

YELLOW SHEET REPORT

·NEWS NOTES AND GOSSIP·

NO MORE MR. SKINNY BUDGET!

Ducey's \$12.63 billion spending plan, which he released today, assumes a rebounding economy and higher-than-expected FY21 revenues to pay for a \$200 million tax cut that balloons to \$600 million by year three. All told, the governor's tax cuts would cost the state \$1.2 billion over three years. The budget also makes cautious investments in infrastructure, public safety and education, while still relying heavily on federal pandemic relief. Ducey proposed \$290 million in new initiatives and \$574 million in ongoing baseline increases that ends up with a \$219 million cash balance. The Ninth Floor's budget maintains a structural balance of \$51 million. Ducey seeks \$200 million in large-scale and broad-based income tax cuts in FY22, \$400 million in FY23 and \$600 million in FY24. "We believe this is a responsible plan," Ducey's Chief of Staff Daniel Scarpinato told reporters. The Ninth Floor said the governor's policies allowed Arizona to weather the pandemic recession better than most states, noting their estimated FY21 revenues are \$746 million over the enacted budget. The Ninth Floor added that Arizona's treasury expects to see a boost in FY22 as the state emerges from the pandemic. That's not counting the state's rainy day fund, which stores close to \$1 billion. The governor's FY22 budget proposal makes cautious and narrowly targeted investments in infrastructure, public safety and education, including \$290 million in new initiatives, the majority of which would go to ongoing spending initiatives, with significant one-time spending on infrastructure needs. Of that one-time spending, about half would go to infrastructure and public safety, while around a quarter would bolster the state's K-12 schools and universities. A copy of the budget proposal slideshow ([LINK](#)) and the budget summary book ([LINK](#)) can be viewed in our "documents" section.



BUT A BIG BUDGET NEEDS A BIG CUT TOO

**SHUT UP AND
TAKE MY MONEY**



Details of the governor's \$1.2 billion three-year tax cut package were sparse, and while Ducey is most interested in cutting income taxes, the Ninth Floor said he's willing to negotiate with lawmakers about how best to put that money back in Arizonans' pockets. Lawmakers, however, have been focused more on cutting property taxes than income taxes of late, though that may change as they eye Prop 208 on the horizon. Legislators' focus last session started to shift from income taxes to property taxes because of the 2019 income tax structure changes to conform Arizona to new federal tax laws. Mesnard has already reintroduced his S1108 (tax omnibus) with multiple changes to how property taxes are assessed. And Ducey's budget summary makes clear that Proposition 208 has been on his mind, as well as his long-promised plan to drop state income taxes to "as close to zero as possible." Lawmakers are still brainstorming ways to negate the impact of the new tax on the richest Arizonans, and the Ninth Floor didn't shy away from telling reporters that the highest earners deserve tax cuts, too. "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," the governor's budget says.

AS LAWMAKERS LOVE TO POINT OUT, SCHOOLS ARE EXPENSIVE

Just like in previous budgets, K-12 education makes up the largest portion – 46 percent – of Ducey’s \$12.6 billion spending plan. Not counting formula-driven spending, Ducey wants to invest in expanding broadband in rural areas, summer schools grants, the Teachers Academy, early literacy, civics and other areas. Ducey earlier provided schools funding to ensure their budgets don’t fall so steeply because of declining enrollment, but some districts didn’t get the full amount. Indeed, schools are set to lose \$389 million due to enrollment drops during the pandemic. But the Ninth Floor said federal Covid grants through multiple rounds of stimulus will more than make up for those losses, with more federal dollars expected in the coming months as Democrats take the reins of the federal government. Ducey completed his promised 20 percent raise for teachers in FY21, which means this will be the first year teachers won’t receive raises sparked by the Red for Ed movement, and the money from Prop 208 won’t impact the budget until FY23, unless a court rules against it.



