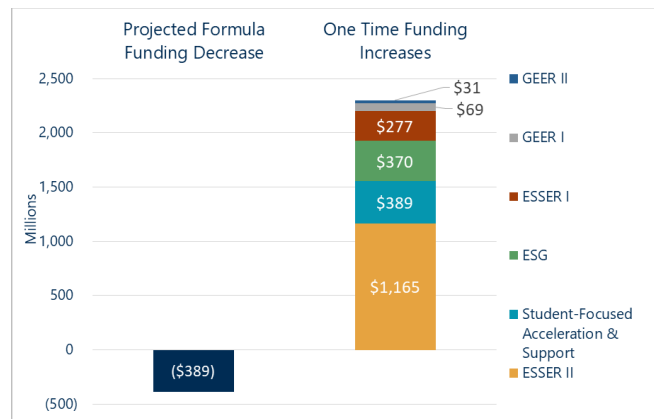
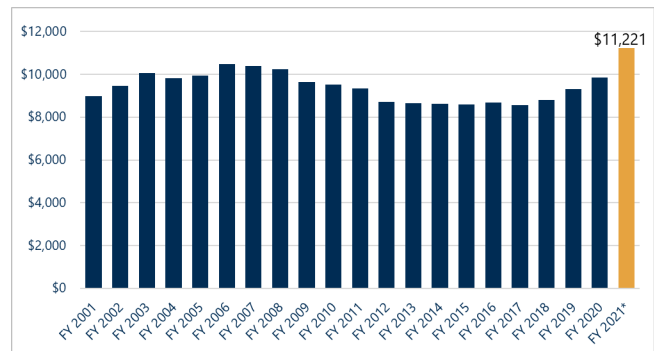


Figure 12

Fiscal Year Per-Pupil Spending

All Sources, Inflated 2012 Dollars



FULFILLING A COMMITMENT TO SCHOOLS, STUDENTS AND TEACHERS

At a time when other states are cutting education funding, Arizona sealed a commitment in the FY 2021 budget to fund the final payment of 20x2020, resulting in permanent funding for a 20% increase for average teacher pay, and continued acceleration of District Additional Assistance (DAA) and Charter Additional Assistance (CAA).

DAA and CAA are formula dollars that had been partially suspended since the Great Recession. These dollars are used for capital and operational costs.

The FY 2019 budget charted a five-year plan to restore \$371 million in cuts to DAA and CAA. The FY 2020 accelerated the restoration a year ahead of schedule, and the FY 2021 budget maintained that expedited schedule. The Executive Budget keeps the State on track to fully reverse long-standing suspensions of these two portions of the State Aid formula.

Table 5

District Additional Assistance
Millions of Dollars

FY	Laws 2018, Chapter 285		Laws 2020, Chapter 49		Acceleration Needed
	Suspension	Restoration	Suspension	Restoration	
2018	352.4	0	352.4	0	
2019	257.5	95.0	257.5	95.0	
2020	193.1	159.3	64.4	223.7	
2021	128.7	223.7	0	288.1	64.4
2022	64.4	288.1	0	352.4	64.4
2023	0	352.4	0	352.4	

Table 6

Charter Additional Assistance
Millions of Dollars

FY	Laws 2018, Chapter 285		Laws 2020, Chapter 49		Acceleration Needed
	Suspension	Restoration	Suspension	Restoration	
2018	18.7	0	18.7	0	
2019	13.6	5.0	13.6	3.4	
2020	10.2	8.4	6.8	11.8	
2021	6.8	11.8	0	15.2	3.4
2022	3.4	15.2	0	18.7	3.4
2023	0	18.7	0	18.7	

EXPANDING ACCESS TO CHOICE IN ARIZONA SCHOOLS

The Executive Budget promotes school choice by investing in the removal of barriers that families face when choosing the best school for their children.

Prominent among those barriers are transportation and transparent information about how and when parents can access additional options for their children. The Executive Budget

addresses both barriers with funding to provide transportation and school choice awareness.

Driving Equity. When choosing the best school for their family, most parents do not consider academics alone; they must also consider the logistics of getting their child to and from the school they choose.

Transportation issues often limit parents’ available choices, as do varied enrollment deadlines and policies, which can often mean losing out on enrollment at their school of choice. Simply put: a choice is not a choice without a way to get there.

“Driving Equity,” the Executive’s transportation and school choice solution package, removes barriers to transportation and enrollment.

The Executive Budget provides \$9.5 million for transportation solution grants to support transportation innovations and efficiencies that expand access to school choice. The Executive contemplates that this program would incentivize innovative ideas to increase access to schools of choice.

Applicants would be encouraged to think creatively about how to remove the barrier of transportation, and there is no one-size-fits-all approach that would be followed. For example, these grants could be awarded for transportation co-ops organized by high-achieving schools in a shared geographic area. Or, they could be used to cover the cost of providing students with public transportation, or a private sector option. Hiring parents or grandparents within the school community to run carpools could also be an option.

Ultimately, the Executive seeks to create an opportunity for innovative ideas to flourish so that every family who wants to exercise their option to choose the school that best fits their student has the means to do so.

It is with that focus on driving equity that the grants will be awarded, and data from this pilot will be thoroughly collected to ensure that the State learns which methods are most effective and efficient in achieving the important standard of access for all.

“OPEN FOR ALL” ENROLLMENT

The Executive seeks to build upon the robust school choice environment that Arizona has developed over the last three decades by building-in supports that vastly expand opportunities for children and families.

The next step in creating an “Open for All” state is formally establishing an “Open Enrollment Month,” which will provide uniform deadlines and policies to help level the playing field for families in accessing their school of choice. The Executive Budget provides \$500,000 for an Open Enrollment Month marketing campaign to inform parents about open-enrollment options.

In pursuit of greater access to the school choice options available, Open Enrollment Month will remove unreasonably short 24- and 48-hour enrollment windows or in-person requirements, and ensure that enrollment materials are accessible in both English and Spanish. Additionally, when a parent enrolls their child in

kindergarten, schools must offer students a choice and remove “default” school assignments.

INVESTING IN INNOVATION

Arizona’s education stakeholders are engaging in innovative ways to improve teaching and learning at all grade levels. The FY 2022 Executive Budget provides funding to scale these innovative approaches to benefit more students and communities across the state.

Expansion and Innovation Fund Grants. The Executive Budget includes funding to grow the Expansion and Innovation Fund, which awards grants to K-12 schools that:

- offer new ideas that require seed funding, or
- have demonstrated proven innovation and reimaged how best to serve their students.

During the 2020-2021 school year, the Expansion and Innovation Fund awarded grants totaling \$1.2 million to 17 charters and seven districts that replicated, and expanded capacity for, successful models of schooling and instruction for their total of 21,000 students.

These schools span rural, urban, and suburban campuses and serve a student population that, on average, includes 78% eligibility for free and reduced-price lunch (FRL), compared to the statewide average of 55%. Local leaders for those schools are developing creative and successful community-driven solutions to address the current challenges facing Arizona’s K-12 education system and establish new approaches to teaching and learning. The Executive Budget invests additional resources in this innovation-centered approach to learning, which is exemplified by the ingenuity of these four LEAs:

Vail School District is working to redesign what “school” looks like, with a model that is flexible and adaptable, whether operating from the home or other centers around the District to utilize small learning communities based on student and family need. “Vail HomeSchool Partnership” is a stackable public education model through which families will be able to choose which components of District support they wish to access. Further, families who opt in will be eligible to receive special services and can benefit from the targeting of three subgroups of students that are at greatest risk of falling behind.

Arizona Autism has combined lessons learned since March 2020 to develop a best-in-class schooling experience uniquely designed for students on the autism spectrum and their caregivers. Creating a package of in-person, tele-lesson, digital student portfolios, and tele-therapy options for families requires cutting edge technology and finding or creating best practices to support and train the adult caregivers at home.

The *Western School of Science & Technology (WSST)* in Phoenix is another grant recipient extending its impact beyond the school’s walls by providing access to a critical utility for learning, in and surrounding their campus community and for alumni. WSST operates “Western Plug,” which offers 24/7 Wi-Fi to a

community that lacks consistent access to a strong signal. WSST also created “Warrior Lab” for students who must learn during non-traditional hours because they are caring for younger siblings who are at home due to school closures. Warrior Lab also provides WSST students with access to a quiet space to learn and tutors at the school property in the late afternoons and evenings for in-person support.

Gowan Science Academy, a Yuma school with a long track record of excellence, received a grant to create an Outdoor Learning Hub for lessons outside the traditional classroom walls. No schools in Yuma have such a space for nontraditional learning, and this outdoor dedicated classroom is an innovative concept for their area of the state and reduces barriers to time and place for learning.

The Executive Budget increases the investment in teaching and learning innovation by expanding the availability of targeted micro grants.

LEARNER-CENTERED EDUCATION

The Arizona Personalized Learning Network supports schools that are moving to learner-centered education, focusing on the successes of every child. This educational approach is designed to ensure mastery of academic content and social and emotional skills, and to foster student ownership in their own learning. This is accomplished by providing a continuum of timely professional learning and support that is designed to help teachers and school leaders make the shift to personalized learning at the classroom, building, and district/charter network levels.

The Executive Budget invests in this personalized education model by expanding the Network, which ultimately will provide multiple entry points to meet the individual needs of learning communities. This program will couple the professional learning with focused policy support to enable and sustain the organic growth of learner-centered practices.

STRENGTHENING ARIZONA’S CIVIC MUSCLE

Civics Corps. The Executive Budget includes funding to establish the Arizona Civics Corps Pilot Program.

The program will fund an initial cohort of high school juniors and seniors who complete a required number of service hours through a list of State Board of Education-approved private and nonprofit partners.

Qualifying students will be eligible to earn a scholarship, of up to \$1,000 each semester, toward the in-state postsecondary institution of their choice. The included funding establishes the pilot program with capacity for over 450 qualifying high school juniors and seniors.

Civics Innovation Fund. The Executive Budget provides funding to establish the Civics Innovation Fund Grant Program, which will make grants available to applying schools that propose engaging ideas to inspire and educate their students on what it

means to be an American, and the unique rights and responsibilities Americans share. The program will give priority to applications from schools that are in underserved communities and exceed basic social studies academic standards.

HIGH ACHIEVEMENT FOR EVERY ARIZONA STUDENT

Dyslexia Screening. Laws 2019, Chapter 198 requires dyslexia screening for K-3 students in Arizona and requires all schools that serve K-3 students to have at least one educator on site who has completed Department of Education-approved dyslexia training. The legislation also requires the Department to designate a Dyslexia Specialist to provide public schools with support and resources necessary to assist students with dyslexia.

The Executive Budget provides \$1.3 million of dedicated funding for the Department to hire a Dyslexia Specialist, Early Literacy Specialist, and “Move On When Reading” Specialist, as well as funding for literacy education training that will enable the Department to meet the requirements outlined in statute and more effectively identify and instruct students with dyslexia and other early literacy learning difficulties.

“Swarm” Literacy Coaching. The Executive Budget includes a \$3.1 million funding increase to help close Arizona’s achievement gap among key student subgroups. The additional funding will be used to deploy 75 regional literacy coaches to the lowest-performing PreK-3 schools in order to provide intensive technical assistance to support, improve, and sustain effective teaching and literacy practices.

Substantial research points to the importance of developing strong early literacy skills. More than one in three American children start kindergarten without the skills they need to learn to read, according to the American Academy of Pediatrics (AAP). In fact, reading proficiency by the third grade is the most important predictor of high school graduation and career success.

This issue strikes at the very core of the achievement gap. The AAP also reports that approximately two in three children each year in the United States, and 80% of those living below the poverty threshold, fail to develop reading proficiency by the end of the third grade.

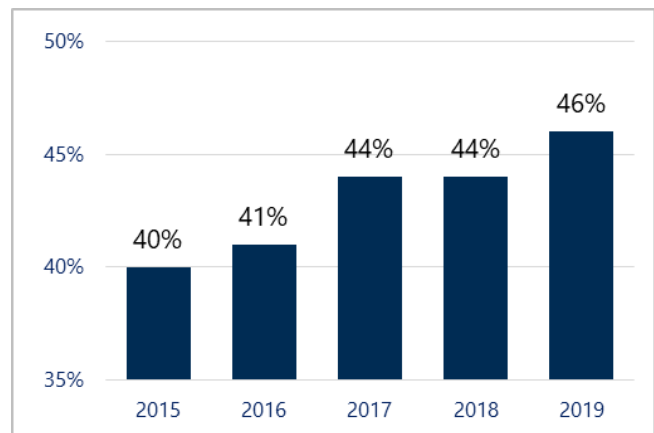
Based on this data, ensuring that all Arizona kids receive high-quality, high-efficacy literacy instruction is among the most critical elements – if not *the* most critical element – of their education.

This initiative is modeled after the incredible success that other states, particularly Mississippi, have realized thanks to a similar approach. Mississippi was number one in the country for gains in fourth-grade reading, per the most recent National Assessment of Education Progress data. The Mississippi Department of Education provided state literacy coaches to target schools for an average of two to three days per week.

As demonstrated on the third-grade Mississippi Academic Assessment Program English Language Arts Assessment, since

Figure 13

Third Grade Reading Proficiency



2016 Mississippi schools have attained major improvements in overall student reading achievement, with:

- nearly a 12-percentage-point increase in students scoring Level 3 (passing) and above;
- a 16-percentage-point increase in students scoring Level 4 and 5 (proficient and above); and
- nearly a 3-percentage-point decrease in students scoring at the lowest achievement level (Level 1).

Literacy must remain a major focus in Arizona’s pre-K through 3rd grade students to help them build the foundational reading skills needed to be successful throughout school.

Standard Kindergarten Entry Evaluation. The Executive Budget includes \$1.5 million to monitor progress of the early literacy improvement initiative with a standardized state kindergarten entry evaluation. The evaluation is to be administered to children during the first few months of their admission into kindergarten, to assess and demonstrate school readiness for young learners receiving early literacy support.

Foundations of Reading Evaluation. The Executive Budget recommends requiring newly certified elementary education teachers to pass the Foundations of Reading evaluation, ensuring that all new elementary educators are equipped to implement effective literacy education strategies. The Executive Budget includes \$1 million to fully fund the anticipated cost associated with the assessment requirement.

College Placement Exam Fee Waiver. The Executive Budget includes increased funding to waive test fees for low-income students who take examinations that qualify for college credit.

In FY 2022, Arizona students qualifying for free and reduced-price lunch are expected to take 19,044 college placement exams and, after receiving other rebates and State support, paid out-of-pocket an average of \$54 per test.

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

College Credit by Examination Incentive Program. The Executive Budget includes an increase in funding for the College Credit by Examination Incentive Program (CCEIP).

Established in FY 2018, CCEIP has awarded \$4.2 million for 13,388 passing exams. In FY 2020, the number of passing exams increased to 23,432. That increase generated demand for \$7.5 million in incentive payments, or \$2.5 million in excess of the \$5 million appropriation. Awards were prorated to account for excess demand in FY 2020.

The Executive Budget provides funding to meet the excess program demand.

INVESTING IN PROGRAMS WITH A PROVEN TRACK RECORD

During this time of greater-than-normal budget uncertainty, it is especially prudent to invest State funds in programs that have a proven track record of success. Consistent with that view, the Executive Budget provides an increase in funding for programs that have demonstrated successful outcomes for Arizona students.

Jobs for Arizona Graduates. The Executive Budget includes a funding increase to expand Jobs for Arizona's Graduates (JAG).

JAG is a non-profit organization that partners with school districts, the business community, the public sector, and other non-profits to support its mission to help young people stay in school and acquire the academic, personal, leadership, and vocational skills they need in order to succeed after graduation. JAG currently serves more than 1,300 young people in 29 programs in Arizona schools and communities. JAG participants saw increases in GPA for 75% and improved attendance for 79% of participants.

The 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.

