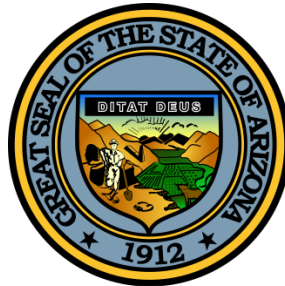


State of Arizona Executive Budget

SUMMARY

FISCAL YEAR 2020

Douglas A. Ducey
GOVERNOR



JANUARY 2019

Provisions for Individuals with Disabilities

Individuals who have a disability and require reasonable accommodation in order to use this document are encouraged to contact the Governor's Office of Strategic Planning and Budgeting at 602-542-5381.

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The Budget Summary

The FY 2020 Executive Budget strengthens State Government's solid fiscal position – paying down debt and saving for the future, all while making responsible investments that will benefit Arizonans now and for generations.

“Four years ago we were broke. Today, it’s not by accident-- I stand before you with the largest projected budget surplus in a decade.

“But we’re not going on a spending spree. We’re going to live within our means. We’re going to fulfill teacher pay raises, and we’re going to be better prepared for the next downturn so it doesn’t become a calamity.

“Whatever limited new spending we do will be smart and targeted and aimed at helping the people who need it most, so they can access the abundant opportunity that is Arizona.”

Gov. Doug Ducey, 2019 Inaugural Address

Arizona remains a place of opportunity for all. Since taking office in January 2015, Governor Ducey has sought to move the Grand Canyon State forward on the things that matter greatly to the majority of Arizonans:

- A balanced State budget.
- Significant investments in teachers and students.
- Protecting our most vulnerable adults and children.
- Combating opioid addiction.
- Securing our border.
- Supporting public safety and first responders.
- Protecting Lake Mead and our water future.
- Embracing innovation that grows jobs and opportunity.

All of this is done in a fiscally responsible manner. Average spending growth over the past five years remains at 4.5% compared to 11.0% in the five years leading up to the Great Recession. The Executive Budget preserves future financial flexibility by ensuring that more than half of the new FY 2020 investments are one-time, doubling the State's Rainy Day Fund, and paying down debt.

The FY 2020 Executive Budget is rooted in the rich Arizona tradition of finding meaningful solutions that transcend partisan politics and bring together the people of our state. The Executive Budget strengthens State Government's solid fiscal position – paying down debt and saving for the future, all while making

responsible investments that will benefit Arizonans now and for generations.

FY 2019 Budget Forecast

The Executive forecasts a current fiscal year structural surplus of \$572 million and an ending cash balance of \$854 million.

FY 2020 Executive Budget

The FY 2020 Executive Budget, as in prior years, delivers on the Executive's consistent promise to increase funding for Arizona's K-12 public education system – with \$637 million in new, additional monies for K-12 education.

Including the baseline changes and Executive initiatives, the Executive forecasts a structural surplus of \$244 million, resulting in an ending cash balance of \$109 million.

Securing Arizona's Fiscal Future

Maximizing the State's Rainy Day Fund. Today's balance in the State's Budget Stabilization Fund (BSF), or the "Rainy Day Fund," is in poor condition compared to the BSF's historical balances ahead of the two prior recessions.

The FY 2020 Executive Budget makes a record-breaking \$542 million BSF deposit and raises the statutory cap on how much the State can contribute to the BSF. Together, these initiatives will position the State to recover from future economic downturns more quickly and with greater fiscal strength than ever before.

Reclaiming Ownership of the State Capitol. The State has aggressively repaid debt that it incurred during the Great Recession. A decade later, the State can now refinance the existing debt at lower interest rates, saving Arizona taxpayers over \$100 million between FY 2020 and 2030 and allowing the State to regain free-and-clear ownership of its Capitol buildings.

Education

A robust state economy lies on the strength of its K-12 and higher education systems. Since 2015, the Executive has prioritized student achievement and outcomes, encouraged innovation in our schools, and provided the targeted resources

to expand the quantity of our public schools that demonstrate the highest levels of educational excellence.

The State has made significant investments in K-12 education, including:

- Proposition 123.
- Results Based Funding.
- Arizona Public School Credit Enhancement Program.
- 20x2020 teacher pay plan.
- Restoration of the additional assistance formula funding.
- The 20-year extension of Proposition 301.
- Capital for university research and development infrastructure.

The FY 2020 Executive Budget allocated 50% of new discretionary spending, or \$269.9 million, to funding public K-12 and higher education. When counting General Fund baseline and Executive initiatives, the Executive Budget includes \$705.8 million, or 70% of spending increase. The Executive's clear emphasis continues to be addressing the teacher shortage and building stronger pathways for career and workforce training.

K-12 Education

The Executive Budget for FY 2020 continues its ardent support of our public schools:

- Continues implementation of the "20x2020" plan that funds a permanent 20% teacher pay raise by school year 2020-2021.
- Continues restoration of additional assistance formula funding.
- Includes more high-performing schools in the Results Based Funding formula.
- Creates a new incentive program for career and technical education to address Arizona's workforce needs.
- Increases resources for school safety programs.
- Proactively funds new school construction and increases funding for building renewal.

Higher Education

For Arizona's public higher education institutions – the University of Arizona, Arizona State University, and Northern Arizona University – and the two largest community college systems in the state, the Executive Budget in FY 2020:

- Addresses Arizona's teacher shortage crisis by significantly expanding the K-12 teacher pipeline through permanent State funding of the Arizona Teachers Academy.

- Covers in full the university insurance premium increases to the Health Insurance Trust Fund, freeing up university tuition dollars for other operational purposes.
- Continues State support for resident university students.
- Provides capital to the community colleges in Pima, Maricopa and Pinal counties for the expansion of workforce training programs to meet the increasing demands of Arizona's aviation, healthcare, and advanced manufacturing employment sectors.

Natural Resources

The Executive Budget commits \$30 million (in addition to the existing \$6 million approved in the FY 2018 budget) for conservation efforts dedicated to protecting the water level in Lake Mead, and an additional \$5 million to support infrastructure projects for agriculture. These investments support a viable proposal that preserves the resilience of the Colorado River and protects Arizona's reliance on it for water.

The Executive Budget also fully funds the State's program for hazardous waste cleanups, using the statutorily required formula for the first time since FY 2007 to support the Department of Environmental Quality's efforts to evaluate and safely remediate polluted land.

Public Safety

The Executive Budget makes targeted investments to enhance public safety in all parts of Arizona, while continuing the Executive's commitment to help those who have served their time succeed in work and life after their release from incarceration.

Public Safety Salary Increases. The Executive Budget includes \$74 million as part of an enterprise-wide compensation package that focuses primarily on public safety and is designed to recruit and retain the State's best law enforcement and corrections personnel. Key examples include:

- \$35.5 million for salary adjustments ranging from 5% to 15% in the Department of Corrections, with over 94% of the increase dedicated to security personnel. (The Executive plans to phase in a 15% raise for these staff over two years, with 10% in the first year.) Similarly, The Executive Budget funds \$3.2 million for pay raises at the Department of Juvenile Corrections, with most of the funding allocated for security personnel.
- \$21.5 million for a 10% increase in Department of Public Safety (DPS) Trooper salaries increasing starting Trooper pay from \$46,988 to \$51,687, placing starting Trooper pay on par with other Arizona law enforcement agencies. The pay package includes a 5% increase in DPS civilian salaries.

Investments in State Troopers. In addition to the compensation package aimed at lowering the vacancy rates of existing

Trooper positions, the Executive Budget further enhances Trooper coverage and adds:

- 24 Troopers to patrol the Phoenix area's Loop 202 South Mountain Freeway, opening in the fall of 2019;
- 12 additional Troopers dedicated to overnight patrols in southern Arizona, needed to interdict and reduce illegal activity near the Arizona-Mexico border during the evening hours; and
- 6 additional Troopers patrolling Maricopa County between 8 p.m. and 6 a.m. to intercept wrong-way and impaired drivers.

All new FY 2020 DPS highway patrol investments are funded by the General Fund to keep the Public Safety Fee constant. In the out years, the Executive Budget contemplates that General Fund spending will be offset by the natural growth in the number of vehicle registration transactions.

Reducing Inmate Recidivism. The Executive has implemented pre-release workforce training for inmates since 2017, with the ultimate goal of reducing the State's prison population by offering inmates additional pathways to employment and post-release success in life.

The State provided increased resources for combatting recidivism in FY 2019. To build upon these efforts, the Executive is reinvesting workforce training funds to newly implement a computer-programming academy that will lead to immediate information technology job opportunities post-incarceration.

Health and Welfare

The Executive Budget protects programs that benefit thousands of Arizona children, while helping low-income working parents remain in the workforce to pursue opportunities for advancement that can ultimately free them from the need for government assistance.

In addition, funding is provided to protect vulnerable adults and the elderly from neglect and exploitation.

Safe, Healthy Children. The Executive Budget:

- Repeals provisions of Laws 2017, Chapter 309 that imposed an enrollment freeze in the KidsCare program. KidsCare currently provides health insurance for over 32,000 Arizona children of working, yet low-income parents. The Executive forecasts that, under current law, 6,000 children who qualify for KidsCare would be unable to access coverage in FY 2020. If this provision remains in law through 2022, the number of children losing coverage is projected to increase to almost 26,000.
- Improves access to child care for low-income working families and foster parents by (a) immediately adding \$56 million in new federal funding for child care subsidies in the current FY 2019 budget year and (b) continuing that appropriation in FY 2020 and beyond. Providing parents with

quality and reliable child care gives added incentive for parents to work and lift themselves out of the cycle of poverty.

- Targets salary adjustments for mission-critical staff at the Department of Child Safety (DCS), to make meaningful strides in investigating child welfare cases, enhancing in-home preventive services, and reducing the number of out-of-home child placements.
- Continues development funding for the DCS child welfare data system.
- Supports investment in a new child support enforcement system to enhance government efficiency and increase collections.

Protecting Vulnerable Adults and the Elderly. The Executive Budget utilizes federal funds to meet the higher caseload demands for Adult Protective Services and the longstanding backlog of elderly individuals in need of home and community-based services (HCBS), which help our seniors safely remain independent and in their own homes for a longer period of time.

In addition, the FY 2020 Executive Budget:

- Targets salary adjustments for nurses, behavioral health technicians, and security officers at the Arizona State Hospital to increase staff retention that fosters stronger staff-patient relationships and better patient behavior.
- Establishes a new Prenatal Care Telemedicine program that awards grants to rural healthcare providers to purchase equipment that increases access to prenatal care for expectant mothers and improve health outcomes for mothers and children.
- Includes funding to continue Arizona's veterans suicide prevention program as part of an ongoing statewide effort to reduce suicides among Arizona's military and veteran population.

Government That Works

The Executive Budgets strengthens stewardship of State assets, including:

- Resources to improve State Government's cyber preparedness by establishing a new, Statewide Cybersecurity Risk Management Program that covers financial losses from cyber incidents and helps the State execute timely response and recovery efforts.
- A one-time increase in agency health care premiums, while holding the university system harmless, to provide adequate time for the procurement of a new, more cost-effective State employee health plan.
- A rental rate increase for State-owned buildings to generate additional revenue to renovate and maintain the State's building system.

The Executive Budget also includes State support for building a new cold room inspection facility at the Mariposa Port of Entry in Nogales, which will improve the competitiveness of that port relative to other border states as carriers decide where to transport their temperature-sensitive cargo.

The Executive Budget makes other infrastructure investments into the State’s highway system, such as:

- Accelerating and expanding the Interstate 17 widening project between Anthem and Sunset Point, to ease congestion and enhance safety.
- Continuing to expand funding for preventive road surface maintenance to a level sufficient to meet the recommended maintenance schedule that maximizes the life of pavement in good condition.

Finally, the Executive Budget reverses a baseline reduction of \$6 million to the Arizona Competes Fund, adds another \$1 million, and earmarks \$3 million to create a rural broadband grant program.

Major General Fund Budget Issues, FY 2020

K-12: Baseline Spending

Enrollment Growth and Inflation.....	\$200.0 million
Next phase of 20x2020 Teacher Salary Increase.....	\$164.7 million
School Facilities Board (SFB) New Schools	\$92.1 million
K-12: Additional Assistance.....	\$67.8 million
SFB: Building Renewal Grants.....	\$62.8 million
Civics Education.....	\$0.5 million

K-12: Initiative Spending

SFB New Schools.....	\$98.8 million
Results Based Funding Expansion.....	\$59.7 million
K-12: School Safety Package	\$15.6 million

Higher Education Initiatives

Universities: Capital and Operational Funding	\$35 million
Universities: Arizona Teachers Academy	\$21 million
Community Colleges: Pima Aviation Center.....	\$20 million
Community Colleges: Maricopa Healthcare Center.....	\$5.8 million
Northern Arizona University: Biomedical Research.....	\$3 million

PROJECTED ENDING BALANCES

FY 2019.....	\$854.1 million
FY 2020.....	\$109.3 million
FY 2021.....	\$20.4 million
FY 2022.....	\$96.6 million

PROJECTED STRUCTURAL BALANCES

FY 2019.....	\$572.2 million
FY 2020.....	\$244.1 million
FY 2021.....	\$104.6 million
FY 2022.....	\$142.0 million

Sources and Uses of Funds

The General Fund’s Sources and Uses of Funds statement that follows summarizes the Executive Budget in tabular form. The statement presents the following:

- The *FY 2018 Preliminary Actual* column reflects currently known revenues and expenditures for FY 2018, from the State’s Accounting and Financial Information System.
- *FY 2019 Enacted* reflects the enacted appropriations.
- The *FY 2019 Net Changes* column shows Executive’s changes to the enacted appropriations.
- The *FY 2019 Executive Budget* column shows the Executive’s revenue projections and expenditures.
- The *FY 2020 Net Changes* column shows Executive’s changes to the enacted appropriations.
- The *FY 2020 Executive Budget* column shows the Executive’s revenue projections and expenditures.
- The *FY 2021 and FY 2022 Net Changes* column reflect the changes in those years compared to the prior year for the Executive’s revenue and expenditure projections.
- The *FY 2021 and FY 2021 Executive Budget* column reflect the Executive’s revenue projections and expenditures.

Executive Budget In-A-Flash



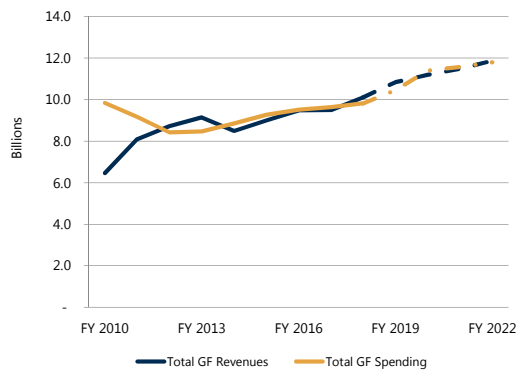
GENERAL FUND CASH FLOW

	Prelim Actual FY 2018	Executive Budget FY 2019	Executive Budget FY 2020	Executive Budget FY 2021	Executive Budget FY 2022	
Beginning Balance	\$ 150,871,000	\$ 449,632,000	\$ 849,081,400	\$ 109,280,900	\$ 20,405,700	
Adj. Base Revenues	10,036,152,700	10,727,179,500	11,090,936,300	11,442,816,500	11,829,938,400	
Revenue Changes	-	(5,000,000)	(267,000)	(3,225,000)	(6,225,000)	
One-time Revenues	74,372,700	120,681,700	100,840,700	45,000,000	45,000,000	
Total Revenues	\$ 10,261,396,400	\$ 11,292,493,200	\$ 12,040,591,400	\$ 11,593,872,400	\$ 11,889,119,100	
Enacted Spending	\$ 9,811,764,400	\$ 10,389,460,900	\$ 10,389,460,900	\$ 11,389,096,500	\$ 11,573,466,700	
Baseline Changes		14,652,500	461,393,800	75,288,900	108,709,300	
Net New Initiatives		39,298,400	538,241,800	109,081,300	110,332,600	YOY ¹ % growth
Total Spending	\$ 9,811,764,400	\$ 10,443,411,800	\$ 11,389,096,500	\$ 11,573,466,700	\$ 11,792,508,600	1.9%
BSF Deposit	0	0	542,214,000	0	0	
Ending Balance	\$ 449,632,000	\$ 849,081,400	\$ 109,280,900	\$ 20,405,700	\$ 96,610,500	

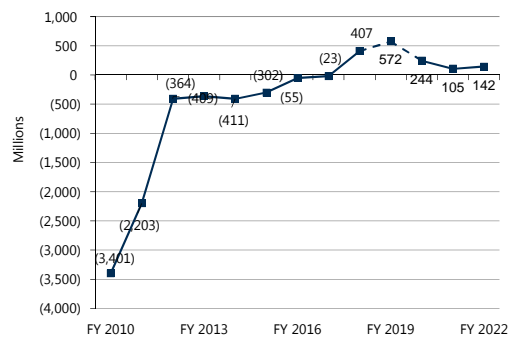
GENERAL FUND STRUCTURAL BALANCE

	Prelim Actual FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	YOY % growth
Ongoing Revenues ²	\$ 10,036,152,700	\$ 10,722,179,500	\$ 11,090,669,300	\$ 11,439,591,500	\$ 11,823,713,400	3.4%
Ongoing Spending	9,629,007,500	10,155,028,900	10,846,558,600	11,334,982,700	11,681,738,600	3.1%
Structural Balance	\$ 407,145,200	\$ 567,150,600	\$ 244,110,700	\$ 104,608,800	\$ 141,974,800	

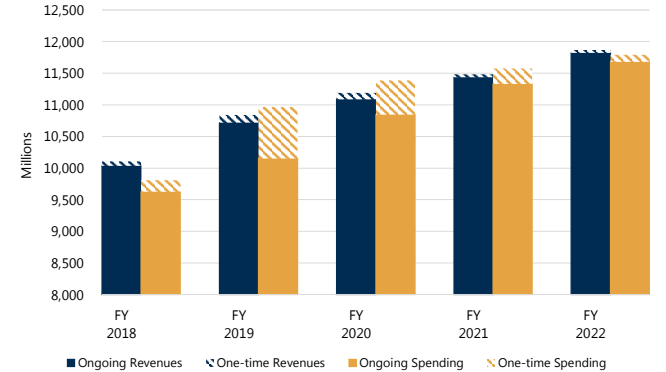
HISTORICAL REVENUES TO SPENDING



GENERAL FUND STRUCTURAL BALANCE



COMPARISON OF REVENUES TO SPENDING



¹Year-over-year growth compares total spending, including supplemental appropriations, to the prior year.

²Includes enhanced revenue from additional Department of Revenue auditors, collectors, and fraud prevention in FY 2019.

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

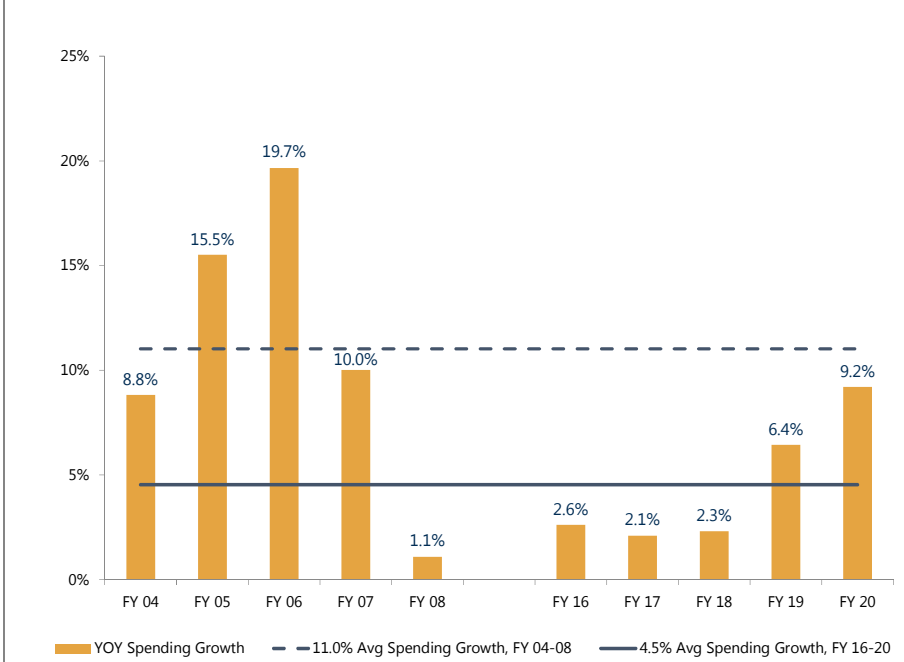
The Executive Budget maintains long-term spending discipline while increasing the Rainy Day Fund balance to historic levels and fulfilling the Executive's K-12 funding commitments

GENERAL FUND SPENDING

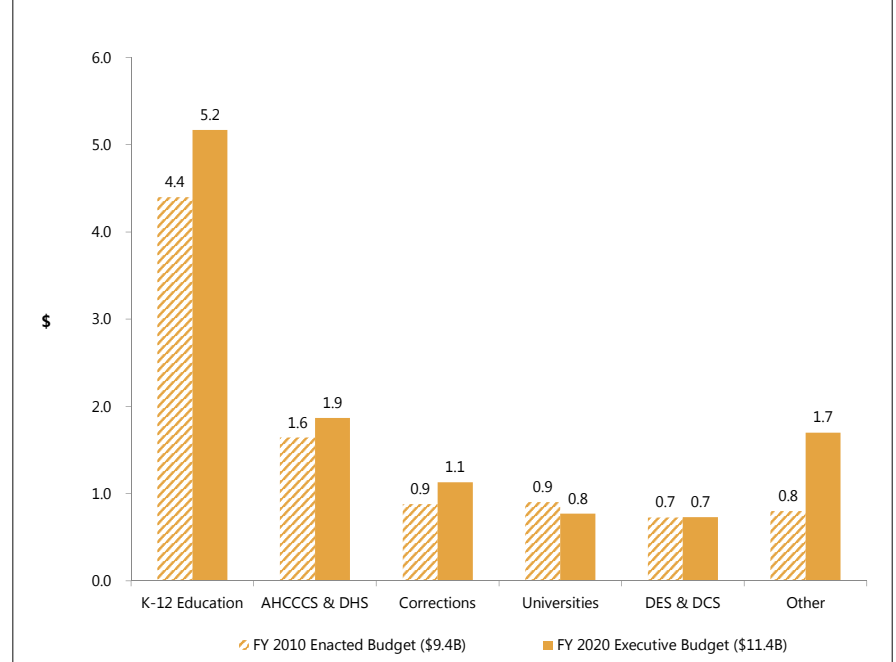
	Prelim Actual	Executive Budget	Baseline Adjustments ³	New Initiatives	Executive Budget	YOY
	FY 2018	FY 2019	FY 2020	FY 2020	FY 2020 ⁴	% growth
Education	4,227,258	4,704,652	381,449	85,224	5,171,325	9.9%
AHCCCS	1,785,264	1,777,094	(3,990)	3,655	1,776,759	0.0%
Corrections	1,067,641	1,108,306	29,906	2,200	1,131,776	2.1%
Economic Security	586,110	654,600	16,725	63,262	730,924	11.7%
School Facilities Board	302,287	299,700	67,131	99,069	440,900	47.1%
Child Safety	379,791	375,839	0	0	375,839	0.0%
ASU - Tempe	320,259	333,327	(5,495)	18,900	342,181	2.7%
U of A	199,601	212,842	(3,165)	9,450	215,122	1.1%
NAU	108,613	112,187	(5,090)	9,650	116,656	4.0%
Health Services	87,670	89,931	310	2,107	92,348	2.7%
Other	747,270	774,935	(16,387)	244,725	995,269	28.4%
Total	\$ 9,811,764	\$ 10,443,412	\$ 461,394	\$ 538,242	\$ 11,389,097	9.1%

New FY 2019 Spending: \$ 53,950,900
 New FY 2020 Spending: \$ 999,635,600

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



GENERAL FUND SPENDING DISTRIBUTION, FY 2010 to FY 2020 (billions)



³ The Baseline Adjustments for School Facilities Board include removal of one-time funding in FY 2019 and retired debt service on construction of new schools that occurred in the 2000s.