IF YOU CAN'T READ, YOUR ONLY JOB OPTION IS AZ LAWMAKER

Ducey’s budget allocates roughly \$7 million for early literacy support. The state has seen improvements in student literacy. Notably, the number of third graders who passed the ELA exam rose to 46 percent from 40 percent in 2015. Here’s the breakdown:

- \$3.1 million would go to fund literacy coaches through a program called “swarm literacy,” which will focus on more low-performing areas. Many of these areas correspond to Ducey’s Project Rocket, which Udall reintroduced as H2174 (project rocket pilot program; appropriations). Her bill seeks \$44 million in funding. The Ninth Floor said Ducey still views Project Rocket as a priority even without specifically earmarking money for it and that it is up to lawmakers to add that amount in their own budget proposal.
- \$1.5 million would go to implementing a statewide kindergarten entry evaluation, which 35 other states and DC already use. The program will seek to ensure kindergarteners are on track with literacy before they reach third grade.
- \$1.3 million would go to hiring early literacy specialists, a proposal tied to a dyslexia request Dept of Ed made in its end of the year budget letter to Ducey.
- \$1 million would go to fully fund the Foundations of Reading Evaluation, a program geared toward new teachers. The program helps teachers understand students’ struggles and how best to address issues.

REMEMBER THE PICS OF RAT POOP AND COLLAPSING CEILINGS?

Ducey plans to fully fund the building renewal grants for the School Facilities Board with about \$120 million. Schools have faced shortfalls from cuts and have extensive building renewal needs. The SFB still doesn’t have a full-time director after the previous one resigned and Ducey tapped Andy Tobin to run it in addition to the Dept of Administration. Matt Gress, Ducey’s budget director, said there would be a supplemental package of \$150 million for the building renewals as well.

CAN WE GET LAWMAKERS SOME CIVICS EDUCATION, TOO?

Building on his efforts in civics education, Ducey wants to reward high schools junior and seniors with up to \$1,000 per semester for helping their communities. His budget continues to waive the fee for Advanced Placement courses for low-income students. Another \$2 million would build upon civics efforts over the past seven years, including \$1 million to establish the Civics Innovation Fund – a grant program to schools who want to design civics related curriculum – and another \$1 million to establish the AZCivics Corps Pilot, to provide post-secondary scholarships to students who complete community service hours (\$1K per semester). The details were sparse, but the Governor’s Office of Youth, Faith and Family will have oversight and it’s expected to yield 450 scholarships for students. Ducey also plans to fund the full state match for adult education.



YOU DON'T HAVE A CHOICE IF YOU'RE WALKING



The governor is seeking a new pilot program of grants to school districts and charter schools that come up with innovative ways to transport out-of-district students and charter school students into classes. His budget sets aside \$9.5 million for a grant program to incentivize districts and charter schools to improve access to school choice by ensuring that students who get into their preferred school can actually get to classes, with another \$500,000 set aside to market and promote Arizona’s school choice options. The Board of Education will set the criteria for the grants, but the Ninth Floor offers some hypothetical options that might pass muster, including buying vans for charter schools to

transport students, or paying a parent to obtain a commercial drivers’ license and drive a group of kids from a far-flung neighborhood to a district school. “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,” a budget document says. “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.” Additionally, to help boost the state’s robust school choice program, Ducey wants lawmakers to establish March as “open enrollment month” to end “unreasonably short” open enrollment windows in some schools.

JUST TELL THE KIDS SUMMER SCHOOL BUILDS CHARACTER

Ducey wants to allocate \$389 million for a summer school program designed to mitigate the Covid-related learning loss through small-group instruction that prioritizes high-poverty students who are falling behind on standardized tests. The bulk of that money – \$298 million – would go to schools that offer a minimum of 50 hours of summer instruction at all grade levels via grants of \$500 per student. A smaller chunk, \$91 million, would be available to schools that offer a minimum of 80 hours of summer instruction to students in key grade levels – 3rd, 8th and 11th grades. Funding for the program is supplemental from the FY21 budget. While that funding will require schools provide summer classes, which will cost money to run, Scarpinato said the program would bolster schools’ budgets and help increase teachers’ pocketbooks. “Someone has to teach the summer school. It will be teachers, and they will be paid to teach summer school,” he said. “Ultimately, it’s going to provide schools with additional dollars.”

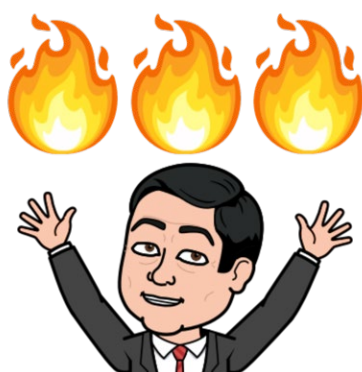


THAT’S WHAT THE FEDS ARE FOR!