Developing New Teachers. Established in FY 2007 and authorized by A.R.S. § 15-552, the Alternative Teacher Development Program accelerates the process of identifying, training, and placing highly qualified individuals into low-income schools.

The Executive Budget doubles the State's investment in this program.

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 achievement. 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 matched the State grant allocation with an equal or greater amount of private-sector funding. The Executive intends that TFA will match the additional investment.

TFA attracts diverse teachers that more accurately reflect Arizona's student population, and it keeps teachers in the classroom longer. Over 92% of TFA teachers are retained after two years of teaching, compared to 78% of all new Arizona teachers. TFA has 136 corps members in 59 Arizona district and charter schools that serve 10,200 students. The average percentage of students eligible for free and reduced-price lunch (FRL) in TFA schools is 82% (compared to the state average of 55%). In addition, TFA is meeting head-on the need to address learning losses resulting from the ongoing public health crisis.

In fall 2020, the Executive provided TFA with \$500,000 from the Governor's Emergency Education Relief (GEER) Fund to launch the IGNITE Tutoring Fellowship. IGNITE focuses on third-grade reading and eighth-grade math. Its cohort of 39 tutoring fellows has provided daily tutoring support for over 200 low-income students in Title I schools, and has delivered much-needed reinforcement to Arizona's teachers. This program will continue to grow by welcoming its second cohort in spring 2021.

Adult Education

Arizona's adult education program offers access to quality educational opportunities that support job training, employment, and aspiration for higher education.

Since FY 2015, the average increase in the federal allocation for adult education has been 4.5%, yet the General Fund appropriation for adult education has remained flat. Historically, the State appropriation was sufficient to meet the federal match requirement; however, the shortfall is projected to increase in FY 2022.

The Executive Budget includes an increase of \$364,100 to enable the Arizona Department of Education to continue to meet State match requirements for federal dollars that support adult education. The Executive Budget also includes funding to meet non-federal match requirements and avoid a shortfall that may have resulted in a reduction of federal funding.

Building Renewal and New School Construction

BUILDING RENEWAL GRANTS

The Executive Budget includes an increase of \$102.5 million for one-time building renewal funding. When combined with the ongoing budget of \$16.7 million, the FY 2022 increased funding will make available to the School Facilities Board a total of \$119 million for building renewal grants, a 11.2% increase over the \$107.5 million appropriated in FY 2021.

Building renewal grant application data from the past five years was used to project application growth for FY 2022.

The Executive Budget includes supplemental funding of \$38.7 million for the Building Renewal Grant fund. Demand for renewal projects has exceeded previous expectations, with projected construction costs associated with projects in design exceeding

the current funding and potentially depleting all funds as early as March 2021.

NEW SCHOOL CONSTRUCTION

The Executive Budget includes funding of \$52.6 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 five new schools will reach capacity in FY 2023 and has included funding that reflects the 2.76% inflation adjustment adopted by the Joint Legislative Budget Committee at its December 2020 meeting. Additionally, the Executive Budget includes the second installment of funding for two schools that were funded beginning in FY 2021.

Table 7

New School Construction – FY 2022 Approvals

School District	Fiscal Year at Capacity	FY 2022 Funding Using Inflation of 2.76%
Queen Creek Unified	2023	\$ 12,425,108
Liberty Elementary	2023	6,599,208
Sahuarita Unified	2023	5,715,808
Vail Unified	2023	5,502,819
Tanque Verde Unified	2023	1,428,894
Site Conditions	2023	9,460,000
Total		\$ 41,131,837

Table 8

New Schools Under Construction

School District	Fiscal Year at Capacity	FY 2022 Funding Using Inflation of 2.76%
Chandler	2022	\$ 8,789,500
Tanque Verde Unified	2022	2,941,400
Total		\$ 11,730,900

Higher Education

The Executive Budget makes permanent investments in the State’s public universities to expand their capacity for graduating students prepared for the New Economy.

Workforce Development for the New Economy. The FY 2021 Executive Budget sought to make an ongoing \$35 million General Fund investment to advance the university system’s ability to operate. This investment will:

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

The FY 2022 Executive Budget honors that commitment with an ongoing \$35 million General Fund increase for FY 2022 and beyond.

Coronavirus-Related Funding. In recognition of the important role that Arizona’s three public universities have played in the state’s ongoing efforts to contain COVID-19, the Executive Budget provides \$115 million:

- \$46 million for Arizona State University,
- \$46 million for the University of Arizona, and
- \$23 million for Northern Arizona University.

This funding, which comes from the federal Coronavirus Relief Fund, will help cover some of the universities’ costs that were directly COVID-related, including testing and mitigation efforts, increased distance learning, student outreach, furlough prevention, and more.

Teachers Academy Update. The Arizona Teachers Academy continues to see sustainable growth in the participation of prospective Arizona teachers. FY 2021 participation increased by over 61% from the prior year, with 3,173 students participating in the fall 2020 semester. Fall 2020 also saw the largest year-over-year participation increase of Teachers Academy inductions to date, with 745 new participants committed to educating Arizona students.

Table 9

Total Enrollment in Teachers Academies

		2017- 2018	2018- 2019	2019- 2020	Fall 2020
ASU	Sophomore	2	3	15	12
	Junior	24	87	376	321
	Senior	71	109	436	616
	Graduate	66	90	149	191
	Induction				408
	Non-Degree	2	1	9	
NAU	Freshman	4	10	128	139
	Sophomore	11	31	151	138
	Junior	40	68	222	186
	Senior	4	52	311	238
	Graduate			88	111
UA	Freshman				1
	Sophomore			9	5
	Junior			38	41
	Senior			52	80
	Graduate	15	28	55	93
	Induction				93
Maricopa Comm. Colleges	Non-Degree			200	241
Pima Community Colleges	Non-Degree			127	95
National Board Certification				340	164
Totals		239	479	2,707	3,173

Community Colleges

IMPACT OF PROPOSITION 207 ON THE COMMUNITY COLLEGE SYSTEM

Proposition 207 legalizes the sale of recreational marijuana for adults 21 and older and imposes a 16% excise tax on recreational marijuana and marijuana products.

Community Colleges will receive 33% of all monies that are included in the 16% excise tax, with funding intended for investment in workforce development programs, job training, career and technical education, and Science, Technology, Engineering, and Math (STEM) programs.

The by-district distribution is detailed in Table 10, which illustrates the projected breakdown of Prop. 207 funding based on projections from the Department of Revenue.

Table 10

Community College Proposition 207 Distribution

District	FY 2021	FY 2022	FY 2023	FY 2024
Cochise	\$90,765	\$1,104,658	\$1,861,466	\$2,788,701
Coconino	\$44,476	\$541,296	\$912,142	\$1,366,499
Gila	\$11,420	\$138,992	\$246,393	\$350,885
Graham	\$49,993	\$608,438	\$1,025,283	\$1,535,997
Maricopa	\$812,780	\$9,891,926	\$16,668,953	\$24,972,104
Mohave	\$50,251	\$611,574	\$1,030,568	\$1,543,915
Navajo	\$41,794	\$508,652	\$857,133	\$1,284,089
Pima	\$184,995	\$2,251,480	\$3,793,985	\$5,683,847
Pinal	\$62,690	\$762,963	\$1,285,674	\$1,926,095
Santa Cruz	\$5,412	\$65,864	\$123,163	\$166,272
Yavapai	\$63,720	\$775,508	\$1,306,813	\$1,957,764
Yuma/La Paz	\$81,114	\$987,196	\$1,663,530	\$2,492,169
Total	\$ 1,499,410	\$ 18,248,547	\$ 30,775,104	\$ 46,068,339

Health and Welfare

State Government’s fundamental purposes include providing critical services and support for the health and wellness of all Arizonans.

“Since the start of the pandemic, we have worked closely with community partners, health care leaders and medical professionals to take every step necessary to protect Arizonans, especially vulnerable individuals. With the arrival of COVID-19 vaccine doses, there is light at the end of the tunnel. But we need to remain vigilant and continue to follow health precautions to protect one another and limit the spread of COVID-19.”

Gov. Doug Ducey

The State of Arizona is transforming the way business is done in state government — emphasizing customer service and putting real people first in the areas of public health, child safety and foster care, veterans’ care, and assistance for low-income individuals and families.

The FY 2022 Executive Budget addresses issues related to long-term care, specific public health initiatives, expanded housing and other services for veterans, access to child care, substance use disorder treatment, and responding to caseload growth for vulnerable adults and the developmentally disabled.

Health Services

LONG-TERM CARE

Long-term care facility surveyors are responsible for reviewing complaints about rule violations and the quality of care at 159 long-term care facilities in Arizona. The Facility Surveyor Division currently employs 23 long-term care surveyors who investigate approximately 2,480 cases per year.

A 2019 study by the Auditor General found that due to the high caseload assigned to each surveyor, only 54% of cases open at the beginning of the study had been resolved during the nine-month study period.

The FY 2022 Executive Budget includes an increase in funding for the payroll and operating costs of five team leads and 27 long-term care facility surveyors at the Department of Health Services (DHS) Facility Surveyor Division.

By expanding the number of surveyors, the Executive Budget will reduce the expected annual caseload from 108 per surveyor to 45, which will in turn enhance the Division’s ability to respond to complaints in an efficient and timely manner and protect the safety and welfare of a vulnerable segment of Arizona’s population.

PROPOSITION 207 PUBLIC HEALTH INITIATIVES

Voter approval of Proposition 207 in November 2020 created two new ADHS funds – the Smart and Safe Arizona Fund and the Justice Reinvestment Fund – to support statewide public health initiatives. The Executive Budget provides the following uses of the new ADHS funds:

1. Address the Structural Deficit in the Emergency Medical Services Operating Fund. The Emergency Medical Services (EMS) Operating Fund has historically operated at a structural deficit, due in part to the Fund’s support of two programs:

- the High-Risk Perinatal Program, which provides home visits and transportation to families with newborns determined to be high-risk after birth; and
- the State Loan Repayment Program, which provides student loan repayment for medical professionals who work in rural and medically underserved parts of the State.

The Executive Budget shifts ADHS support of local emergency services councils from the EMS Operating Fund to the Smart and Safe Arizona Fund in FY 2022, and permanently shifts this special line item to the Justice Reinvestment Fund in FY 2023. Permanently shifting these programs from the EMS Operating Fund will eliminate the Fund’s structural deficit and enhance ADHS’s capacity to provide statewide emergency services.

2. Implement a Suicide Mortality Review Team. Laws 2020, Chapter 4, require ADHS to implement a Suicide Mortality Review Team to collect and analyze data on each suicide that occurs in Arizona; identify suicide and self-harm hot spots and trends; and inform policy decisions intended to improve mental health outcomes. The Executive Budget supports the Team from the Smart and Safe Arizona Fund in FY 2022 and FY 2023, shifting permanently to the Justice Reinvestment Fund in FY 2024.

3. Expand the Child Fatality Review Team. The Child Fatality Review Team collects and analyzes data on each child fatality that occurs in Arizona, to better inform policy decisions made to improve child mortality statewide. Additional funding will help the Team address increased reporting requirements that have resulted from changes in federal guidance, increased complexities in child fatality cases, and new COVID-19 investigative processes.

The Executive Budget adds 2.0 FTE to engage stakeholders, develop statewide reports, and present recommendations to the

Legislature. The additional funding will also support local review teams.

4. Expand the High-Risk Perinatal Program. The High-Risk Perinatal Program (HRPP) provides home visitation services to families of newborns who have spent time in the Newborn Intensive Care Unit or are at higher risk of developmental complications.

The U.S. Department of Health and Human Services recommends that newborns enrolled in the HRPP receive at least four home visits in their first year, to monitor their health and identify signs that may indicate the need for early intervention services. HRPP is not meeting the four-visit benchmark; in FY 2020, enrolled families received an average of two home visits in the first year.

The Executive Budget calls for the HRPP to be supported by the Justice Reinvestment Fund beginning in FY 2022, covering the cost of 1,000 additional visits each year, or one additional visit per year for one-third of enrolled families.

PUBLIC HEALTH EMERGENCY FUND

Since the start of the COVID-19 pandemic, DHS has received \$587 million in response to the emergency. Resources used in the response include the Public Health Emergency Fund, federal CARES Act funding, transfers of Coronavirus Relief Funds to the Department from the Governor’s Office, and Express Pay monies used to expedite reimbursement on funds that are eligible for reimbursement through the FEMA Public Assistance Program.

In March 2020, the State Legislature authorized an emergency appropriation of \$55.5 million to the DHS Public Health Emergency Fund to support the Department’s response to COVID-19. To date, it has spent \$36.2 million from the Public Health Emergency Fund on the following:

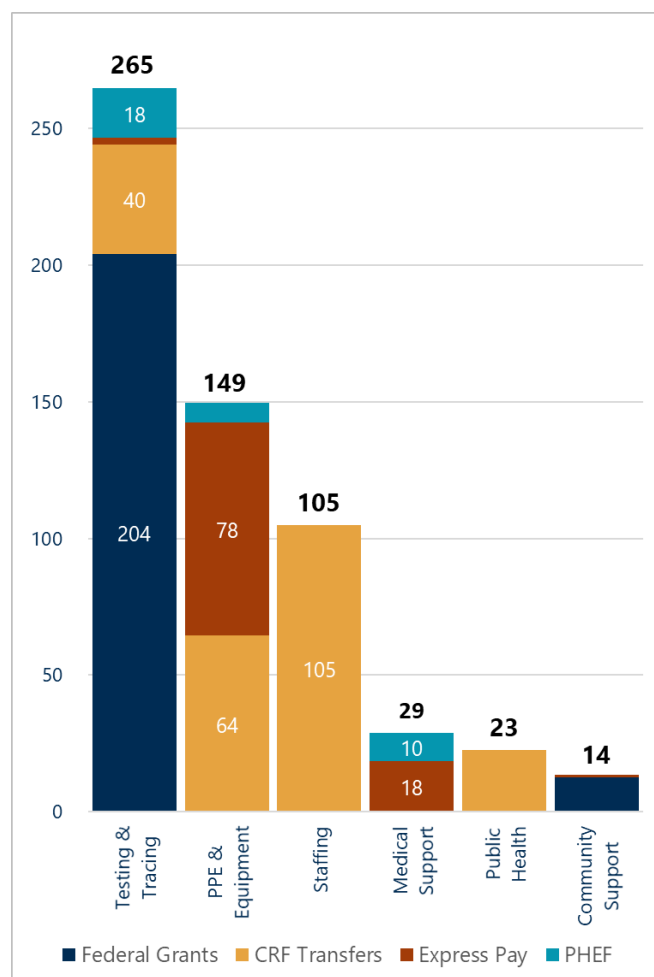
- \$18.1 million for testing and tracing efforts;
- \$10.7 million for additional medical support to hospitals and warm sites;
- \$7.2 million for PPE and equipment costs; and
- \$246,500 for support services.

The table below breaks out expenditures, by source, since the emergency was declared in March. Expenditures total \$587 million and include:

- \$252.2 million for testing and contact tracing. This includes any activity related to expanding capacity to perform tests, studying the epidemiology of the virus, controlling the spread, providing contact tracing services to inform individuals if they may have been exposed, and vaccination management.
- \$149.2 million for personal protective equipment (PPE), including the provision of masks, face shields, and ventilators.

- \$105 million for staffing support for public health and safety employees. This consists of payroll offsets at DHS and at hospitals statewide to bolster spending capacity.
- \$36 million for public health expenses. This additional fiscal support went to various programs statewide whose scope of work was affected by COVID-19, including immunization and vaccination management programs for children, recreation for children, education, violence prevention services, and support to individuals with HIV/AIDS.
- \$29.2 million for medical expenses, including warm beds and post-acute beds, and funding to hire additional nursing and medical staff, establish alternate care sites, and provide palliative care to patients.
- \$2.8 million for administrative expenses, including warehousing costs associated with storing PPE and other equipment and IT, legal, and other administrative expenses.