⁴ The amounts in the FY 2020 Executive Budget column may not equal to the sum of the FY 2018 and other FY 2019 columns because of supplementals included in FY 2019 that are considered one-time spending and not necessarily carried into FY 2020.

GENERAL FUND SPENDING BREAKDOWN

KEY HIGHLIGHTS

- The Executive Budget increases the balance in the Budget Stabilization Fund to \$1B, reflecting the Governor's commitment to ensuring the financial stability of this State
- Additionally, the Budget reflects his commitment to fully funding the State's '20x2020' Education plan

K-12 AND HIGHER EDUCATION

DEPARTMENT OF EDUCATION

\$381.4M FY 2020 Baseline

\$164.7M	Additional Teacher Salary Increase
\$140.4M	Inflation Adjustment
\$67.8M	Increase Additional Assistance
\$64.1M	Proposition 301 Bridge
\$59.6M	Enrollment Growth
\$8M	Fund Shift
\$2.9M	Higher Cost Per Pupil
\$0.5M	Civics Education
(\$14.3M)	Increase Permanent Fund Projections
(\$47.2M)	Property Taxes from New Construction
(\$65.1M)	Remove One-Time FY 2019 Appropriations

\$85.2M FY 2020 Initiatives

\$59.7M	Results Based Funding
\$10M	Career and Technical Education
\$9.3M	School Resource Officers
\$6M	School Counselors and Social Workers
\$0.3M	Department Audit

SCHOOL FACILITIES BOARD

\$67.1M FY 2020 Baseline

\$92.1M	New School Facilities
\$62.8M	Building Renewal Grants
(\$2.4M)	New School Facilities Debt Service
(\$34.4M)	Prior Year Building Renewal Grants
(\$50.9M)	Prior Year New School Construction

\$99.1M FY 2020 Initiatives

\$98.8M	New School Construction Timeframe Change
\$0.3M	School Safety Guidelines Study

UNIVERSITIES

(\$13.8M) FY 2020 Baseline

(\$13.8M)	Prior Year One-Time Funding
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\$59M FY 2020 Initiatives

\$38M	Additional Investment
\$21M	Arizona Teachers Academy

COMMUNITY COLLEGES

\$1M FY 2020 Baseline

(\$0.4M)	Operating State Aid
\$0.1M	STEM and Workforce Programs State Aid
\$1.4M	Equalization Assistance

\$25.8M FY 2020 Initiatives

\$20M	Pima Community College Aviation Center Expansion
\$5.8M	MCCCD Health Care Expansion

HEALTH AND WELFARE

AUTOMATION PROJECTS (DCS)

\$5.1M FY 2020 Initiatives

\$5.1M	CHILDS Replacement: Guardian
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ECONOMIC SECURITY

\$16.7M FY 2020 Baseline

\$31.1M	Integration of CRS and BHS for DD into DES DD
(\$14.4M)	Technical Adjustments

\$63.3M FY 2020 Initiatives

\$63.3M	DDD Caseload & Capitation Growth
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AHCCCS

(\$4M) FY 2020 Baseline

\$22.3M	Caseload and Capitation Rates
\$4.8M	Developmental Disabilities (DD) Access to Care
(\$5.1M)	Annualize CRS Shift to the DES DD Program
(\$26.1M)	DDD-BHS Consolidation into DES

\$3.7M FY 2020 Initiatives

\$1.6M	Eliminate KidsCare Freeze
\$1.2M	Electronic Visit Verification System
\$0.8M	Provider Management System
\$0.1M	Asset Verification System

PUBLIC SAFETY

DEPARTMENT OF PUBLIC SAFETY

(\$28.4M) FY 2020 Initiatives

\$6.4M	Loop 202 South Mountain Freeway Patrol
\$3M	Border Strike Force Enhancement
\$1.5M	Wrong Way Driving Patrol
\$1M	Vehicle Replacement
\$1M	Restoring Funding to Police Academy Training
(\$41.3M)	Shift of Highway Patrol Expenditures to the HPF

CORRECTIONS

\$29.9M FY 2020 Baseline

\$31.9M	FY 2020 Inmate Health Care Needs
\$1.1M	Leap Year
(\$3.1M)	1,000 Bed COP Savings

\$2.2M FY 2020 Initiatives

\$2.2M	Prison Construction and Operations Fund Backfill
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OTHER CHANGES

(\$17.1M) FY 2020 Net Baseline

(\$12.9M)	County Funding (DJC & EORP Cost Offset)
(\$6M)	Commerce
\$1M	Secretary of State
\$0.8M	All Other, Net Baseline

\$223.3M FY 2020 Net Initiatives

\$63.2M	Public Safety Compensation Package
\$54M	HITF One-Time Adjustment
\$11.3M	Juvenile Corrections (County Cost Offset)
\$7M	Commerce
\$87.8M	All Other Initiatives

OVERALL SPENDING

\$461.4M FY 2020 Net Baseline

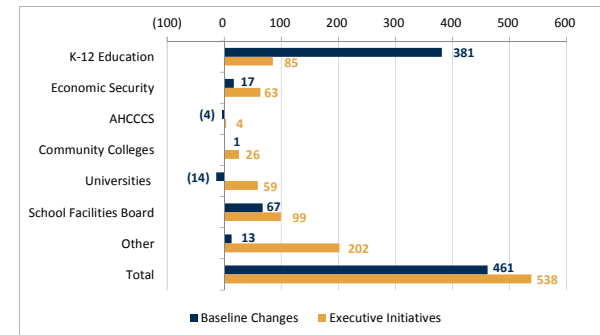
\$510.8M	Baseline Increases
(\$49.4M)	Baseline Decreases

\$538.2M FY 2020 Net Initiatives

\$566.7M	Initiative Increases
(\$28.5M)	Initiative Decreases

\$999.6M Total New Spending

NEW GENERAL FUND SPENDING PROFILE FY 2020



General Fund Sources and Uses

\$ in thousands

	FY 18	FY 19	FY 19	FY 19	FY 20	FY 20	FY 21	FY 21	FY 22	FY 22
	Prelim Actual	Enacted Base	Net Changes	Executive Budget	Net Changes	Executive Budget	Net Changes	Executive Budget	Net Changes	Executive Budget
SOURCES OF FUNDS										
Beginning Balance	150,871	204,482		449,632		849,081		109,281		20,406
Ongoing Revenues										
Base Revenues	10,716,923	10,980,106		11,401,984		11,828,510		12,226,717		12,645,283
<i>Urban Revenue Sharing</i>	<i>(680,770)</i>	<i>(674,804)</i>		<i>(674,804)</i>		<i>(737,574)</i>		<i>(783,900)</i>		<i>(815,345)</i>
Adjusted Base Revenues	10,036,153	10,305,301		10,727,179		11,090,936		11,442,817		11,829,938
Transfers & Newly Enacted Changes	74,373	115,682		115,682		100,574		41,775		38,775
Liquor License Fee diversions	0	0		0		(267)		(225)		(225)
Prior Fund Transfers	74,373	120,682		120,682		1,841		0		0
New Fund Transfers	0	0		0		99,000		45,000		45,000
TY 2017 IRC Conformity	0	(5,000)		(5,000)		0		0		0
Index the Dependent Exemption for Inflation	0	0		0		0		(3,000)		(6,000)
Subtotal Revenues	10,110,525	10,420,983		10,842,861		11,191,510		11,484,592		11,868,713
TOTAL SOURCES OF FUNDS	10,261,396	10,625,465		11,292,493		12,040,591		11,593,872		11,889,119
USES OF FUNDS										
Operating Budget Appropriations	9,770,882	10,320,734	53,951	10,374,685	844,649	11,219,334	157,085	11,376,418	304,405	11,680,824
Other Expenses/(Revenues)	40,883	68,727	0	68,727	643,250	711,977	(514,929)	197,048	(85,363)	111,685
Extra Pay Period Costs for FY 2021	0	0	0	0	0	0	80,000	80,000	(80,000)	0
Capital Outlay	5,700	4,959	0	4,959	(4,959)	0	0	0	0	0
Public Safety Compensation Package	0	0	0	0	63,228	63,228	(344)	62,885	(5,864)	57,021
Phoenix Convention Center Payment	22,499	22,996	0	22,996	504	23,500	498	23,998	501	24,499
Rio Nuevo District	13,563	14,000	0	14,000	0	14,000	0	14,000	0	14,000
Asset Sale/Lease-Back Debt Service	84,115	84,112	0	84,112	(11,214)	72,898	1,138	74,036	0	74,036
Revert FY 2017 DCS Backlog Privatization	(2,700)	0	0	0	0	0	0	0	0	0
Revert FY 2016 SOS Special Election	(2,963)	0	0	0	0	0	0	0	0	0
Revert FY 2017 ADOT Construction Funding	(230)	0	0	0	0	0	0	0	0	0
Unallocated Rent/Risk/IT Pro-Rata Adjustments	0	1	0	1	4,887	4,887	0	4,887	0	4,887
Unallocated Retirement Rate Adjustment	0	151	0	151	(7,940)	(7,790)	0	(7,790)	0	(7,790)
Unallocated FY 2019 Health Insurance Adjustment	0	32	0	32	(32)	0	0	0	0	0
Agency reductions	0	0	0	0	0	0	0	0	0	0
Unallocated FY 2018 Health Insurance Adjustment	16	0	0	0	0	0	0	0	0	0
ADOT One-Time Savings	0	(12,524)	0	(12,524)	12,524	0	0	0	0	0
HITF One-Time Adjustment	0	0	0	0	44,040	44,040	(54,007)	(9,968)	0	(9,968)
Administrative Adjustments	100,000	100,000	0	100,000	0	100,000	0	100,000	0	100,000
Unallocated Adjustment	0	0	0	0	0	0	0	0	0	0
Reversions	(179,118)	(145,000)	0	(145,000)	0	(145,000)	0	(145,000)	0	(145,000)
Transfer to Rainy Day Fund	0	0	0	0	542,214	542,214	(542,214)	0	0	0
TOTAL USES OF FUNDS	9,811,764	10,389,461	53,951	10,443,412	1,487,899	11,931,311	(357,844)	11,573,467	219,042	11,792,509
ENDING BALANCE	449,632	236,004		849,081		109,281		20,406		96,610
Ongoing Revenues	10,036,153	10,305,301		10,727,179		11,090,669		11,439,592		11,823,713
Ongoing Expenditures	9,629,008	10,155,029		10,155,029		10,846,559		11,334,983		11,681,739
STRUCTURAL BALANCE	407,145	150,272		572,151		244,111		104,609		141,975

Note: FY 2019 to FY 2022 Net Changes columns include baseline and initiative issues.

The Economy

Fueled in 2018 by population and job growth, Arizona's economy is strong relative to its historical performance and to the current U.S. economy. Further expansion is anticipated in the coming year, and the initiatives featured in the FY 2020 Executive Budget reflect reasonable expectations for sustained growth in State revenues.

"With our high quality of life, growing economy and abundance of new jobs, and some of the best schools in the nation, Arizona continues to prove itself as an unbeatable place to live, raise a family and retire."

- Gov. Doug Ducey, "Arizona Top-Five State in New Residents, Growth," Official Statement, December 20, 2018

In 2018, national economic growth accelerated in response to newly implemented expansionary policies and corporate tax rate reductions. Arizona's economy prospered at an even higher rate, thanks in large part to the state's pro-business regulatory environment.

Even if, as some observers expect, the stimulating effects of federal tax policy moderate, the ingredients for continued expansion in Arizona and across the nation remain in place for 2019.

The Nation. As this forecast was prepared, the nation's economy was on track to finish the year above 3% growth in gross domestic product (GDP) for the first time since 2005. Current data puts the third-quarter economic growth rate at 3.5%, following a 4.2% rate in the second quarter.

The 2019 outlook can be assessed based on opportunities and threats. Optimism stems from soaring consumer confidence levels and a tax and regulatory environment that has the potential to make long-term changes to the nation's growth trajectory.

While pessimists continue to point to an aging population and other structural changes in the U.S. economy to support their arguments for a permanently slower growth hypothesis, the experience of the past year suggests that policy-driven faster growth, nationally and in Arizona, is achievable.

Arizona. Boosted by the momentum of recent economic and revenue growth and continued tailwinds, Arizona is well positioned to continue its strong economic performance through FY 2020 and perhaps beyond. Arizona continues to add new jobs at a robust pace, and the business climate is conducive to continued expansion.

The FY 2020 Executive Budget recognizes Arizona's strong fiscal health, with revenue projections and spending priorities tempered by the potential return to a more normal business cycle.

National Outlook

The consensus national outlook assumes growth will moderate slightly from the lofty levels of 2018 as the impacts of various stimulating policies diminish. However, consensus also suggests that consumer confidence will remain high, and, coupled with tight labor markets and wage gains and expanding capital expenditures, the economy will continue its expansion for at least the next 18 months. Overall, the short-term prospects for national growth are brighter today than they have been in recent years.

The most recent consensus outlook suggests real GDP growth trajectory through 2020 in the range of 2.3% to 2.7%, with slowing in 2021 and beyond. The key to achieving continued 2019 and 2020 growth will be the expansion of fixed business investment and equipment purchases (at least partly fueled by one-time federal tax reforms) while facing an impending Federal Reserve Board tightening cycle and increasing uncertainties surrounding the pace of global trade.

Given recent rhetoric about the long duration of the current U.S. expansion and the possibility of a mild recession in 2020, experts are quick to caution that expansions die not of old age but from external shock, such as excessive Federal Reserve tightening or other negative economic stimuli. While those factors could be present in the next 18 months, historically low interest rates make short-term growth prospects brighter than they have been in years. If inflation rates remain subdued, the Federal Reserve can remain deliberate in tightening. Further, a newly divided national government is unlikely to lead to substantial deviations from the policy course set over the past two years.

State Government will be monitoring how the Federal Reserve Board anticipates and responds to changes in business conditions, by either maintaining the pace of the announced tightening cycle or instituting a pause in the sequence of planned rate hikes. The Fed's challenge will be to avoid any adverse implications that will result from excessive or premature tightening. Similarly, policymakers in Washington must continue to allow business and the economy to grow by promoting smart, pro-growth policies with a sensible regulatory touch.

EMPLOYMENT

The national labor market is very healthy. As the Executive expected last year, the federal tax package and other reforms

provided a powerful stimulus for job growth. The result: one of the lowest national unemployment rates in U.S. history.

Consensus projections for employment contemplate 1.8% employment growth nationally, with unemployment rates remaining well below 4%.

In light of the low unemployment rate and continued strong job gains, the conversation must shift to labor force participation and wage growth (which has otherwise lagged during the current cycle). A tightening labor market, in concert with continued strong employer demand, should lift wages and increase labor force participation over the next few years. Both outcomes would be bullish for the Executive Budget.

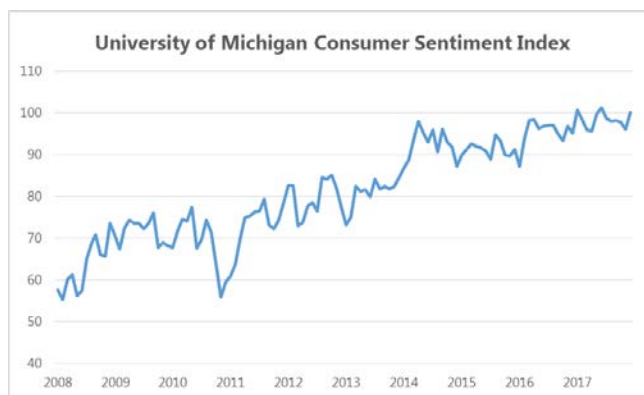
CONSUMER SPENDING

Consumer confidence was high throughout 2018, and that sentiment is expected to continue well into the current year.

The Consumer Sentiment Index (CSI), measured by the University of Michigan, is sustaining 18-year highs, as shown in Figure 1. Consumer attitudes are bolstered by tight labor markets, improving economic confidence looking forward, and generally rising wages and household incomes. Further, optimism at the small business level should translate into more hiring, plant expansion, and equipment purchasing in 2019.

As consumers confront higher borrowing costs and perhaps higher costs of consumer and durable goods, the Executive will be closely watching the CSI for signs of eroding confidence.

Figure 1



INTEREST RATES

Debate among the Federal Reserve Board watchers intensified in late 2018 as the Fed weighed options in the face of an extremely tight labor market, increased equity market volatility, and worries that sluggish growth globally will cause headwinds for the U.S.

Consensus estimates suggest three or four rate hikes in 2019, which could take the Federal Funds rate above 3%. However, in light of recent comments by Fed Chairman Jerome Powell and the equity market struggles in the fourth quarter of 2018, these estimates may not materialize.

The overall pace of the rate hiking cycle will be determined by the change in economic growth as well as how equity markets respond to a higher interest rate environment. Although interest rates are trending higher, historical comparison suggests that the economy will continue to benefit from relatively expansionary monetary policy, and recent signals suggest a slowing or moderating of the schedule to raise the Federal Funds rate. For example, in November 2018 Chairman Powell suggested benchmarks were “just below” neutral, versus “a long way” from neutral earlier in the year.

MARKET VOLATILITY

While most economists predict 2019 will be a solid growth year, the stock market’s behavior since October 2018 suggests that Wall Street thinks otherwise.

If investors focus just on the economy, the markets will likely stabilize; if the current sell-off is due to tariff fears or lack of confidence in global political leadership, concerns over the disruption of global supply chains may persist for some months.

With respect to its impact on the General Fund, long-term stock market volatility could dampen capital gains realizations in FY 2020 and perhaps FY 2021. If stability returns this year, the markets can continue to deliver modest capital gains appreciation. Current volatility will not likely impact FY 2019 estimates unless the flurry of selling generates unexpected capital gains.

BUSINESS SPENDING

Capital spending picked up in 2018 as businesses responded to an improving economy, lower corporate tax rates, and federal provisions encouraging the repatriation of foreign earnings and lowering the regulatory and tax costs of capital investment. In fact, during 2018, total capital expenditures surged to a 25-year high, and corporate research and development spending jumped by 14%, according to estimates prepared by Goldman Sachs. Thanks to continued support from permanent changes to federal tax law and regulatory postures, the prospects for business investment over the next few years remain strong.

As businesses look forward to the 10-year expiration of some provisions of the 2017 Tax Cuts and Jobs Act, they may adjust behaviors accordingly. This sort of thinking can mean the difference between permanent changes in the rate of U.S. economic growth versus a one-time level shift.

The Executive will continue to monitor federal policy and its potential impact on national business spending.

CURRENT EVENTS AND RISKS

There is general agreement among economists that the nation’s economy is unlikely to sustain its recent rate of growth, but there is little consensus regarding how much the economy will moderate and when.

The Executive Budget’s outlook calls for more moderate national growth in the next few years than experienced in 2018,

with national GDP growth of approximately 2.5%. Correspondingly, growth in Arizona and in State revenues could slow somewhat, and the cautious optimism that underlies the Executive Budget will ensure that funding commitments, particularly for K-12 education, are protected.

Arizona Outlook

Last year, the Executive anticipated the strength of the national and Arizona economies and developed a revenue and spending plan in line with those indicators for the State’s General Fund.

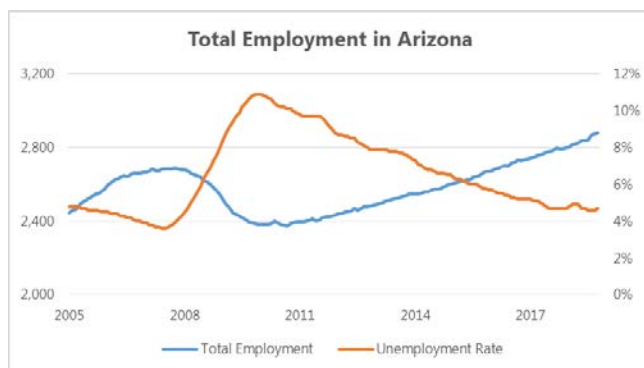
Looking forward, the FY 2020 Executive Budget balances the strong fundamentals that Arizona is currently enjoying, and is expected to continue in 2019, with the acknowledgement that the State must always be prepared for uncertainty.

Arizona’s economic performance is strong relative to that of the nation, fueled in particular by population and job growth in 2018. With further expansion likely to continue in 2019, State revenues are forecast to sustainably grow to support the Executive’s commitments.

EMPLOYMENT

In contrast to many of the years since the Great Recession, when the pace of employment growth in Arizona often improved but lagged by historical standards, in 2018, Arizona added more than 85,000 jobs, total employment reached an all-time high, and the state’s unemployment rate fell to a 10-year low (see Figure 2).

Figure 2



Employment gains in 2018 are projected to exceed 3% on a year-over-year basis for the first time since the recession; going forward, the Executive is committed to protecting and extending those gains at a State policy level.

The labor market has weathered large increases in minimum wage rates and transitioned from its historical dependency on large numbers of construction and hospitality workers. The business-friendly tax and regulatory environment suggests that job opportunities will continue to be plentiful in 2019. Large rates of in-migration from outside the state should support this growth, even as the unemployment rate tightens.

Arizona’s economy today is more diverse than it was before the Great Recession, when construction accounted for nearly 9% of Arizona’s employment. By the end of 2018, construction jobs comprised less than 5% of the state’s employment base; with a heavier manufacturing and service-sector orientation, the state’s economy is more mature and diverse, with no signs of the heavy sectoral concentration that made the Great Recession so severe.

The ongoing diversification of Arizona’s economy into professional services, high-tech manufacturing, and health care delivery means a more robust economy relative to its pre-recession employment base.

According to a recent report by *Forbes* magazine, Arizona’s “economy is projected to expand at the second-fastest rate in the U.S. through 2022” because of major economic development wins, including:

- A billion-dollar private investment in electric car manufacturing in Pinal County that is projected to support nearly 4,000 jobs, and
- A \$230 million private investment to build the nation’s first international air cargo hub, which will house Mexican and U.S. customs and create 17,000 jobs.

The latter development affirms the Executive’s commitment to fostering stronger relationships with Arizona’s leading international trading partner.

Moreover, with the announcement of the preliminary United States–Mexico–Canada Agreement (USMCA), the Executive expects an acceleration of growth in the Mexican economy over the next two years, supporting higher export growth from Arizona.

Manufacturing. The state’s manufacturing sector is closely connected to federal defense spending and the electronics industry, both of which are poised to expand in the near term, thanks in part to double-digit increases in defense spending in 2018 and 2019. In Arizona, year-over-year growth in manufacturing employment has held at about 5% for nearly a year and a half – one of the strongest periods for manufacturing job creation in recent memory and coincident with a national manufacturing employment renaissance that runs contrary to conventional wisdom that U.S. manufacturing was a stagnant sector.

Construction. Consistent with population and employment trends, Arizona’s construction industry has rebounded sharply in recent years.

Despite recent industry health and Arizona’s top ranking in construction job growth through October 2018, current construction levels still have not caught up with the activity achieved in the mid-2000s, suggesting that there is more growth to come in the construction industry and supporting the Executive’s contention that the current rates of economic and job growth are sustainable.

In 2018, more single-family housing permits were issued than in any year since 2007. So far, rising home prices and interest

rates do not appear to have dramatically changed the market trend, although the Executive continues to monitor these indicators, as they might offer early warning of a slowdown in home sales.

PERSONAL INCOME

Similar to the employment picture, Arizona's post-Recession personal income growth has generally lagged when benchmarked against the State's historical standards.¹

However, with the national and state unemployment rates falling toward all-time and natural lows, and inflation again approaching its longer-term 2% trend, the ingredients are in place for income growth to accelerate beyond historical norms.