Ducey’s letting the feds handle most university funding this year. ASU and UA would both receive \$14 million from the state and NAU would receive \$7 million, all earmarked for the “New Economy” initiative. Altogether, the three universities are set to receive a combined roughly \$238 million in federal relief money and only \$35 million from the state. This comes on the heels of universities effectively receiving a budget cut from the state last year, as they have been receiving funding on a one-time basis and one-time funds were not included in the skinny budget. Community colleges, which would have received \$11 million in ongoing funding had Ducey’s budget passed last year, aren’t set to get that money under his current proposal.



SOME PEOPLE DON’T WANT TO WATCH THE WORLD BURN



Coming off a wildfire year that was far worse than the last two combined, Ducey is proposing a significant bump in fire suppression funding in FY22. Ducey’s budget would boost fire suppression funding from \$4 million to \$6 million, as well as increasing the cap on the Governor’s Emergency Fund from \$4 million to \$8 million. The proposed budget also contains \$2 million to reimburse the federal government for its firefighting costs, plus funding for an Arizona Healthy Forest Initiative that aims to get prisoners into the forest to remove brush and do controlled burns of hazardous vegetation. The program would cost an estimated \$19.9 million in FY22, \$34.7 million in FY23 and \$32.3 million in FY24. Ducey is proposing, over a two-year period, dispatching 720 prison inmates to the high-hazard areas, mostly

located in a band through central Arizona and up the northwestern corner of the state that have been hardest-hit by wildfires. Last year, wildfires consumed 955,000 acres in Arizona, almost double the 520,000 acres that burned in the previous two years combined, the Arizona Department of Forestry and Fire Management said at the time.

IF THEY DON’T HAVE LOCKS, WHY DON’T PRISONERS JUST LEAVE?

Ducey proposed spending \$79.7 million in targeted investments in the Dept of Corrections, of which \$28.1 million is for building needs and \$25.6 million is for “critical safety projects” at the Eyman Complex. That includes as replacing the fire alarm and suppression system and fixing doors, locks and the plumbing. Ducey also wants to boost spending on substance abuse treatment in prisons by \$5 million, which would increase the number of inmates able to receive treatment by 2,527, more than doubling the current number. Ducey’s staff said only 36 percent of inmates who receive substance abuse treatment reoffend versus 52 percent of the total inmate population. Ducey also proposed spending \$13.8 million to equip Dept of Public Safety officers with body cameras, which breaks down to \$9.9 million to buy 2,400 cameras and \$3.8 million to hire 29 new staff members to oversee video retention and redaction. He also wants to boost DPS’ overtime budget from \$2.2 million yearly to \$5.8 million. And, he wants to spend about \$16 million a year over the next three years to perform upgrades to the aging public safety radio network.



AND OBAMA STILL PLANS TO CLOSE GUANTANAMO

soon.



Florence Prison is still on track to shut down, even as Covid continues to rage on, and Ducey wants to allocate \$17.9 million to provide additional bed capacity at the Dept of Corrections. One unit at Florence has already shut down and inmates have been transferred to other state-run prisons, the Ninth Floor said. “We don’t contemplate shutting the prison down on a timeframe, until the beginning of next year,” Ducey’s budget director Matt Gress said. Because Florence is on track to shut down in a matter of a few years, the prison has deferred \$168.3 million in building renewal needs.

HELPING THE POOR, VULNERABLE AND ADDICTED

Ducey’s budget proposal would hire more long-term care facility inspectors, prop up child care support centers, lower adult protective service caseloads and offer more opioid treatment. The budget would establish an \$18 million pilot program to provide childcare to children of educators and nurses, as well as devote almost \$93 million in supplemental FY21 funding to help stabilize childcare support centers. Additionally, it would offer \$2.9 million to reduce adult protective services caseloads in Dept of Economic Securities by hiring an additional 46 employees. As long-term care facilities have been among the most dangerous places during the pandemic, Ducey wants to hire an additional 32 inspectors – to the tune of \$3.3 million – to more quickly inspect long-term care facilities by cutting inspectors’ caseloads by more than half. Ducey’s budget would also provide an additional \$6 million in one-time funding for opioid treatment for the uninsured or underinsured.