Figure 14
Sources of Funding



VETERANS' HOMES

The Executive Budget includes several initiatives that support expansion and enhancement of services for the State's veterans' homes, which provide nursing and rehabilitative care for geriatric and chronically ill veterans and their dependent or surviving spouses.

The Department of Veterans' Services operates two homes in Tucson and Phoenix, and two homes are under construction in Flagstaff and Yuma. Construction of the Flagstaff and Yuma homes began in June 2019 and is currently ahead of schedule for completion by June 2021.

The Executive Budget includes an increase for the operating costs of the two new homes, which will help the homes complete the U.S. Department of Veterans Affairs' six-month process to certification. The Executive Budget also includes funding that will allow the current homes to serve more veterans and to offer rehabilitative services, such as physical, speech, and occupational therapy, to more veterans.

Assistance to Children, Families, and At-Risk Adults

The Department of Economic Security (DES) and other State agencies provide temporary assistance to persons in need, protect Arizona's most vulnerable citizens, and help low-income working families and persons with disabilities achieve independence. The Executive Budget supports that mission.

INCREASING ACCESS TO CHILD CARE

The Child Care and Development Fund (CCDF) provides subsidies that help low-income working families and foster parents afford child care. 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.

Both the March 2020 federal CARES Act and the December 2020 Consolidated Appropriations Act appropriated additional supplemental CCDF discretionary funding to help states prevent, prepare for, and respond to COVID-19, and expand flexibility in providing child care assistance to families and children.

Because of these federal appropriations, the Executive Budget includes \$92.7 million in supplemental funding for FY 2021 due to COVID-19 relief programs for child care providers. At the time of this writing the Executive is developing additional proposals for the new CCDF funds that were included as part of the latest federal COVID-19 relief bill.

The Executive Budget places a premium on access to this critical workforce program by sustaining the elimination of the wait-list, so that every eligible working parent can access the child care subsidy program for their children, resulting in an additional 3,000 children per month in quality child care in FY 2022.

Another improvement to this program is increasing the number of paid absences for which the State reimburses child care providers. That increase is consistent with CCDF federal guidelines; ensures that more providers will enroll more families that receive CCDF support; and helps children who are sick to stay at home without families risking disenrollment from the program.

Targeted Child Care Pilot Program. Many parents who are seeking to increase skills to move toward greater self-sufficiency and higher-income jobs are unable to pursue advanced education and training due to a lack of safe, affordable, quality child care.

By working with public universities and community colleges, grants up to 165% of the federal poverty level will be awarded for child care to students of nursing or early childhood education. This will empower parents to work toward greater self-sufficiency while also meeting needs in Arizona for jobs in Arizona.

The pilot program will last for 12 months and be evaluated at the conclusion.

APS CASELOAD GROWTH

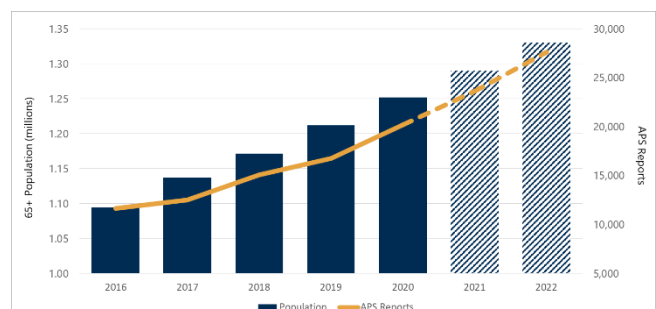
DES reports a 20% increase in Adult Protective Services (APS) cases in 2020 and projects the growth to continue at 17% for 2021 (3,500 cases) and 2022 (4,000 cases). COVID-19 cases and other baseline growth have contributed to the increase in the number of vulnerable adults, and the agency is falling short of the national standard for caseload management.

The National Adult Protective Services Association (NASPSA) recommends that, to achieve "adequate attention" to each case, state agencies should maintain an average caseload of 25 cases per caseworker. Arizona's average caseload is 33.

The Executive Budget includes \$2.9 million to add 36 investigators and 10 support staff (five managers and five case aides) at Adult Protective Services (APS). The additional staff, combined with planned improvements in investigative efficiency, will help meet the growing caseload and bring APS's average caseload in

Figure 15

Population Growth and APS Reports



line with the NASPA benchmark. Moreover, the staffing enhancement will help expedite the processing time for APS cases, so that seniors and vulnerable adults receive needed help sooner.

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.

COVID-19 ASSISTANCE

During FY 2020 and FY 2021, the Executive made funding available to a range of providers, with the objective of stabilizing the social safety net during the pandemic. This funding supported providers as they (a) changed the way they cared for their clients to protect them from contracting COVID-19 or (b) saw a decrease in utilization due to individual isolation.

Funding included:

- \$35.4 million General Fund (\$139.5 million Total Funds) for DES to provide a temporary rate increase, incentive payments, and COVID-positive rates to 527 providers in the Division of Developmental Disabilities (DDD).
- \$130 million from the Child Care Development Fund for DES to provide enrichment center stabilization for essential care workers, to give grants and additional support to providers who are open during the pandemic, and to suspend the child care waitlist.
- \$5.7 million General Fund (\$37.1 million Total Funds) for the Arizona Health Care Cost Containment System (AHCCCS) to provide a temporary rate increase for nursing facilities, alternative living facilities, and Home and Community Based Services providers for the elderly and physically disabled.
- \$44.5 million General Fund (\$187 million Total Funds) for DDD, as providers and members have been affected by COVID-19. Assistance was provided through incentive payments, general rate increases, and COVID-19 rate increases. This assistance gave providers stability as they changed the way they cared for DD members.

THE JOHNSON CASE

In June 2020, the Arizona Court of Appeals ordered DES to comply with its ruling in *Johnson v. Arizona Department of Economic Security*. The agency was required to adjust its rules to require that:

- a disability be manifested rather than diagnosed before a claimant turns 18; and
- a claimant prove only a cognitive disability, regardless of the origin of impairment.

The Executive Budget includes funding in anticipation of adjustments to affected populations served by DES, including an increase of 1,000 members to the Arizona Long Term Care System (ALTC) FY 2022. Any impacts in FY 2021 are covered by

the enhanced Federal Medical Assistance Percentages (FMAP) rates.

CAPITATION RATE ADJUSTMENTS

The Executive Budget reflects capitation rate adjustments in FY 2021. Rates for ALTC capitation payments increased by 11.25% compared to FY 2020 rates.

The large increase is attributed to increased utilization and the additional costs that providers have incurred to safely respond to COVID-19. Future growth is expected to normalize and increase based mainly on growth in population.

FEDERAL ASSISTANCE FOR MEDICAID PROGRAMS

Public Health Emergency Declaration. The Families First Coronavirus Response Act (FFCRA) provided states with a temporary 6.2% increase in the regular FMAP in effect from January 1, 2020, through the last day of the calendar quarter in which the public health emergency terminates.

On October 2, 2020, the U.S. Department of Health and Human Services renewed its public health emergency declaration, effective October 23, 2020, extending the emergency through January 20, 2021. Therefore, the enhanced FMAP will exist until at least March 31, 2021.

Due to the FFCRA's maintenance of effort (MOE) requirements, AHCCCS must maintain coverage for all members during the current public health emergency, regardless of any regular eligibility status loss. Becoming ineligible because of a rise in income, for example, would not remove a member from a Medicaid-supported program until the end of the emergency.

The MOE requirement has caused significant growth in the AHCCCS caseload since April 2020. In preparing the FY 2022 Executive Budget, the Executive had estimated that, after the MOE requirement expires, AHCCCS would need at least six months, from February 2021 to July 2021, to gradually remove the MOE populations who become ineligible under the standard eligibility requirement.

The Executive is revisiting these assumptions as a result of the extension of the federal public health emergency declaration.

AHCCCS FMAP Savings. Based on the current public health emergency period and the projection of caseload expenditures, the temporary FMAP increase would offset the expenditures growth caused by the MOE requirements.

After accounting for an estimated typical year General Fund reversion from AHCCCS of \$50 million and reimbursing \$23 million in provider COVID-19 vaccine administration costs in FY 2021, the Executive Budget anticipates that an additional \$141 million in FMAP savings will accrue to the General Fund. (That estimate is subject to any extensions of the public health emergency declaration.)

DES FMAP Savings. The savings projection will be reevaluated if as January 20, 2021 approaches, the U.S. Department of Health and Human Services announces another public health emergency extension, which would likely lead to substantial General Fund savings.

Caseload growth is expected to return to the regular trend line at the end of FY 2021 and continue at a stable rate in FY 2022.

Table 11
AHCCCS Caseload and FMAP Savings
Savings Are Shown in Millions

	Caseload Growth, 10/19 to 10/20	Est. MOE Contribution to Growth	Enhanced FMAP	Associated GF Savings by FY 2021 Pop.
Traditional Medicaid Service	76,133	86,344	76.21%	\$ 144.7
Prop. 204 Service	54,540	43,838	76.21%	\$2.0
ALTCS	-2,141	-3,238	76.21%	\$60.4
ACA Adult Expansion	39,207	35,247	90%	
Kids Care	8,119	7,352	83.35%	
Comp. Medical and Dental Plan	329		76.21%	\$7.9

AHCCCS OPIOID TREATMENT

In 2018, Governor Ducey signed, with unanimous Legislative support, the Arizona Opioid Epidemic Act following a special session of the Arizona Legislature (Laws 2018, 1st Special Session, Chapter 1). The Act established the Substance Use Disorder Services (SUDS) Fund and made a one-time \$10 million General Fund deposit into the Fund.

Per Table 12, from FY 2018 through October 2020, AHCCCS used the funding to provide nearly 55,000 substance use disorder treatment services (such as copays, doctor visits, lab tests, and methadone administration) to 33,329 underinsured or uninsured individuals who are not eligible for Medicaid.

Table 12
Individuals Served by SUDS Fund

TRBHA/RBHA	Area Served	Individuals Served
Mercy Care	Central Arizona	14,832
Steward Health Choice AZ	Northern Arizona	13,706
Ariz. Complete Health	Southern Arizona	4,372
Gila River Health Care	-	256
Pascua Yaqui Tribe	-	163
Total		33,329

The FY 2022 Executive Budget includes a one-time transfer of \$6 million, from the Prescription Drug Rebate Fund to the SUDS Fund, to continue providing access to opioid treatment services for eligible Arizonans. This \$6 million will allow for continued

Figure 16

Current Title IV-E Funding for Group Home Placements

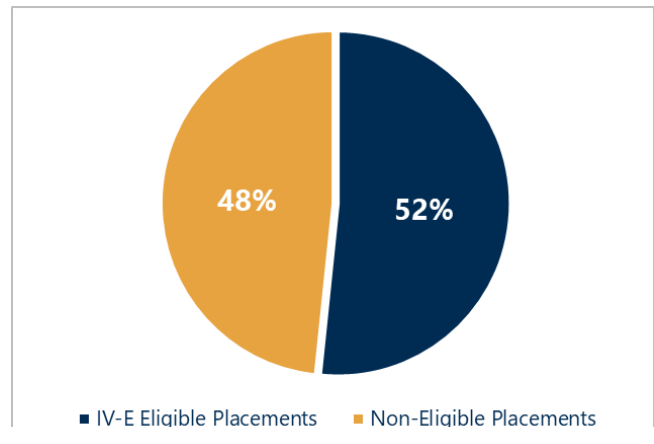
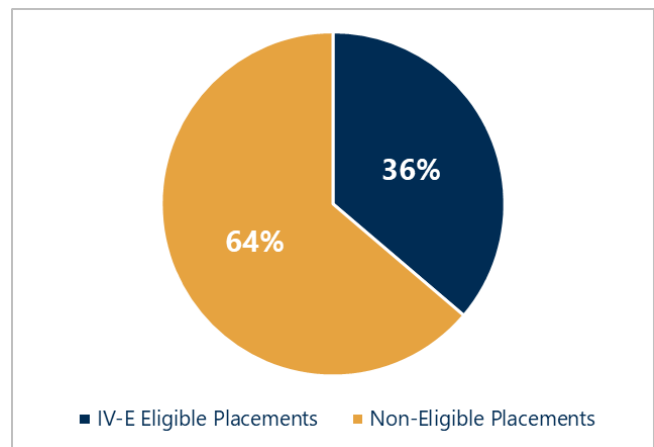


Figure 17

FFPSA Title IV-E Funding for Group Home Placements



opioid treatment services as intended in the Opioid Epidemic Act for an additional 18,000 individuals.

CHILD SAFETY AND FFPSA IMPLEMENTATION

The Department of Child Safety (DCS) continues to prepare for the October 1, 2021, implementation of the Family First Prevention Services Act (FFPSA) as required by the federal Bipartisan Budget Act of 2018.

The Department’s preparation efforts include placement array development, development of Qualified Residential Treatment Programs (QRTP), and qualifying prevention services for reasonable candidates.

In addition, DCS has been working to improve support for kinship placements, foster families, and youth transition from the extended foster care program to adulthood.

FFPSA emphasizes the importance of raising children in families and helps ensure that, when out-of-home placement is necessary, children are placed in the least restrictive, most family-like setting appropriate for their needs. The law also seeks to

improve the well-being of children already in foster care by altering Federal Title IV-E reimbursement requirements for children placed in congregate care settings.

The Executive Budget includes an increase in funding to support FFPSA implementation and to address revenue needs for congregate care placements resulting from the Federal Title IV-E reimbursement changes enacted by FFPSA.

FOSTER CARE

Pursuant to Laws 2019, Chapter 305, on April 1, 2021, DCS will implement integration of behavioral health services for foster children with the Department's Comprehensive Medical and Dental Program. The integrated program will become known as the Comprehensive Health Plan (CHP).

As part of the AHCCCS Complete Care plans, CHP will allow DCS caseworkers and other staff to have close proximity and real-time access to the child's information and provide higher quality, more timely medical, dental, and behavioral health services to foster children and families.

The Executive Budget proposes a new appropriation structure to support CHP implementation and provide further transparency and oversight of the program. Currently, DCS is required to submit all line-item transfers to the Joint Legislative Budget Committee (JLBC) for review. The Executive Budget specifically omits this requirement for the four new special line items, as health plans are dynamic in nature and require more flexibility.

Public Safety

The FY 2022 Executive Budget provides the resources necessary to deliver on the promise of secure communities and public safety throughout Arizona by addressing essential needs in law enforcement and Arizona’s corrections, rehabilitation and reentry system.

“The safety and protection of all Arizona communities remains top of mind. We will continue to work with public safety leaders and support the men and women who protect others. My sincere thanks to the police officers, firefighters, EMTs, Arizona National Guard members and all heroes who work incredibly hard to ensure Arizonans keep Arizonans safe and ensure they have the resources they need.”

Gov. Doug Ducey

In fulfilling the State’s core function of protecting the public, the Executive Budget makes strategic law enforcement investments to modernize police communications infrastructure, resolve overtime pay issues for Department of Public Safety (DPS) State Troopers, and boost DPS recruitment efforts.

The Executive Budget also addresses critical building renewal and capital needs for Arizona’s system of corrections, rehabilitation and reentry, including the deactivation of the Florence prison, modernizing correctional officers’ communication and safety equipment, and continuing efforts to reduce the rate of recidivism.

Law Enforcement

MODERNIZING COMMUNICATION INFRASTRUCTURE

The Executive Budget advance-appropriates \$16.2 million in FY 2022, \$16 million in FY 2023, and \$16 million in FY 2024 from the Arizona Highway Patrol Fund to complete upgrades to the microwave radio communications system backbone. The appropriations will lapse after two years, consistent with capital appropriations.

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 components, known as “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 34 digital sites, the majority of which are in southern Arizona.

The microwave equipment used to support this network is aging and has not been supported by the private sector for approximately 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 immediate concern is the age of the existing analog microwave radio equipment. The soonest possible replacement should be attempted to avoid catastrophic failure of the analog network, which would render a large portion of the state without emergency communications for first responders to call for help or to be dispatched to help the general public.