During 2017, quarterly personal income grew at an average rate of 5.6% – its fastest clip since 2014. During the first two quarters of 2018, growth averaged 5.4%. The Executive forecast calls for growth in the 5% to 5.5% range over the next 12 months, reflecting the higher trends.

IN-MIGRATION

People and businesses are moving to Arizona. Since the end of the Great Recession, Arizona has outpaced the average net migration rate for Western states; in 2017, Arizona comprised 22% of total migration in the West, even though it makes up only 9% of the region's population.

The state continues to attract with abundant job and quality-of-life opportunities. Recent business relocation announcements, opportunities for wage appreciation, and Arizona's long-standing reputation as a permanent destination for businesses and families will help to sustain the expansion.

Arizona maintains its coveted status as a top destination state for domestic in-migrants. There are, in fact, far fewer movers overall than in previous decades, and rates of cross-state migration are lower across the United States since the Great Recession, due in part to a general change in the pace of economic growth.

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 these trends to continue, with large numbers of younger professional job seekers moving into Arizona to start their families and careers.

RISKS

While predicting economic changes is an imperfect exercise and current prognostications are largely positive, prudence demands considering both the length of the expansion and the state's recent acceleration and budgeting accordingly.

As in previous years, the most serious risk to Arizona comes from a scenario in which the nation falls back into recession due to macroeconomic conditions beyond the state's control.

Arizona remains reliant, in many ways, on the health of the defense sector, e.g. Boeing, Raytheon and many other private-sector defense contractors. Various factors suggest that the positive impacts unique to Arizona will combine to position the state more favorably than the national average in the event of an economic shock.

A return to faster growth over the past 18 months has fueled speculation in both the labor market – through increased rates of voluntary job-hopping – and investment markets. Also, as outlined above, the potential adverse impacts of Federal Reserve tightening must be viewed as a risk. Considered together, the Executive believes these factors require preparing for the possibility of a return to more normal business cycles of expansion and, eventually, mild economic contraction.

In light of the extremely strong economic growth observed in 2018, the rate of growth in calendar 2019 and beyond is likely to be relatively slower, although growth itself will continue. To that end, the Executive reflects that perspective in its revenue estimates during the three-year budget window.

UPSIDE POTENTIAL

The compelling attributes discussed above combine to make Arizona one of the top states for economic growth in 2019, which support the Executive's General Fund revenue forecast.

Arizona maintains several advantages that position the state for further growth: low taxes, a pro-business state government, relatively light business regulation, and a governing posture that promotes innovation and new ideas. Such an environment has created a magnetism that continues to attract people and businesses to the State, which will help sustain growth going forward.

To be sure, key indicators that the Executive will watch for signs of continued economic performance closer to 2018 compared to the several years prior include:

- the labor market, which for some observers has been overdue for a slowdown after surging in recent months;
- wage income; and
- consumer confidence and its response to interest-rate hikes and other higher costs.

The Executive forecast takes a conservative approach. If conditions continue to exceed lower long-term expectations, and the national and state economies post growth rates closer to what were observed more recently, this will positively impact State revenues.

¹ Aggregate personal income is determined by the sum of real income growth per person,

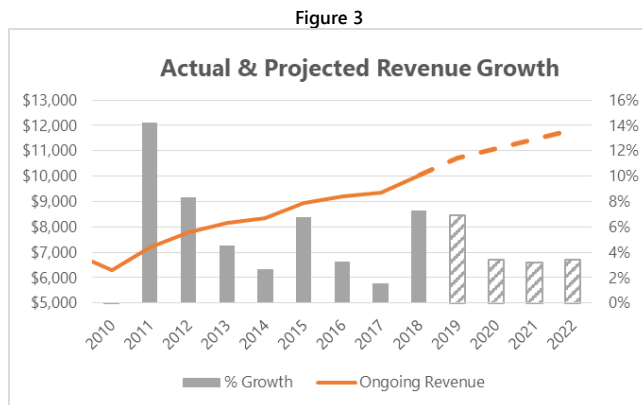
number of people working, and an inflation component.

The Revenue Outlook

General Fund revenues in FY 2018 surged in response to growth in the Arizona economy. Transaction privilege tax and individual income tax receipts grew at a robust pace, with the latter fueled by a significant surge in capital gains income. Corporate income tax collections showed signs of stabilization at the end of FY 2018, and more signs of stability appeared in the first four months of FY 2019. Accelerating growth in personal income propelled by significant employment growth and modest wage inflation will help sustain the flow of revenue collections throughout FY 2019.

ACHIEVING THE FY 2020 BASELINE REVENUE FORECAST

Overall, collections from the “Big 3” revenue sources – Transaction Privilege Tax, Individual Income Tax, and Corporate Income Tax – are on track to achieve the revised Executive forecast estimates for FY 2019, while running approximately 4.8% above the FY 2019 enacted budget’s forecast (see Figure 3). This outcome adds more confidence to achieving the Executive Budget’s three-year revenue estimates going into FY 2020.



The State’s Transaction Privilege Tax – the largest component of General Fund revenue and a key bellwether of state economic and fiscal health – has been a strong performer, posting fiscal year-to-date growth of nearly 7% through November 2018 – more than 3.4% ahead of the enacted FY 2019 budget forecast.

The flow of Individual Income and Corporate Income taxes in the first five months of FY 2019 displayed 8% and 66.1% growth, respectively, over flows observed in those two revenue streams in FY 2018. That pace puts revenue flows for each component ahead of the enacted FY 2019 budget forecasts for the year by 1.9% and 58.4%, respectively.

Table 1
HISTORICAL & PROJECTED REVENUE GROWTH

	8-Year Avg.	FY 2019 ²	FY 2020
TPT	4.5%	5.5%	4.8%
IIT	8.3%	5.8%	4.2%
CIT	0.8%	12.6%	1.7%

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

Overall, considering both the pace of recent revenue growth and the tailwinds boosting Arizona’s economy, the Executive Budget is well positioned to either meet or exceed its baseline forecast of approximately 3.2% ongoing General Fund revenue growth in FY 2020.

INTERNAL REVENUE CODE CONFORMITY

In December 2017, passage of the federal Tax Cuts and Jobs Act provided the largest change to federal tax law in decades. This has resulted in significant tax savings to Arizona residents. The Executive supports conforming to these changes, since Arizona, like most states, uses federal definitions of “income” as the starting point for determining state income tax liabilities.

Not only have these federal changes had a positive impact on Arizona’s economy, as previously outlined, they are likely to have a significant impact on taxpayer behavior. Therefore, the Executive remains committed to providing Arizonans with a simple, predictable path to completing their income taxes and will be working with the Legislature in the 2019 session to conform to federal tax law changes as quickly as possible.

INDEX THE DEPENDENT EXEMPTION FOR INFLATION

Beginning in TY 2019, the state’s \$2,200 personal exemption was indexed for inflation – joining the already indexed standard deduction and income tax brackets. However, the dependent exemption was not similarly indexed. The Executive continues to believe that benefits offered to taxpayers should be protected from erosion in value due simply to inflation pressure.

Therefore, beginning in FY 2021, the Executive Budget includes \$3.0 million to permanently index the value of the dependent exemption to inflation. This change is expected to increase the value of the exemption from \$2,300 to \$2,346 in TY 2020, and it would continue to grow every year thereafter.

² Adjusted for prior tax law changes.

General Fund Revenue Summary

	Actual FY 2018	Estimate FY 2019	Estimate FY 2020	Estimate FY 2021	Estimate FY 2022
TAXES					
Individual Income	4,544,087.0	4,801,000.0	5,008,630.0	5,183,230.0	5,380,192.7
Corporate Income	373,072.1	420,000.0	427,000.0	453,000.0	477,000.0
Sales and Use	4,787,462.5	5,048,930.0	5,289,430.0	5,500,720.0	5,676,743.0
Property Taxes	42,099.0	36,799.0	36,704.0	30,338.0	31,012.0
Luxury Taxes	57,997.9	54,489.0	51,834.0	51,680.0	52,565.0
Insurance Premium Taxes	509,276.0	507,300.0	511,100.0	516,211.0	521,373.1
Estate Taxes	-	-	-	-	-
Other Taxes	7,506.5	5,708.0	6,221.0	6,128.0	6,211.0
TOTAL TAXES	10,321,501.0	10,874,226.0	11,330,919.0	11,741,307.0	12,145,096.9
OTHER REVENUES					
Licenses, Fees & Permits/Misc.	180,338.0	177,097.0	185,897.0	189,066.0	195,345.0
Interest Earnings	22,087.1	31,728.9	41,645.6	46,065.2	48,368.5
Lottery	68,425.4	90,333.0	105,704.9	116,963.9	116,963.9
Transfers & Reimbursements	40,682.0	56,066.3	122,785.4	89,840.5	94,840.5
TOTAL REVENUES	10,633,033.5	11,229,451.2	11,786,951.9	12,183,242.6	12,600,614.8
ADJUSTMENTS					
Urban Revenue Sharing	(680,770.1)	(674,804.4)	(737,573.9)	(783,900.0)	(815,344.5)
Disproportionate Share	83,704.7	95,132.7	77,858.3	43,473.9	44,668.1
Public Safety Transfers	-	72,400.0	(36,300.0)	-	-
Temporary Transaction Privilege Tax	184.7	-	-	-	-
Scheduled Fund Transfers	74,372.7	120,681.7	100,840.7	45,000.0	45,000.0
Recommended Revenue Changes	-	-	-	(3,000.0)	(6,000.0)
GRAND TOTAL REVENUES	10,110,525.4	10,842,861.2	11,191,777.0	11,484,816.5	11,868,938.4

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

Other Fund Revenue Summary

	(in thousands)		
	Actual	Estimate	Estimate
	FY 2018	FY 2019	FY 2020
TAXES			
Motor Vehicle Fuel Tax	1,751,797.5	835,771.3	968,247.0
Property Taxes	13,003.7	12,438.2	12,438.2
Sales and Use	659,209.3	389,575.9	399,212.7
Luxury Taxes	315,504.7	315,368.1	315,567.4
Insurance Premium Taxes	41,161.5	38,445.1	40,177.8
Motor Carrier Tax	(19,455.1)	20,723.7	21,928.6
Vehicle License Tax	380,396.1	381,450.1	403,601.7
Other Taxes	1,227,605.1	1,228,109.6	1,382,789.4
TOTAL TAXES	4,369,222.8	3,221,882.0	3,543,962.8
OTHER REVENUES			
Licenses, Fees & Permits/Misc.	1,603,322.6	1,739,404.5	1,666,224.9
Interest Earnings	389,323.6	80,185.9	73,632.6
Lottery	1,633,419.2	1,560,135.8	1,560,135.8
Charges for Services	4,306,148.6	4,512,703.2	4,645,614.5
Miscellaneous Revenues	1,443,743.5	1,799,135.6	1,872,830.9
TOTAL OTHER REVENUES	9,375,957.5	9,691,565.0	9,818,438.7
TOTAL REVENUES	13,745,180.3	12,913,447.0	13,362,401.5
OTHER FINANCING SOURCES			
Transfers & Reimbursements	20,791,524.8	22,198,384.7	22,869,599.8
GRAND TOTAL REVENUES	34,536,705.2	35,111,831.7	36,232,001.3

*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 Responsibility

The FY 2020 Executive Budget makes a record-breaking contribution to the State’s Rainy Day Fund balance and addresses recession-era debt.

Securing Arizona’s Fiscal Future

BUDGET STABILIZATION FUND

The State’s Budget Stabilization Fund (BSF), often referred to as the “Rainy Day Fund,” was established in 1990 to mitigate the operational impacts of State revenue losses and countercyclical spending pressures on the budget during downturns in the national and state economies.

At the end of FY 2018, the BSF balance was approximately \$457.8 million, or 4.5% of General Fund revenues, far short of the 7% statutory fund balance cap. Today’s BSF balance is in poor condition compared to the Fund’s historical balances ahead of the two prior recessions (see Figure 4). Even those historical balances proved inadequate to avoid the harmful, massive spending cuts and application of budgetary gimmicks that were employed to weather the downturn.

Fiscal experts have estimated that Arizona’s BSF balance should hold at least 10% of General Fund revenues to better shield the State against recessionary downturns.

The Executive Budget places the State in a stronger position by making the largest BSF deposit – \$542 million – in the Fund’s history, bringing the fund balance to its highest level since inception, at \$1 billion, or about 9% of projected FY 2020 General Fund revenues. Further, the Executive Budget raises the 7% statutory cap to 10%.

Together, these initiatives secure Arizona’s fiscal future; when the next economic downturn occurs, the State will be positioned to recover more quickly and with a more solid fiscal foundation.

REFINANCING RECESSION-ERA DEBT AND RECLAIMING FREE AND CLEAR OWNERSHIP OF THE STATE CAPITOL

In FY 2010, the State secured three separate “working capital” financings, totaling \$1.42 billion, to help address significant General Fund operating deficits in the midst of the Great Recession. Two of the financings were Certificates of Participation (COPs), totaling \$998.8 million, that borrowed against existing State buildings, including the Legislative, Executive, and Judicial buildings located on the Capitol Mall. The State secured another

financing, for \$425.4 million, that was secured by and payable from revenues generated by the State Lottery.

Since that time, the State has paid off \$474 million, leaving an outstanding balance of \$950.2 million. In FY 2020, the remaining balance on each of these debt issuances becomes eligible for refinancing at lower, short-term rates, generating substantial interest cost savings. The lower outstanding debt level on the COPs also reduces the amount of State facilities pledged as collateral.

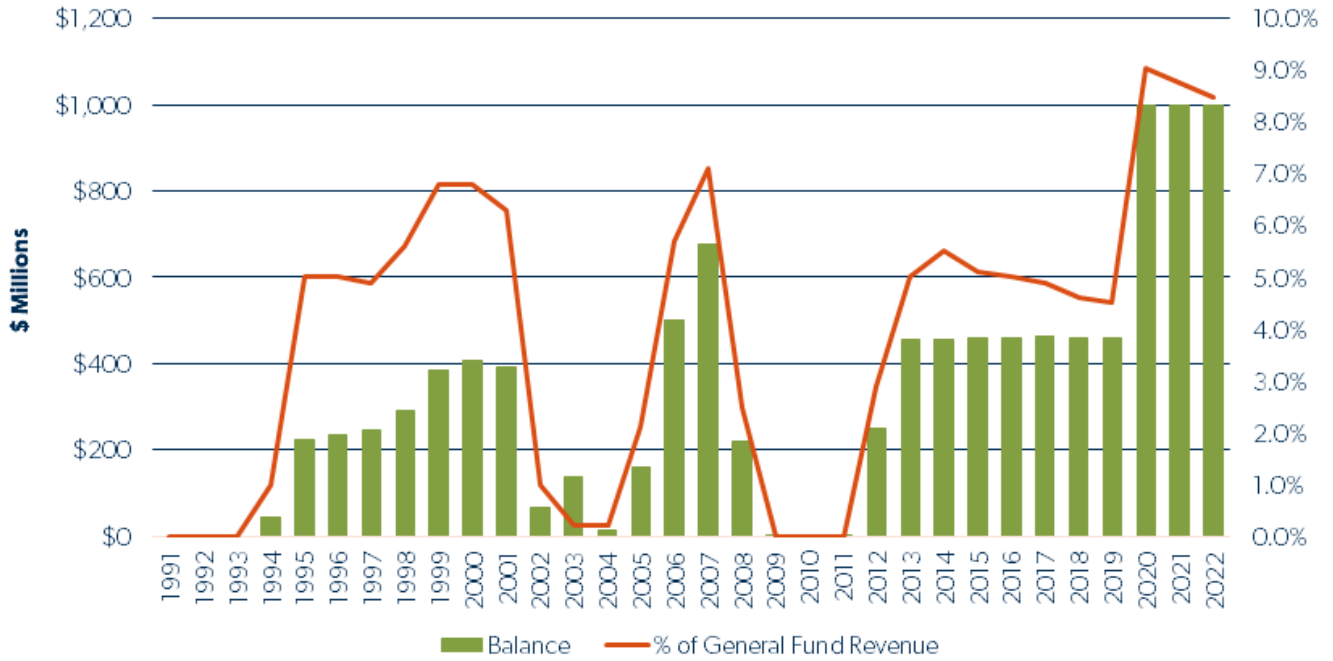
In January 2019, the Executive directed the Department of Administration (ADOA) to proceed with refinancing this Recession-Era debt, saving Arizona taxpayers over \$100 million between FY 2020 and FY 2030 and allowing the State to regain ownership, free and clear, of its Capitol buildings.

The Executive intends to capture the savings from the refinance in level payments, or equal amounts, between FY 2020 and FY 2029 at an estimated \$10 million a year, having an ongoing, structural impact on the General Fund (see Table 2).

Table 2
Annual Debt Service Savings from Working Capital Refinancings

Fiscal Year	Refunded Debt Service	Refunding Debt Service*	Future Value Savings
2020	\$ 77,969,441	\$ 66,758,474	\$ 11,210,967
2021	121,597,276	111,524,124	10,073,152
2022	121,601,988	111,525,250	10,076,738
2023	121,594,500	111,519,749	10,074,751
2024	121,598,225	111,518,624	10,079,601
2025	121,598,763	111,526,875	10,071,888
2026	121,601,556	111,524,124	10,077,432
2027	121,599,956	111,529,999	10,069,957
2028	121,595,238	111,523,000	10,072,238
2029	121,594,813	111,516,625	10,078,188
2030	84,098,594	77,013,375	7,085,219
Total	\$ 1,256,450,350	\$ 1,147,480,219	\$ 108,970,131

Figure 4
 Budget Stabilization Fund Balance, FY 1991-FY 2022 (est.)



Education

The Executive Budget primarily focuses on attracting and retaining teachers as an essential part of ensuring that Arizona’s K-12 and higher education students are equipped with the skills and knowledge they need to be successful in life and career.

“K-12 education is a box that we will never check.”

- Gov. Doug Ducey, “20x2020” speech, April 12, 2018

K-12 Education

PROMISES MADE, PROMISES KEPT

The FY 2020 Executive Budget delivers on Governor Ducey’s ongoing promise to increase State funding above and beyond inflation and enrollment growth for Arizona’s public K-12 education system in every year that he is in office. This is being done while making historic investments in the Rainy Day Fund, paying down debt, and maintaining a balanced budget.

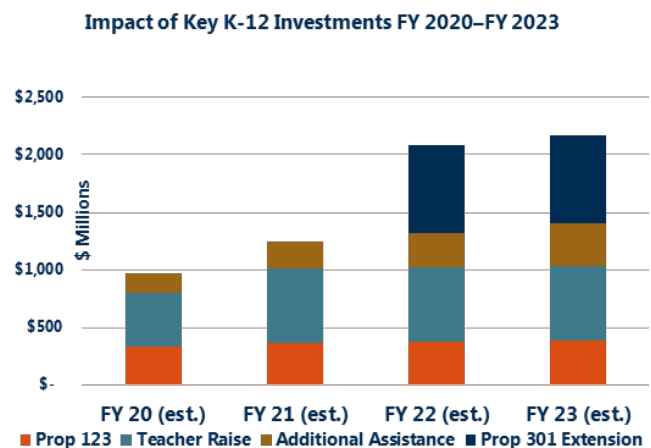
The Executive’s FY 2020 spending plan:

- Continues implementation of the 20x2020 plan that funds a 20% teacher pay raise by the beginning of school year 2020.
- Continues the second-year phase-in of the restoration of District Additional Assistance (DAA) and Charter Additional Assistance (CAA) formula funding.
- Rewards more public schools that achieve the highest academic outcomes for their students.
- Incentivizes public schools to offer career and technical education programs that result in industry certificates.
- Increases resources for school safety measures.
- Proactively and predictably funds new school construction.
- Tackles the teacher shortage crisis by expanding the K-12 teacher pipeline through permanent State support of the Arizona Teachers Academy.

PRIOR K-12 INVESTMENTS

The FY 2020 Executive Budget builds on a strong commitment to K-12 education that the Governor made during his first term in office. Since 2015, the State has added \$2.7 billion to K-12 education from significant investments starting with Proposition 123, which increased K-12 funding distributions from the State Land Trust from 2.9% to 6.5%, providing an estimated \$300 million annually.

Figure 5



The FY 2018 enacted budget provided \$34 million for the first round of teacher pay raises. In that same fiscal year, the budget further increased per-pupil amounts by fully funding inflation and enrollment growth, and established the Results Based Funding program, and other outcome-focused initiatives.

The FY 2019 enacted budget included \$645.2 million to fund the “20x2020” plan to increase average teacher salaries 20% by the beginning of school year 2020. The FY 2019 enacted budget funded the first year of the full restoration of \$371 million in recession-era cuts made to DAA and CAA and included \$138.6 million to address school building renewal projects.

Along with these initiatives and other technical adjustments, the FY 2019 enacted budget increased formula funding by \$398 per pupil (\$293 when adjusted for inflation). A per-pupil increase of this magnitude has not occurred since the implementation of Proposition 123.

While committing over \$1 billion to K-12 education in one budget and during one Legislative session is unprecedented, Governor Ducey is also committed to ensuring predictability and confidence in sustaining these investments. As a result, these new dollars are advance-appropriated over the next three to five years, ensuring that the intended increases will be automatically enacted into law each year and budgeted accordingly into baseline assumptions and forecasts.

In March 2018, the Executive added more funding certainty for public schools by championing the approval of the 20-year

extension of Proposition 301, which provides nearly \$700 million annually for K-12 education.

As a result of Proposition 123, the teacher pay increases, restoring DAA and CAA, and the Prop. 301 extension, over \$6.5 billion in additional funding will infuse into K-12 education between FY 2020 and FY 2023, the fiscal years of Governor Ducey's second term in office (see Figure 5).

FUTURE K-12 INVESTMENTS

During his first term in office, Governor Ducey made K-12 education his top funding priority in every budget he proposed. His second term, beginning with FY 2020, will be no exception. The Executive Budget continues momentum from the first term by increasing formula funding from the General Fund for inflation, enrollment, and related adjustments by \$381.4 million, approximately \$340 per pupil, or \$290 when adjusted for inflation. This amount includes \$232.5 million in new funding for the 5% increase for 20x2020 teacher pay and restoring cuts made to DAA and CAA as part of the baseline.

In addition to an increase in formula funding, the Executive recommends \$255.3 million in other essential K-12 investments that include:

- Increasing the efficacy of Results Based Funding by expanding eligibility to low-income "B" schools.
- Providing funding for meaningful levels of staffing at the State Board for Charter Schools, to monitor operational and financial performance and provide greater oversight and accountability.
- Further enhancing school safety programs by adding school resource officers and school counselors.
- Creating a new Career and Technical Education (CTE) program that incentivizes schools to offer students more opportunities to earn industry certifications that align with Arizona's growing workforce needs.

In total, the FY 2020 Executive Budget increases funding for K-12 Education by \$636.7 million dollars.

Inflation and Enrollment Growth. The Executive Budget includes \$200 million in permanent funding for student enrollment growth and inflationary increases. The State's General Fund share of that increase is partially offset by higher property tax revenues generated from new construction and increased distributions from the Permanent School Fund. These offsets result in a net General Fund baseline increase of \$141.4 million for enrollment growth, inflation, and related adjustments, or \$127 per pupil. Inflation is projected to be 2.0% in FY 2020, its highest rate of increase since FY 2013.

Teacher Salary Increases. The Executive's 20x2020 plan began in the enacted FY 2018 budget with a \$34 million investment, and increased to 10% in FY 2019 for a cumulative investment of \$306 million.

The FY 2020 Executive Budget provides new funding of \$164.7 million for an additional 5% teacher pay increase. The second 5% increase is already funded at \$174.5 million in the FY 2021 baseline budget. When fully implemented, the 20x2020 plan provides educators with a 20% increase, totaling \$645.2 million in permanent and sustainable funding.