WE’RE STILL WAITING FOR THAT THIRD LANE ON I-10



A significant chunk of spending in Ducey’s budget proposal would go to one-time infrastructure projects, though largely for projects the governor floated, and then abandoned, last year as the pandemic forced the governor to scale back his ambitions for 2020. Ducey still wants to expand I-17 to the tune of \$64 million. He proposed an additional \$54 million in spending for the Dept of Corrections to renovate old prison facilities and replace fire suppression systems at Eyman Prison. Another \$33 million would go to the Dept of Administration for building renewal, including renovating the historic Old Capitol building. Another \$5 million would be set aside for Dept of Game and

Fish for building and hatchery renovations, while the state fairgrounds would receive another \$2 million facelift under Ducey’s plan.

HAPPY LONG WEEKEND

Yellow Sheet Report is taking the Martin Luther King Jr. holiday off. We’ll be back with more news, notes and gossip on Tuesday, Jan 19.

·WAKE UP CALL·

[House, Senate to lock down over holiday weekend](#)

Arizona Capitol Times

The Arizona House and Senate will lock down over the long Martin Luther King Jr. weekend and Democrats are urging a suspension of the legislative session until after inauguration day following the FBI warning of potentially violent protests at all 50 state capitols.

[Dem urges ethics probe of Finchem at Capitol protest](#)

Arizona Capitol Times

Rep. Cesar Chavez, D-Phoenix, is asking the House Ethics Committee to investigate and possibly expel an Oro Valley Republican who was in Washington D.C. during a protest against the presidential election results that led to a pro-Trump mob storming the Capitol and several deaths.

[Supreme Court opens door for more privacy intrusion](#)

Arizona Capitol Times

An Arizona Supreme Court ruling January 11 allows police to obtain information about people's internet activity and identity without first getting a search warrant, making it easier for the government to see what most consider to be private information about their online habits.

[Redistricting commission postpones choice of chair](#)

Arizona Capitol Times

The Independent Redistricting Commission on Thursday decided after hours of interviews and gridlock to wait a week before choosing their chair.

[Court dismisses part of Prop 208 legal challenge](#)

Capitol Media Services

A judge has tossed out one of the challenges to a voter-approved education tax.

[Southern Arizona Republican among challengers to GOP Chair Kelli Ward in riven party](#)

Arizona Daily Star

The chair of Arizona's Republican Party, Kelli Ward, has become the center of national attention in recent weeks, for better or worse.

[Apaches object to Forest Service review of huge Pinal copper mine](#)

Associated Press

The U.S. Forest Service is scheduled to release an environmental review that will pave the way to create one of the largest copper mines in the U.S., against the wishes of a group of Apaches who have been trying for years to stop the project.

[Arizona Gov. Ducey to attend Biden inauguration](#)

Associated Press

Arizona Gov. Doug Ducey will attend the inauguration of Joe Biden and Kamala Harris as president and vice president, the Republican governor announced Thursday.

[Ducey Condemned the Capitol Riot, But His PACs Spent Big to Elect Some of Its Sympathizers](#)

Phoenix New Times

Arizona Governor Doug Ducey has made efforts to distance himself from the chaos that occurred at the U.S. Capitol on January 6 when a mob of supporters of President Donald Trump stormed the building.

[Ducey: 'We Will Be Able To Vaccinate Our Way Out Of This'](#)

Phoenix New Times

Arizona's COVID-19 numbers are currently quite bad.

[Baked Alaska No-Shows Scottsdale Hearing, Warrant Issued](#)

Phoenix New Times

Where's Baked Alaska?

Ducey breaks silence, says Trump bears 'some responsibility' for Capitol attack*Arizona Mirror*

After a week of silence on Donald Trump's role in inciting the insurrection at the U.S. Capitol on Jan. 6, Gov. Doug Ducey said in a radio interview on Thursday that the president was partially responsible.