Another significant concern is Federal Communications Commission (FCC) frequency retention and availability. The North Loop Design Project included securing microwave licenses with the FCC, but rights to the frequencies are guaranteed for only the first year. After the first approval period has ended without the frequency being reported in active use, other network owners can petition the FCC to claim the frequency.

Land availability on mountaintop sites is another time-sensitive consideration. Land use can be both physically limited and radio frequency limited. Some mountaintops may have little physical spaces that work for a line-of-site microwave link to adjacent DPS sites. If another entity were to secure permissions to use that specific land, a different tower configuration may be required, or, in extreme cases, a site may become unusable. As radio traffic increases at some sites and interference issues become more prevalent, obtaining frequency approvals for land mobile radio and system expansion will become more difficult.

This funding will pay for the remaining necessary 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 2024 at a total cost of \$49.2 million. Of that cost, \$150,000 is expected to be ongoing for additional land lease purposes and \$355,600 is expected to be ongoing for FTE positions.

FUNDING BODY CAMERAS FOR TROOPERS

The Executive Budget includes an increase in funding for the purchase of body camera equipment and for expenses associated with staffing, software licenses, and other increased costs associated with operating the program.

In order to enhance trooper safety, improve efficiency, and promote public transparency, the appropriation will fund the purchase of 2,400 body cameras for the Department’s sworn

personnel and other agency personnel assigned to DPS task forces. This equates to two cameras per employee, so that one camera is always available during uploading of video to the cloud.

This issue also includes 29.0 additional FTE positions:

- 4.0 FTE supervisors to oversee training, contract, equipment, policy, procedures, video review, and other aspects of the program;
- 5.0 FTE IT engineers and support;
- 15.0 FTE video management positions; and
- 1.0 FTE project administrative assistant.

The additional FTE total also accommodates training and administration, which will produce a cost burden equivalent to 4.0 full-time FTE positions.

DPS will establish best practices and training policies for the use of body cameras in the field.

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.

To compensate troopers for overtime hours worked, current practice is for them to “adjust out” their week by taking a corresponding amount of time off or by taking off the overtime hours as compensatory time. This system often results in Friday shifts being short-staffed, creating service gaps during rush hour.

In FY 2020, 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. Additionally, an analysis of some municipalities’ overtime budgets revealed that their overtime as a percentage of salaries and wages was at 4.9%.

As of September 29, 2020, DPS had spent its full budgeted amount in overtime for FY 2021. Due to civil unrest, employees could not adjust-out their week.

“Adjusting out” means that if a trooper has reached the number of hours they can work, they normally do not go in to work for the rest of the week. This policy reduces, but does not eliminate, the use of overtime. For example, if a trooper normally works four 10-hour days and works a 12-hour day on their third day, they will work just eight hours on their fourth day to reach 40 hours. If this same trooper works 12 hours on their fourth day, they will get two hours of overtime. DPS estimates that, for calendar year 2020, approximately 87,004 hours were adjusted out. That total equates to about 41.8 FTE positions.

The Executive Budget provides \$6.6 million to fund DPS 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, reduce the Department’s reliance on vacancy savings in order to meet its

overtime needs, make its overtime more competitive with local entities, and cover the cost of increased overtime hours.

BOOSTING DPS RECRUITING EFFORTS

In past years, DPS has been unable to fill allocated cadet trooper slots at the State Trooper Academy (see graph below). In each of the two most recent classes, DPS could fill only 26 of 52 Cadet State Trooper slots at the Academy.

In CY 2017, DPS converted from mixed-agency classes, with Basic and Advanced sections, to the 29-week State Trooper Academy comprised of only DPS Cadet State Troopers. Before FY 2017, there was not a set number of seats that DPS had to fill.

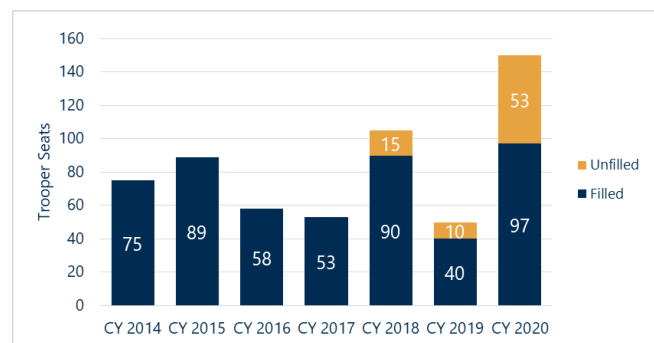
DPS currently operates with a \$50,000 annual recruitment budget, which funds registration fees, travel expenses, and overtime to attend in-state and out-of-state recruiting events. The Executive Budget adds \$426,600 to aid DPS in recruiting additional cadets for the academy.

DPS will use its enhanced recruitment budget of \$476,600 to pay for outside services for ad tracking, engagement, and purchases. DPS also plans to hire an advertising tracking and engagement consultant within 90 days after funding is authorized.

In addition, the Recruitment Unit plans to attend 10 events (such as job fairs and recruitment events). FY 2022 funding for this initiative will expand recruitment to three events per month, at least two of which will be out of state, at large military base Transition Assistance Programs offices. Funding will also provide attendance fees for at least one law enforcement job fair per month. In addition, DPS plans to recruit at historically black colleges and universities to ensure that State Troopers accurately represent the community they serve and protect.

Figure 18

Trooper Academy Attendance by Year



Corrections, Rehabilitation and Reentry

PRISON SAFETY

Sound management and stewardship of the State's adult corrections, rehabilitation and reentry system is a prudent investment in safety for Correctional Officers, inmates, and the general public. Effective prison administration also benefits inmates and the public by reducing the rate of recidivism.

The FY 2022 Executive Budget includes \$79.7 million in new funding for the Department of Corrections, Rehabilitation and Reentry (ADCRR):

- \$53.7 million in building renewal and capital management funding;
- \$17.9 million for bed management;
- \$5 million for recidivism reduction initiatives
- \$2.8 million for staff safety equipment; and
- \$250,000 for Other Projects.

BED MANAGEMENT STRATEGY

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 deactivating ASPC-Florence (with the exception of the Globe unit), which will eliminate 3,702 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 2,706 beds for the State.

The deactivation of the Florence prison complex will not require termination of any current ADCRR employees. The Eyman prison complex, also located in Florence, will be able to absorb the majority of employees who 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 ADCRR employees and inmates occupy an environment that is conducive to reducing the recidivism rate. Additionally, the closure of the Florence prison will remove \$168.3 million in known building-renewal needs at the aged facility, allowing ADCRR 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 by dividing the amount of Deferred Maintenance needed by the Full Replacement Value. For Florence, this calculation is 71.7% (\$168,300,000 divided by \$234,600,000). Per the

Facilities Condition Index, any building beyond the 60% threshold warrants full replacement. Estimated costs from similarly-sized prisons in other states have reached \$800 million.

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 to reform and become productive members of society. Furthermore, the deactivation will allow the health care vendor to relocate its health care staff to reduce staffing shortages and alleviate strain on current staff. This will result in better inmate health care.

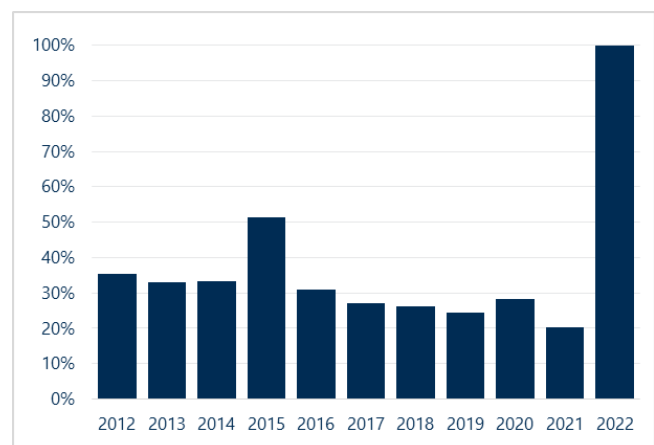
For inmates who cannot be transferred within the existing ADCRR system, a third-party partner will be chosen to provide additional bed management capacity for the Department. The partner will be carefully selected to ensure that the level of safety, care, and services remain consistent, to continue the progress of inmate rehabilitation. ADCRR will verify that the services offered by the partner are comparable to those provided to inmates in ADCRR's own facilities (e.g., medical, dental, visitation, mental health, education, programming, substance abuse, etc.) and meet all federal, state, and ADCRR standards.

The Executive's expectation is that the Department will begin diverting inmates to other prison complexes in the ADCRR system to gradually phase down the number of inmates at Florence. Physical plant issues, if left unremediated, can cause significant staff and inmate safety issues.

This proposal was contemplated before the onset of the COVID-19 pandemic. Due to the increased uncertainty that the pandemic has created – including staffing challenges, bed space concerns, quarantine of inmates, and the temporary reduction of inmate intake due to slowed judicial proceedings – the Executive will continue to monitor the situation and will make adjustments

Figure 19

% Building Renewal Formula Appropriated



as needed, which will either speed up or slow down the deactivation plan.

BUILDING RENEWAL

To further address the safety and security of staff and inmates, the Executive Budget includes \$53.7 million to fully fund the Department of Administration's building renewal formula and the completion of fire and life safety projects at the Eyman prison.

The building renewal formula, approved by the Legislature, is the Sherman-Dergis Formula developed in 1981 at the University of Michigan. In simple terms, the Sherman-Dergis Formula estimates the funding requirements for major maintenance over time. This investment will mark the first time the ADCRR's Building Renewal Formula has been fully funded.

ADCRR maintains 1,524 structures with a total area of 8.8 million square feet and a replacement value estimated at \$2.1 billion.

Each year the aging infrastructure needs critical repairs. On average, the Department has received \$5.7 million per year to address maintenance and building renewal needs. Due to persistent underfunding of the formula, Arizona prisons' building renewal needs total \$529 million (\$360.7 million once the Florence complex is deactivated).

Full funding of the building renewal formula in FY 2022 will allow ADCRR to address numerous deferred maintenance projects, with priority given to fire and life safety projects such as replacement of fire systems and locks. The funding will also allow for the completion of necessary repairs at the Eyman prison – including doors, locks, fire systems, floors, and plumbing – that will enhance prison security.

RECIDIVISM REDUCTION

To expand substance abuse treatment programs available to inmates, the Executive Budget includes a funding increase of \$5 million to increase treatment capacity.

This funding will be used to expand ADCRR's substance abuse treatment capacity from 19.5% to 36.1% and allow an additional 2,527 inmates to receive treatment prior to release. To ensure that each dollar invested results in more inmate treatment, ADCRR plans to contract with private organizations that specialize in such efforts. In FY 2020, 34% of warrants issued by community corrections officers cited drug/alcohol related violations. Increased treatment capacity will lead to more successful reentry and lower recidivism rates.

STAFF SAFETY EQUIPMENT

Radio communication and safety equipment are critical to prison operations. To enhance the safety and security of staff and inmates and reduce operational strain, the Executive Budget includes \$2.8 million to replace obsolete radios and increase the inventory levels of safety vests, which are required for cell extractions, searches, inmate movement, etc.

Funding will replace all of the radios that are 10-plus years old, as the vendor has discontinued parts and service, and ensure that the Department's inventory is replenished to their needed level so that operations and safety are not compromised.

SUPERIOR COURT PROBATION OFFICER RAISES

As part of the Executive's coordinated ongoing efforts to reduce recidivism, the Executive budget seeks to fully fund Probation as a viable alternative to incarceration.

Per A.R.S. § 12-252, counties have the authority to set the salaries of probation officers. Due to the State funding a portion of the salaries and ERE for adult probation and juvenile probation officers, the Executive Budget increases appropriations for Probation special line items to meet the new county-approved salary levels.

The Executive Budget includes funding for adult and juvenile probation officer salary increases and employee related expenses (ERE) from FY 2019, FY 2020, and FY 2021, as enacted by county boards of supervisors.

Natural Resources

Thoughtful and effective stewardship of Arizona’s precious natural resources requires deliberate planning and strategic investments.

“Arizona is the most beautiful state in the nation, and we are committed to protecting our land, wildlife and natural resources. Every year, we are heavily focused on reducing the risk of wildfires to protect people, pets and property — and that focus remains a priority this year. From protecting groundwater quality to maintaining our State Parks, we will continue to protect our naturally diverse state.”

Gov. Doug Ducey

The FY 2022 Executive Budget places a strong emphasis on fighting and reducing the risk of wildfires, addressing threats to groundwater quality, improving mine safety, expanding fish hatchery capacity, and enhancing the visitor experience at State parks.

Devastating property losses and damage to State and private lands, combined with the growing cost of fire suppression throughout the western states, have made increased fire-suppression funding and heightened investment in healthy forests a major priority.

Fire Suppression

A prolonged drought, combined with population growth and poorly managed federal lands, has resulted in increased State spending on wildfires.

From 2014 to 2018, the State’s fire-suppression costs increased from \$115 per acre to \$353. Similarly, at the federal level, from 2015 to 2018 fire-suppression costs increased from \$210 per acre to \$359.

The additional State spending has not correlated with a proportional increase in the Fire Suppression Fund (FSF) budget for the Department of Forestry and Fire Management (DFFM). FSF funding is inadequate, and DFFM operates at a deficit. As Figure 20 illustrates, the State’s fire-suppression costs for the last five years (excluding FY 2017, which was an outlier) have averaged \$6.4 million, far in excess of the FSF’s \$4 million annual appropriation.

FIRE SUPPRESSION COSTS

From a budget perspective, the State’s fire suppression activities encompass three types of fires:

- fires that threaten federal land, resulting in reimbursable costs;

- fires that threaten State and some private land, resulting in non-reimbursable costs; and
- cost-share fires, which occur on State and federal land.

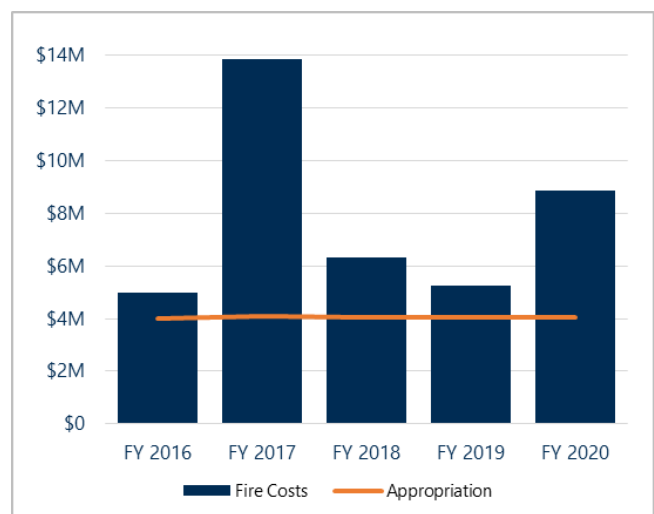
Reimbursable. A.R.S. § 35-144 authorizes the Department of Forestry and Fire Management (DFFM) to use up to \$20 million per year from the Budget Stabilization Fund (BSF) for reimbursable costs. DFFM uses the BSF to pay local fire districts and then repays the BSF from federal reimbursements. Because 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 or unincorporated private lands. Each fiscal year, DFFM is allotted \$4 million from the Fire Suppression Fund to pay for non-reimbursable fire suppression costs incurred on those lands.

Cost-Share Fires. The costs of suppressing fires that occur on both State and federal land are partially reimbursed to the State pursuant to a cost-share agreement with the federal government. The objective of a cost-share agreement is to establish and document the cost sharing and basic organizational structure in response to multijurisdictional incidents, i.e., fires burning on or threatening lands for which the State and one or more cooperating federal agencies are responsible and for which a decision is made to share costs. Factors that impact cost-share situations

Figure 20

State Fire Suppression Costs



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

FUNDING INCREASE

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

For the past five 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 a permanent increase of \$2.4 million in funding above the enacted FY 2021 appropriation to account 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 beyond available funding in prior years. For context, suppression costs from the FY 2016 to FY 2020 fire seasons exceeded available funding. Appropriated funding for FY2016 to FY 2020 was only \$20.3 million, while actual fire costs reached \$39.3 million.