DAA/CAA Restoration. DAA and CAA are permanent, flexible funding sources for capital and operational costs, and in some cases may include additional pay for all categories of certificated teachers and classified staff. The enacted FY 2019 budget included \$100 million for the first installment of a five-year plan to restore \$371 million suspended in the Basic State Aid formula for DAA and CAA during the recessionary years. As part of the first-year payment, the reductions incurred by smaller, predominantly rural schools were repaid in full.

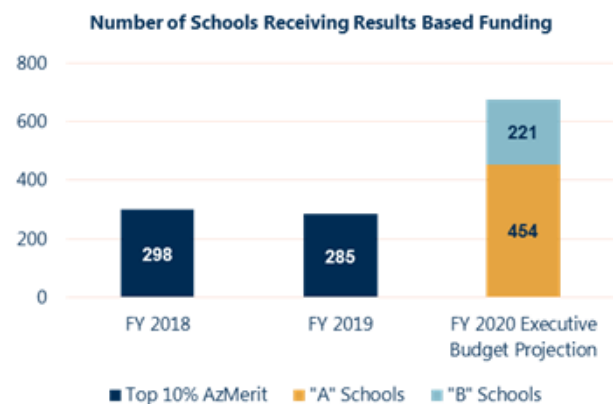
Currently, the DAA formula provides annual per-pupil funding of approximately \$450 to \$600 to school districts, while the CAA formula provides annual per-pupil funding of \$1,775 to \$2,069 to charters. CAA funding has been historically higher than DAA because, unlike school districts, charters cannot levy property taxes and do not receive State funding for capital or some types of maintenance and operations costs.

The FY 2020 Executive Budget continues the second-year phase-in of the DAA and CAA restoration, with an additional investment of \$68 million in new, permanent, and flexible funding for operations and capital expenses. To date, the total amount restored is \$168 million, with the remaining funding to be added over the next three years:

- \$236 million in FY 2021;
- \$303 million in FY 2022; and
- \$371 million in FY 2023.

Results Based Funding. The Executive introduced Results Based Funding (RBF) in FY 2018 to provide incentives for the expansion and replication of high-performing schools. In FY 2018 and FY 2019, funding was distributed on a per-pupil basis to schools whose students scored proficient in the top 10% on the

Figure 6



AzMERIT test. The monies could be used to increase teacher salaries, provide professional development opportunities for teachers, and expand enrollment capacity. Schools with 60% or more students who qualified for free or reduced-price lunch (FRL) received \$400 per pupil, and schools below the 60% threshold received \$225 per pupil. In FY 2018, 298 schools received \$39.2 million and in FY 2019, 285 schools received \$38.3 million.

In October 2018, the State Board of Education fully implemented the A-F letter grading system for school year 2017-2018. The FY 2020 Executive Budget distributes RBF using the A-F letter grade designation where "A" schools with a 60% or higher FRL rate will receive \$400 per pupil and schools with FRL rates below that threshold will receive \$225 per pupil. This conversion and other important policy changes have increased the cost of RBF in FY 2020 by \$59.7 million, for a total of \$98.3 million.

In addition to funding both high- and low-income "A" schools, the Executive Budget expands RBF's scope to recognize growth toward achievement at schools with higher needs by including "B" schools with a 60% or higher FRL rate. As part of this policy change, "B" schools will receive \$225 per pupil. The Executive estimates that, as shown in Figure 6, current data indicates 675 schools will qualify for RBF in FY 2020.

To ensure that the RBF is rewarding high outcomes and incentivizing expansion, the Executive proposes more detailed and centralized reporting of the uses of the RBF at the school site level. In addition, the Executive believes that this data will provide insight into the best practices that Arizona's highest performing schools are utilizing to produce their outstanding academic outcomes. These success strategies can then be shared publicly to assist struggling schools to improve student achievement.

MEETING WORKFORCE NEEDS

Career and Technical Education (CTE) creates a positive student-engagement strategy that ensures that high school graduates can enter the workforce or advance to postsecondary education with the academic and hands-on skills they need to be successful. Research indicates that CTE students are more likely than their non-CTE peers to graduate, with 96% of those graduates entering the workforce, joining the military, or enrolling in postsecondary institutions for additional credentials or degrees.

Arizona's growing economy is rooted in its demand for highly skilled workers with specific technical training. The Executive Budget recognizes the importance of aligning educational outcomes to industry needs by growing the pipeline of talent provided through the CTE pathways offered in high schools and CTE districts.

Consistent with that view, the Executive Budget creates a \$10 million incentive program that gives schools offering CTE programs up to \$1,000 for each high school student who graduates with specific industry certifications. The Arizona Commerce Authority (ACA) will designate the industry certificates that will qualify, based on ACA's analysis of in-demand employment

sectors and specific vocations that business and industry identify as labor shortage areas.

ARIZONA SAFE SCHOOLS PLAN

Funding the School Resource Officer Waitlist. The Executive Budget prioritizes the security and safety of Arizona students, schools, and communities with an ongoing \$9.3 million investment to add more law enforcement personnel on campus.

School resource officers (SROs) serve an important role on school campuses by maintaining a visible police presence, deterring substance abuse and violence, and acting as a community liaison. During the FY 2017-FY 2020 school safety grant cycle for SROs, 203 schools applied for officers; however, due to limited funding availability, only 114 received awards. The Executive Budget provides the funding necessary for the 89 SROs that were not awarded or funded in the current grant cycle. The Executive also proposes that the Arizona Department of Education (ADE) open its FY 2021-FY 2023 grant cycle one year early, as a proactive measure to allow the Executive to incorporate the total estimated costs of funding all anticipated SRO requests into the FY 2021 Executive Budget.

Mental Health Support for Students. Research also shows a strong correlation between a healthy and productive academic experience and the student's access to school counselors and social workers.

In addition to the support that law enforcement can provide, school counselors who interact with students on an academic, social, and cultural basis are integral to identifying and managing "red flags" that can pose a threat of intentional acts of school violence. School counselors know their students individually, build relationships with them, and are able to notice subtle, gradual, or dramatic behavior changes, such as failing grades, depression, or signs of substance abuse. Further, school counselors are trained to provide short-term counseling to students who are emotionally at risk and long-term referrals for students that may require more intense interventions.

The FY 2020 Executive Budget includes \$12 million over the next two years to fund approximately 112 new school counselors or social workers in FY 2020 and another 112 in FY 2021, through a new school-safety grant program that awards school counselors or social workers to public schools in a manner similar to SROs.

When fully implemented, this investment could result in a 17% reduction in Arizona's counselor/student caseload.

Safe Schools Guidelines Study. The Executive Budget includes \$250,000 for the School Facilities Board to study national best practices in school safety, including design elements and non-facilities items such as crisis notification mobile alert applications. The results of this study will provide clearer guidance on the most effective physical and virtual infrastructure modifications needed to improve school-site safety. The Executive will

review the results of the study and consider the appropriate level of funding needed as part of the FY 2021 Executive Budget.

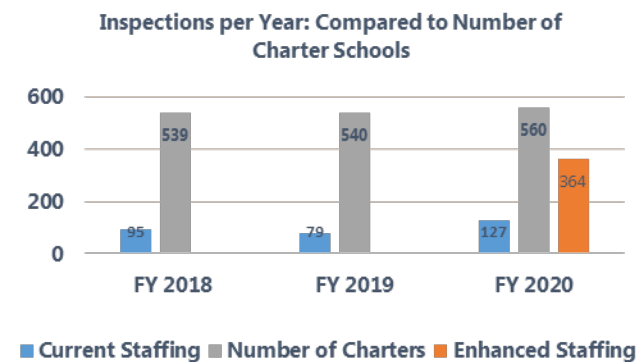
CHARTER SCHOOL OVERSIGHT AND ACCOUNTABILITY

Financial Accountability for Charter Schools. The State Board for Charter Schools (Board) grants charter status and oversees over 500 charter schools statewide. Over 17% of Arizona students attend charter schools, and enrollment continues to grow. The Executive supports the Board’s position that strong financial management is an integral component to ensuring that charter schools are meeting high expectations for academic and operational quality. The long-term sustainability of a charter school certainly depends on academic performance, but it also requires financial solvency and sustainability.

The Board is currently finalizing the financial performance framework that will be used to determine a new intervention process for schools that do not meet financial performance standards. The Board is authorized to censure or revoke a charter if the school does not take action to correct financial issues.

The FY 2020 Executive Budget includes \$785,500 to hire 10 staff members to conduct more frequent school site visits to address financial management issues. With additional staff, the Board will increase on-site monitoring and inspections of charter schools to monitor academic, operational, and financial performance and investigate complaints (See Figure 7). The additional funding will increase the frequency of site visits to schools from once every five years to once every three years.

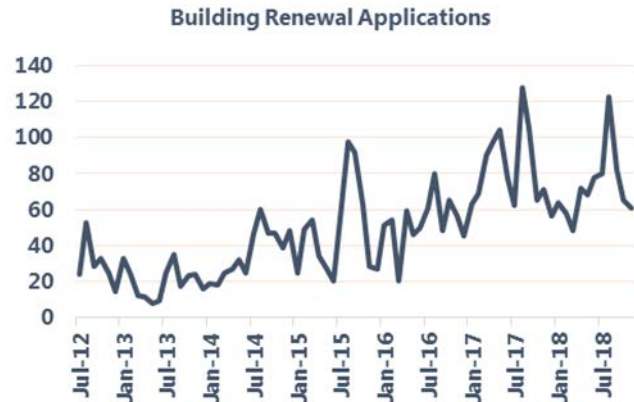
Figure 7



BUILDING RENEWAL AND NEW SCHOOL CONSTRUCTION

Full Funding of the Building Renewal Grant Program. The School Facilities Board (SFB) is statutorily required to administer a grant program to provide financial assistance to school districts to repair or replace existing school building systems through the Building Renewal Grant (BRG) program. As school buildings age, the SFB has seen a large uptick in the number of BRG grant requests over the past several fiscal years (see Figure 8).

Figure 8



The Executive Budget includes funding of \$79.5 million, which is \$62.8 million more than the "base" amount of \$16.7 million that the State typically appropriates for BRG funding for school districts’ capital needs. This infusion of \$79.5 million in building renewal funding is a 56% increase over the \$51.1 million appropriated for building renewal in FY 2019.

Additionally, the Executive Budget includes a \$25.0 million FY 2019 supplemental appropriation for the BRG program. This funding is necessary given the number of school district requests already received and approved by the SFB. To date, \$45.6 million, or 89%, of the \$51.1 million FY 2019 appropriation has been awarded to districts for building renewal projects.

New School Construction. The Executive Budget funds \$191 million in new school construction for 12 schools (See Table 3).

Table 3

New Construction: Projected Need Through FY 2022

School District	FY Over Capacity	FY 2020 Funding ³
Chandler USD	2019	\$ 29,969,000
Douglas USD	2019	19,634,002
Maricopa USD	2019	26,211,250
Pima USD	2019	1,319,693
Safford USD	2019	6,515,114
Somerton ESD ⁴	2019	6,615,000
Laveen ESD	2020	13,762,056
Vail USD ⁵	2020	26,892,348
Yuma Union HSD	2021	26,836,250
Sahuarita USD	2022	31,328,500
Other ⁶	-	1,820,235
Total		\$ 190,903,448

The Executive Budget returns to the pre-2013 statute governing the approvals of new school construction. Previously, approval and the requisite funding were provided if school districts needed additional student capacity in the next two years

³ These amounts do not reflect the per-square-foot inflation factor approved by JLBC on December 18 2018. Doing so would increase the total approval to \$200,314,400.

⁴ The Somerton ESD amount funds two schools of \$3.3 million each.

⁵ The Vail USD amount funds two schools of \$9.8 million and \$17.1 million.

⁶ Site conditions and contracting

for an elementary school and three years for a middle or high school. After 2013, statute required the State to fund a new school if capacity was needed in the current year. This one-year policy has resulted in school districts outgrowing their facilities, forcing students into temporary structures and other less-than-ideal facilities not built for classroom use while the new schools are being built. Further, returning to the pre-2013 standard will allow the State to avoid paying higher school design and construction costs associated with accelerated building schedules that schools are pursuing to address their capacity shortage as quickly as possible.

The school districts listed in Table 3 as exceeding capacity in FY 2020-FY 2022 are based on SFB conceptual approvals as of December 2018. The Executive expects SFB to re-evaluate this data in the Spring of 2019, which may impact the schools listed and the funding included.

Higher Education: Colleges and Universities

ARIZONA TEACHERS ACADEMY

In the FY 2018 Executive Budget, Arizona’s public universities were called upon to respond to one of the biggest challenges facing the State today: the teacher shortage crisis.

As the number of college students enrolled in and completing teacher preparation programs across the country continues to decline, and the number of teachers who become eligible for retirement rises, the risks for teacher attrition in K-12 public education have never been higher.

Equally important, as the consumers of a quality K-12 system, universities are directly impacted by academically underprepared students, and employers suffer from non-skilled workers.

To address these critical problems, the FY 2020 Executive Budget makes the Arizona Teachers Academy the cornerstone of its education policy agenda by making significant investments in the existing programs at our public universities and expanding programmatically through the entire public postsecondary system.

The Executive Budget expands the existing institutional investment in the Arizona Teachers Academy to a permanent \$21 million State investment. Since the Academy’s inception in 2017, prospective teacher participation has increased dramatically, affirming the interest of students and the public schools that are embracing the program by providing employment opportunities during the student-teaching experience and upon graduation.

The Executive Budget expands the Arizona Teachers Academy in four ways.

1. Expanded Eligibility. Academy eligibility is no longer limited to education majors. Students majoring in Science, Technology, Engineering, and Math (STEM) disciplines at the State’s public universities are eligible for the Arizona Teachers Academy.

- The Arizona Teachers Academy currently provides funds to cover the cost of tuition and fees – net of institutional aid, federal grants, and other scholarships – if a student is enrolled in the university’s College of Education.
- If a student is not enrolled in the College of Education, or in an undergraduate education degree path, but is pursuing a degree in the STEM fields and is enrolled in full- or part-time education degree required coursework, the Arizona Teachers Academy will cover tuition and fees for two academic years (four semesters).
- For community college post-baccalaureate students, tuition and fees will also be waived for up to two academic years (four semesters).
- In exchange, students must agree to teach one year in Arizona for every year they participate in the Arizona Teachers Academy.

2. Four Years of Benefits. Students who participate in the Arizona Teachers Academy may request tuition benefits for up to four years. However, juniors and seniors will receive priority status.

3. \$1,000 Stipend. The Arizona Teachers Academy provides a \$1,000 annual stipend as an extra incentive to students who agree to teach in one of these critical-need areas:

- STEM programs of study
- Special education
- Schools in low-income areas
- Tribal and rural communities

4. Broadened Participation. Participation in the Arizona Teachers Academy is broadened to include non-resident and community college post-baccalaureate students.

The Executive intends that the FY 2020 investment in the Arizona Teachers Academy and funding each subsequent year will be used proactively to attract the best and the brightest into Arizona’s K-12 classrooms.

OTHER UNIVERSITY ISSUES

Arizona Teacher Student Loan Program. The FY 2020 Executive Budget expands the Arizona Teacher Student Loan Program (ATSLP) by \$250,000, to serve approximately 35 additional prospective teachers who are in their junior or senior year in any postsecondary institution in the state.

ATSLP covers up to \$7,000 per year in tuition and fees and requires the student to agree to teach STEM or special education or teach in a low-income, tribal, or rural community. With this increase, the total FY 2020 funding for this program will be \$676,000.

Health Insurance Trust Fund “Hold Harmless.” As a result of a shortfall in the State’s Health Insurance Trust Fund (HITF), one-time agency premium increases were implemented across State government for FY 2019, including the State’s university system.

The universities planned to use a portion of tuition collections to pay the premium increase.

The FY 2020 Executive Budget includes a FY 2019 supplemental appropriation of \$9.3 million to cover the universities' full cost of the premium surcharges, freeing up a commensurate amount of tuition dollars to be used for other operational purposes. The amount to be paid to each university budget unit is:

- Arizona State University: \$4.6 million
- Northern Arizona University: \$91,500
- University of Arizona: \$4.7 million (including \$650,300 for Health Sciences)

In addition, the Executive Budget includes another one-time agency insurance premium increase in FY 2020 to improve the cash position of HITF as the State moves toward issuing a Request for Proposal (RFP) for a new State health insurance plan that provides innovative health care coverage in a cost-effective way for employees and employers. Consistent with the FY 2019 supplemental, the FY 2020 Executive Budget provides the universities with the full amount of this premium increase, which will allow them to avoid using tuition dollars on the State's HITF. (For more information on the FY 2020 HITF agency premium increase, see the "Government That Works" section of the Budget Message.)

State Support for Resident Students. The Executive Budget includes \$35 million in one-time General Fund support for university operating and capital improvements, providing universities with budget flexibility to address their high-priority needs and provide additional support to Arizona resident students.

WORKFORCE INVESTMENTS

Pima Aviation Technology Program. The continued growth of Arizona's aerospace industry – particularly in the southern part of the state – requires critical infrastructure to meet the labor demands of incumbent and new businesses.

Bombardier and Ascent, along with Skywest Airlines, have expressed interest in having more students graduate in this field to keep up with their vacancies.

The Executive Budget includes \$20 million to Pima Community College (PCC) to expand its Aviation Technology Program

(ATP). The ATP is one of only two aviation technology programs in the state and provides students with hands-on experience with a variety of aircraft. This one-time investment is part of PCC's larger \$100 million funding plan that relies on the issuance of revenue bonds, obtaining federal grants, and reallocating resources across the district.

MCCCD Healthcare Specialty Expansion. According to the Bureau of Labor Statistics, the number of available jobs in the Phoenix area's healthcare sector is expected to grow by 24% between 2018 and 2025. Jobs that are in high demand include registered nurses, nursing assistants, and other allied health care professionals.

The Executive Budget includes a one-time \$5.8 million investment for the Maricopa County Community College District (MCCCD) for equipment to expand its capacity in specialty area offerings in the operating room, emergency care, telemetry, oncology, intensive care unit, and home care programming.

The District houses several state-of-the-art facilities that allow students to practice medical procedures on life-like simulators. Valley healthcare companies frequently send their employees to MCCCD's Center for Nursing Excellence and comparable facilities for additional specialty certifications in response to rapid changes in health care.

To date, MCCCD has invested \$1.6 million in its health care training facilities, primarily from Proposition 301 monies, to acquire additional simulators, build skill lab classrooms, and equip control rooms that allow faculty to oversee students' interactions with simulators.

Pinal County Regional Workforce Training Center. Arizona is becoming a magnet for electric vehicle manufacturing. With major announcements from two electric vehicle companies that intend to locate their production plants in Pinal County, State and local entities, including the Arizona Commerce Authority, the Office of Economic Opportunity, the City of Casa Grande, and Central Arizona College are partnering together to create a training center that will equip current and future residents in the region with advanced manufacturing skills that these motor companies and the growing industrial sector need.

The Executive is reinvesting workforce training funds into this project that will facilitate its completion.

Natural Resources

The Executive Budget provides the resources necessary to help protect the water levels in Lake Mead, secure Arizona’s Colorado River interests, and prepare for the drier future ahead.

“We have a viable proposal. We need to complete that proposal to protect the Colorado River and those of us who rely on it. The time is now. Let’s seize the moment.”

- Gov. Doug Ducey, *Arizona Republic* Op-Ed on the Drought Contingency Plan, December 1, 2018

Effective management and stewardship of Arizona’s most precious natural resource — water — is vital to the state’s future. The FY 2020 Executive Budget commits funding for the Drought Contingency Plan, which will ensure the supply of water for generations of responsible users throughout Arizona.

The Executive Budget also fully funds the State’s program for hazardous waste cleanups, continuing the momentum for safely closing decades old polluted sites.

Department of Water Resources

DROUGHT CONTINGENCY PLAN

The Southwest has experienced severe drought conditions for almost two decades. As a result, water levels in Lake Mead — the primary storage reservoir for the Lower Basin states (Arizona, California, and Nevada) and other Colorado River System reservoirs — have been declining. Projections indicate that this trend will continue. With as much as 40% of the State’s total water supply coming from the Colorado River, there is no denying that Arizona faces a drier future.

In 1963, the U.S. Supreme Court affirmed the legal entitlements of Arizona, California, and Nevada to Colorado River water. Five years later, Congress authorized the Central Arizona Project (CAP) to bring water from the Colorado River into central Arizona, on the condition that, in the event of a water shortage, the volume of water available to CAP would be reduced before more senior Colorado River water users in Arizona, California, and Nevada would be affected.

In 2007, the Lower Basin states and the federal government entered into an agreement tying the severity of cutbacks in water deliveries from the Colorado River to the water levels in Lake Mead at 1,075 feet, 1,050, and 1,025. The agreement provides for increasing cutbacks at each elevation. If Lake Mead’s water level drops below 1,025 feet, Arizona would lose access to at least 480,000 acre-feet, or 17%, of its Colorado River allocation. The magnitude of that cutback is equivalent to providing a year’s worth of water to approximately a million family households. The

U.S. Bureau of Reclamation forecasts a 50% chance of this draconian scenario occurring by 2026. In such an event, the Bureau of Reclamation could order additional reductions in Colorado River water deliveries to stabilize Lake Mead.

Arizona’s FY 2018 budget committed \$6 million over three years to proactively preserve elevations at Lake Mead by incentivizing Arizona’s Colorado River water users to forego a portion of their allocation, with the goal of preventing Lake Mead’s water level from falling below the first shortage step of 1,075 feet. To date, the Arizona Department of Water Resources (ADWR) has expended \$2 million on this effort. Nevertheless, the Bureau of Reclamation is expected to issue a shortage declaration by 2020.

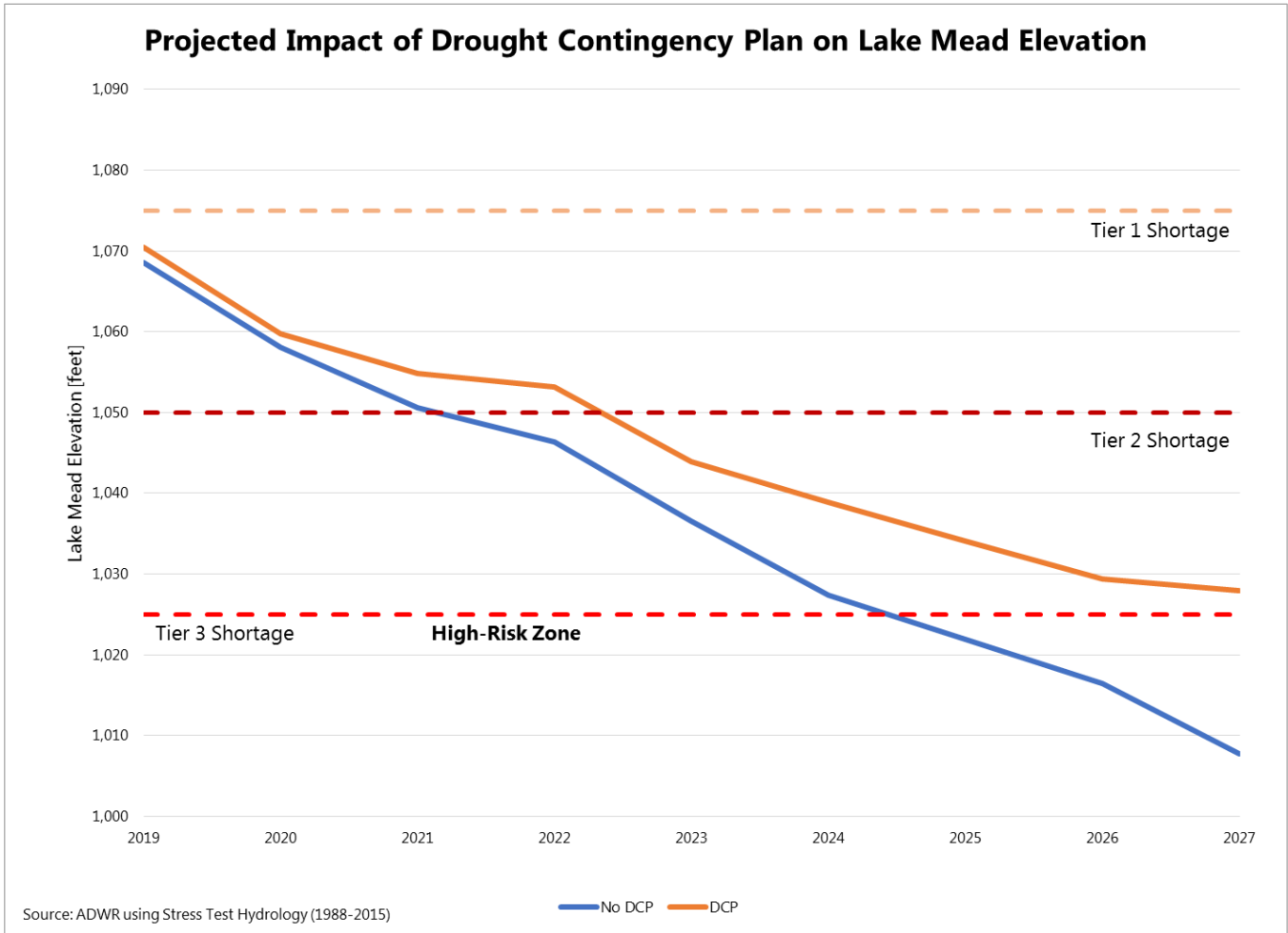
ADWR has been in negotiations with California, Nevada, and the Bureau of Reclamation to prepare a Lower Basin Drought Contingency Plan (DCP) to protect water levels at Lake Mead. While the plan will likely not head off the first shortage declaration, the DCP will help reduce the likelihood of Lake Mead falling to a more critical elevation, such as the severe 1,025 feet.