Cindy McCain on possible GOP censure: 'I think I'm going to make T-shirts'*The Hill*

Cindy McCain, wife of the late Sen. John McCain (R-Ariz.), poked at a pending censure from the Arizona Republican Party, joking she would "make T-shirts" for everyone the party has censured.

Feds edge closer to sedition charge in Capitol riot aftermath*Politico*

The language was included in a filing in federal district court in Arizona, intended to deny bail to Jacob Anthony Chansley, a man they describe as "an active participant in" and "the most prominent symbol of" the insurrection.

Lawyer's response to Rep. Andy Biggs' defamation lawsuit threat: Nuts!*Arizona Republic (Opinion, EJ Montini)*

Attorney Tom Ryan, representing Biggs' former opponent Joan Greene, went Gen. McCauliffe on them.

Arizona's COVID death toll rises as we continue down Gov. Doug Ducey's 'right path'*Arizona Republic (Opinion, Laurie Roberts)*

Arizona's COVID death toll continues to rise and hospitals warn they'll soon have to ration treatment as Gov. Doug Ducey continues his 'measured, steady, responsible approach' to the virus.

Ducey belatedly locates his spine, says Trump bears 'some' blame for last week's attack*Arizona Republic (Opinion, Laurie Roberts)*

Gov. Doug Ducey says it's time to 'move forward,' but to do that, he and others need to tell their party they were lied to.

There should be consequences for nixing constitutionally protected speech on social media*Arizona Republic (Opinion, Robert Robb)*

If Big Tech - Apple, Amazon, Google, Twitter and Facebook - bans protected speech, it is acting as a publisher and should have the same liability.

Gov. Doug Ducey will attend Joe Biden's inauguration. That's not an empty gesture*Arizona Republic (Opinion, Elvia Diaz)*

Gov. Doug Ducey has supported Trump but will attend Joe Biden's inauguration, calling Biden 'a good man.' It sets the tone we need now.

Rep. Biggs can't say he's blameless for Capitol riot, whether he helped plan it or not*Arizona Republic (Opinion, Abe Kwok)*

Biggs' bigger blow to democracy was exploiting a court-ordered voter-registration extension and turning it into something far more consequential and nefarious.

Pandemic makes the case for a bigger investment in public health and research*Arizona Republic (Op-ed, Kyle Freese)*

Decreased funding has translated to less capacity and support for state and local health departments, who crucially manage outbreak investigations.

·PRESS RELEASES·**Governor Ducey's Budget Focuses On Education, Tax Relief**

Budget Also Invests In Public Health, Public Safety, Infrastructure And Wildfire Prevention

PHOENIX — Governor Doug Ducey today released his fiscally responsible, recovery-focused budget for Fiscal Year 2022. With a resilient economy, the budget makes historic investments in K-12 education, public health, public safety, wildfire prevention, infrastructure, and more, while also providing tax relief to everyday Arizonans.

“Arizona is resilient, and we continue to move forward in the face of hardship, loss and disruption,” said Governor Ducey. “Our budget will keep us moving in the right direction, and it makes strategic investments in our greatest areas of need — K-12 education, forestry management, public health and much more. Kids have missed out on important learning opportunities and classroom time, and we need to use our resources to help students in need catch up and ensure students, regardless of background, stay on the path to success. Additionally, after many months of adjustments and uncertainty, we want to make sure everyday Arizonans and small businesses get to keep more of the money they earn. Arizona’s economy is resilient, and this budget will support that. I look forward to working with lawmakers on a budget that is fiscally responsible and ensures Arizonans’ needs are met.”

The Governor’s budget lays the foundation for sustainable solutions and ensures everyday taxpayers and working families keep their hard-earned money. It invests nearly \$400 million to get Arizona kids caught up after disruption caused by the pandemic, plus an additional \$250 million for K-12 education above and beyond inflation. It includes additional dollars for COVID-19 response, public safety, higher education, rural broadband and more.

Governor Ducey’s budget also reserves \$200 million in tax relief for working families and Arizona small businesses, phasing to \$600 million over the next three years.

The proposed budget builds upon Governor Ducey’s priorities of reducing recidivism and wildfire prevention by including \$24 million for the Arizona Healthy Forest Initiative, a joint program between the Departments of Forestry and Fire Management and Corrections, Rehabilitation & Reentry. The Healthy Forest Initiative expands opportunities for state inmates to learn crucial job skills for post-sentence employment by treating our state’s land and wildlife, putting a greater focus on fire prevention.