The Executive has identified available fund sources to cover that shortfall and to manage cash flow in the near term. However, a \$2.2 million shortfall remains in State costs owed to federal partners. The Executive Budget increases funding to address that issue.

Increased funding for non-reimbursable and cost-share fires is essential to the more than 200 cooperative agreements that the State maintains with local cooperators statewide that deploy crews to fight fires. Cooperators are often small rural fire districts that depend on timely payment from the State to maintain positive cash flow. While the BSF provides enough capacity to quickly reimburse local cooperators in response to federal fire needs, the State lacks adequate resources to ensure timely payment when these same cooperators respond to help requested by the State. This initiative is critical to ensuring that local cooperators continue to partner with the State.

GOVERNOR'S EMERGENCY FUND CAP INCREASE

In addition to permanently increasing DFFM's FSF appropriation, the Executive adds additional fire resources to the Governor's Emergency Fund.

In the past, the Governor's Emergency Fund has been used to help cover part of the shortfall, but that practice has reduced available funding for other disasters.

The Executive Budget includes footnote language increasing, from \$4 million to \$8 million, the aggregate liability cap incurred under a declaration of disaster (A.R.S. § 35-192). Of the \$8 million, \$4 million will be used exclusively for DFFM for fire suppression. Any unobligated funds remaining at the end of the fiscal year will revert to the General Fund.

ARIZONA HEALTHY FOREST INITIATIVE

Landscapes In Arizona and throughout the west have become overgrown and prone to wildfires, and the pace of forest treatment projects to reduce the wildfire risk has been too slow.

Failure to reduce fire-causing fuel loads has been felt by the State in a growing financial burden for fire suppression, as mentioned above. Responsibility for paying fire-suppression costs (regardless of whether those costs are incurred by federal or local assets) is borne by the agency responsible for the assets that are being protected. Because the State is responsible for protecting 22 million acres of State and private land in unincorporated areas, the high costs of protecting private property at the interface of urban areas and forested areas fall to the State, even where the fire is on federal land.

The Executive Budget includes an increase in funding to reduce the wildfire threat to Arizona, with a focus on removing the overgrown vegetation creating high fire risk in the wildland-urban interface. The State will implement a five-fold increase, to over 20,000 acres per year, in the amount of this land treated through in-house capacity and partner grants. While still working alongside federal partners to reduce wildfire risk on federal lands, this critical public safety initiative reflects a shift in strategy to one where the State takes a much larger role in reducing wildfire risk to Arizona communities and their assets.

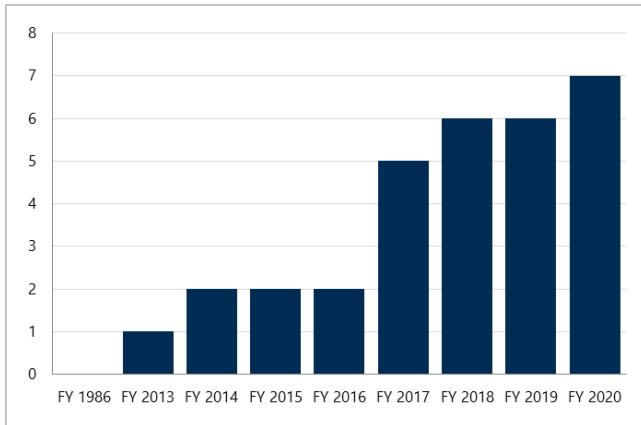
To meet that challenge, over a two-year period 72 additional Department of Corrections, Rehabilitation and Reentry (ADCRR) crews will be deployed in four geographically strategic locations. The new capacity will be phased in, with 50% in place in FY 2022 and 100% in place in FY 2023. Additionally, DFFM typically receives grant requests from partner organizations around the state to reduce fuel loading creating wildfire risks. In recent years, DFFM has funded approximately \$500,000 of those projects, resulting in approximately 500 acres of treatment per year. The increase in grant funding, to \$5 million, provides a ten-fold increase in partner capacity to 5,000 acres per year

Water Quality

The City of Tucson's central water production wellfield is threatened by perfluoroalkyl and polyfluoroalkyl substance (PFAS) contamination. Studies have shown that high levels of PFAS can cause reproductive, developmental, liver, kidney, and immunological effects in laboratory animals.

The contaminated plume has led to the shutdown of 18 municipal drinking water supply wells. If left unmitigated, the contamination could affect safe drinking water supplies for 60,000 Tucson residents. The Executive plans to leverage the Water Quality Assurance Revolving Fund (WQARF) program and prioritize funding in FY 2022 to mitigate this threat. WQARF will fund testing, monitoring, and remediation actions related to mitigating the PFAS plume.

Figure 21
Cumulative Number of WQARF Sites Closed



Administered by the Department of Environmental Quality (DEQ), WQARF is Arizona’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 seven WQARF sites over the past seven years, 35 sites remain on the WQARF program registry.

The Executive Budget continues to fully fund the WQARF program from the Corporate Income Tax (CIT), per the WQARF formula specified in A.R.S. § 49-282(B).

Mine Safety

Between 2017 and 2020, mining-related employment in Arizona increased by approximately 22%, without any change in the Mine Inspector’s Office inspection capacity.

The Executive Budget includes funding for additional personnel in the Inspection and Reclamation Mine Land Program, to help the agency perform mandatory annual mine inspections and other essential operations that ensure the protection of miners’ lives, health and safety.

State Parks

The Executive Budget also provides funding within the Arizona State Parks and Trails (ASPT) system for targeted capital improvements that reflect sound stewardship and will enhance park visitors’ experience.

WASTEWATER TREATMENT SYSTEMS

In recognizing the need to provide permanent remediation to the wastewater issues at six state parks, the Executive Budget includes \$560,000 to perform assessments and offset current mitigation efforts. The former will provide options for permanent remediation for the State to consider in FY 2023, and the latter will allow ASPT to address unexpected mitigation needs in FY 2022.

The Executive intends for ASPT to secure an additional \$560,000 in grant funding provided by the Land Water Conservation Fund through the Great American Outdoors Act.

PARK-SPECIFIC INVESTMENT

Rockin’ River Ranch State Park. In consultation with the Executive, ASPT’s new leadership has put forward a plan to construct Rockin’ River Ranch in Camp Verde. Proposed by the Executive and funded by the Legislature in the enacted FY 2018 budget, Rockin’ River will be a primitive day-use park featuring unique trails and access to the Verde River.

The Executive Budget includes \$750,000 to develop roads, parking areas, and trails; demolish dilapidated structures; and install vault toilets. The Executive intends for ASPT to secure an additional \$750,000 in grant funding provided by the Land Water Conservation Fund through the Great American Outdoors Act. The new park is scheduled to be open in early summer 2023.

Red Rock State Park. One of Arizona’s most popular parks, Red Rock State Park offers visitors a unique experience in the beauty of Sedona’s Red Rock Country. To preserve and perpetuate the park’s unique character and heighten the visitor experience, the Executive Budget includes funding to replace a 30-year-old fire-suppression system and replace a dilapidated 40-year-old maintenance building.

Dead Horse State Park. The Executive Budget includes \$150,000 to construct an amphitheater at Dead Horse State Park. The Executive intends for ASPT to secure an additional \$150,000 in grant funding provided by the Land Water Conservation Fund through the Great American Outdoors Act.

The amphitheater will provide an immense benefit to the visitors and organizations that utilize the park for numerous popular events, including the Verde Valley Birding & Nature Festival.

Kartchner Caverns State Park. The centerpiece of the State Parks in southern Arizona and an increasingly popular national attraction, Kartchner Caverns provides visitors a stunning cavern-exploration experience.

To ensure that the park continues to meet visitors’ high expectations, the Executive Budget includes \$450,000 to replace the 20-year-old roof on the Discovery Center, which serves as the visitor center and houses vital IT infrastructure for the park.

BUILDING RENEWAL

ASPT maintains 1,475 structures with a total area of 794,400 square feet and a replacement value estimated at \$136 million. The Executive Budget includes \$2.4 million to replace or repair infrastructure and major building systems.

Hatchery Renovation

The Game and Fish Department has projected, as of December 2020, a shortfall of 110,000 pounds of trout and 230,000

pounds of warm-water sports fish in Arizona. To enhance recreational opportunities in the state, the Executive Budget includes an increase in funding to conduct major renovation activities and address the most critical infrastructure projects at the Bubbling Ponds, Silver Creek, and Tonto Creek hatcheries.

Completion of major maintenance and renovation projects will help to maintain current levels of fish production and prevent losses associated with infrastructure failure.

Government That Works

The Executive Budget invests in secure data protection, robust economic development, critical infrastructure, and prudent stewardship of capital assets.

“With remote working by many state employees, we also have the chance to further limit the size, cost and footprint of government. Let’s truly ‘shrink’ government, by eliminating unnecessary state buildings and saving taxpayer dollars. Rather than spending money on maintaining unneeded buildings, let’s prioritize areas of need, like educating our kids, taking care of our sick, and keeping our neighborhoods safe.”

Gov. Doug Ducey

The FY 2022 Executive Budget leverages the excellent progress since 2015 that has made government work better for Arizonans through smart policies on cybersecurity, fleet management, capital investment, and innovative workforce solutions.

Data Protection

National Guard Cyber Response Team. The Executive Budget includes \$495,200 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 the Statewide Information Security and Privacy Office (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.

Arizona National Guard citizen soldiers and airmen who are trained to serve in cybersecurity missions are valuable yet underutilized resources. Many of those soldiers and airmen are engaged in full-time information technology 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 to maintain four full-time team members who 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.

Arizona Is Open for Business

Sustaining the state’s thriving business climate requires investments in business-focused infrastructure. Investments included in the FY 2022 Executive Budget support economic

development that will continue to bring high-paying jobs to Arizona.

Business One-Stop. The Executive Budget includes \$7.8 million 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 project is an ongoing partnership among the Department of Administration, Arizona Commerce Authority, Arizona Corporation Commission, Department of Revenue, and Secretary of State.

Efforts in FY 2022 will give Arizona entrepreneurs a single website to quickly and efficiently complete all State Government processes required to start a business, accelerating business creation, and reducing delays at State agencies.

Connecting Arizona

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. The COVID-19 pandemic has demonstrated that expanding broadband services is more important than ever.

To date, the Executive has:

- established a statewide broadband office within the Arizona Commerce Authority (ACA) to centrally coordinate broadband planning;
- reduced regulatory hurdles for broadband infrastructure development at the State Land Department; and
- awarded \$3 million in broadband grants to accelerate design or construction of critical projects in strategic locations across Arizona.

In June 2020, the Executive announced a major investment of federal CARES Act funding to bridge the “digital divide” in response to the thousands of Arizona students who transitioned to online learning. The plan includes \$40 million to install broadband conduit and fiber on Interstate 17 from Anthem to Flagstaff, and on Interstate 19 from Tucson to Nogales.

This collaborative effort between the State and the state’s three public universities holds great promise for advancing digital equity in Arizona. The Executive Budget continues the momentum to expand and enhance broadband connectivity throughout

the state, with an additional infusion of \$10 million to build upon the successful program that provides matching grant funding to underserved rural communities. The ACA will award the funds to local partnerships or ventures that demonstrate clear and achievable plans to improve broadband services in one or more communities.

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

DEPARTMENT OF TRANSPORTATION

Interstate 40 West Broadband Corridor. The Executive Budget also includes \$33.1 million to fund a major expansion of the broadband corridor from Flagstaff to the California border along Interstate 40. This expansion will add approximately 195 miles of broadband conduit and fiber optic cable. The broadband corridor provides the backbone to broadband services and serves as a catalyst for connecting communities to high-speed internet.

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

Stewardship of Capital Assets

DEPARTMENT OF ADMINISTRATION (ADOA)

The ADOA building renewal system includes an inventory of 4,557 structures with an aggregate area of 23.9 million gross square feet and an estimated replacement value of \$5.2 billion. Effective stewardship of those valuable assets is a priority reflected in the Executive Budget.

System-Wide Building Renewal Investments. The Executive Budget includes \$24.2 million in one-time funding (including \$6.2 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. Additional focus in FY 2022 will be given to building renewal projects that target consolidation of building space. This will ensure that State-owned buildings are able to support new remote work initiatives, and it will help address buildings that are beyond repair and pose a liability to the State.

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 \$32.9 million to fully fund the building renewal formula for certain agencies, including:

- \$28 million at the Department of Corrections, Rehabilitation and Reentry (ADCRR), including \$22.2 million from the General Fund (ADCRR facilities represent the largest component within the ADOA building system, with 1,518 structures with a total area of 8.7 million square feet);
- \$1 million at Arizona Exposition and State Fair (AESF) for necessary repairs and renovations of fairground facilities (due to financial challenges at AESF resulting from not holding the annual State Fair in 2020, the Executive Budget includes General Fund resources as opposed to using the agency's own funds);
- \$1.2 million at the Game and Fish Department for building renewal and additional maintenance and repair of dams and hatcheries;
- \$2.4 million at Arizona State Parks and Trails for building renewal and maintenance; and
- \$353,100 at the Pioneers' Home for targeted repairs and replacement of infrastructure and equipment.

Arizona's Connected Workforce (ACW). In 1993, an Executive Order established Arizona's first official remote work program. In 2003, the goal was to have 20% participation in the remote work program for State employees in Maricopa County.

Beginning in March 2020, an increased number of State employees have been working remotely in response to COVID-19. The State created Arizona's Connected Workforce program (ACW) in July. The ACW is a task force working to drive a sustainable statewide remote work transformation that focuses on best-practices for managing and coaching a modern workforce.

One method for modernizing Arizona's workforce is to establish enterprise-wide "hoteling," defined as "using a temporary, unassigned workspace at a State building as needed." The hoteling space would primarily serve employees working remotely most of the time. This project would lead to financial savings related to rent and facility management while also serving State employees and Arizonans at the speed of business.

Historic State Capitol Comprehensive Building Renewal. The Executive Budget includes \$2.9 million (including \$2.5 million from the General Fund) to address serious infrastructure, building shell, and building services deficiencies at the historic State Capitol Building.

Critical repairs are needed on the masonry exterior and copper dome. Additional repairs will include renovations to the building's plumbing, water supply, sanitary waste line, service entrances, and electrical panels. This project will improve building safety and help to maintain historic State artifacts housed within the Capitol complex.

Building Demolition and Physical Plant Conversion. As a part of a space consolidation initiative, the Executive Budget includes \$2 million to demolish two buildings, at 1601 W. Jefferson St. and 1645 W. Jefferson St. in Phoenix. The two buildings are beyond repair.

Originally built in 1973, 1645 W. Jefferson has over \$13 million in deferred maintenance and a Facilities Condition Index of 63%, warranting full replacement. This index is calculated based on Deferred Maintenance Needed divided by Full Replacement Value.

The 1601 W. Jefferson office building was built in 1971 and has over \$10 million in deferred maintenance costs. It has a Facilities Condition Index of 51%, indicating the need for major building renovation or total replacement if deferred maintenance continues. Due to the building's condition and connection to other facilities in this project, ADOA will demolish this building along with 1645 W. Jefferson. ADOA will work with the Department of Corrections, Rehabilitation and Reentry to identify suitable space in other facilities.

An additional \$800,000 is included to retrofit a physical plant, at 1535 W. Jefferson St., that serves these two buildings as well as a third building in the area. The physical plant will be converted to service a single facility at 1535 W. Washington St.

Exposition and State Fair. The Executive Budget includes \$1 million for Arizona Exposition and State Fair (AESF) to replace the fire alarm system at the Arizona Veterans Memorial Coliseum. The current fire alarm system is over 20 years old and, due to age and scarcity of parts, is difficult to repair. This replacement will allow AESF to comply with State fire code regulations, enhancing building safety for visitors and staff.