The terms of the proposed DCP, which would amend the 2007 agreement and run through December 2026, ensure that no single user of Colorado River water would bear the brunt of imminent cutbacks. The DCP includes earlier and deeper reductions of Colorado River supplies for Arizona and Nevada, beyond the currently agreed-upon limits, in exchange for California, which had no set cuts under the 2007 agreement, also taking reductions in its Colorado River deliveries if water levels in Lake Mead deteriorate to specific levels. Based on ADWR projections (see Figure 9 on the next page), Arizona’s DCP offers a real possibility of protecting Lake Mead and providing more time for Arizona to prepare for a drier future.

In the summer of 2018, ADWR and CAP jointly convened a committee of Arizona stakeholders to develop an intrastate DCP implementation plan that balances the broad-ranging interests of the State’s Colorado River water users. Many stakeholders, including the State of Arizona, plan to contribute significant resources for implementation.

The Executive Budget includes \$30 million, in addition to the original \$6 million, for conservation efforts dedicated to protecting water levels in Lake Mead, and an additional \$5 million to support infrastructure projects for agriculture, to secure Arizona’s water future.

Figure 9



DEPARTMENT OF ENVIRONMENTAL QUALITY

The Executive Budget continues support of the Water Quality Assurance Revolving Fund (WQARF) program, through which the State actively pursues remediation of land and groundwater that have been contaminated by hazardous waste. There are 36 active remediation sites on the WQARF registry.

Due to the severity of the contamination required to be listed on the registry, site remediation tends to be a complex, multi-year process. In recent years, however, process efficiencies achieved by the Arizona Department of Environmental Quality (DEQ) has safely accelerated site evaluation and remediation, resulting in lower costs and shorter timelines per cleanup.

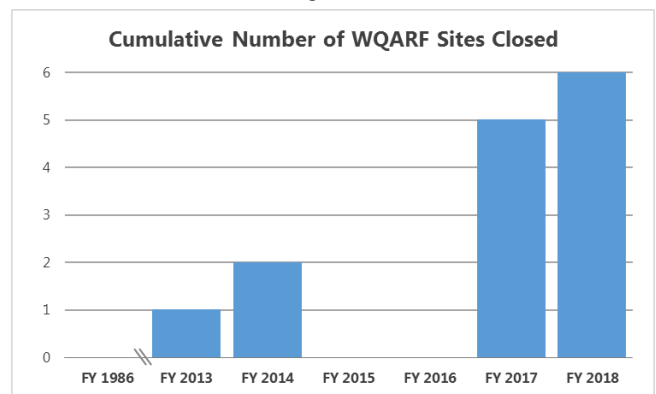
Focusing on efficient and effective investigation and remedial technologies, DEQ has closed sites at an accelerating rate. In FY 2018, DEQ was able to begin remediation on a new site within 180 days of contamination discovery, which is one example of how the Department has been able to lower the average time to implement site remedies from 4.2 years to 1.4 years.

Five years ago, the program had closed only one contaminated site since its inception in 1986. As Figure 10 illustrates, by

the end of FY 2018 the number of sites removed from the WQARF registry had grown to six.

To ensure that such valuable gains continue unabated, the Executive Budget includes full funding for WQARF from the statutorily required Corporate Income Tax diversion for the first time since FY 2007.

Figure 10



Public Safety

The Executive Budget makes targeted investments to enhance and modernize public safety statewide, targets white-collar and organized crime, and helps individuals succeed in work and life after their release from incarceration.

“Every day Arizona’s law enforcement personnel and first responders take risks and face dangers to protect public safety and keep the peace, and our state is grateful for their bravery in the line of duty.”

- Gov. Doug Ducey, "Arizona Medal of Valor" Official Statement, August 5, 2018

The FY 2020 Executive Budget makes targeted investments to enhance public safety in all parts of Arizona: metropolitan areas, rural counties, and border communities.

The Executive Budget also continues to invest in efforts to reduce recidivism, ensure that individuals who have paid their debt to society are given a genuine second chance, and demonstrate that, in Arizona, “corrections” is not merely a label, but an achievable objective.

Additional investments targeting the prosecution of white-collar and organized crime rings will strengthen existing law-enforcement efforts, to ensure that Arizona is safe and secure for residents and visitors.

The Executive Budget also provides needed funding to enhance patrols in the metropolitan and border communities, especially during the evening hours when criminal activity is high.

Public Safety Salary Increases

Below-market employee compensation in the State’s law-enforcement and corrections agencies puts them in a competitive disadvantage in recruiting and retaining top people, resulting in high turnover costs and negatively impacting agency operations.

The Executive Budget’s \$74 million in targeted investments for key positions, which will result in salary increases for an estimated 14,485 State employees (approximately 40% of State Government’s workforce, excluding the university system), includes a major focus on public safety.

The Public Safety Pay Package is designed to recruit and retain the State’s best law enforcement and corrections personnel.

DEPARTMENT OF PUBLIC SAFETY

The starting salary at the Department of Public Safety (DPS) is the lowest among Arizona’s seven largest law enforcement agencies. As a consequence, DPS has been unable to recruit, train,

and hire a sufficient number of sworn Troopers to replace retirees and fill newly created positions.

In September 2018, approximately 12% of DPS Trooper positions were vacant.

Many factors determine where a prospective law enforcement officer chooses to apply, but there is no denying that the low starting salary at DPS is a major handicap in resolving the Trooper deficit.

To enhance recruitment and retention of critical law enforcement personnel, the Executive Budget includes \$21.5 million for a 10% increase in DPS Trooper salaries and a 5% increase in DPS civilian salaries. The funding will increase starting Trooper pay from \$46,988 to \$51,687, which meets or exceeds the starting salary of four of Arizona’s six other large law enforcement agencies (See Table 4).

Table 4

Entry Officer Salary - Largest Arizona Law Enforcement Agencies			
Department	Salary	\$ Difference from DPS	% Diff. from DPS (FY 2019)
Mesa PD	\$ 57,117	\$ 10,129	21.6%
Glendale PD	55,116	8,128	17.3%
DPS - FY 2020	51,687	4,699	10.0%
Maricopa Sheriff	51,584	4,596	9.8%
Phoenix PD	51,480	4,492	9.6%
Pima Sheriff	48,880	1,892	4.0%
Tucson PD	47,133	145	0.3%
DPS - FY 2019	46,988	N/A	N/A

Source: DPS Annual Personnel Report, September 2018

DEPARTMENT OF CORRECTIONS

The Arizona Department of Corrections (ADC) competes with federal detention centers, local county detention, police departments, and private companies to recruit, hire, and retain top Correctional Officer II (COII) candidates. As more jobs become available outside of State service, competition becomes more intense, and attracting large numbers of quality applicants becomes even more challenging.

Vacancy rates for COII positions increased from 1.1% in July 2011 to 14.3% in July 2018; during FY 2018 alone, 1,078 COIIs with an average ADC tenure of four years left the Department, producing an 18.6% turnover rate. The Executive Budget includes

\$35.5 million to increase pay in several positions across ADC. Security personnel, such as COIIs, will receive 94% of that funding. Under the Executive’s plan, the average COII pay will increase from \$37,002 to \$40,703, which exceeds the average correctional officer and jailer mean wage for the Arizona nonmetropolitan area.

Table 5 illustrates the current pay gap between the ADC and its competitors:

Table 5

Correctional Officer and Jailers Mean Annual Wage			
Area	Average Salary	\$ Difference from ADC	% Diff. from ADC (FY 2019)
Phoenix - Mesa - Scottsdale	\$ 45,380	\$ 8,378	22.6%
Arizona	44,290	7,288	19.7%
Tucson	41,950	4,948	13.4%
ADC - FY 2020	40,703	3,701	10.0%
Arizona nonmetropolitan area	40,050	3,048	8.2%
ADC - FY 2019	37,002	N/A	N/A

Source: U.S. Bureau of Labor Statistics, May 2017

In addition to raising COII compensation, the Executive Budget includes pay increases for ADC positions that are dedicated to reducing recidivism – i.e., decreasing the relapse of former inmates into criminal behavior.

Two key positions that are vital to that effort are Correctional Educational Program Teachers and Correctional Substance Abuse Counselors. These positions provide needed treatment and education services that have shown to help reduce recidivism among individuals who successfully complete programs intended to help inmates achieve success after their release. Higher pay will enhance the Department’s ability to compete with other agencies in attracting qualified candidates for these positions.

DEPARTMENT OF JUVENILE CORRECTIONS

The Department of Juvenile Corrections (DJC) faces many of the staffing challenges that plague ADC. In FY 2018, DJC experienced 60% turnover within the Youth Correctional Officer I and II FTE positions. The resulting costs of recruiting and training, and the consequences of relative inexperience in those positions, are a major burden for the Department. The Executive Budget includes \$3.2 million to increase pay in several positions across DJC. Security personnel, such as Youth Corrections Officers, will receive 89% of that funding.

The Executive Budget’s salary adjustments will closely align DJC’s salary schedules with those of ADC for comparable positions and alleviate inter-agency recruiting and retention competition.

Additionally, the salary increase funds an eight-year “step plan” for Youth Correctional Officers that will provide an annual salary increase for the first eight years of an individual’s employment. This plan is comparable to the one in use at ADC and will

provide an annual incentive to remain in service with the Department.

For additional details on this funding initiative, please see the “Government that Works” section of the Executive Budget Summary.

Reducing Inmate Recidivism

In an effort to create safer communities by reducing recidivism, in January 2017 Governor Ducey directed ADC and the Department of Economic Security (DES) to establish pre-release workforce services for inmates, to prepare them for success and self-sufficiency. As a result of the agencies’ efforts, in March 2017, the State opened its first Second Chance Center. Since that time, the number of Second Chance centers has grown to three, at the Perryville, Lewis, and Tucson prison complexes.

The Executive’s Second Chance initiatives seek to reduce the State’s prison population and offer inmates additional pathways to employment and post-release success in life. Reducing the recidivism rate will curb future incarceration spending, enhance public safety, and give former inmates a better opportunity to become engaged and productive citizens.

Second Chance centers provide:

- Hard and soft skills training.
- Résumé and job search assistance.
- Job interview preparation (which includes explaining offenses to potential employers).
- Participation in on-site job fairs.
- Enrollment in health care.
- Connections to housing, clothing, and transportation.

Since the inception of Second Chance, 2,001 inmates have successfully completed the eight-week program, and 986 individuals have obtained gainful employment upon release. In FY 2018, hundreds of inmates received comprehensive workforce-readiness services within 60 days of their release, and 509 of those individuals were employed post-release.

The FY 2019 Executive Budget included and ultimately received funding to expand the Lewis and Perryville Second Chance centers, adding space for another 175 and 20 inmates, respectively, at those facilities.

IT Opportunities. To build upon these efforts, the Executive plans to invest existing resources to implement a pilot computer-programming academy. Over the last year, the Arizona Commerce Authority has identified 33 business expansion or attraction projects in the information technology (IT) sector that could add 7,000 new jobs in Arizona with an average wage of \$67,000.

As a growing component of the state’s 21st Century economy, IT training reflects a meaningful commitment from the Executive to provide relevant and in-demand workforce development opportunities to individuals who have paid their debt to society

and are committed to using their second chance to become productive members of their communities.

Public Safety Fee

The Executive is committed to protecting public safety in a way that is fiscally sustainable. The Public Safety Fee, currently set at \$32 per vehicle registration transaction, is projected to fully fund the highway patrol function of the Department of Public Safety.

The FY 2020 Executive Budget includes DPS investments that will be financed with the General Fund to prevent any increase in the Public Safety Fee. In the out years, the Executive Budget contemplates this General Fund spending will be offset by the natural growth in the number of vehicle registration transactions.

This structure accelerates critical public safety investments while holding the Public Safety Fee constant, providing fee stability for Arizonans.

Enhanced Trooper Presence

SECURING ARIZONA'S BORDER

The need to secure Arizona's border by partnering with local, State, tribal, and federal authorities to target border-related crimes led Governor Ducey to create the Border Strike Force in 2015. This multi-layered collaboration has led to thousands of arrests and significant seizures of illegal contraband.

The multi-agency approach guides Executive investments in expanding the Border Strike Force, particularly for 24/7 highway patrol coverage in southern Arizona. Since 2017, 24 new Trooper positions have been added to support this initiative.

In response to needs identified by local law enforcement leaders, the Executive Budget provides funding for an additional 12 Troopers dedicated to overnight patrols. The Executive remains committed to ensuring that DPS and local law enforcement leaders have the resources they need to interdict and reduce illegal activity at night.

INTERCEPTING WRONG-WAY AND IMPAIRED DRIVERS

The FY 2019 Executive Budget included and ultimately received funding for six new Trooper positions dedicated to patrolling the Maricopa County metropolitan areas between 8 p.m. and 6 a.m., when impaired driving is disproportionately high.

The FY 2020 Executive Budget continues efforts to mitigate and prevent wrong-way driving by including funding for six additional Trooper positions dedicated to the "night watch" shift.

HIGHWAY PATROL STAFFING

The FY 2020 Executive Budget also includes funding for 21 Trooper and three Sergeant positions, along with the vehicles and other necessary equipment to patrol the Phoenix area's Loop 202 South Mountain Freeway, which will open in the fall of 2019. Trooper presence will enhance traffic enforcement, reduce emergency response times, and deter criminal activity.

Public Safety Equipment

DPS VEHICLE REPLACEMENT

DPS troopers depend on reliable vehicles to safely and effectively perform duties such as criminal investigations and gang and border operations. Vehicles are often driven at high speeds and on rough terrain to respond to emergencies, and maintaining and replacing vehicles at regular intervals helps ensure the safety of these troopers.

Currently, the DPS vehicle replacement budget meets 58% of its annual vehicle replacement need. The Executive Budget includes \$1 million in new funding to enable DPS to purchase approximately 18 additional replacement vehicles each year.

Southern Arizona White Collar & Criminal Enterprise Section

The Attorney General's Southern Arizona White Collar & Criminal Enterprise Section (SAWCCE) prosecutes all cases within the Attorney General's statutory jurisdiction for southern Arizona. Primarily focusing on complex white-collar and anti-cartel criminal enterprises, SAWCCE actively works with Attorney General's Office special investigators, local police agencies, and federal law enforcement personnel to prepare cases, from the initial complaint through sentencing. SAWCCE also concentrates on anti-cartel prosecutions of criminal enterprises comprised of international, interstate, and Arizona-based drug traffickers.

With a staff of eight attorneys and nine support positions, SAWCCE attorneys closed 272 total cases in FY 2018. The office brought in approximately \$1.4 million in ordered restitution and \$237,000 in fines.

Due to resource and staffing limitations, SAWCCE has been unable to keep up with its caseload. In FY 2018, SAWCCE delayed or did not pursue prosecution of 54 cases against 143 defendants. The Executive Budget includes an increase in SAWCCE staffing of three new positions (attorney, legal assistant and legal secretary) funded from the Collections Enforcement Revolving Fund (CERF). These three positions will expedite the processing of the delayed and unprosecuted cases and allow SAWCCE to handle an increased caseload going forward.

Health and Welfare

Health and welfare programs within State Government provide services and support for Arizona's most needy and vulnerable citizens.

"There are a lot of things that divide us, but taking care of these kids is something that should unite us."

- Gov. Doug Ducey, KidsCare Letter to Arizona's Congressional Delegation, November 1, 2017

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

The FY 2020 Executive Budget preserves the safety net that protects thousands of Arizona children by ensuring that KidsCare remains available to low-income working parents; continuing critical investments that provide more safe and loving homes for children; and detecting and responding to child abuse.

The Executive Budget also provides resources for protecting the elderly and other vulnerable adults from neglect and exploitation.

Programs that Benefit Arizona Children

KIDSCARE

The Executive Budget includes funding for the KidsCare program, which provides health insurance for over 32,000 Arizona children whose family incomes are above the limit for Medicaid eligibility but below 200% of the federal poverty level (FPL).

Through KidsCare, working parents who cannot afford private health insurance can still obtain health coverage for their children at affordable premiums that vary, with family size and income, from \$10 to \$70 per month.

The federal government currently covers 100% of the cost of this program. However, Laws 2017, Chapter 309 freezes KidsCare enrollment if the federal match drops below 100%, which is expected to occur in September 2019 when the federal match will drop to 90.5%. If this change remains in place, over 6,000 children who currently qualify for KidsCare will be unable to access coverage in FY 2020. If this provision remains in law through 2022, the number of children losing coverage is projected to increase to almost 26,000.

Without KidsCare, there is a real risk of Arizona families choosing to forego routine medical care for their children or, in order to qualify for Medicaid, reducing their working hours or ceasing to work altogether.

The Executive Budget calls for eliminating the enrollment freeze by repealing Section 7 of Chapter 309, helping parents remain in the workforce and pursue opportunities for advancement that can free them from the need for government assistance.

The FY 2020 difference in cost to the General Fund between the currently forecast population and the frozen population is \$1.6 million.

CHILD CARE DEVELOPMENT FUND

The Child Care Development Fund (CCDF) provides subsidies that help low-income working families and foster parents afford child care. The Executive Budget makes a crucial investment in the accessibility of child care subsidies by increasing the CCDF appropriation.

In May 2018, the federal government awarded Arizona an additional \$55.8 million for child care subsidies. This additional award, with no state match requirement, will be utilized by the Department of Child Safety (DCS) and the Department of Economic Security (DES) in their child care subsidy programs.

DCS provides child care subsidies to foster parents for the children in their care, and to parents with children who are in their own home and are receiving DCS preventive services.

DES serves the low-income working portion of the child care subsidy program, which had an average monthly waiting list of 1,141 in FY 2018 and limits eligibility to

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

The additional funding will increase the average monthly DCS and DES child care subsidy rate by 16% and 17%, respectively, for approximately 39,000 children. It will also significantly lower and possibly eliminate the waiting list in FY 2020.

The Executive seeks immediate authority to use the increased funding through a FY 2019 supplemental appropriation.

CHILD SAFETY

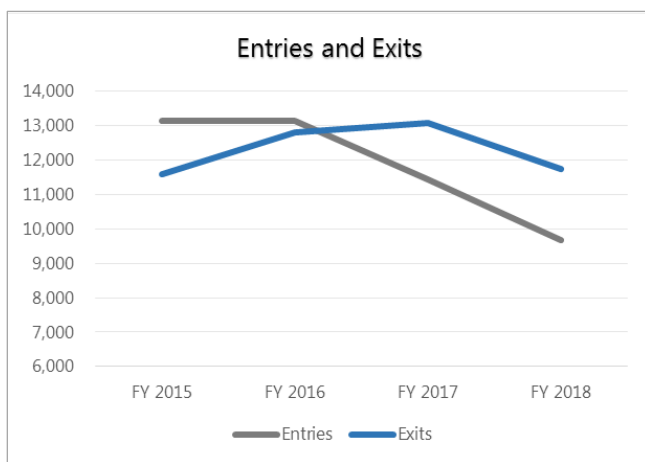
Through the ongoing implementation of lean management practices, DCS continues to make significant strides in investigating child welfare cases, improving in-home preventive services, and reducing the number of out-of-home child placements.

In 2013, the revelation of uninvestigated reports of child abuse brought to light the undisputable need to reform Arizona’s child safety agencies. Since then, the backlog of more than 16,000 inactive cases and over 33,000 open reports that required investigation dropped to an all-time low. The backlog is now well below the Legislative benchmarks of 1,000 inactive cases and 8,000 open reports, as DCS met the benchmarks six months ahead of the July 2018 Legislative deadline.

Additionally, DCS continues to improve its processes through performance management and standardization that has resulted in the following accomplishments:

- DCS has reduced wait times for the child abuse hotline from 12 minutes to less than 40 seconds and its call abandonment rate from 32% to 3.2%, ensuring that children suffering abuse and neglect can quickly get the help they need.
- 95% of child abuse and neglect investigations are completed within their mandated response times.
- DCS has achieved a net reduction in the number of children entering State foster care (see Figure 11).
- Improvement in its child placement practices has allowed DCS to place more children in family-like environments. Group home placements and shelter placements have been reduced by 15% and 60%, respectively.
- Similarly, targeted family-finding and permanency efforts are moving record numbers of children out of group homes and emergency shelters and into kinship care and foster homes.
- Almost 90% of children in foster care have found permanency through reunification, guardianship, or adoption.
- The number of families receiving in-home services, which can mitigate the need to remove a child from the home, is on the rise.

Figure 11



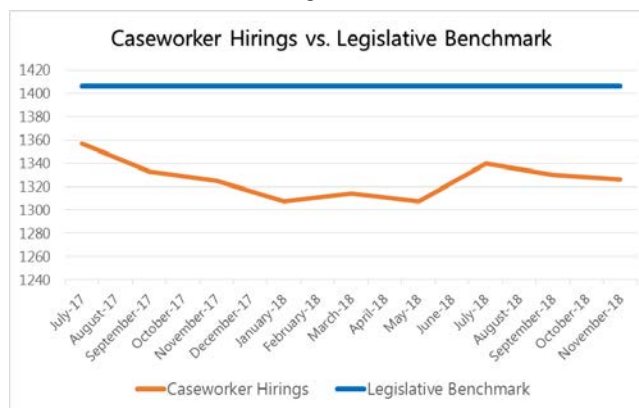
Supporting Mission-Critical Staff. In working to create a safe and secure environment for Arizona’s vulnerable children, DCS

caseworkers and mission-critical staff work vigilantly to respond to and investigate reports of child abuse and neglect, and provide crucial in-home services, and safely reduce the out-of-home children population.

Retaining qualified and experienced staff is a major challenge facing DCS, as the agency has been consistently unable to meet the Legislative benchmark of retaining 1,406 caseworkers (see Figure 12). Handicapped by salaries that are 13.6% below market, DCS loses caseworkers to the private sector, non-profit employers, and other government agencies.

In FY 2018, the turnover rate for DCS caseworker positions was 35%. Caseworker exit surveys indicate that pay is the second-biggest reason for caseworker turnover (after “not feeling valued or recognized.”) Using a tool from the Annie E. Casey Foundation, DCS estimates that the State’s direct and indirect costs associated with the current turnover rate are between \$6 million and \$7.5 million per year. Further, a 2005 study suggests that caseworker turnover reduces by 57% the likelihood of a child achieving permanency within one year.

