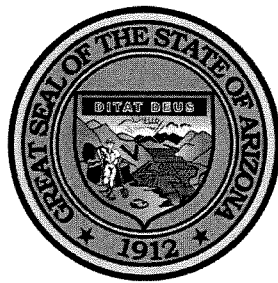


State of Arizona Executive Budget

FISCAL YEAR 2020

Douglas A. Ducey
GOVERNOR



JANUARY 2019

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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

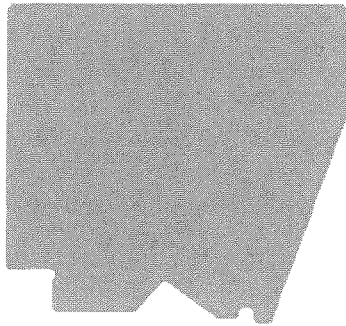
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|---------------|-----------------|
| FY 2019 | \$572.2 million |
| FY 2020 | \$244.1 million |
| FY 2021 | \$104.6 million |
| FY 2022 | \$142.0 million |

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 | \$ 854,081,400 | \$ 1,092,809,900 | \$ 2,405,700 |
| Adj. Base Revenues | 10,036,152,700 | 10,727,175,500 | 11,090,669,300 | 11,442,816,500 | 11,829,938,400 |
| Revenue Changes | (5,000,000) | (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 | \$ 12,045,591,400 | \$ 11,593,872,400 | \$ 11,889,119,100 |
| Enacted Spending | \$ 9,811,764,400 | \$ 10,389,460,900 | \$ 10,389,460,900 | \$ 11,394,096,500 | \$ 11,573,466,700 |
| Baseline Changes | 14,652,500 | 34,298,400 | 461,993,800 | 70,288,900 | 108,709,300 |
| Net New Initiatives | | | 543,243,800 | 109,081,300 | 110,332,600 |
| Total Spending | \$ 9,811,764,400 | \$ 10,436,411,800 | \$ 11,394,096,500 | \$ 11,573,466,700 | \$ 11,792,508,600 |
| BSF Deposit | 0 | 0 | 542,214,000 | 0 | 0 |
| Ending Balance | \$ 449,632,000 | \$ 854,081,400 | \$ 1,092,809,900 | \$ 2,405,700 | \$ 96,610,500 |

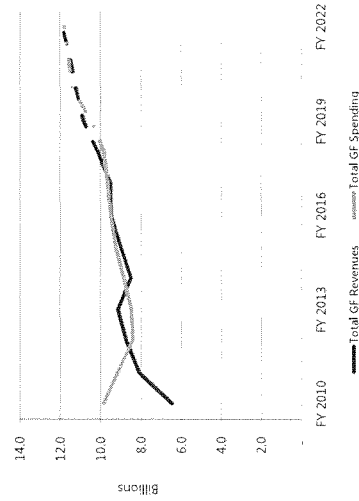
YOY % growth
1.9%

GENERAL FUND STRUCTURAL BALANCE

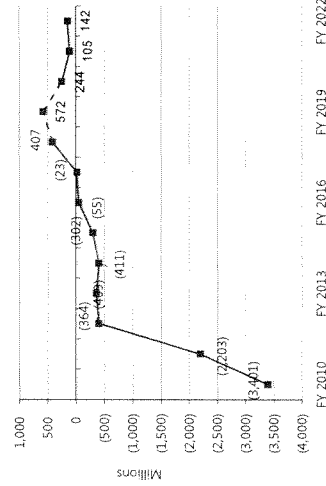
| | Prelim Actual FY 2018 | Forecast FY 2019 | Forecast FY 2020 | Forecast FY 2021 | Forecast FY 2022 |
|-------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Ongoing Revenues ² | \$ 10,036,152,700 | \$ 10,722,179,500 | \$ 11,090,669,300 | \$ 11,439,591,500 | \$ 11,823,713,400 |
| Ongoing Spending | 9,629,007,500 | 10,155,028,900 | 10,846,558,600 | 11,340,962,700 | 11,681,738,600 |
| Structural Balance | \$ 407,145,200 | \$ 567,150,600 | \$ 244,110,700 | \$ 104,608,800 | \$ 141,974,800 |

YOY % growth
3.4%
3.1%

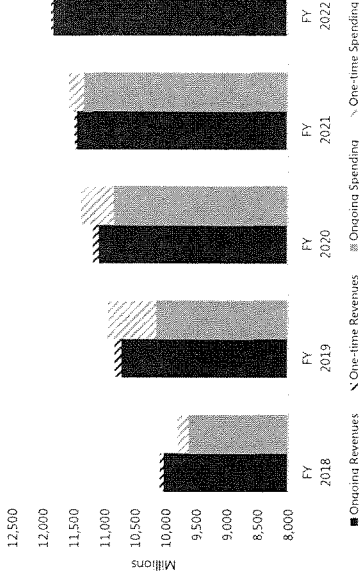
HISTORICAL REVENUES TO SPENDING



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.