Due to financial challenges at AESF resulting from not holding the annual State Fair in 2020, the Executive Budget includes General Fund resources as opposed to using the agency's own funds.

DEPARTMENT OF CORRECTIONS, REHABILITATION & REENTRY (ADCRR)

The Executive Budget includes \$25.6 million for ADCRR to complete critical fire and life safety projects at the Eyman complex. The Department has identified fire alarm and suppression systems that require replacement, doors and locks that require refurbishment, and showers that require reconstruction. This project will enhance the prison complex's safety and security.

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS

The Executive Budget includes \$1.2 million for the Department of Emergency and Military Affairs (DEMA) to upgrade fire suppression systems that do not comply with fire code at several readiness centers around the state. DEMA will leverage the State funding to draw down \$2.2 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 doors in four units at Adobe Mountain School. Replacing doors is a necessary investment in security infrastructure to maintain a safe environment for committed youth and the Youth Correctional Officers.

DEPARTMENT OF TRANSPORTATION (ADOT)

Highway Maintenance. In FY 2020 and FY 2021, ADOT added over 115 urban and 130 rural lane-miles to the State highway system. The Executive Budget includes \$3.3 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 1,475 structures with a total area of 3.6 million square feet and a replacement value estimated at \$852 million. The Executive Budget includes \$15.7 million for ADOT to replace or repair infrastructure and major building systems.

Fleet Operations Modernization. The Executive Budget provides for a substantial modernization of the management operations of the State motor vehicle fleet (State fleet). The process involves:

- transferring ownership of the State fleet to ADOT from the Arizona Department of Administration (ADOA); and
- establishing two new ADOT funds: the State Motor Vehicle Fleet Operations (SMVFO) Fund and the State Motor Vehicle Fleet Recapitalization (SMVFR) Fund.

The SMVFO Fund will pay for maintenance and management of the State fleet, while the SMVFR Fund will pay for replacement of vehicles within the State fleet. Each agency within the State fleet will have a sub-account in the SMVFR Fund. A new fee schedule instituted by ADOT and assessed to agencies within the State fleet will provide the funding source for both funds. The Executive Budget includes funding, as Statewide Adjustments, for any increased cost to agencies within the State Fleet due to the new fee schedule.

Benefits to the State from this modernization include maximizing State fleet utilization, ensuring proper maintenance, fully leveraging procurement, and streamlining fleet operations.

Highway De-icing. ADOT uses liquid brine to de-ice highways. The Executive Budget includes \$2 million for ADOT to construct new 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.

Other Funding Initiatives

State Employee Health Insurance (HITF). The 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 \$36.8 million in total HITF revenue, with \$11.2 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 implements the new health insurance contracts that took effect in January 2021.

FY 2022 Executive Budget

(Dollars in Thousands)

	General Fund	Other Appropriated	Non-Appropriated	All Funds Total
Board of Accountancy	0.0	2,098.5	0.0	2,098.5
Acupuncture Board of Examiners	0.0	180.7	0.0	180.7
Department of Administration	8,209.9	198,463.9	1,018,284.9	1,224,958.7
Office of Administrative Hearings	921.5	0.0	794.0	1,715.5
African-American Affairs	133.2	0.0	20.0	153.2
Department of Agriculture	10,492.2	1,779.6	25,565.4	37,837.2
Arizona Health Care Cost Containment System	2,082,883.1	340,993.7	16,408,600.3	18,832,477.1
Statewide and Large Automation Projects	614.1	22,366.8	0.0	22,980.9
Commission on the Arts	2,000.0	0.0	1,809.7	3,809.7
Board of Athletic Training	0.0	130.5	0.0	130.5
Attorney General - Department of Law	25,411.0	55,021.0	67,274.0	147,706.0
Board of Barbers	0.0	419.2	0.0	419.2
Board of Behavioral Health Examiners	0.0	1,818.2	0.0	1,818.2
Board for Charter Schools	2,152.1	0.0	85.0	2,237.1
Department of Child Safety	413,031.2	835,541.7	0.0	1,248,572.9
Board of Chiropractic Examiners	0.0	450.6	0.0	450.6
Citizens' Clean Elections Commission	0.0	0.0	4,878.8	4,878.8
Commerce Authority	26,175.0	0.0	28,820.5	54,995.5
Community Colleges	66,317.4	0.0	0.0	66,317.4
Constable Ethics Standards & Training Board	0.0	0.0	583.3	583.3
Registrar of Contractors	0.0	12,690.0	4,666.8	17,356.8
Corporation Commission	843.1	27,993.0	2,341.4	31,177.5
Department of Corrections, Rehabilitation and Reentry	1,231,355.4	53,344.6	62,492.2	1,347,192.2
Board of Cosmetology	0.0	1,904.2	0.0	1,904.2
Criminal Justice Commission	0.0	6,496.3	23,557.4	30,053.7
Schools for the Deaf and the Blind	23,865.5	13,388.3	21,943.7	59,197.5
Commission for the Deaf and the Hard of Hearing	0.0	4,685.9	0.0	4,685.9
Board of Dental Examiners	0.0	1,438.6	0.0	1,438.6
Early Childhood Development and Health Board	0.0	0.0	151,691.6	151,691.6
Department of Economic Security	949,579.6	383,777.2	4,468,823.1	5,802,179.9
State Board of Education	11,334.3	0.0	0.0	11,334.3
Department of Education	5,816,271.5	321,235.3	2,186,688.3	8,324,195.1
Department of Emergency and Military Affairs	17,088.7	1,506.1	75,868.2	94,463.0
Department of Environmental Quality	15,000.0	72,111.9	83,818.7	170,930.6
Office of Economic Opportunity	485.5	0.0	114,531.0	115,016.5
Governor's Office for Equal Opportunity	0.0	197.7	0.0	197.7
Board of Equalization	673.2	0.0	0.0	673.2
Board of Executive Clemency	1,184.5	0.0	30.1	1,214.6
Exposition & State Fair	2,000.0	13,523.7	0.0	15,523.7
Board of Fingerprinting	0.0	0.0	690.6	690.6
Department of Forestry and Fire Management	36,022.3	0.0	40,200.3	76,222.6
Board of Funeral Directors & Embalmers	0.0	410.7	0.0	410.7
Game and Fish Department	0.0	46,070.4	86,508.7	132,579.1
Department of Gaming	2,509.5	16,038.3	443.9	18,991.7
Office of the Governor	10,924.8	0.0	44,085.6	55,010.4
Governor's Office of Strategic Planning and Budgeting	2,765.1	0.0	0.0	2,765.1
Department of Health Services	99,189.8	62,140.5	375,350.4	536,680.7

FY 2022 Executive Budget

(Dollars in Thousands)

	General Fund	Other Appropriated	Non- Appropriated	All Funds Total
Governor's Office of Highway Safety	0.0	0.0	12,229.5	12,229.5
Arizona Historical Society	3,195.6	0.0	1,131.2	4,326.8
Prescott Historical Society of Arizona	867.7	0.0	548.1	1,415.8
Department of Homeland Security	0.0	0.0	25,138.2	25,138.2
Board of Homeopathic Medical Examiners	0.0	46.6	0.0	46.6
Department of Housing	0.0	332.5	94,839.8	95,172.3
Independent Redistricting Commission	4,100.0	0.0	0.0	4,100.0
Industrial Commission of Arizona	0.0	20,593.1	18,744.8	39,337.9
Department of Insurance and Financial Institutions	7,840.7	9,971.4	4,305.7	22,117.8
Court of Appeals	17,179.6	0.0	0.0	17,179.6
Superior Court	100,689.7	11,994.4	6,062.4	118,746.5
Supreme Court	21,897.5	31,560.8	25,109.5	78,567.8
Department of Juvenile Corrections	30,707.4	15,000.1	1,210.0	46,917.5
Land Department	12,563.8	8,080.7	1,252.8	21,897.3
Auditor General	20,991.5	0.0	1,310.3	22,301.8
House of Representatives	16,830.0	0.0	0.0	16,830.0
Joint Legislative Budget Committee	2,934.7	0.0	0.0	2,934.7
Legislative Council	9,026.6	0.0	0.0	9,026.6
Senate	13,253.9	0.0	0.0	13,253.9
Department of Liquor Licenses and Control	0.0	3,498.2	1,002.8	4,501.0
Local Government	10,650.7	0.0	0.0	10,650.7
Lottery Commission	0.0	163,081.0	1,589,528.0	1,752,609.0
Massage Therapy	0.0	486.1	0.0	486.1
Medical Board	0.0	7,677.7	0.0	7,677.7
Mine Inspector	1,515.6	112.9	456.7	2,085.2
Naturopathic Physicians Board of Medical Examiners	0.0	197.6	0.0	197.6
Navigable Stream Adjudication Commission	133.0	200.0	0.0	333.0
Board of Nursing	0.0	5,283.9	414.7	5,698.6
Nursing Care Ins. Admin. Examiners	0.0	503.1	0.0	503.1
Board of Occupational Therapy Examiners	0.0	204.7	0.0	204.7
Board of Dispensing Opticians	0.0	166.2	0.0	166.2
Board of Optometry	0.0	248.2	0.0	248.2
Board of Osteopathic Examiners	0.0	1,091.4	0.0	1,091.4
Arizona State Parks	0.0	19,883.4	18,564.5	38,447.9
Personnel Board	0.0	332.5	0.0	332.5
Board of Pharmacy	0.0	3,135.0	2,487.1	5,622.1
Board of Physical Therapy Examiners	0.0	513.9	0.0	513.9
Pioneers' Home	0.0	7,227.0	0.0	7,227.0
Board of Podiatry Examiners	0.0	171.6	0.0	171.6
Commission for Postsecondary Education	1,680.9	1,543.7	683.2	3,907.8
Power Authority	0.0	0.0	22,503.7	22,503.7
Board for Private Postsecondary Education	0.0	436.3	170.0	606.3
Board of Psychologist Examiners	0.0	563.0	0.0	563.0
Department of Public Safety	273,124.2	106,259.7	117,579.4	496,963.3
Public Safety Personnel Retirement System	6,000.0	0.0	24,424.0	30,424.0
Department of Real Estate	2,997.6	0.0	207.8	3,205.4
Residential Utility Consumer Office	0.0	1,388.9	0.0	1,388.9

FY 2022 Executive Budget

(Dollars in Thousands)

	General Fund	Other Appropriated	Non- Appropriated	All Funds Total
Board of Respiratory Care Examiners	0.0	333.3	0.0	333.3
Arizona State Retirement System	0.0	24,920.8	109,753.2	134,674.0
Department of Revenue	31,799.5	48,983.2	1,434.8	82,217.5
School Facilities Board	240,735.2	0.0	261,645.3	502,380.5
Department of State - Secretary of State	13,163.6	1,479.3	5,304.5	19,947.4
Board of Tax Appeals	292.2	0.0	0.0	292.2
Board of Technical Registration	0.0	2,263.1	0.0	2,263.1
Office of Tourism	8,335.1	0.0	17,011.3	25,346.4
Department of Transportation	4,097.5	471,304.3	20,890.5	496,292.3
Treasurer	1,548.8	6,053.4	0.0	7,602.2
Governor's Office on Tribal Relations	64.7	0.0	20.2	84.9
Board of Regents	22,480.0	0.0	197,695.4	220,175.4
Arizona State University	343,617.4	607,175.9	2,829,786.8	3,780,580.1
Northern Arizona University	116,454.6	156,298.7	407,663.3	680,416.6
University of Arizona - Main Campus	217,172.2	240,586.5	1,268,579.5	1,726,338.2
University of Arizona - Health Sciences Center	76,897.7	56,863.4	478,198.7	611,959.8
Department of Veterans' Services	8,399.9	51,278.2	9,294.4	68,972.5
Veterinary Medical Examining Board	0.0	618.3	0.0	618.3
Department of Water Resources	14,731.6	2,466.8	22,406.2	39,604.6
	12,517,404.2	4,590,627.9	32,900,036.2	50,008,068.3

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 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
Department of Administration	7,322.0	8,209.9	8,209.9	8,209.9	0.0
Office of Administrative Hearings	889.9	921.5	921.5	921.5	0.0
African-American Affairs	127.4	133.2	133.2	133.2	0.0
Department of Agriculture	10,163.2	10,492.2	10,492.2	10,492.2	0.0
Arizona Health Care Cost Containment System	1,705,047.3	1,951,981.1	1,951,981.1	2,082,883.1	130,902.0
Commission on the Arts	200.0	0.0	0.0	2,000.0	2,000.0
Attorney General - Department of Law	24,844.8	25,411.0	25,411.0	25,411.0	0.0
Board for Charter Schools	1,511.0	2,152.1	2,152.1	2,152.1	0.0
Department of Child Safety	342,279.2	387,893.0	387,893.0	413,031.2	25,138.2
Commerce Authority	19,275.0	16,175.0	16,175.0	26,175.0	10,000.0
Community Colleges	97,431.8	64,895.4	64,895.4	66,317.4	1,422.0
Corporation Commission	621.2	647.1	647.1	843.1	196.0
Department of Corrections	873,034.8	1,205,396.2	1,205,396.2	1,231,355.4	25,959.2
Schools for the Deaf and the Blind	22,892.0	23,865.5	23,865.5	23,865.5	0.0
Department of Economic Security	749,708.2	812,054.3	812,054.3	949,579.6	137,525.3
State Board of Education	1,037.9	1,334.3	390,395.3	11,334.3	10,000.0
Department of Education	5,192,914.2	5,599,591.9	5,210,530.9	5,816,271.5	216,679.6
Department of Emergency and Military Affairs	9,935.1	12,373.0	12,373.0	17,088.7	4,715.7
Department of Environmental Quality	200.0	15,000.0	15,000.0	15,000.0	0.0
Office of Economic Opportunity	465.8	485.5	485.5	485.5	0.0
Board of Equalization	477.9	673.2	673.2	673.2	0.0
Board of Executive Clemency	1,079.2	1,184.5	1,184.5	1,184.5	0.0
Exposition & State Fair	0.0	0.0	0.0	2,000.0	2,000.0
Department of Forestry and Fire Management	14,314.1	13,399.6	15,569.7	36,022.3	22,622.7
Department of Gaming	2,509.5	2,509.5	2,509.5	2,509.5	0.0
Office of the Governor	6,941.0	8,924.8	8,924.8	10,924.8	2,000.0
Governor's Office of Strategic Planning and Budgeting	2,163.5	2,765.1	2,765.1	2,765.1	0.0
Department of Health Services	81,186.7	95,897.9	95,897.9	99,189.8	3,269.3
Arizona Historical Society	3,107.7	3,195.6	3,195.6	3,195.6	0.0
Prescott Historical Society of Arizona	808.1	867.7	867.7	867.7	0.0
Department of Housing	15,000.0	0.0	0.0	0.0	0.0
Independent Redistricting Commission	0.0	500.0	500.0	4,100.0	3,600.0
Department of Insurance and Financial Institutions	6,697.5	8,090.7	8,090.7	7,840.7	(250.0)
Court of Appeals	16,709.4	17,179.6	17,179.6	17,179.6	0.0
Superior Court	92,009.2	98,194.3	98,194.3	100,689.7	2,495.4
Supreme Court	20,874.0	21,399.3	21,399.3	21,897.5	498.2
Department of Juvenile Corrections	25,763.2	30,616.2	30,616.2	30,707.4	91.2
Land Department	11,655.4	12,563.8	12,563.8	12,563.8	0.0
Auditor General	20,629.3	20,991.5	20,991.5	20,991.5	0.0
House of Representatives	15,579.2	16,830.0	16,830.0	16,830.0	0.0
Joint Legislative Budget Committee	2,303.2	2,934.7	2,934.7	2,934.7	0.0
Legislative Council	6,307.5	9,026.6	9,026.6	9,026.6	0.0
Senate	10,560.3	13,253.9	13,253.9	13,253.9	0.0
Local Government	10,650.7	10,650.7	10,650.7	10,650.7	0.0
Mine Inspector	1,079.1	1,301.9	1,301.9	1,515.6	213.7