Figure 12



The Executive recognizes the impact of DCS staff in ensuring that children remain safe. Preserving the State’s progress in child safety requires lowering the rate of staff turnover and reducing vacancies.

The Executive Budget includes \$7.2 million from the General Fund and \$1.5 million from Child Safety Expenditure Authority to fund targeted salary adjustments for DCS.

Other Advances. DCS’s mission to protect children, strengthen families, and achieve permanency continues.

- With the launch of its mobile solution for caseworkers now complete, DCS continues to develop its child welfare technology system with added business components such as intake/hotline, safety assessment, case management, and permanency functions.
- To provide more effective health care for children who are wards of the State, DCS works diligently to integrate behavioral health services into its existing health plan for foster children.

- DCS continues to tackle contract renegotiations focused on service quality; process-improvement projects that free caseworkers to devote more time to families; and initiatives aimed at safely reducing the number of children in the State's care.

CHILD SUPPORT ENFORCEMENT

Locating noncustodial parents who do not meet their financial and legal responsibilities is a long-standing priority of the Executive. The Deadbeat Parent Initiative involves posting on social media the names and photos of parents who are not paying their child support. Since the initiative began, DES had located 165 child support evaders as of December 2018 and collected \$850,000 in child support payments.

In FY 2020, the Executive continues this effort by investing in a five-year replacement of the State's child support computer system. The new system, adapted from the Delaware child support system, will automate several core functions, such as audit logs, federal timeline requirement tracking, and uploading court information, thereby allowing DES caseworkers to spend less time entering data and more time enforcing child support orders. Once the project is complete, these efficiencies will allow the State to achieve significant increases in child support collections.

With federal funding and an increase in fees paid by non-custodial parents, DES can complete the automation projection without any additional State monies.

Biomedical Research

From FY 2015 to FY 2019, Northern Arizona University (NAU) received \$3 million annually for biomedical research, which the institution awarded to the Translational Genomics Research Institute (TGen). TGen is a not-for-profit organization whose mission is to make genomic discoveries that advance human health.

In the last two years, treatment of a child at TGen's Center for Rare Childhood Disorders helped researchers discover a genomic mutation that causes physical abnormalities and developmental delays in children.

In addition, TGen produced a study illustrating how blocking nerve growth restricts pancreatic cancer cells to nearby nerves. That study may lead to the development of new drugs to reduce pain in pancreatic cancer patients.

Those two achievements offer a small illustration of TGEN's impact on human health.

TGEN's value to Arizona does not end with its unique discovery mission. In FY 2016, a study conducted for TGen reported that the organization had a total economic impact of \$174 million for Arizona and created more than 1,400 jobs. During the ten years preceding the study, TGen's economic impact increased eight times.

The Executive Budget continues to provide NAU with \$3 million annually to ensure continued success.

Protecting Vulnerable Adults and the Elderly

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

ADULT PROTECTIVE SERVICES, AND HOME AND COMMUNITY-BASED SERVICES

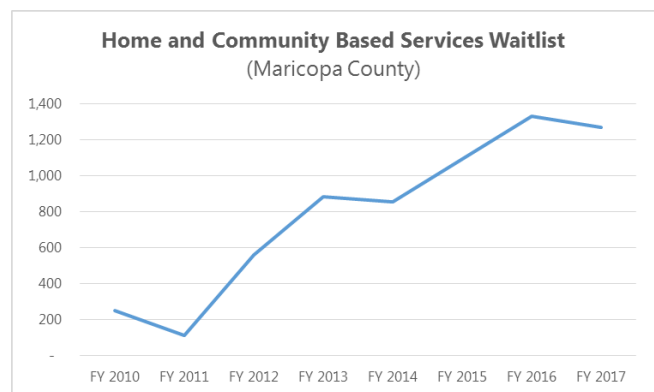
Ensuring that Arizona's vulnerable adults are safe from neglect and from physical, emotional, and financial abuse is a high priority of Governor Ducey.

Adult Protective Services (APS) works with adults suffering from abuse. In recent years, reports of abuse and neglect have increased at an average rate of 18% per year, requiring more resources to meet growing needs.

In FY 2019, the Executive has used federal support to include more APS hotline and field staff to meet caseload demands. In FY 2020, the Executive will continue using federal funding for projected caseload growth while adding increased support to address the backlog of individuals in need of home and community-based services (HCBS). In Maricopa County, that backlog increased by 412% between FY 2010 and FY 2017 (See Figure 13).

HCBS programs include case management, adult day care, home-delivered meals, transportation, nurse home visits, and other preventive health services, allowing vulnerable Arizona seniors to remain safely independent and in their own homes for a longer period.

Figure 13



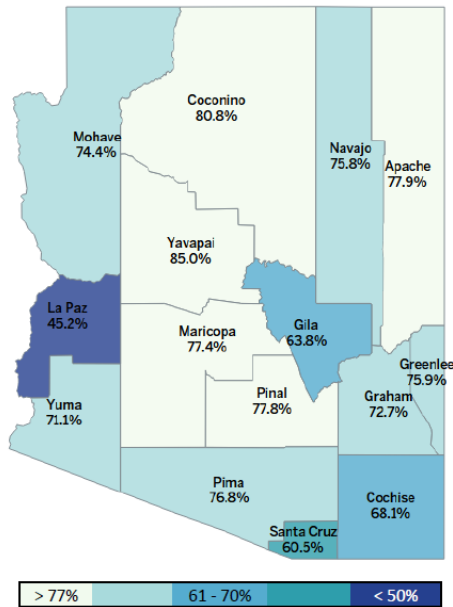
IMPROVING HEALTH OUTCOMES FOR EXPECTANT MOTHERS

Access to adequate health care as an expectant mother is essential in ensuring healthy outcomes for both the mother and the newborn. Unfortunately, as illustrated in Figure 14 there are areas across the state, primarily in rural Arizona, where expectant mothers do not have ready access to adequate health care, are forced to travel extensively for services in larger cities, or go without recommended checkups. Without proper care, expectant

mothers are more likely to face complications during pregnancy, maternal morbidity, and even maternal mortality.

Committed to addressing this public health problem, the Executive Budget provides a one-time \$1 million investment for a new Prenatal Care Telemedicine Program to increase rural healthcare providers' capacity to serve expectant mothers. DHS will manage and award the funds through a competitive grant process that prioritizes geographic areas of greatest need.

Figure 14
Access to Prenatal Care in Arizona



The State's investment will allow providers to purchase necessary equipment and make technology upgrades to adequately serve expectant mothers or connect them with health professionals elsewhere. This initiative will decrease gaps in care throughout rural Arizona, increase access to prenatal care for expectant mothers, and improve health outcomes for mothers and children.

The Executive Budget also contemplates an additional \$1 million in one-time funding over FY 2021 and FY 2022 for loan repayment assistance for health care professionals who provide prenatal care in key areas throughout the state.

ARIZONANS WITH MENTAL ILLNESS

The Arizona State Hospital (ASH) provides inpatient care for Arizonans with mental illnesses that are a danger to themselves, a danger to others, or have committed violent crimes. The high

acuity of patients at ASH requires significantly more medical care while simultaneously posing safety risks for staff providing that care.

Because of the high acuity of patients at ASH and the nature of their psychiatric illnesses, assaults on staff continue to remain a significant issue. The three ASH staffing groups that bear the greatest exposure to injury are nurses, behavioral health technicians, and security officers. Those staffing groups are also critical to the health and safety of patients, visitors, and each other, and the Department of Health Services (DHS) faces difficulty in retaining them.

In FY 2018, positions in the three staffing groups experienced an average turnover rate of 32%. With salaries ranging from 8.5% to 24% below market, DHS loses staff to private hospitals and other governmental agencies, such as the Department of Corrections. By providing salary increases, DHS will be better equipped to increase staff retention, avoid the costs of turnover and temporary staffing, and maintain quality care for ASH patients.

Consistent staffing allows patients to build relationships with staff, which helps mitigate patients' violent behavior, making ASH a safer place for staff and patients. The Executive Budget includes \$3.5 million from the General Fund to reduce ASH staff turnover and vacancy rates.

VETERANS SUICIDE PREVENTION

In 2017, the Arizona Veteran Survey found that 41% of veterans have had thoughts of suicide, and one in three requires mental health services but has not sought them.

To help address these issues, the Department of Veterans' Services (DVS) became a leadership partner for the Be Connected program. The program is a statewide effort to reduce suicides in Arizona's military and veteran population by connecting service members, veterans, and their families to resources provided by groups such as DVS, AHCCCS, the Arizona National Guard, the Arizona Coalition of Military Families, TriWest Healthcare, and the U.S. Department of Veterans Affairs.

The federal government has been supporting this program in Arizona since 2017, funding a 24/7 call center, an online resource matching tool, and training for providers, veterans and concerned community members to help address the varied needs of veterans and active-duty service members and their families. The Executive Budget includes \$1.2 million from the General Fund to ensure that these vital services continue to be available in Arizona.

Government that Works

The FY 2020 Executive Budget strengthens stewardship of State assets, and provides targeted pay increases for critical public safety positions.

Protecting the State's Data Assets

In March 2018, Governor Ducey issued Executive Order 2018-03 that created the Arizona Cybersecurity Team to protect Arizonans from a cyber attack. The FY 2020 Executive Budget includes a package of cybersecurity-related initiatives that improve State Government's cyber preparedness.

STATE GOVERNMENT CYBERSECURITY

Statewide Cybersecurity Risk Management Program. The Executive Budget provides \$20.7 million to establish a new Cybersecurity Risk Management Program, complementing the work of the State Information Security and Privacy Office (SISPO), which is the State's primary defense against cybersecurity threats. Central to this new program is a partnership with a cyber insurance vendor that will help the State continuously improve its cybersecurity practices while insuring against financial losses from cyber incidents and helping the State execute response and recovery efforts.

New Cybersecurity Control and Data Center Costs. The Executive Budget includes \$700,000 for a new cybersecurity control implemented across State Government. This single-sign-on system streamlines user authentication and allows for greater control over access to data and IT systems.

Additionally, the Executive Budget funds \$1.4 million in increased operating costs associated with relocating the State Data Center to a private facility. The new facility provides the State with upgraded network infrastructure, reduced environmental threats, and increased physical security, contributing to more secure and stable IT operations.

Consolidate Cybersecurity Office Operations and Security Controls. The Executive Budget renames the current ADOA "Statewide Information Security and Privacy Controls" special line item to "Statewide Information Security and Privacy Office and Controls" to consolidate the primary activities of SISPO. The Executive Budget also increases funding for SISPO to improve security of the State's IT assets and data.

Accelerating Performance with Technology

ENTERPRISE EMAIL AND CALENDAR SOLUTION

In FY 2018, the State began implementing an email and calendar solution that will be used by all Executive agencies. The FY 2020 Executive Budget establishes a new \$4.5 million special

line item for funds that ADOA will collect from participating agencies to pay annual licensing costs.

This solution will resolve agencies' use of disparate email and calendar systems that are not integrated, allowing for greater collaboration and more efficient communication statewide. In addition, this solution centralizes control over access to data, which strengthens the State's cybersecurity. This solution is expected to be fully implemented in FY 2020.

DEPARTMENT OF CHILD SAFETY

The Executive Budget includes \$10.1 million to continue a multi-year project to replace the Children's Information Library and Data Source (CHILDS) system at the Department of Child Safety (DCS). The secure, cloud-based system will employ mobile technology to assist with key agency functions, including intake processing, case management, provider management, and financial management.

In FY 2020, DCS will complete major releases for case management, permanency requirements, and remaining components of the assessment function. DCS expects the project to cost a total of \$86 million (\$43 million in State funds), with a completion date in FY 2021, after the final deployment of the new Guardian information management system and the decommissioning of the CHILDS system.

DEPARTMENT OF EDUCATION

The Executive Budget includes \$3 million in funding for the first year of a multi-year project to replace the school finance system at the Arizona Department of Education (ADE). The school finance system, built on obsolete programming code, calculates and processes 48 unique payment streams to determine and distribute funding for Arizona's public schools. ADE expects this project to cost a total of \$9 million, with a completion date in FY 2022.

MEDICAL BOARD

The Executive Budget includes \$300,000 for the Arizona Medical Board to migrate data to cloud-based servers. The Board currently maintains over 15.5 terabytes of data in a physical server that supports daily operations and the Board's website. The Board expects this project to be completed in FY 2020.

DEPARTMENT OF PUBLIC SAFETY

The Executive Budget includes \$2.7 million for IT projects at the Department of Public Safety:

- \$2.3 million for the final phase of a project to upgrade the Arizona Criminal Justice Information System, which is used to collect, store, and disseminate complete Arizona criminal history records; and
- \$410,000 to replace the Arizona Concealed Weapons Tracking System, which is used by law enforcement officers to verify the validity of concealed weapons permits.

The Department of Public Safety expects both projects to be completed in FY 2020.

Arizona Is Open for Business

Arizona's thriving business climate requires infrastructure. Investments included in the Executive Budget support commerce that will continue to bring high-paying jobs to the state.

DEPARTMENT OF AGRICULTURE

Mariposa Port of Entry Cold Inspection Facility. In recent years, the Mariposa Port of Entry in Nogales has been the focus of millions of dollars in infrastructure investment and modernization to increase capacity and efficiency for processing cargo at the Port. One notable exception is development of cold room storage to better accommodate the inspection of temperature-sensitive products, including berries, avocados, seafood, and even some pharmaceuticals.

The State is working with the Greater Nogales and Santa Cruz County Port Authority, Santa Cruz County, the Fresh Produce Association of the Americas, and U.S. Customs and Border Protection to construct a new prefabricated cold room within an existing federal inspection station. The Executive Budget includes \$700,000 to build a cold room, with local partners also contributing resources.

Once completed, this facility will better equip Arizona to compete with other border states in attracting new imports. A University of Arizona study estimates that the new economic activity associated with the increased imports would lead to an estimated annual increase of \$27 million to \$30 million in gross State product, and \$3.7 million to \$4.1 million in additional State and local tax revenues.

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.

Up to 54% of households in certain rural counties do not have access to high-speed internet. In FY 2020 the Executive will authorize a full-time state broadband director housed at the Arizona Commerce Authority. The position will be responsible for

coordinating all State government broadband planning and serving as a resource for local leaders seeking to improve rural broadband connectivity. Among other responsibilities, the state broadband director will help organize local broadband initiatives; advocate for Arizona's broadband development priorities with local, state, and federal stakeholders; and manage a competitive rural broadband development grants program.

The grants program will set aside \$3 million in FY 2020 to provide matching funding to offset the construction costs of expanding broadband services in underserved rural areas across the state. Grants will be awarded to local partnerships or ventures with clear and achievable plans to improve broadband services in one or more underserved rural areas.

DEPARTMENT OF TRANSPORTATION

Interstate 17 Expansion. Expanding Interstate 17, a critical commerce corridor, will reduce congestion and improve highway safety. The Executive Budget includes \$130 million between FY 2020 and FY 2022 to accelerate and expand construction of a third highway lane on northbound and southbound segments of I-17 between Anthem and Black Canyon City.

This investment is in addition to the State Transportation Board's scheduled allocation of \$193 million to design and construction the I-17 expansion project. The Board's resources alone are not sufficient to expand I-17 from two lanes to three for all northbound and southbound traffic.

Stewardship of Capital Assets

DEPARTMENT OF ADMINISTRATION

The ADOA building system includes an inventory of 4,492 structures comprised of 24 million gross square feet and an estimated replacement value of \$5.3 billion.

Rental Charges. The Executive Budget increases the rental rate of State-owned buildings to generate additional revenue needed to renovate and maintain the ADOA building system. The rental rate for office space will increase from \$16.08 to \$17.87 per square foot, and the rate for storage space will increase from \$5.79 to \$6.43 per square foot. This increase, which is expected to generate an additional \$3.2 million in rental income, moves the State closer to rates for commercial space, generating additional funding for ADOA to perform more building maintenance and renewal.

ADOA Building System Investments. The Executive Budget includes \$17 million in one-time funding for building renewal investments in the ADOA building system, including fire and life safety projects as well as targeted infrastructure repair, replacement, and renovation. Funding for this issue is derived primarily from rental rates paid by State agencies for space occupied in State buildings.

In addition, \$10.6 million for capital projects comes from agency-specific funds. This consists of:

- \$6.8 million at the Department of Corrections for building renewal;
- \$1.9 million at the Game and Fish Department for building renewal and maintenance of dams and hatcheries;
- \$1.3 million at the Exposition and State Fair for building renewal and grounds maintenance;
- \$414,000 at the Pioneers' Home for targeted repair and replacement of infrastructure and equipment; and
- \$134,100 at the Lottery Commission for building renewal and maintenance.

Building Renewal at Capitol Buildings. The Executive Budget includes \$5.6 million for much-needed repairs and replacement of infrastructure in the Capitol complex, including:

- \$4.6 million in FY 2019 supplemental funding for elevator modernization at the House of Representatives, Senate, and Executive Tower buildings; and
- \$1 million for replacement of the air handler units at the House of Representatives and Senate buildings.

DEPARTMENT OF PUBLIC SAFETY

The Executive Budget includes \$2.7 million for capital projects at the Department of Public Safety (DPS) in response to operational needs, including:

- \$2.4 million to replace modular housing units that are well beyond their expected useful life and have rapidly deteriorated. These residential facilities, strategically located around the state, are used by DPS Troopers who are assigned to patrol remote sections of Arizona's highways.
- \$309,000 to build a new radio communications tower. In FY 2020, the Department of Transportation will open the new Loop 202 South Mountain freeway, which will be patrolled by DPS. Radio coverage in this area is inadequate; the new tower will provide better coverage, which will enhance officer safety and allow for more efficient coordination of emergency response efforts.

DEPARTMENT OF TRANSPORTATION

Highway Maintenance and Construction. The Arizona Department of Transportation (ADOT) maintains more than 21,600 highway lane-miles throughout the state. The funding to build and maintain those roads, as well as some funding to build and maintain local roads, is generated from in-state highway revenues such as the State Motor Vehicle Fuel Tax (i.e., the "gas tax"), registration fees, and vehicle license tax. Historically, the State's Highway Patrol has also been funded using those monies.

As a result of the new Public Safety Fee enacted in Laws 2018, Chapter 265, \$99.3 million that was previously diverted from State and local highway funds to fund the Highway Patrol will be returned in FY 2020 for State and local road projects. Approximately \$49.2 million more will be distributed for road projects to

cities, towns, and counties than in FY 2018, and \$50.1 million will be deposited in the State Highway Fund.

The Executive Budget uses a portion of those restored State Highway Fund monies by including an additional \$10.5 million for preventive road surface maintenance, which includes liquid asphalt overlays that repair cracks and improve road smoothness. The investment will bring ADOT's total surface maintenance budget to \$51.1 million, enough to meet the recommended maintenance schedule to maximize the life of pavement in good condition.

Building Renewal. ADOT also manages an independent building system, which includes 1,200 structures comprised of 3.3 million square feet and an estimated replacement value of \$761.6 million. The Executive Budget includes \$13.3 million for ADOT to replace or repair infrastructure and major building systems. This funding will allow ADOT to address high-priority capital needs.

Maintenance Yard Facilities. The Executive Budget includes \$4.6 million for improvements at the Wickenburg Maintenance Yard. An office that is beyond its expected useful life and is prone to flooding will be replaced with a larger facility. This new office will also be shared with a DPS unit that operates in the area. A truck barn that is too small for modern trucks will be replaced with a larger barn, and several small sheds and shops will be consolidated into one building that can properly meet equipment maintenance needs.

This funding will also be used to construct a new fueling station at the maintenance yard. The State currently must refill vehicles operating in this area at retail fueling locations, and the new fueling station will allow the State to purchase fuel at wholesale prices.

Maintenance Buildings. The Executive Budget includes \$2.3 million for ADOT to replace two maintenance buildings. The existing buildings, located in Seligman and Williams, no longer meet operational needs due to their small size and poor condition.

Supporting a Strong State Workforce

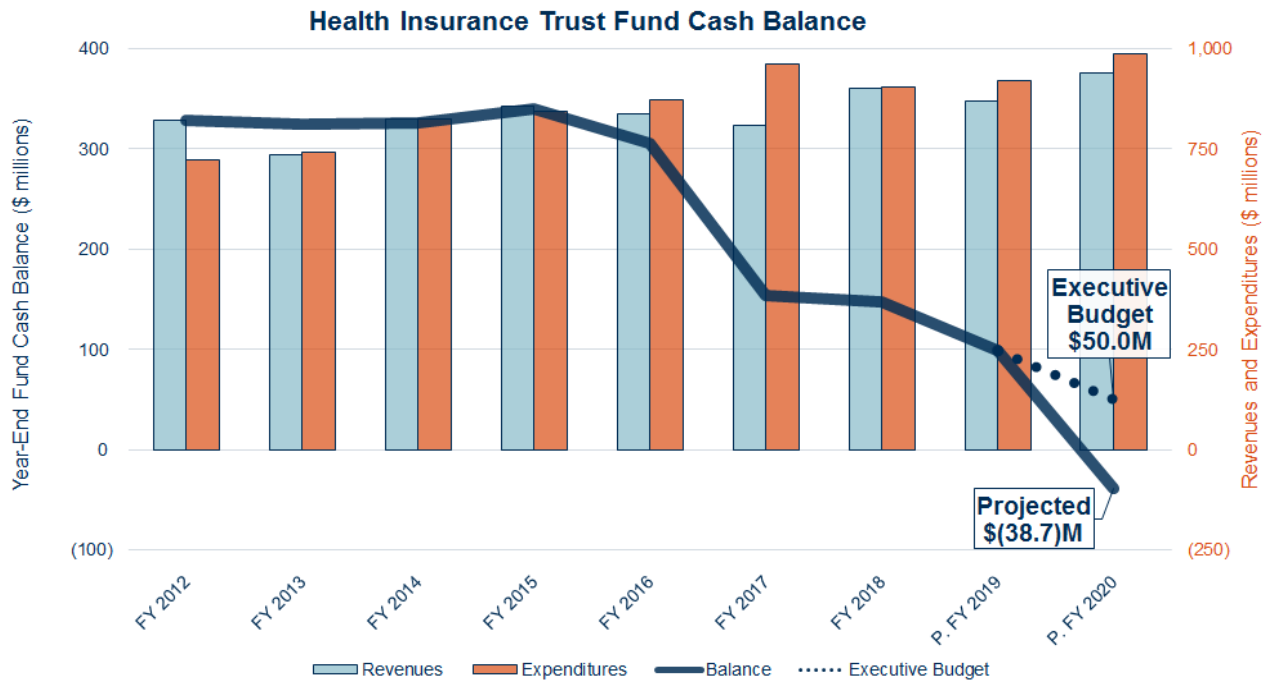
In a strong economy with low unemployment rates, the job market requires employers to compete for top talent. The Executive Budget makes strategic investments in benefits and compensation to support employee recruitment and retention.

STATE EMPLOYEE HEALTH INSURANCE

The Executive Budget includes a one-time increase in premiums paid by into the Health Insurance Trust Fund (HITF) by State agencies on behalf of their employees. The increased premiums are expected to generate an additional \$88.7 million, with \$54 million of the total originating from the General Fund. The HITF supports the State's self-insured medical, pharmacy, and dental insurance for State employees.

Although the State has recently experienced slower growth in medical and pharmacy costs, expenditures continue to outpace

Figure 15



revenues, leading to a declining fund balance. The one-time increase allows the State to continue offering excellent health insurance benefits to employees while the Department of Administration continues to explore options to make the HITF financially sustainable (See Figure 15). A procurement process is underway, and new contracts with health insurance vendors will take effect in January 2021.

Universities. A concern of the State’s public universities — using student tuition dollars to cover a portion of the premium surcharges — is addressed in the Executive Budget.