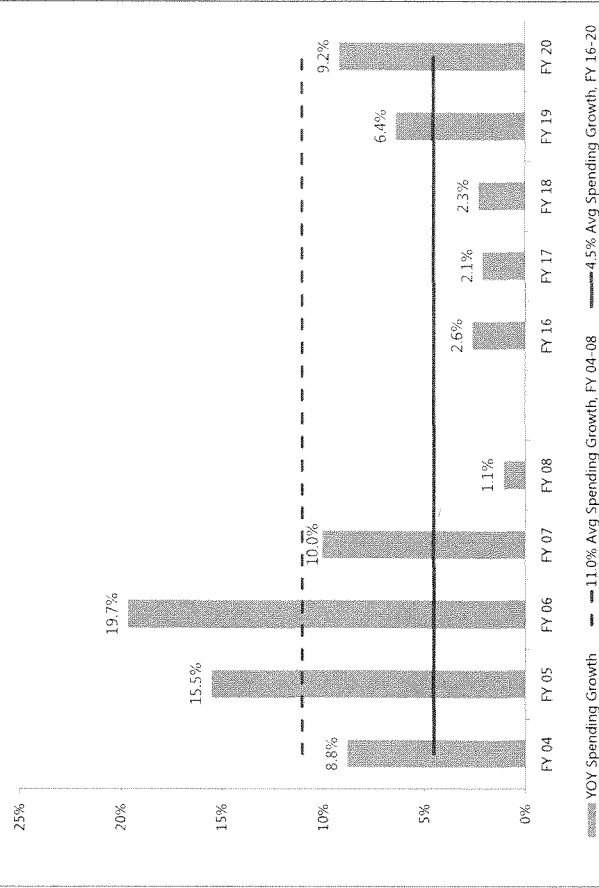
Average annual General Fund spending growth over the past 5 years has been just 4.5% compared to 11% in the 5 years prior to the Great Recession