General Fund Operating Budgets Summary

(Dollars in Thousands)

	FY 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
Navigable Stream Adjudication Commission	121.0	133.0	133.0	133.0	0.0
Commission for Postsecondary Education	1,680.0	1,680.9	1,680.9	1,680.9	0.0
Department of Public Safety	81,724.2	91,138.0	91,138.0	273,124.2	181,986.2
Public Safety Personnel Retirement System	6,000.0	6,000.0	6,000.0	6,000.0	0.0
Department of Real Estate	2,467.8	2,997.6	2,997.6	2,997.6	0.0
Department of Revenue	27,358.3	31,799.5	31,799.5	31,799.5	0.0
School Facilities Board	353,509.2	235,235.7	273,994.7	240,735.2	5,499.5
Department of State - Secretary of State	19,167.6	17,263.6	17,263.6	13,163.6	(4,100.0)
Board of Tax Appeals	278.9	292.2	292.2	292.2	0.0
Office of Tourism	7,964.0	8,335.1	8,335.1	8,335.1	0.0
Department of Transportation	29,563.0	0.0	0.0	4,097.5	4,097.5
Treasurer	823.4	1,548.8	1,548.8	1,548.8	0.0
Governor's Office on Tribal Relations	59.7	64.7	64.7	64.7	0.0
Board of Regents	22,395.1	22,480.0	22,480.0	22,480.0	0.0
Arizona State University	334,270.6	324,717.4	343,617.4	343,617.4	18,900.0
Northern Arizona University	126,855.3	109,804.6	116,454.6	116,454.6	6,650.0
University of Arizona - Main Campus	217,350.0	207,722.2	217,172.2	217,172.2	9,450.0
University of Arizona - Health Sciences Center	76,897.7	76,897.7	76,897.7	76,897.7	0.0
Department of Veterans' Services	5,774.0	7,983.5	7,983.5	8,399.9	416.4
Department of Water Resources	66,688.9	14,731.6	14,731.6	14,731.6	0.0
General Fund Operating Total	10,809,255.1	11,692,789.4	11,768,718.5	12,516,790.1	823,978.1

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 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
<u>Board of Accountancy</u>					
Accountancy Board Fund	1,839.9	2,098.5	2,098.5	2,098.5	0.0
<u>Acupuncture Board of Examiners</u>					
Acupuncture Board of Examiners Fund	169.8	180.7	180.7	180.7	0.0
<u>Department of Administration</u>					
Capital Outlay Stabilization Fund	15,142.2	18,749.8	18,749.8	18,749.8	0.0
Personnel Division Fund	11,016.9	13,056.8	13,056.8	13,056.8	0.0
Information Technology Fund	7,037.1	8,566.4	8,566.4	8,566.4	0.0
Air Quality Fund	453.9	927.3	927.3	927.3	0.0
State Web Portal Fund	6,146.8	6,705.1	6,705.1	6,705.1	0.0
Special Employee Health Fund	4,918.6	5,449.1	5,449.1	5,449.1	0.0
Capitol Mall Consolidation Fund	0.0	0.0	0.0	375.9	375.9
Motor Pool Revolving Fund	7,068.2	10,199.7	10,199.7	0.0	(10,199.7)
Admin - Special Services Fund	662.5	1,172.8	1,172.8	1,172.8	0.0
State Surplus Materials Revolving Fund	2,542.5	3,003.2	3,003.2	3,003.2	0.0
Federal Surplus Materials Revolving Fund	30.1	467.4	467.4	467.4	0.0
Risk Management Fund	82,722.4	94,772.9	97,574.4	96,879.0	2,106.1
Arizona Financial Information System Collections Fund	8,585.4	9,549.1	9,549.1	9,549.1	0.0
Automation Operations Fund	26,216.1	31,275.4	31,275.4	31,275.4	0.0
Telecommunications Fund	1,368.3	1,693.6	1,693.6	1,693.6	0.0
Corrections Fund	573.7	593.0	593.0	593.0	0.0
Agency Total	174,484.7	206,181.6	208,983.1	198,463.9	(7,717.7)
<u>Department of Agriculture</u>					
Nuclear Emergency Management Fund	252.4	280.5	280.5	280.5	0.0
Air Quality Fund	1,391.5	1,499.1	1,499.1	1,499.1	0.0
Agency Total	1,643.9	1,779.6	1,779.6	1,779.6	0.0
<u>Arizona Health Care Cost Containment System</u>					
Tobacco Tax and Health Care Fund MNA	66,861.8	65,627.2	65,627.2	65,627.2	0.0
TPTF Emergency Health Services Account	16,216.3	16,216.3	16,216.3	16,216.3	0.0
Substance Abuse Services Fund	1,350.2	2,250.2	2,250.2	2,250.2	0.0
KidsCare - Federal Revenue and Expenditures Fund	80,961.3	81,348.2	81,348.2	98,403.0	17,054.8
Budget Neutrality Compliance Fund	3,906.4	4,037.4	4,037.4	4,037.4	0.0
Prescription Drug Rebate Fund	149,574.5	148,459.6	148,459.6	154,459.6	6,000.0
Agency Total	318,870.5	317,938.9	317,938.9	340,993.7	23,054.8
<u>Board of Athletic Training</u>					
Athletic Training Fund	112.7	130.5	130.5	130.5	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
<u>Attorney General - Department of Law</u>					
Risk Management Fund	0.0	0.0	0.0	500.0	500.0
Interagency Service Agreements Fund	14,870.0	16,980.5	16,980.5	16,980.5	0.0
Collection Enforcement Revolving Fund - Operating	6,464.3	7,132.7	7,132.7	7,132.7	0.0
Internet Crimes Against Children Enforcement Fund	0.0	900.0	900.0	900.0	0.0
Risk Management Fund	9,008.2	9,927.3	9,927.3	9,927.3	0.0
Attorney General Legal Services Cost Allocation Fund	1,544.1	2,166.6	2,166.6	2,166.6	0.0
Consumer Protection - Consumer Fraud Revolving Fund	10,235.2	10,889.3	10,889.3	13,478.1	2,588.8
Antitrust Enforcement Revolving Fund	109.5	152.5	152.5	152.5	0.0
Victims Rights Fund	2,495.0	3,783.3	3,783.3	3,783.3	0.0
Agency Total	44,726.3	51,932.2	51,932.2	55,021.0	3,088.8
<u>Board of Barbers</u>					
Board of Barbers Fund	387.3	419.2	419.2	419.2	0.0
<u>Board of Behavioral Health Examiners</u>					
Behavioral Health Examiner Fund	1,564.8	1,818.2	1,818.2	1,818.2	0.0
<u>Department of Child Safety</u>					
Temporary Assistance for Needy Families (TANF) Fund	152,802.0	159,091.1	159,091.1	159,091.1	0.0
Child Care and Development Fund	28,980.2	35,400.0	35,400.0	40,516.0	5,116.0
DCS Expenditure Authority Fund	318,141.9	438,965.3	505,288.4	634,258.3	195,293.0
Child Abuse Prevention Fund	449.4	1,459.3	1,459.3	1,459.3	0.0
Children and Family Services Training Program Fund	0.0	217.0	217.0	217.0	0.0
Risk Management Revolving Fund	0.0	2,602.0	2,602.0	0.0	(2,602.0)
Agency Total	500,373.5	637,734.7	704,057.8	835,541.7	197,807.0
<u>Board of Chiropractic Examiners</u>					
Chiropractic Examiners Board Fund	390.1	450.6	450.6	450.6	0.0
<u>Commerce Authority</u>					
State Web Portal Fund	2,250.0	0.0	0.0	0.0	0.0
<u>Registrar of Contractors</u>					
Registrar of Contractors Fund	10,611.1	12,690.0	12,690.0	12,690.0	0.0
<u>Corporation Commission</u>					
Utility Regulation Revolving	14,437.3	14,932.6	14,932.6	14,932.6	0.0
Securities Regulatory & Enforcement	5,060.9	5,286.1	5,286.1	5,286.1	0.0
Public Access Fund	6,546.9	6,976.2	6,976.2	6,976.2	0.0
Securities Investment Management Fund	713.3	745.5	745.5	745.5	0.0
Arizona Arts Trust Fund	50.7	52.6	52.6	52.6	0.0
Agency Total	26,809.1	27,993.0	27,993.0	27,993.0	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
<u>Department of Corrections</u>					
Corrections Fund	30,312.2	30,312.3	30,312.3	30,312.3	0.0
State Education Fund for Correctional Education Fund	729.0	769.6	769.6	769.6	0.0
DOC - Alcohol Abuse Treatment Fund	274.0	555.5	555.5	555.5	0.0
Transition Program Fund	592.2	2,400.1	2,400.1	2,400.1	0.0
Prison Construction and Operations Fund	2,499.8	12,500.0	12,500.0	12,500.0	0.0
Inmate Store Proceeds Fund	926.7	1,341.3	1,341.3	1,341.3	0.0
Penitentiary Land Earnings Fund	2,487.5	2,804.0	2,804.0	2,804.0	0.0
State Charitable, Penal & Reformatory Land Earnings Fund	2,661.5	2,661.8	2,661.8	2,661.8	0.0
Agency Total	40,483.1	53,344.6	53,344.6	53,344.6	0.0
<u>Board of Cosmetology</u>					
Board of Cosmetology Fund	1,776.1	1,897.4	1,897.4	1,904.2	6.8
<u>Criminal Justice Commission</u>					
Criminal Justice Enhancement Fund	439.3	668.5	668.5	668.5	0.0
Victim Compensation and Assistance Fund	3,978.6	4,229.9	4,229.9	4,229.9	0.0
Resource Center Fund	582.5	624.2	624.2	624.2	0.0
Transition Program Fund	742.5	0.0	0.0	0.0	0.0
Fingerprint Clearance Card Fund	89.8	600.0	600.0	0.0	(600.0)
State Aid to County Attorneys Fund	716.3	973.7	973.7	973.7	0.0
Agency Total	6,549.0	7,096.3	7,096.3	6,496.3	(600.0)
<u>Schools for the Deaf and the Blind</u>					
Schools for the Deaf and the Blind Fund	13,066.7	13,388.3	13,388.3	13,388.3	0.0
<u>Commission for the Deaf and the Hard of Hearing</u>					
Telecommunication for the Deaf Fund	4,470.4	4,685.9	4,685.9	4,685.9	0.0
<u>Board of Dental Examiners</u>					
Dental Board Fund	1,142.9	1,261.2	1,261.2	1,438.6	177.4
<u>Department of Economic Security</u>					
Statewide Cost Allocation Plan Fund	0.0	1,000.0	1,000.0	1,000.0	0.0
Temporary Assistance for Needy Families (TANF) Fund	65,395.9	65,839.8	65,839.8	65,839.8	0.0
Child Care and Development Fund	188,120.6	181,557.8	274,270.1	199,543.0	17,985.2
Workforce Investment Grant Fund	72,176.2	56,085.5	56,085.5	56,085.5	0.0
Special Administration Fund	4,511.2	4,550.0	4,550.0	4,550.0	0.0
Child Support Enforcement Administration Fund	8,880.9	17,531.3	17,531.3	17,531.3	0.0
Domestic Violence Services Fund	3,071.0	4,000.0	4,000.0	4,000.0	0.0
Public Assistance Collections Fund	0.0	423.6	423.6	423.6	0.0
Department Long-Term Care System Fund	26,559.6	26,563.8	30,563.8	32,463.8	5,900.0
Spinal and Head Injuries Trust Fund	2,326.8	2,340.2	2,340.2	2,340.2	0.0
Agency Total	371,042.2	359,892.0	456,604.3	383,777.2	23,885.2

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
<u>Department of Education</u>					
School Accountability - Prop 301 Fund	0.0	7,000.0	7,000.0	7,000.0	0.0
Teacher Certification Fund	1,956.2	2,420.7	2,420.7	2,420.7	0.0
Empowerment Scholarship Account Fund	1,283.4	0.0	0.0	0.0	0.0
Department of Education Professional Development Revolving Fund	42.7	2,700.0	2,700.0	2,700.0	0.0
Tribal College Dual Enrollment Program Fund	250.0	250.0	250.0	325.0	75.0
Permanent State School Fund	290,489.1	300,612.6	300,612.6	308,789.6	8,177.0
Agency Total	294,021.4	312,983.3	312,983.3	321,235.3	8,252.0
<u>Department of Emergency and Military Affairs</u>					
Nuclear Emergency Management Fund	1,430.3	1,506.1	1,506.1	1,506.1	0.0
Emergency Management Assistance Compact Revolving Fund	(97.8)	0.0	0.0	0.0	0.0
Agency Total	1,332.5	1,506.1	1,506.1	1,506.1	0.0
<u>Department of Environmental Quality</u>					
DEQ Emissions Inspection Fund	27,438.4	26,665.8	26,665.8	26,665.8	0.0
Hazardous Waste Management Fund	1,607.3	1,785.0	1,785.0	1,785.0	0.0
Air Quality Fund	5,479.0	5,472.4	5,472.4	5,472.4	0.0
Underground Storage Tank Revolving	0.0	160.8	160.8	160.8	0.0
Recycling Fund	1,033.7	1,396.8	1,396.8	1,396.8	0.0
Permit Administration Fund	4,124.1	7,327.1	7,327.1	7,327.1	0.0
Emergency Response Fund	132.7	132.8	132.8	132.8	0.0
Solid Waste Fee Fund	1,146.5	1,280.7	1,280.7	1,884.7	604.0
Water Quality Fee Fund	7,452.0	10,806.3	10,806.3	11,006.3	200.0
Safe Drinking Water Program Fund	1,661.7	1,854.7	1,854.7	2,254.7	400.0
Indirect Cost Recovery Fund	13,510.1	14,025.5	14,025.5	14,025.5	0.0
Agency Total	63,585.5	70,907.9	70,907.9	72,111.9	1,204.0
<u>Governor's Office for Equal Opportunity</u>					
Personnel Division Fund	122.3	197.7	197.7	197.7	0.0
<u>Exposition & State Fair</u>					
Arizona Exposition and State Fair Fund	13,060.8	13,523.7	13,523.7	13,523.7	0.0
<u>Board of Funeral Directors & Embalmers</u>					
Funeral Directors & Embalmers Fund	361.2	401.1	401.1	410.7	9.6
<u>Game and Fish Department</u>					
Game and Fish Fund	32,749.5	39,703.7	39,703.7	39,703.7	0.0
Watercraft Licensing Fund	3,129.5	4,991.4	4,991.4	4,991.4	0.0
Game, Non-Game, Fish and Endangered Species Fund	170.4	357.9	357.9	357.9	0.0
Capital Improvement Fund	1,047.3	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	37,096.7	46,070.4	46,070.4	46,070.4	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
<u>Department of Gaming</u>					
State Lottery Fund	300.0	300.0	300.0	300.0	0.0
Permanent Tribal-State Compact Fund	2,093.5	2,176.5	2,176.5	2,176.5	0.0
Arizona Benefits Fund - NEW	9,468.3	11,243.5	11,243.5	11,243.5	0.0
Racing Regulation Fund	1,742.5	2,466.0	2,466.0	2,216.0	(250.0)
Racing Regulaions Fund - Unarmed Combat Subaccount	99.9	102.3	102.3	102.3	0.0
Agency Total	13,704.2	16,288.3	16,288.3	16,038.3	(250.0)
<u>Department of Health Services</u>					
Capital Outlay Stabilization Fund	32.3	0.0	0.0	0.0	0.0
Tobacco Tax Hlth Care Fund MNMI Account	603.5	700.0	700.0	700.0	0.0
Health Services Licenses Fund	14,396.0	16,241.3	16,241.3	15,931.3	(310.0)
Child Care and Development Fund	916.8	911.5	911.5	911.5	0.0
Disease Control Research Fund	1,022.2	1,000.0	1,000.0	1,000.0	0.0
Health Research Fund	4,117.3	3,000.0	3,000.0	3,000.0	0.0
Nuclear Emergency Management Fund	523.5	789.7	789.7	789.7	0.0
Emergency Medical Operating Services Fund	4,932.6	5,841.9	5,841.9	3,912.6	(1,929.3)
Newborn Screening Program Fund	7,007.6	7,741.2	7,741.2	8,837.9	1,096.7
Nursing Care Institution Resident Protection Revolving Fund	64.9	138.2	138.2	138.2	0.0
Prescription Drug Rebate Fund	0.0	0.0	0.0	4,000.0	4,000.0
Environmental Laboratory Licensure Revolving Fund	709.7	952.0	952.0	952.0	0.0
Child Fatality Review Fund	94.7	99.2	99.2	199.2	100.0
Vital Records Electronic Systems Fund	3,111.0	3,701.7	3,701.7	3,701.7	0.0
The Arizona State Hospital Fund	2,789.3	2,573.4	2,573.4	2,883.4	310.0
DHS State Hospital Land Earnings Fund	575.1	650.0	650.0	650.0	0.0
Health Services Lottery Fund	86.0	100.0	100.0	100.0	0.0
Indirect Cost Fund	8,812.4	10,678.6	10,678.6	11,353.1	674.5
Justice Reinvestment Fund - NEW	0.0	0.0	0.0	1,737.3	1,737.3
Smart and Safe Arizona Fund - NEW	0.0	0.0	0.0	1,342.6	1,342.6
Agency Total	49,794.9	55,118.7	55,118.7	62,140.5	7,021.8
<u>Board of Homeopathic Medical Examiners</u>					
Homeopathic Medical Examiners Fund	40.5	46.6	46.6	46.6	0.0
<u>Department of Housing</u>					
Housing Trust Fund	322.2	332.5	332.5	332.5	0.0
<u>Industrial Commission of Arizona</u>					
Industrial Commission Administration Fund - NEW	19,552.0	20,593.1	20,593.1	20,593.1	0.0
<u>Department of Insurance and Financial Institutions</u>					
Financial Services Fund	3,676.4	4,157.4	4,157.4	4,157.4	0.0
Automobile Theft Authority Fund	5,230.9	5,330.0	5,330.0	5,763.7	433.7
Banking Department Revolving Fund	1.9	50.3	50.3	50.3	0.0
Agency Total	8,909.2	9,537.7	9,537.7	9,971.4	433.7