Premium surcharges amounted to \$9.3 million in FY 2019. The Executive Budget includes a supplemental appropriation in the current budget year to free up those tuition dollars for other university purposes. Further, the Executive Budget holds the universities harmless from the FY 2020 premium increase, allowing them to avoid using tuition dollars on the State’s HITF.

TARGETED SALARY ADJUSTMENTS

Working to create a safe and secure environment for Arizona citizens and visitors is one of the State’s greatest responsibilities and challenges.

Emphasis on Public Safety. State public safety agencies often compete with local and federal operators that currently pay higher salaries than State positions, limiting the State’s ability to recruit and retain highly qualified employees.

The Executive Budget includes \$63.2 million from the General Fund (\$74.0 million Total Funds) for targeted salary adjustments, focused primarily on vital public safety positions (See Table 6).

Table 6
TARGETED SALARY ADJUSTMENTS, FY 2020

Agency	General Fund	Other Funds	Total
Department of Corrections	\$ 35,479,200	\$ 0	\$ 35,479,200
Department of Public Safety	13,744,900	7,745,000	21,490,100
Department of Child Safety	7,158,600	1,492,700	8,651,300
Department of Health Services	3,481,400	0	3,481,400
Department of Juvenile Corrections	3,241,300	0	3,241,300
Game and Fish Department	0	609,500	609,500
Department of Transportation	0	570,400	570,400
Office of the Attorney General	54,800	118,700	173,500
Department of Liquor Licenses and Control	0	85,700	85,700
Arizona State Parks and Trails	0	82,500	82,500
Department of Agriculture	34,900	0	34,900
Department of Insurance	33,100	0	33,100
Arizona Corporation Commission	0	30,800	30,800
Total	\$ 63,228,200	\$ 10,735,600	\$ 73,963,700

Of the total funding package, 88.4%, or \$65.6 million, will go to the Department of Corrections, Department of Public Safety, and Department of Child Safety.

The specific employee positions and salary adjustment amounts included in the Executive Budget were informed by agency requests and subsequent analyses of hiring, retention, and distance-to-market data. Salary adjustments will reduce high turnover and vacancy rates, resulting in a more efficient government that will expend fewer resources on hiring and training new staff.

Specific increases can be found in affected agencies’ narrative of the Agency Budgets book.

FY 2020 Executive Budget

(Dollars in Thousands)

	General Fund	Other Appropriated	Non- Appropriated	All Funds Total
Board of Accountancy	0.0	2,037.9	0.0	2,037.9
Acupuncture Board of Examiners	0.0	169.7	0.0	169.7
Department of Administration	7,939.1	227,804.0	1,070,559.2	1,306,302.3
Office of Administrative Hearings	868.9	0.0	793.9	1,662.8
African-American Affairs	127.2	0.0	15.0	142.2
Department of Agriculture	11,501.9	1,720.2	20,602.2	33,824.3
Arizona Health Care Cost Containment System	1,776,758.8	323,107.2	12,535,220.4	14,635,086.4
Automation Projects	5,100.0	22,122.0	0.0	27,222.0
Commission on the Arts	0.0	0.0	2,215.5	2,215.5
Board of Athletic Training	0.0	123.5	0.0	123.5
Attorney General - Department of Law	25,940.3	52,418.2	59,825.3	138,183.8
Automobile Theft Authority	0.0	5,308.9	8.0	5,316.9
Board of Barbers	0.0	401.1	0.0	401.1
Board of Behavioral Health Examiners	0.0	1,772.3	0.0	1,772.3
Board for Charter Schools	1,995.3	0.0	61.5	2,056.8
Department of Child Safety	375,838.7	631,702.6	3,500.0	1,011,041.3
Board of Chiropractic Examiners	0.0	429.7	0.0	429.7
Citizens' Clean Elections Commission	0.0	0.0	3,562.2	3,562.2
Commerce Authority	22,800.0	0.0	12,252.1	35,052.1
Community Colleges	84,053.7	0.0	0.0	84,053.7
Constable Ethics Standards & Training Board	0.0	0.0	225.1	225.1
Registrar of Contractors	0.0	12,300.1	4,666.8	16,966.9
Corporation Commission	618.0	26,965.9	845.0	28,428.9
Department of Corrections	1,131,775.8	53,905.1	68,195.5	1,253,876.4
Board of Cosmetology	0.0	1,900.8	0.0	1,900.8
Criminal Justice Commission	0.0	7,058.1	12,847.0	19,905.1
Schools for the Deaf and the Blind	23,259.3	11,537.9	19,161.7	53,958.9
Commission for the Deaf and the Hard of Hearing	0.0	4,613.5	0.0	4,613.5
Board of Dental Examiners	0.0	1,212.7	0.0	1,212.7
Early Childhood Development and Health Board	0.0	0.0	146,219.4	146,219.4
Department of Economic Security	730,924.2	335,003.9	3,541,083.8	4,607,011.9
State Board of Education	1,146.3	0.0	0.0	1,146.3
Department of Education	5,171,324.6	304,915.3	2,074,926.3	7,551,166.2
Department of Emergency and Military Affairs	12,357.3	1,461.6	64,698.5	78,517.4
Department of Environmental Quality	15,000.0	68,511.5	82,233.4	165,744.9
Office of Economic Opportunity	488.8	0.0	106,037.6	106,526.4
Governor's Office for Equal Opportunity	0.0	190.7	0.0	190.7
Board of Equalization	652.0	0.0	0.0	652.0
Board of Executive Clemency	1,137.0	0.0	30.1	1,167.1
Exposition & State Fair	0.0	13,204.9	0.0	13,204.9
Department of Financial Institutions	1,984.8	4,000.6	663.0	6,648.4
Board of Fingerprinting	0.0	0.0	643.6	643.6
Department of Forestry and Fire Management	11,156.7	0.0	51,825.2	62,981.9
Board of Funeral Directors & Embalmers	0.0	379.7	0.0	379.7
Game and Fish Department	0.0	42,752.6	85,330.0	128,082.6
Department of Gaming	1,779.5	16,009.7	1,401.4	19,190.6
Office of the Governor	8,538.8	0.0	41,184.6	49,723.4

FY 2020 Executive Budget

(Dollars in Thousands)

	General Fund	Other Appropriated	Non- Appropriated	All Funds Total
Governor's Office of Strategic Planning and Budgeting	2,022.1	0.0	0.0	2,022.1
Department of Health Services	92,347.8	54,750.2	333,907.1	481,005.1
Governor's Office of Highway Safety	0.0	0.0	11,316.9	11,316.9
Arizona Historical Society	3,195.0	0.0	1,280.3	4,475.3
Prescott Historical Society of Arizona	832.7	0.0	625.1	1,457.8
Department of Homeland Security	0.0	0.0	23,057.8	23,057.8
Board of Homeopathic Medical Examiners	0.0	40.2	0.0	40.2
Department of Housing	0.0	322.2	115,932.5	116,254.7
Industrial Commission of Arizona	0.0	20,001.8	20,514.8	40,516.6
Department of Insurance	5,628.4	0.0	28,861.8	34,490.2
Court of Appeals	16,096.1	0.0	0.0	16,096.1
Superior Court	91,285.5	11,958.1	6,298.3	109,541.9
Supreme Court	19,827.4	30,426.9	27,245.9	77,500.2
Department of Juvenile Corrections	33,994.5	6,397.4	1,255.9	41,647.8
Land Department	12,471.1	8,048.8	1,351.0	21,870.9
Auditor General	20,207.1	0.0	1,971.7	22,178.8
House of Representatives	13,835.0	0.0	0.0	13,835.0
Joint Legislative Budget Committee	2,504.8	0.0	0.0	2,504.8
Legislative Council	8,304.9	0.0	0.0	8,304.9
Senate	9,747.2	0.0	0.0	9,747.2
Department of Liquor Licenses and Control	0.0	3,267.3	1,128.4	4,395.7
Local Government	7,650.7	500.0	0.0	8,150.7
Lottery Commission	0.0	143,391.4	1,696,509.7	1,839,901.1
Massage Therapy	0.0	460.9	0.0	460.9
Medical Board	0.0	6,987.1	0.0	6,987.1
Mine Inspector	1,255.8	112.9	622.9	1,991.6
Naturopathic Physicians Board of Medical Examiners	0.0	187.4	0.0	187.4
Navigable Stream Adjudication Commission	127.4	200.0	0.0	327.4
Board of Nursing	0.0	4,738.2	414.7	5,152.9
Nursing Care Ins. Admin. Examiners	0.0	443.6	0.0	443.6
Board of Occupational Therapy Examiners	0.0	197.2	0.0	197.2
Board of Dispensing Opticians	0.0	149.1	0.0	149.1
Board of Optometry	0.0	233.8	0.0	233.8
Board of Osteopathic Examiners	0.0	997.2	0.0	997.2
Arizona State Parks	0.0	14,771.4	20,471.7	35,243.1
Personnel Board	0.0	361.0	0.0	361.0
Board of Pharmacy	0.0	2,642.2	1,484.5	4,126.7
Board of Physical Therapy Examiners	0.0	494.6	0.0	494.6
Pioneers' Home	0.0	6,552.2	42.4	6,594.6
Board of Podiatry Examiners	0.0	161.9	0.0	161.9
Commission for Postsecondary Education	1,930.9	1,537.2	1,740.5	5,208.6
Power Authority	0.0	0.0	27,114.1	27,114.1
Board for Private Postsecondary Education	0.0	417.8	249.0	666.8
Board of Psychologist Examiners	0.0	507.0	0.0	507.0
Department of Public Safety	77,442.8	224,640.0	105,207.7	407,290.5
Public Safety Personnel Retirement System	5,000.0	0.0	13,389.0	18,389.0
Department of Real Estate	2,911.7	0.0	356.0	3,267.7

FY 2020 Executive Budget

(Dollars in Thousands)

	General Fund	Other Appropriated	Non- Appropriated	All Funds Total
Residential Utility Consumer Office	0.0	1,342.6	0.0	1,342.6
Board of Respiratory Care Examiners	0.0	314.4	0.0	314.4
Arizona State Retirement System	0.0	24,130.3	161,645.1	185,775.4
Department of Revenue	31,063.8	47,248.2	3,027.6	81,339.6
School Facilities Board	440,900.2	0.0	517,842.8	958,743.0
Department of State - Secretary of State	16,892.4	744.4	4,503.7	22,140.5
Board of Tax Appeals	280.4	0.0	0.0	280.4
Board of Technical Registration	0.0	2,189.7	0.0	2,189.7
Office of Tourism	8,112.0	0.0	22,384.1	30,496.1
Department of Transportation	40,000.0	430,924.7	23,769.9	494,694.6
Treasurer	1,205.1	5,429.6	100.0	6,734.7
Governor's Office on Tribal Relations	60.9	0.0	18.5	79.4
Board of Regents	27,898.1	0.0	194,381.1	222,279.2
Arizona State University	342,180.8	663,674.4	2,259,908.9	3,265,764.1
Northern Arizona University	116,655.5	160,958.9	428,630.9	706,245.3
University of Arizona - Main Campus	215,352.1	385,101.7	1,360,881.6	1,961,335.4
University of Arizona - Health Sciences Center	68,667.2	53,623.8	547,427.5	669,718.5
Department of Veterans' Services	7,321.1	35,414.1	37,668.2	80,403.4
Veterinary Medical Examining Board	0.0	591.1	0.0	591.1
Department of Water Resources	50,669.8	2,427.1	12,817.2	65,914.1
	11,220,945.3	4,535,053.9	28,028,190.1	43,784,189.3

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 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
Department of Administration	10,042.6	7,939.1	7,939.1	7,939.1	0.0
Office of Administrative Hearings	870.9	868.9	868.9	868.9	0.0
African-American Affairs	123.7	127.2	127.2	127.2	0.0
Department of Agriculture	9,203.3	9,640.0	9,640.0	11,501.9	1,861.9
Arizona Health Care Cost Containment System	1,749,338.5	1,777,093.5	1,777,093.5	1,776,758.8	(334.7)
Attorney General - Department of Law	25,657.6	25,940.3	25,940.3	25,940.3	0.0
Board for Charter Schools	1,069.9	1,209.8	1,209.8	1,995.3	785.5
Department of Child Safety	348,285.5	375,838.7	375,838.7	375,838.7	0.0
Commerce Authority	21,800.0	21,800.0	21,800.0	22,800.0	1,000.0
Community Colleges	50,856.9	57,205.5	57,205.5	84,053.7	26,848.2
Corporation Commission	620.8	814.6	814.6	618.0	(196.6)
Department of Corrections	1,056,123.2	1,099,670.0	1,108,305.9	1,131,775.8	32,105.8
Schools for the Deaf and the Blind	21,800.7	21,659.3	21,659.3	23,259.3	1,600.0
Department of Economic Security	584,651.7	650,936.9	654,599.5	730,924.2	79,987.3
State Board of Education	953.4	1,146.3	1,146.3	1,146.3	0.0
Department of Education	4,293,134.6	4,704,652.0	4,704,652.0	5,171,324.6	466,672.6
Department of Emergency and Military Affairs	10,840.4	11,098.2	11,098.2	12,357.3	1,259.1
Department of Environmental Quality				15,000.0	
Office of Economic Opportunity	458.7	488.8	488.8	488.8	0.0
Governor's Office for Equal Opportunity	190.4	0.0	0.0	0.0	0.0
Board of Equalization	506.9	652.0	652.0	652.0	0.0
Board of Executive Clemency	869.6	1,137.0	1,137.0	1,137.0	0.0
Department of Financial Institutions	2,146.9	1,984.8	1,984.8	1,984.8	0.0
Department of Forestry and Fire Management	14,788.9	11,156.7	11,156.7	11,156.7	0.0
Department of Gaming	1,779.5	1,779.5	1,779.5	1,779.5	0.0
Office of the Governor	7,898.6	8,538.8	8,538.8	8,538.8	0.0
Governor's Office of Strategic Planning and Budgeting	2,098.1	2,022.1	2,022.1	2,022.1	0.0
Department of Health Services	84,930.0	89,931.2	89,931.2	92,347.8	2,416.6
Arizona Historical Society	3,180.1	3,195.0	3,195.0	3,195.0	0.0
Prescott Historical Society of Arizona	840.2	832.7	832.7	832.7	0.0
Department of Housing	246.1	0.0	0.0	0.0	0.0
Department of Insurance	5,406.5	5,628.4	5,628.4	5,628.4	0.0
Court of Appeals	14,645.9	15,992.4	15,992.4	16,096.1	103.7
Superior Court	76,924.5	80,714.5	83,068.5	91,285.5	10,571.0
Supreme Court	20,567.6	19,870.1	19,870.1	19,827.4	(42.7)
Department of Juvenile Corrections	19,051.1	22,734.5	22,734.5	33,994.5	11,260.0
Land Department	11,742.4	11,733.4	11,733.4	12,471.1	737.7
Auditor General	18,888.8	19,709.6	19,709.6	20,207.1	497.5
House of Representatives	13,854.5	13,835.0	13,835.0	13,835.0	0.0
Joint Legislative Budget Committee	2,387.8	2,504.8	2,504.8	2,504.8	0.0
Legislative Council	1,674.3	8,304.9	8,304.9	8,304.9	0.0
Senate	9,301.7	9,747.2	9,747.2	9,747.2	0.0
Mine Inspector	1,117.7	1,255.8	1,255.8	1,255.8	0.0
Navigable Stream Adjudication Commission	119.0	127.4	127.4	127.4	0.0

General Fund Operating Budgets Summary

(Dollars in Thousands)

	FY 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
Commission for Postsecondary Education	1,848.9	1,646.8	1,646.8	1,930.9	284.1
Department of Public Safety	105,915.6	104,241.7	104,241.7	77,442.8	(26,798.9)
Public Safety Personnel Retirement System	6,000.0	7,000.0	7,000.0	5,000.0	(2,000.0)
Radiation Regulatory Agency	782.8	0.0	0.0	0.0	0.0
Department of Real Estate	2,565.3	2,911.7	2,911.7	2,911.7	0.0
Department of Revenue	29,429.1	31,063.8	31,063.8	31,063.8	0.0
School Facilities Board	302,240.7	274,700.3	299,700.3	440,900.2	166,199.9
Department of State - Secretary of State	13,251.8	15,568.8	15,568.8	16,892.4	1,323.6
Board of Tax Appeals	277.4	280.4	280.4	280.4	0.0
Office of Tourism	7,112.0	7,112.0	7,112.0	8,112.0	1,000.0
Department of Transportation	26,589.6	65.0	65.0	40,000.0	39,935.0
Treasurer	847.2	1,205.1	1,205.1	1,205.1	0.0
Governor's Office on Tribal Relations	56.1	60.9	60.9	60.9	0.0
Board of Regents	6,875.2	6,898.1	6,898.1	27,898.1	21,000.0
Arizona State University	5,985.8	328,775.8	333,326.8	342,180.8	13,405.0
Northern Arizona University	108,612.8	112,095.7	112,187.2	116,655.5	4,559.8
University of Arizona - Main Campus	199,829.5	209,066.9	213,072.5	215,352.1	6,285.2
University of Arizona - Health Sciences Center	69,209.1	68,667.2	69,317.5	68,667.2	0.0
Department of Veterans' Services	5,662.8	6,120.6	6,120.6	7,321.1	1,200.5
Department of Water Resources	15,013.7	16,169.8	16,169.8	50,669.8	34,500.0
General Fund Operating Total	9,409,094.7	10,295,167.5	10,344,118.4	11,208,194.6	913,027.1

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 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
<u>Board of Accountancy</u>					
Accountancy Board Fund	1,467.6	2,037.9	2,037.9	2,037.9	0.0
<u>Acupuncture Board of Examiners</u>					
Acupuncture Board of Examiners Fund	119.1	171.9	171.9	169.7	(2.2)
<u>Department of Administration</u>					
Personnel Division Fund	11,854.2	12,747.8	12,747.8	12,747.8	0.0
Capital Outlay Stabilization Fund	15,392.7	18,136.3	18,136.3	18,136.3	0.0
Corrections Fund	409.8	572.5	572.5	572.5	0.0
Information Technology Fund	2,631.9	5,547.4	5,897.8	8,436.0	2,888.6
Air Quality Fund	542.4	927.3	927.3	1,127.3	200.0
Statewide Monument and Memorial Repair Fund	0.0	25.3	25.3	0.0	(25.3)
State Web Portal Fund	4,368.5	5,548.1	5,548.1	6,798.1	1,250.0
Special Employee Health Fund	5,035.1	5,283.8	5,283.8	5,283.8	0.0
Admin - AFIS II Collections Fund	305.2	0.0	0.0	0.0	0.0
Motor Pool Revolving Fund	6,632.0	10,162.6	10,162.6	10,162.6	0.0
Special Services Fund	704.1	1,080.1	1,080.1	1,080.1	0.0
State Surplus Property Fund	2,778.8	2,963.7	2,963.7	2,963.7	0.0
Admin - Surplus Property/Federal Fund	48.0	464.9	464.9	464.9	0.0
Risk Management Fund	94,943.1	94,569.1	100,450.2	96,567.1	1,998.0
Arizona Financial Information System Collections Fund	9,401.3	9,447.7	9,447.7	9,447.7	0.0
Automation Operations Fund	23,366.2	25,545.5	28,482.4	31,399.8	5,854.3
Telecommunications Fund	1,465.8	1,916.3	1,916.3	1,916.3	0.0
Cybersecurity Risk Management Fund	0.0	0.0	0.0	20,700.0	20,700.0
Agency Total	179,879.1	194,938.4	204,106.8	227,804.0	32,865.6
<u>Department of Agriculture</u>					
Nuclear Emergency Management Fund	209.2	275.0	275.0	275.0	0.0
Air Quality Fund	1,332.8	1,445.2	1,445.2	1,445.2	0.0
Agency Total	1,542.0	1,720.2	1,720.2	1,720.2	0.0
<u>Arizona Health Care Cost Containment System</u>					
Tobacco Tax and Health Care Fund	36,862.6	68,040.5	68,040.5	67,413.8	(626.7)
Tobacco Products Tax Fund	17,627.3	17,966.1	17,966.1	17,535.5	(430.6)
Substance Abuse Services Fund	2,250.2	2,250.2	2,250.2	2,250.2	0.0
Children's Health Insurance Program Fund	60,114.0	87,572.7	87,572.7	83,545.5	(4,027.2)
Budget Neutrality Compliance Fund	4,251.3	3,756.2	3,756.2	3,903.4	147.2
Prescription Drug Rebate Fund	145,284.8	148,458.8	148,458.8	148,458.8	0.0
Agency Total	266,390.2	328,044.5	328,044.5	323,107.2	(4,937.3)
<u>Commission on the Arts</u>					
Budget Stabilization Fund	0.0	2,000.0	2,000.0	0.0	(2,000.0)
<u>Board of Athletic Training</u>					
Athletic Training Fund	106.2	123.5	123.5	123.5	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
<u>Attorney General - Department of Law</u>					
Consumer Protection/Fraud Revolving Fund	4,000.9	7,213.6	7,213.6	7,213.6	0.0
Attorney General Antitrust Revolving Fund	148.5	148.5	148.5	148.5	0.0
Attorney General Collection Enforcement Fund	6,691.4	6,904.5	6,904.5	7,699.5	795.0
Consumer Restitution and Remediation Revolving Fund	7,147.1	4,588.4	4,588.4	4,588.4	0.0
Interagency Service Agreements	14,854.1	16,428.6	16,428.6	16,428.6	0.0
Victims Rights Fund	3,337.3	3,766.8	3,766.8	3,766.8	0.0
Internet Crimes Against Children	351.7	900.0	900.0	900.0	0.0
Risk Management Fund	9,589.3	10,070.0	10,070.0	9,570.0	(500.0)
Attorney General Legal Services Cost Allocation Fund	1,810.5	2,102.8	2,102.8	2,102.8	0.0
Agency Total	47,930.8	52,123.2	52,123.2	52,418.2	295.0
<u>Automobile Theft Authority</u>					
Automobile Theft Authority Fund	5,198.5	5,308.9	5,308.9	5,308.9	0.0
<u>Board of Barbers</u>					
Board of Barbers Fund	327.0	401.1	401.1	401.1	0.0
<u>Board of Behavioral Health Examiners</u>					
Behavioral Health Examiners Fund	1,396.0	1,772.3	1,772.3	1,772.3	0.0
<u>Department of Child Safety</u>					
Temporary Assistance for Needy Families (TANF) Fund	149,472.7	157,279.3	157,279.3	157,279.3	0.0
Child Care and Development Fund	27,000.0	27,000.0	34,400.0	34,400.0	7,400.0
DCS Expenditure Authority	371,745.0	437,430.2	437,430.2	438,356.9	926.7
Child Abuse Prevention Fund	700.0	1,459.3	1,459.3	1,459.3	0.0
Children and Family Services Training Program Fund	0.0	207.1	207.1	207.1	0.0
Risk Management Fund	2,250.9	3,770.0	3,770.0	0.0	(3,770.0)
Agency Total	551,168.6	627,145.9	634,545.9	631,702.6	4,556.7
<u>Board of Chiropractic Examiners</u>					
Chiropractic Examiners Board Fund	401.7	429.7	429.7	429.7	0.0
<u>Registrar of Contractors</u>					
Registrar of Contractors Fund	8,317.7	12,300.1	12,300.1	12,300.1	0.0
<u>Corporation Commission</u>					
Utility Regulation Revolving Fund	13,837.9	14,449.3	14,449.3	14,449.3	0.0
Security Regulatory and Enforcement Fund	4,928.4	5,038.2	5,038.2	5,038.2	0.0
Public Access Fund	6,127.1	6,713.0	6,713.0	6,713.0	0.0
Securities Investment Management Fund	717.5	714.7	714.7	714.7	0.0
Arizona Arts Trust Fund	51.6	50.7	50.7	50.7	0.0
Agency Total	25,662.5	26,965.9	26,965.9	26,965.9	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
<u>Department of Corrections</u>					
Corrections Fund	19,452.9	32,812.3	32,812.3	32,812.3	0.0
State Education Fund for Correctional Education Fund	667.7	727.9	727.9	727.9	0.0
DOC - Alcohol Abuse Treatment Fund	511.1	555.5	555.5	555.5	0.0
Transition Program Fund	2,269.1	2,940.1	2,940.1	3,000.1	60.0
Prison Construction and Operations Fund	6,071.1	12,500.0	12,500.0	10,300.0	(2,200.0)
Inmate Store Proceeds Fund	3.8	1,340.4	1,340.4	1,340.4	0.0
DOC Building Renewal & Preventive Maintenance Fund	0.0	0.0	0.0	0.0	0.0
Penitentiary Land Earnings Fund	1,341.7	2,507.4	2,507.4	2,507.4	0.0
State Charitable, Penal & Reformatory Land Earnings Fund	2,273.8	3,079.5	3,079.5	2,661.5	(418.0)
Agency Total	32,591.3	56,463.1	56,463.1	53,905.1	(2,558.0)
<u>Board of Cosmetology</u>					
Cosmetology Board Fund	1,681.4	1,926.3	1,926.3	1,900.8	(25.5)
<u>Criminal Justice Commission</u>					
Criminal Justice Enhancement Fund	510.6	650.0	650.0	650.0	0.0
Victim Compensation and Assistance Fund	3,906.6	4,222.4	4,222.4	4,222.4	0.0
Drug and Gang Prevention Resource Center Fund	593.7	812.0	812.0	612.0	(200.0)
Fingerprint Clearance Card Fund	0.0	600.0	600.0	600.0	0.0
State Aid to County Attorneys Fund	790.4	973.7	973.7	973.7	0.0
Inmate Store Proceeds Fund	750.0	0.0	0.0	0.0	0.0
Penitentiary Land Earnings Fund	1,000.0	0.0	0.0	0.0	0.0
State Charitable, Penal & Reformatory Land Earnings Fund	1,000.0	0.0	0.0	0.0	0.0
Agency Total	8,551.3	7,258.1	7,258.1	7,058.1	(200.0)
<u>Schools for the Deaf and the Blind</u>					
Telecom for the Deaf Fund	0.0	2,070.0	2,070.0	0.0	(2,070.0)
Schools for the Deaf and Blind Fund	11,164.6	11,537.9	11,537.9	11,537.9	0.0
Agency Total	11,164.6	13,607.9	13,607.9	11,537.9	(2,070.0)
<u>Commission for the Deaf and the Hard of Hearing</u>					
Telecom for the Deaf Fund	3,080.7	4,613.5	4,613.5	4,613.5	0.0
<u>Board of Dental Examiners</u>					
Dental Board Fund	1,061.6	1,300.5	1,300.5	1,212.7	(87.8)