In addition, Arizona remains well-prepared with the Rainy Day Fund, which currently sits at \$954.4 million. While many states used these funds to address shortfalls in response to the pandemic, Arizona last year used \$55 million to address one-time public health expenses — not shortfalls.

FY 2022 Joint Legislative Budget Committee (JLBC) Baseline

Today we are releasing the Fiscal Year (FY) 2022 Baseline budget estimates. The JLBC Baseline revenue projections reflect a consensus economic forecast while the spending estimates represent active funding formula requirements.

The Baseline is not a budget proposal, but an estimate of available resources after statutory requirements. As a result, the JLBC Baseline is unlike the Executive budget proposal, which will contain new policy initiatives.

In summary, the state is expected to have an FY 2022 General Fund cash balance of up to \$2.0 billion. Of that amount, approximately \$400 million would be available for ongoing initiatives.

The following Baseline documents are now on our website. Below is a brief description of each document and the link where you may find it on our website.

- Baseline Summary - Provides a summary of the JLBC Baseline estimates: ['22 Baseline Narrative Summary](#)
- Baseline Slideshow - Summarizes the Baseline estimates in a slideshow format: ['22 Baseline Slideshow](#)
- Baseline Book - Provides 618 pages of detailed budget information: ['22 Baseline Book](#)
- Baseline Book - This is the same document listed above, but is one large pdf, in the event you would like to print the entire book: ['22 Baseline Book-Single PDF](#)

Governor Ducey Applauds Draft Decision For Resolution Copper Project And Land Exchange

PHOENIX — Governor Ducey today welcomed two federal documents that represent a critical step forward for the Resolution Copper Project, a mine that will ensure a reliable supply of up to one billion pounds of copper annually.

"Arizona has a long history of responsible mining, showing that we can have a robust mining sector while protecting our environment and cultural history," said Governor Ducey. "My thanks to the USDA Forest Service for their partnership on a project that will benefit our mining industry, mining professionals, and entire state."

On June 2, 2020, Governor Ducey sent a letter to USDA Undersecretary Jim Hubbard urging the USDA to comply with the National Environmental Policy Act (NEPA) scheduling process set forth in 2015. Today the USDA Forest

Service issued the Final Environmental Statement (EIS) and Draft Record of Decision (ROD) for the Resolution Copper Project and Land Exchange.

The Resolution Copper Project is a proposed underground copper mine near the town of Superior, Arizona. The project would create one of the largest copper mines in the United States. The mine is projected to create about 1,450 jobs and pay about \$149 million annually. The Draft EIS estimated that the total direct and indirect economic impacts to the state will total more than \$1 billion per year.

Representative Roberts Introduces Legislation to Protect Police Funding and Harshen Penalties for Rioters

STATE CAPITOL, PHOENIX – Representative Bret Roberts (R-11) has introduced [HB 2310](#), legislation that would hold municipalities accountable for efforts to defund their police departments and withhold state shared revenues if they decide not to reverse their decisions.

“Proposals to defund police departments are reckless and dangerous,” said Representative Roberts. **“Once unthinkable, except to left-wing extremists, such calls appear to have recently gained disturbing traction in some mainstream Democratic circles.”**

“More than ever, our communities need the protection that only law enforcement can offer – and that’s why we must do everything to protect the resources that enable officers to do their job. This legislation will prevent radical efforts to defund police budgets and help protect law enforcement and keep communities safe,” added Roberts.

Representative Roberts has also introduced [HB 2309](#) which creates harsher penalties for unlawful and violent actions during rioting.

“I’ve introduced HB 2309 to make every effort to keep our communities safe,” said Representative Roberts. **“I find it deeply troubling that violence, rioting, and the destruction of property has become an accepted norm in cities across the nation, and local leaders doing little to stop it. We cannot enable such activity in Arizona and should take all appropriate steps to discourage it and punish those who engage in it.”**

“QUOTE OF THE DAY”

“We believe this is a responsible plan.”

- Daniel Scarpinato, Ducey’s chief of staff, on the FY22 executive budget proposal