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
<u>Superior Court</u>					
Supreme Court CJEF Disbursements Fund	2,142.3	5,475.8	5,475.8	5,475.8	0.0
Judicial Collection Enhancement Fund	4,459.2	6,015.7	6,015.7	6,015.7	0.0
Drug Treatment and Education Fund	499.9	502.9	502.9	502.9	0.0
Agency Total	7,101.4	11,994.4	11,994.4	11,994.4	0.0
<u>Supreme Court</u>					
Supreme Court CJEF Disbursements Fund	3,322.0	4,497.1	4,497.1	4,497.1	0.0
Judicial Collection Enhancement Fund	12,582.4	15,198.7	15,198.7	15,198.7	0.0
Defensive Driving Fund	3,312.7	4,316.9	4,316.9	4,316.9	0.0
Court Appointed Special Advocate Fund	3,523.5	3,627.5	3,627.5	4,092.4	464.9
Confidential Intermediary and Fiduciary Fund	311.8	509.4	509.4	509.4	0.0
State Aid to Courts Fund	1,928.4	2,946.3	2,946.3	2,946.3	0.0
Agency Total	24,980.8	31,095.9	31,095.9	31,560.8	464.9
<u>Department of Juvenile Corrections</u>					
Juvenile Corrections CJEF Distribution Fund	131.2	546.2	546.2	546.2	0.0
Juvenile Education Fund	1,299.8	1,986.0	1,986.0	1,986.0	0.0
Local Cost Sharing Fund	0.0	8,450.9	8,450.9	8,450.9	0.0
State Charitable, Penal and Reformatory Land Fund	2,491.2	4,017.0	4,017.0	4,017.0	0.0
Agency Total	3,922.2	15,000.1	15,000.1	15,000.1	0.0
<u>Land Department</u>					
Environmental Special Plate Fund	150.7	260.6	260.6	260.6	0.0
Due Diligence Fund	135.5	500.0	500.0	500.0	0.0
Trust Land Management Fund	6,519.3	7,320.1	7,320.1	7,320.1	0.0
Agency Total	6,805.5	8,080.7	8,080.7	8,080.7	0.0
<u>Department of Liquor Licenses and Control</u>					
Liquor Licenses Fund	3,280.9	3,498.2	3,498.2	3,498.2	0.0
<u>Local Government</u>					
State Charitable, Penal & Reformatory Land Earnings Fund	500.0	500.0	500.0	0.0	(500.0)
<u>Lottery Commission</u>					
Lottery Fund	125,661.5	148,164.9	148,164.9	163,081.0	14,916.1
<u>Massage Therapy</u>					
Massage Therapy Board Fund	465.9	486.1	486.1	486.1	0.0
<u>Medical Board</u>					
Medical Examiners Board Fund	6,691.3	7,227.7	7,227.7	7,677.7	450.0
<u>Mine Inspector</u>					
Aggregate Mining Reclamation Fund	22.8	112.9	112.9	112.9	0.0
<u>Naturopathic Physicians Board of Medical Examiners</u>					
Naturopathic Board Fund	154.3	197.6	197.6	197.6	0.0
<u>Navigable Stream Adjudication Commission</u>					
Arizona Water Banking Fund	47.2	200.0	200.0	200.0	0.0
<u>Board of Nursing</u>					
Nursing Board Fund	4,630.3	4,927.5	4,927.5	5,283.9	356.4

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
<u>Nursing Care Ins. Admin. Examiners</u>					
Nursing Care Institution Administrators/ACHMC Fund	428.0	470.4	470.4	503.1	32.7
<u>Board of Occupational Therapy Examiners</u>					
Occupational Therapy Fund	173.8	204.7	204.7	204.7	0.0
<u>Board of Dispensing Opticians</u>					
Dispensing Opticians Board Fund	140.0	159.7	159.7	166.2	6.5
<u>Board of Optometry</u>					
Board of Optometry Fund	224.9	248.2	248.2	248.2	0.0
<u>Board of Osteopathic Examiners</u>					
Osteopathic Examiners Board Fund	930.3	1,038.0	1,038.0	1,091.4	53.4
<u>Arizona State Parks</u>					
State Lake Improvement Fund	225.0	0.0	0.0	0.0	0.0
State Parks Revenue Fund	15,450.6	16,472.8	16,619.9	18,883.4	2,410.6
Park Store Fund - NEW	0.0	0.0	0.0	1,000.0	1,000.0
Agency Total	15,675.6	16,472.8	16,619.9	19,883.4	3,410.6
<u>Personnel Board</u>					
Personnel Division Fund	138.6	332.5	332.5	332.5	0.0
<u>Board of Pharmacy</u>					
Pharmacy Board Fund	2,477.4	2,689.6	2,689.6	3,135.0	445.4
<u>Board of Physical Therapy Examiners</u>					
Physical Therapy Fund	438.3	513.9	513.9	513.9	0.0
<u>Pioneers' Home</u>					
Pioneers' Home State Charitable Earnings Fund	4,467.7	4,658.5	5,058.5	5,089.5	431.0
Pioneers' Home Miners' Hospital Fund	3,056.9	2,137.5	2,137.5	2,137.5	0.0
Agency Total	7,524.6	6,796.0	7,196.0	7,227.0	431.0
<u>Board of Podiatry Examiners</u>					
Podiatry Examiners Board Fund	140.6	171.6	171.6	171.6	0.0
<u>Commission for Postsecondary Education</u>					
Postsecondary Education Fund	1,268.5	1,543.7	1,543.7	1,543.7	0.0
<u>Board for Private Postsecondary Education</u>					
Private Postsecondary Education Fund	394.3	436.3	436.3	436.3	0.0
<u>Board of Psychologist Examiners</u>					
Psychologist Examiners Board Fund - NEW	488.3	529.9	529.9	563.0	33.1

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
<u>Department of Public Safety</u>					
State Highway Fund	318.2	318.2	318.2	8,169.1	7,850.9
Arizona Highway Patrol Fund	194,725.9	200,822.7	200,822.7	54,286.8	(146,535.9)
Safety Enforcement and Transportation Infrastructure Fund	825.5	1,715.1	1,715.1	0.0	(1,715.1)
Motor Vehicle Liability Insurance Enforcement Fund	1,250.9	1,302.7	1,302.7	1,302.7	0.0
DPS Forensics Fund	16,889.9	23,235.6	23,235.6	23,235.6	0.0
Public Safety Equipment Fund	2,852.1	2,893.7	2,893.7	2,893.7	0.0
Gang and Immigration Intelligence Team Enforcement Mission Fund	2,074.8	2,411.6	2,411.6	2,411.6	0.0
Fingerprint Clearance Card Fund	1,334.5	1,596.1	1,596.1	1,596.1	0.0
State Aid to Indigent Defense Fund	634.2	700.0	700.0	700.0	0.0
Motorcycle Safety Fund	205.0	205.0	205.0	205.0	0.0
Parity Compensation Fund	3,990.5	4,175.5	4,175.5	4,175.5	0.0
Concealed Weapons Permit Fund	2,666.4	2,831.2	2,831.2	2,875.3	44.1
Peace Officer Training Equipment Fund	593.4	0.0	0.0	0.0	0.0
DPS Criminal Justice Enhancement Fund	1,535.6	2,999.7	2,999.7	2,999.7	0.0
Risk Management Revolving Fund	1,349.3	1,408.6	1,408.6	1,408.6	0.0
Agency Total	231,246.1	246,615.7	246,615.7	106,259.7	(140,356.0)
<u>Residential Utility Consumer Office</u>					
Residential Utility Consumer Office Revolving Fund	951.8	1,388.9	1,388.9	1,388.9	0.0
<u>Board of Respiratory Care Examiners</u>					
Board of Respiratory Care Examiners Fund	298.8	333.3	333.3	333.3	0.0
<u>Arizona State Retirement System</u>					
Retirement System Appropriated Fund - NEW	19,812.6	23,120.8	23,120.8	23,120.8	0.0
LTD Trust Fund	1,303.3	1,800.0	1,800.0	1,800.0	0.0
Agency Total	21,115.9	24,920.8	24,920.8	24,920.8	0.0
<u>Department of Revenue</u>					
Tobacco Tax and Health Care Fund	508.0	694.7	694.7	694.7	0.0
DOR Liability Setoff Fund	733.6	815.5	815.5	815.5	0.0
Department of Revenue Administrative Fund	45,481.2	47,473.0	47,473.0	47,473.0	0.0
Agency Total	46,722.7	48,983.2	48,983.2	48,983.2	0.0
<u>Department of State - Secretary of State</u>					
Election Systems Improvement Fund	308.7	0.0	0.0	192.5	192.5
Records Services Fund	684.6	744.8	1,239.3	1,286.8	542.0
Agency Total	993.3	744.8	1,239.3	1,479.3	734.5
<u>Board of Technical Registration</u>					
Technical Registration Board Fund - NEW	1,862.0	2,263.1	2,263.1	2,263.1	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
<u>Department of Transportation</u>					
Consumer Protection - Consumer Fraud Revolving Fund	0.0	0.0	0.0	156.3	156.3
State Aviation Fund	1,793.0	2,064.8	2,064.8	2,064.8	0.0
State Highway Fund	346,971.2	406,793.9	406,793.9	418,630.2	11,836.3
Highway Damage Recovery Account Fund	8,000.0	8,000.0	8,000.0	8,000.0	0.0
Transportation Department Equipment Fund	17,540.9	19,167.8	19,167.8	19,167.8	0.0
Safety Enforcement and Transportation Infrastructure Fund	756.7	896.0	896.0	0.0	(896.0)
Ignition Interlock Device Fund	315.3	332.8	332.8	332.8	0.0
Air Quality Fund	281.0	326.0	326.0	326.0	0.0
Vehicle Inspection and Certificate of Title Enforcement Fund	1,488.9	2,143.2	2,143.2	2,143.2	0.0
Motor Vehicle Liability Insurance Enforcement Fund	2,039.6	1,781.8	1,781.8	1,781.8	0.0
Highway User Revenue Fund	540.9	679.9	679.9	679.9	0.0
SMVFR Fund Subaccount - Department of Forestry and Fire Management - NEW	0.0	0.0	0.0	3,910.0	3,910.0
SMVFR Fund Subaccount - Attorney General's Office - NEW	0.0	0.0	0.0	156.3	156.3
SMVFR Fund Subaccount - Superior Court - NEW	0.0	0.0	0.0	187.5	187.5
State Motor Vehicle Fleet Operations Fund - NEW	0.0	0.0	0.0	13,767.7	13,767.7
Agency Total	<u>379,727.5</u>	<u>442,186.2</u>	<u>442,186.2</u>	<u>471,304.3</u>	<u>29,118.1</u>
<u>Treasurer</u>					
Boating Safety Fund	0.0	2,183.8	2,183.8	2,183.8	0.0
Treasurer Empowerment Scholarship Account Fund	304.4	0.0	0.0	0.0	0.0
State Treasurer's Operating Fund	<u>3,059.5</u>	<u>3,457.0</u>	<u>3,457.0</u>	<u>3,869.6</u>	<u>412.6</u>
Agency Total	<u>3,363.9</u>	<u>5,640.8</u>	<u>5,640.8</u>	<u>6,053.4</u>	<u>412.6</u>
<u>Arizona State University</u>					
ASU Collections Fund Tuition and Fees	655,430.2	603,575.9	603,575.9	603,575.9	0.0
Technology and Research Initiative Fund	<u>3,472.4</u>	<u>3,600.0</u>	<u>3,600.0</u>	<u>3,600.0</u>	<u>0.0</u>
Agency Total	<u>658,902.6</u>	<u>607,175.9</u>	<u>607,175.9</u>	<u>607,175.9</u>	<u>0.0</u>
<u>Northern Arizona University</u>					
NAU Collections - Appropriated Fund	156,154.5	156,298.7	156,298.7	156,298.7	0.0
<u>University of Arizona - Main Campus</u>					
U of A Main Campus - Collections - Appropriated Fund	432,107.7	240,586.5	240,586.5	240,586.5	0.0
<u>University of Arizona - Health Sciences Center</u>					
U of A Main Campus - Collections - Appropriated Fund	48,436.8	56,863.4	56,863.4	56,863.4	0.0
<u>Department of Veterans' Services</u>					
State Home for Veterans Trust Fund	35,157.9	39,887.1	40,187.6	51,278.2	11,391.1
<u>Veterinary Medical Examining Board</u>					
Veterinary Medical Examiners Board Fund	452.6	618.3	618.3	618.3	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2020 Expenditures	FY 2021 Appropriation	FY 2021 Executive Budget	FY 2022 Executive Budget	FY 2022 Changes and Adjustments
<u>Department of Water Resources</u>					
Arizona Water Banking Fund	839.1	1,212.4	1,212.4	1,212.4	0.0
Water Resources Fund	574.5	977.7	977.7	977.7	0.0
Assured and Adequate Water Supply Administration Fund	266.7	276.7	276.7	276.7	0.0
Agency Total	1,680.3	2,466.8	2,466.8	2,466.8	0.0
Other Appropriated Funds Operating Total	4,258,549.3	4,390,487.3	4,557,666.3	4,568,261.1	177,773.8

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

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[State Agencies' Websites](#)

[Governor's Fundamentals Map](#)

[Openbooks](#), a searchable database of the State Accounting System

[Arizona Labor Market Statistics](#)

[Arizona Population Statistics](#)

[FY 2021 Appropriations Report](#)

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