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
<u>Department of Economic Security</u>					
Workforce Investment Grant Fund	68,040.2	56,044.5	56,044.5	56,044.5	0.0
Temporary Assistance for Needy Families (TANF) Fund	67,858.0	65,324.9	65,324.9	65,324.9	0.0
Child Care and Development Fund	103,773.3	110,518.6	155,318.6	158,918.6	48,400.0
Special Administration Fund	2,749.1	5,677.3	5,677.3	3,406.3	(2,271.0)
Child Support Enforcement Administration Fund	7,917.2	16,973.1	16,973.1	16,973.1	0.0
Domestic Violence Services Fund	1,740.8	4,000.0	4,000.0	4,000.0	0.0
Public Assistance Collections Fund	0.0	422.5	422.5	422.5	0.0
Department Long-Term Care System Fund	23,881.5	26,559.6	26,559.6	26,559.6	0.0
Spinal and Head Injuries Trust Fund	2,662.7	4,254.4	4,254.4	2,354.4	(1,900.0)
Health Services Lottery Fund	2,800.0	0.0	1,000.0	0.0	0.0
Statewide Cost Allocation Plan Fund	0.0	1,000.0	1,000.0	1,000.0	0.0
Agency Total	281,422.8	290,774.9	336,574.9	335,003.9	44,229.0
<u>Department of Education</u>					
School Accountability Fund Prop 301 Fund	9,462.4	7,000.0	7,000.0	7,000.0	0.0
Teacher Certification Fund	1,967.3	2,342.7	2,342.7	2,342.7	0.0
State Web Portal Fund	0.0	500.0	500.0	0.0	(500.0)
Empowerment Scholarship Account Fund	1,202.0	1,246.1	1,246.1	1,246.1	0.0
Professional Development Fund	361.7	2,700.0	2,700.0	2,700.0	0.0
Tribal College Dual Enrollment Program	211.0	250.0	250.0	250.0	0.0
Budget Stabilization Fund	2,600.0	0.0	0.0	0.0	0.0
Public Institution Permanent School Earnings Fund	235,339.1	277,115.3	277,115.3	291,376.5	14,261.2
Agency Total	251,143.5	291,154.1	291,154.1	304,915.3	13,761.2
<u>Department of Emergency and Military Affairs</u>					
Nuclear Emergency Management Fund	1,430.4	1,461.6	1,461.6	1,461.6	0.0
Emergency Management Assistance Compact Revolving Fund	52.3	0.0	0.0	0.0	0.0
Agency Total	1,482.7	1,461.6	1,461.6	1,461.6	0.0
<u>Department of Environmental Quality</u>					
DEQ Emissions Inspection Fund	27,001.3	33,087.7	33,087.7	26,587.7	(6,500.0)
Hazardous Waste Management Fund	1,514.2	1,742.4	1,742.4	1,742.4	0.0
Air Quality Fund	6,700.4	9,382.9	9,382.9	4,382.9	(5,000.0)
Underground Storage Tank Revolving Fund	0.0	30.2	30.2	30.2	0.0
Recycling Fund	1,952.3	3,411.3	3,411.3	1,359.3	(2,052.0)
Permit Administration Fund	8,424.8	7,146.8	7,146.8	7,146.8	0.0
Emergency Response Fund	113.7	132.8	132.8	132.8	0.0
Solid Waste Fee Fund	961.9	1,245.8	1,245.8	1,245.8	0.0
Water Quality Fee Fund	6,995.5	10,556.6	10,556.6	10,556.6	0.0
Safe Drinking Water Program Fund	1,603.2	1,802.1	1,802.1	1,802.1	0.0
Indirect Cost Recovery Fund	12,098.8	13,524.9	13,524.9	13,524.9	0.0
Agency Total	67,366.2	82,063.5	82,063.5	68,511.5	(13,552.0)

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
<u>Governor's Office for Equal Opportunity</u>					
Personnel Division Fund	0.0	190.7	190.7	190.7	0.0
<u>Exposition & State Fair</u>					
Arizona Exposition and State Fair Fund	12,018.9	12,549.3	12,549.3	13,204.9	655.6
<u>Department of Financial Institutions</u>					
Financial Services Fund	3,213.4	3,962.6	3,962.6	3,950.6	(12.0)
Banking Department Revolving Fund	0.0	50.0	50.0	50.0	0.0
Board of Appraisal Fund	605.7	0.0	0.0	0.0	0.0
Agency Total	3,819.1	4,012.6	4,012.6	4,000.6	(12.0)
<u>Board of Funeral Directors & Embalmers</u>					
Funeral Directors and Embalmers Fund	339.6	443.4	443.4	379.7	(63.7)
<u>Game and Fish Department</u>					
Game and Fish Fund	30,719.8	36,558.3	36,558.3	36,558.3	0.0
Watercraft Licensing Fund	3,328.8	4,829.7	4,829.7	4,829.7	0.0
Game/Non-game Fund	103.7	347.2	347.2	347.2	0.0
Capital Improvement Fund	1,001.2	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	35,153.5	42,752.6	42,752.6	42,752.6	0.0
<u>Department of Gaming</u>					
Lottery Fund	300.0	300.0	300.0	300.0	0.0
Permanent Tribal-State Compact Fund	1,594.7	2,091.3	2,091.3	2,091.3	0.0
Arizona Benefits Fund	10,054.2	11,115.3	11,115.3	11,115.3	0.0
Racing Regulation Fund	1,767.5	2,262.9	2,262.9	2,503.1	352.0
Agency Total	13,716.4	15,769.5	15,769.5	16,009.7	352.0
<u>Department of Health Services</u>					
Tobacco Tax Hlth Care Fund MNMI Account Fund	584.6	700.0	700.0	700.0	0.0
Capital Outlay Stabilization Fund	1,559.9	230.1	230.1	0.0	(230.1)
Health Services Licenses Fund	9,236.0	10,937.2	11,655.7	15,483.7	4,546.5
Child Care and Development Fund	888.0	879.9	879.9	879.9	0.0
Disease Control Research Fund	0.0	1,000.0	1,000.0	1,000.0	0.0
Health Research Fund	2,000.0	5,000.0	5,000.0	4,000.0	(1,000.0)
Nuclear Emergency Management Fund	0.0	789.7	789.7	789.7	0.0
Emergency Medical Services Operating Fund	5,304.9	5,731.3	5,731.3	5,731.3	0.0
Newborn Screening Program Fund	7,025.2	7,660.2	7,660.2	7,660.2	0.0
Nursing Care Institution Protection Fund	138.2	138.2	138.2	138.2	0.0
Environmental Lab License Revolving Fund	794.8	929.2	929.2	929.2	0.0
Child Fatality Review Fund	96.9	95.7	95.7	95.7	0.0
Vital Records Electronic Systems Fund	2,261.3	3,630.2	3,630.2	3,630.2	0.0
The Arizona State Hospital Fund	5,988.0	2,590.3	2,590.3	2,590.3	0.0
DHS State Hospital Land Earnings Fund	925.9	650.0	650.0	650.0	0.0
Health Services Lottery Fund	0.0	100.0	100.0	100.0	0.0
DHS - Indirect Cost Fund	9,288.5	10,141.7	10,141.7	10,371.8	230.1
Agency Total	46,092.2	51,203.7	51,922.2	54,750.2	3,546.5

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
<u>Board of Homeopathic Medical Examiners</u>					
Homeopathic Medical Examiners Fund	64.6	90.7	90.7	40.2	(50.5)
<u>Department of Housing</u>					
Housing Trust Fund	323.2	322.2	322.2	322.2	0.0
<u>Industrial Commission of Arizona</u>					
Industrial Commission Admin Fund	18,007.3	20,001.8	20,001.8	20,001.8	0.0
<u>Superior Court</u>					
Supreme Court CJEF Disbursements Fund	2,867.6	5,440.0	5,440.0	5,440.0	0.0
Judicial Collection - Enhancement Fund	4,945.2	6,015.2	6,015.2	6,015.2	0.0
Drug Treatment and Education Fund	500.2	502.9	502.9	502.9	0.0
Health Services Lottery Fund	250.0	0.0	0.0	0.0	0.0
Agency Total	8,563.0	11,958.1	11,958.1	11,958.1	0.0
<u>Supreme Court</u>					
Supreme Court CJEF Disbursements Fund	3,606.8	4,384.5	4,384.5	4,384.5	0.0
Judicial Collection - Enhancement Fund	10,760.0	14,800.0	14,800.0	14,800.0	0.0
Defensive Driving Fund	3,326.6	4,208.2	4,208.2	4,208.2	0.0
Court Appointed Special Advocate Fund	3,183.9	3,597.7	3,597.7	3,597.7	0.0
Confidential Intermediary Fund	184.2	491.3	491.3	491.3	0.0
State Aid to Courts Fund	1,874.4	2,945.2	2,945.2	2,945.2	0.0
Legislative, Executive, Judicial Public Buildings Land Fund	137.0	0.0	0.0	0.0	0.0
Peace Officer Training Equipment Fund	0.0	20.0	20.0	0.0	(20.0)
Agency Total	23,072.9	30,446.9	30,446.9	30,426.9	(20.0)
<u>Department of Juvenile Corrections</u>					
Juvenile Corrections CJEF Dist Fund	199.8	531.4	531.4	531.4	0.0
State Education Fund for Committed Youth Fund	1,202.3	1,854.4	1,854.4	1,854.4	0.0
Local Cost Sharing Fund	11,260.0	11,260.0	11,260.0	0.0	(11,260.0)
State Charitable, Penal and Reformatory Land Fund	3,099.9	4,011.6	4,011.6	4,011.6	0.0
Agency Total	15,762.0	17,657.4	17,657.4	6,397.4	(11,260.0)
<u>Land Department</u>					
Environmental Special Plate Fund	142.1	260.6	260.6	260.6	0.0
Due Diligence Fund	0.0	500.0	500.0	500.0	0.0
Trust Land Management Fund	3,752.4	7,288.2	7,288.2	7,288.2	0.0
Agency Total	3,894.5	8,048.8	8,048.8	8,048.8	0.0
<u>Department of Liquor Licenses and Control</u>					
Liquor Licenses Fund	3,030.8	3,086.0	3,086.0	3,267.3	181.3
<u>Lottery Commission</u>					
Lottery Fund	112,302.3	125,298.2	125,298.2	143,391.4	18,093.2
<u>Massage Therapy</u>					
Massage Therapy Board Fund	414.7	460.9	460.9	460.9	0.0
<u>Medical Board</u>					
Medical Examiners Board Fund	6,334.8	6,987.1	6,987.1	6,987.1	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
<u>Mine Inspector</u>					
Aggregate Mining Reclamation Fund	17.4	112.9	112.9	112.9	0.0
<u>Naturopathic Physicians Board of Medical Examiners</u>					
Naturopathic Board Fund	179.5	187.4	187.4	187.4	0.0
<u>Navigable Stream Adjudication Commission</u>					
Arizona Water Banking Fund	32.9	200.0	200.0	200.0	0.0
<u>Board of Nursing</u>					
Nursing Board Fund	4,822.6	4,738.2	4,738.2	4,738.2	0.0
<u>Nursing Care Ins. Admin. Examiners</u>					
Nursing Care Institution Admin/ACHMC Fund	394.2	443.6	443.6	443.6	0.0
<u>Board of Occupational Therapy Examiners</u>					
Occupational Therapy Fund	165.8	190.1	190.1	197.2	7.1
<u>Board of Dispensing Opticians</u>					
Dispensing Opticians Board Fund	179.8	149.1	149.1	149.1	0.0
<u>Board of Optometry</u>					
Board of Optometry Fund	205.4	243.8	243.8	233.8	(10.0)
<u>Board of Osteopathic Examiners</u>					
Osteopathic Examiners Board Fund	846.0	903.5	903.5	997.2	93.7
<u>Arizona State Parks</u>					
State Parks Revenue Fund	13,322.9	14,771.4	14,771.4	14,771.4	0.0
<u>Personnel Board</u>					
Personnel Division Fund	230.3	361.0	361.0	361.0	0.0
<u>Board of Pharmacy</u>					
Pharmacy Board Fund	2,060.4	2,190.0	2,190.0	2,642.2	452.2
<u>Board of Physical Therapy Examiners</u>					
Physical Therapy Fund	412.2	499.6	499.6	494.6	(5.0)
<u>Pioneers' Home</u>					
Pioneers' Home State Charitable Earnings Fund	4,532.0	4,505.2	4,505.2	4,505.2	0.0
Pioneers' Home Miners' Hospital Fund	1,904.9	2,178.8	2,178.8	2,047.0	(131.8)
Agency Total	6,436.9	6,684.0	6,684.0	6,552.2	(131.8)
<u>Board of Podiatry Examiners</u>					
Podiatry Examiners Board Fund	139.7	161.9	161.9	161.9	0.0
<u>Commission for Postsecondary Education</u>					
Postsecondary Education Fund	1,340.5	1,537.2	1,537.2	1,537.2	0.0
<u>Board for Private Postsecondary Education</u>					
Private Postsecondary Education Fund	401.1	417.8	417.8	417.8	0.0
<u>Board of Psychologist Examiners</u>					
Psychologist Examiners Board Fund	463.9	495.0	495.0	507.0	12.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
<u>Department of Public Safety</u>					
State Highway Fund	8,713.5	8,169.1	8,169.1	318.2	(7,850.9)
Arizona Highway Patrol Fund	25,463.3	116,321.4	116,321.4	188,895.7	72,574.3
Safety Enforcement and Transportation Infrastructure Fund	1,317.0	1,643.5	1,643.5	0.0	(1,643.5)
Drug and Gang Prevention Resource Center Fund	0.0	758.1	758.1	559.5	(198.6)
Crime Laboratory Assessment Fund	870.3	0.0	0.0	0.0	0.0
Motor Vehicle Liability Insurance Enforcement Fund	0.0	1,250.0	1,250.0	0.0	(1,250.0)
Auto Fingerprint Identification Fund	2,748.5	0.0	0.0	0.0	0.0
DNA Identification System Fund	4,224.8	0.0	0.0	0.0	0.0
Public Safety Equipment Fund	3,698.3	2,893.7	2,893.7	639.5	(2,254.2)
Crime Laboratory Operations Fund	13,611.3	0.0	0.0	0.0	0.0
Gang and Immigration Intelligence Team Enforcement Mission Fund	2,986.4	2,540.7	2,540.7	2,540.7	0.0
Fingerprint Clearance Card Fund	661.4	1,502.5	1,502.5	1,502.5	0.0
State Aid to Indigent Defense Fund	700.0	700.0	700.0	700.0	0.0
Motorcycle Safety Fund	205.0	205.0	205.0	205.0	0.0
Parity Compensation Fund	3,365.5	3,451.5	3,451.5	2,022.9	(1,428.6)
Concealed Weapons Permit Fund	1,343.9	3,554.7	3,554.7	2,717.7	(837.0)
Highway User Revenue Fund	99,398.7	15,508.7	15,508.7	0.0	(15,508.7)
DPS Criminal Justice Enhancement Fund	2,620.8	2,927.3	2,927.3	2,927.3	0.0
Risk Management Fund	1,314.2	1,345.3	1,345.3	1,345.3	0.0
Peace Officer Training Equipment Fund	0.0	3,053.0	3,053.0	0.0	(3,053.0)
DPS Forensics Fund	0.0	22,495.8	22,495.8	20,265.7	(2,230.1)
Agency Total	173,242.9	188,320.3	188,320.3	224,640.0	36,319.7
<u>Radiation Regulatory Agency</u>					
State Radiologic Technologist Certification Fund	262.3	0.0	0.0	0.0	0.0
Nuclear Emergency Management Fund	771.0	0.0	0.0	0.0	0.0
Radiation Regulatory Fee Fund	562.4	0.0	0.0	0.0	0.0
Agency Total	1,595.6	0.0	0.0	0.0	0.0
<u>Residential Utility Consumer Office</u>					
Residential Utility Consumer Office Revolving Fund	1,059.6	1,342.6	1,342.6	1,342.6	0.0
<u>Board of Respiratory Care Examiners</u>					
Board of Respiratory Care Examiners Fund	309.7	314.4	314.4	314.4	0.0
<u>Arizona State Retirement System</u>					
Retirement System Appropriated Fund	21,161.5	22,830.3	22,830.3	22,330.3	(500.0)
LTD Trust Fund	1,424.7	2,200.0	2,200.0	1,800.0	(400.0)
Agency Total	22,586.2	25,030.3	25,030.3	24,130.3	(900.0)

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
<u>Department of Revenue</u>					
Tobacco Tax and Health Care Fund	575.5	681.5	681.5	681.5	0.0
Department of Revenue Administrative Fund	42,263.2	45,713.9	45,713.9	45,713.9	0.0
DOR Liability Setoff Fund	396.9	802.8	802.8	802.8	0.0
Department of Revenue Empowerment Scholarship Account Fund	0.0	50.0	50.0	50.0	0.0
Residential Contractors' Recovery Fund	0.0	75.0	75.0	0.0	(75.0)
Agency Total	43,235.6	47,323.2	47,323.2	47,248.2	(75.0)
<u>Department of State - Secretary of State</u>					
Data Processing Acquisition Fund	0.0	115.5	115.5	0.0	(115.5)
Election Systems Improvement Fund	1,498.9	7,463.7	7,463.7	0.0	(7,463.7)
Records Services Fund	464.8	1,244.4	1,244.4	744.4	(500.0)
Agency Total	1,963.7	8,823.6	8,823.6	744.4	(8,079.2)
<u>Board of Technical Registration</u>					
Technical Registration Board Fund	1,925.0	2,291.7	2,291.7	2,189.7	(102.0)
<u>Department of Transportation</u>					
State Aviation Fund	1,797.7	1,829.0	1,829.0	2,007.0	178.0
State Highway Fund	340,280.5	384,073.2	384,073.2	395,393.2	11,320.0
Highway Damage Recovery Account	1,403.1	4,000.0	4,000.0	8,000.0	4,000.0
Transportation Department Equipment Fund	17,250.4	18,609.3	18,609.3	18,609.3	0.0
Safety Enforcement and Transportation Infrastructure Fund	1,582.1	1,482.0	1,482.0	882.0	(600.0)
Ignition Interlock Device Fund	0.0	150.0	150.0	320.0	170.0
Air Quality Fund	129.1	324.1	324.1	324.1	0.0
Vehicle Inspection and Certificate of Title Enforcement Fund	1,448.9	1,462.6	1,462.6	2,062.6	600.0
Motor Vehicle Liability Insurance Enforcement Fund	1,312.9	1,720.6	1,720.6	2,672.1	951.5
Highway Expansion and Extension Loan Program Fund	30,000.0	0.0	0.0	0.0	0.0
Driving Under Influence Abatement Fund	148.3	153.1	153.1	0.0	(153.1)
Highway User Revenue Fund	640.4	654.4	654.4	654.4	0.0
Agency Total	395,993.4	414,458.3	414,458.3	430,924.7	16,466.4
<u>Treasurer</u>					
Boating Safety Fund	1,937.5	2,183.8	2,183.8	2,183.8	0.0
Treasurer Empowerment Scholarship Account Fund	304.4	304.4	304.4	304.4	0.0
State Treasurer's Operating Fund	2,515.0	2,645.8	2,645.8	2,645.8	0.0
State Treasurer's Management Fund	295.6	295.6	295.6	295.6	0.0
Agency Total	5,052.5	5,429.6	5,429.6	5,429.6	0.0
<u>Arizona State University</u>					
ASU Collections - Appropriated Fund	990,843.9	660,074.4	660,074.4	660,074.4	0.0
Technology and Research Initiative Fund	3,466.3	3,600.0	3,600.0	3,600.0	0.0
Agency Total	994,310.2	663,674.4	663,674.4	663,674.4	0.0
<u>Northern Arizona University</u>					
NAU Collections - Appropriated Fund	157,431.1	160,958.9	160,958.9	160,958.9	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2018 Expenditures	FY 2019 Appropriation	FY 2019 Executive Budget	FY 2020 Executive Budget	FY 2020 Changes and Adjustments
<u>University of Arizona - Main Campus</u>					
U of A Main Campus - Collections - Appropriated Fund	386,796.2	385,101.7	385,101.7	385,101.7	0.0
<u>University of Arizona - Health Sciences Center</u>					
U of A Main Campus - Collections - Appropriated Fund	48,224.9	53,623.8	53,623.8	53,623.8	0.0
<u>Department of Veterans' Services</u>					
State Home for Veterans Trust Fund	31,358.6	35,414.1	35,414.1	35,414.1	0.0
<u>Veterinary Medical Examining Board</u>					
Veterinary Medical Examiners Board Fund	391.2	605.5	605.5	591.1	(14.4)
<u>Department of Water Resources</u>					
Arizona Water Banking Fund	400.0	1,212.2	1,212.2	1,212.2	0.0
Water Resources Fund	159.1	946.4	946.4	946.4	0.0
Assured and Adequate Water Supply Administration Fund	222.0	268.5	268.5	268.5	0.0
Agency Total	781.1	2,427.1	2,427.1	2,427.1	0.0
Other Appropriated Funds Operating Total	4,350,272.0	4,386,812.9	4,449,899.8	4,512,431.9	125,730.8

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 2019 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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[The Arizona Experience Website](#)

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

[Arizona Employment Statistics](#)

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