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

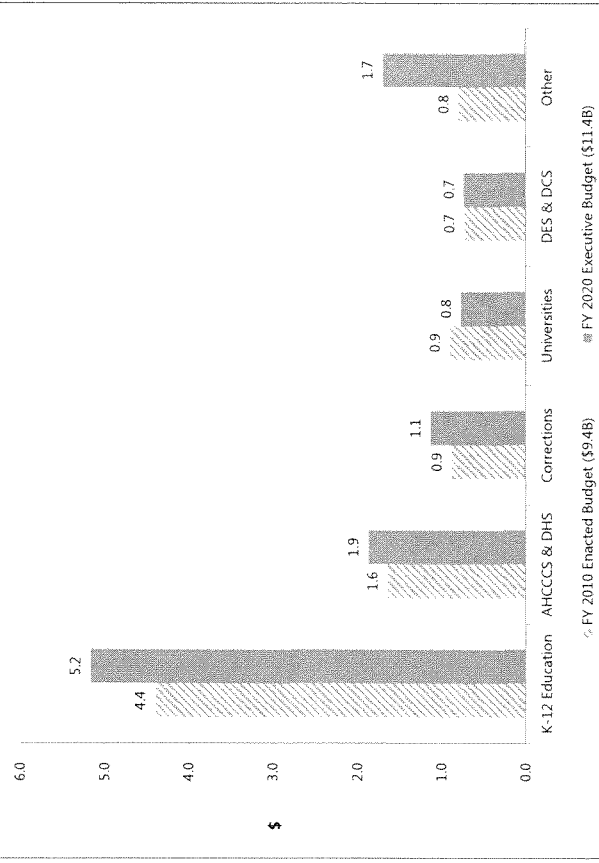
GENERAL FUND SPENDING

| | Prelim Actual | | Executive Budget | | Baseline Adjustments ³ | | New Initiatives | | Executive Budget | | YOY % growth |
|-------------------------|---------------------|----------------------|----------------------|-------------------|-----------------------------------|-------------------|----------------------|----------------------|------------------|----------------------|--------------|
| | FY 2018 | FY 2019 | FY 2019 | FY 2020 | FY 2020 | FY 2020 | FY 2020 | FY 2020 ⁴ | FY 2020 | FY 2020 ⁴ | |
| Education | 4,227,258 | 4,704,652 | 4,704,652 | 381,449 | 381,449 | 85,224 | 5,171,325 | 5,171,325 | 9.3% | | |
| AHCCCS | 1,785,264 | 1,777,094 | 1,777,094 | (3,990) | (3,990) | 3,655 | 1,776,759 | 1,776,759 | 0.0% | | |
| Corrections | 1,067,641 | 1,108,306 | 1,108,306 | 29,906 | 29,906 | 2,200 | 1,131,776 | 1,131,776 | 2.1% | | |
| Economic Security | 586,110 | 654,600 | 654,600 | 16,725 | 16,725 | 63,262 | 730,924 | 730,924 | 11.7% | | |
| School Facilities Board | 302,287 | 299,700 | 299,700 | 67,131 | 67,131 | 99,069 | 440,900 | 440,900 | 47.1% | | |
| Child Safety | 379,791 | 375,839 | 375,839 | 0 | 0 | 0 | 375,839 | 375,839 | 0.0% | | |
| ASU - Tempe | 320,259 | 333,327 | 333,327 | (5,495) | (5,495) | 18,900 | 342,181 | 342,181 | 2.7% | | |
| U of A | 199,601 | 212,842 | 212,842 | (3,165) | (3,165) | 9,450 | 215,122 | 215,122 | 1.1% | | |
| NAU | 108,613 | 112,187 | 112,187 | (5,090) | (5,090) | 9,650 | 116,656 | 116,656 | 4.0% | | |
| Health Services | 87,670 | 89,931 | 89,931 | 310 | 310 | 2,107 | 92,348 | 92,348 | 2.7% | | |
| Other | 747,270 | 769,935 | 769,935 | (16,387) | (16,387) | 249,725 | 1,000,269 | 1,000,269 | 29.9% | | |
| Total | \$ 9,811,764 | \$ 10,438,412 | \$ 10,438,412 | \$ 461,394 | \$ 461,394 | \$ 543,242 | \$ 11,394,097 | \$ 11,394,097 | 9.2% | | |

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



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



³The 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.

⁴The 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 supplemental 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 |
|-----------|-----------------------------|

\$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 |
|--------|------------------------------|

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 |
|---------|----------------------------------|

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 |
|--------|--|

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 |

\$228.3M FY 2020 Net Initiatives

| | |
|---------|---|
| \$63.2M | Public Safety Compensation Package |
| \$54M | HITF One-Time Adjustment |
| \$11.3M | Juvenile Corrections (County Cost Offset) |
| \$7M | Commerce |
| \$92.8M | All Other Initiatives |

OVERALL SPENDING

\$461.4M FY 2020 Net Baseline

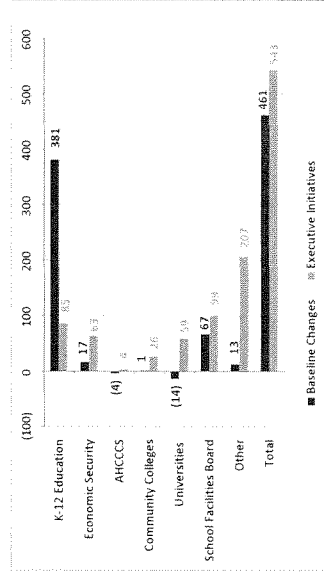
| | |
|-----------|--------------------|
| \$510.8M | Baseline Increases |
| (\$49.4M) | Baseline Decreases |

\$543.2M FY 2020 Net Initiatives

| | |
|-----------|----------------------|
| \$571.7M | Initiative Increases |
| (\$28.5M) | Initiative Decreases |

\$1004.6M Total New Spending

NEW GENERAL FUND SPENDING PROFILE FY 2020



General Fund Sources and Uses

\$ in thousands

| | FY 18 Prelim Actual | FY 19 Enacted Base | FY 19 Net Changes | FY 19 Executive Budget | FY 20 Net Changes | FY 20 Executive Budget | FY 21 Net Changes | FY 21 Executive Budget | FY 22 Net Changes | FY 22 Executive Budget |
|---|------------------------|-----------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|
| SOURCES OF FUNDS | | | | | | | | | | |
| Beginning Balance | 150,871 | 204,482 | | 449,632 | | 854,081 | | 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>(237,574)</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 | | 106,574 | | 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 |
| FY 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 | 48,951 | 11,292,493 | 854,649 | 11,224,334 | 152,085 | 11,376,418 | 304,405 | 11,680,824 |
| USES OF FUNDS | | | | | | | | | | |
| Operating Budget Appropriations | 9,770,882 | 10,320,734 | 48,951 | 10,369,685 | 854,649 | 11,224,334 | 152,085 | 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 | (344) | (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 | (230) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revert FY 2017 ADOT Construction Funding | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unallocated Ren/Risk/IT Pro-Rate 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 |
| HIF 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 | 48,951 | 10,438,412 | 1,497,899 | 11,936,311 | (362,844) | 11,573,467 | 219,042 | 11,792,509 |
| ENDING BALANCE | 449,632 | 236,004 | | 854,081 | | 109,281 | | 20,406 | | 96,610 |
| Ongoing Revenues | 10,036,153 | 10,305,301 | | 10,727,179 | | 11,090,969 | | 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