



FY 2025 Executive Budget

January 12th, 2024

Arizona Governor's Office of Strategic Planning and Budgeting

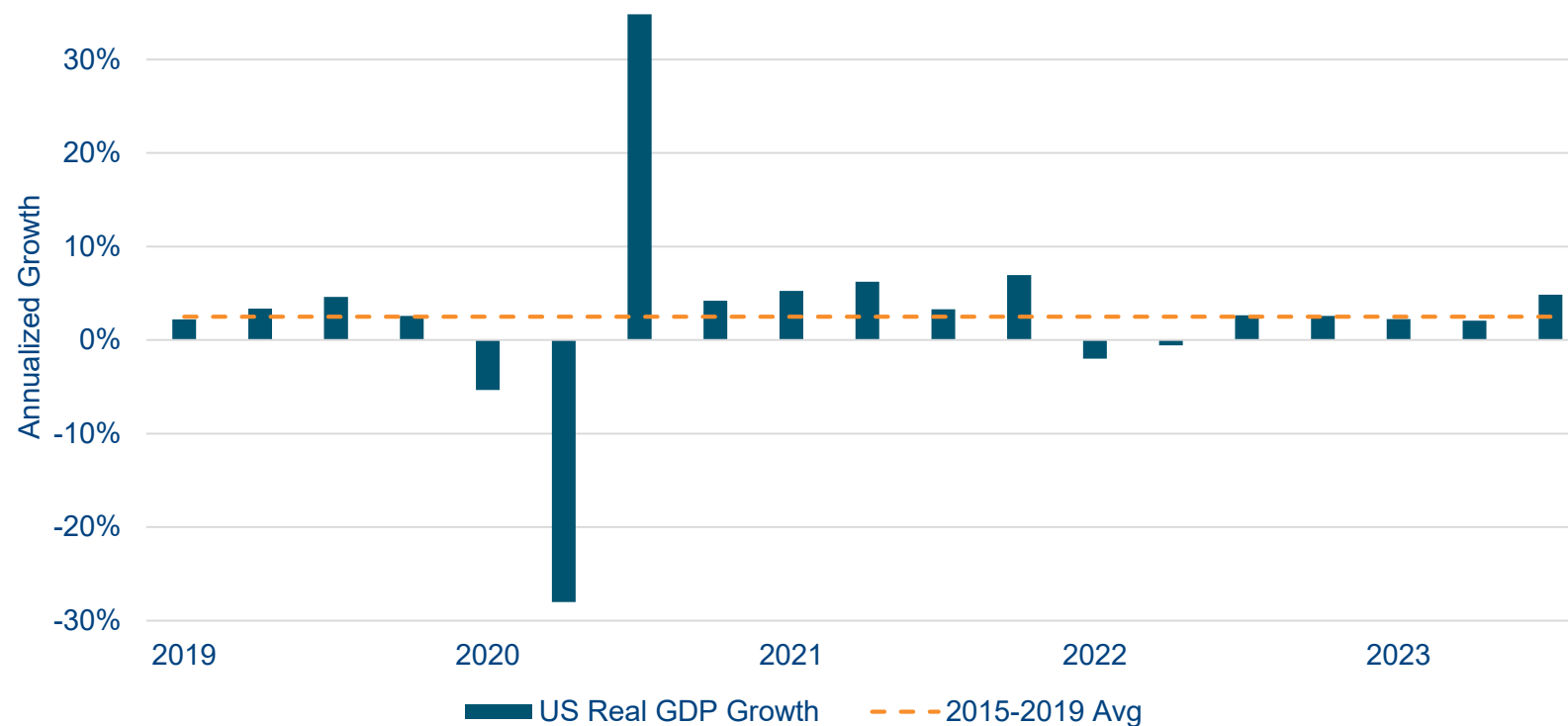
Agenda

- Economy and FY 2025 Budget Outlook
- Revenue Recovery
- Executive Budget by Priority Area

Economy and FY 2025 Budget Outlook

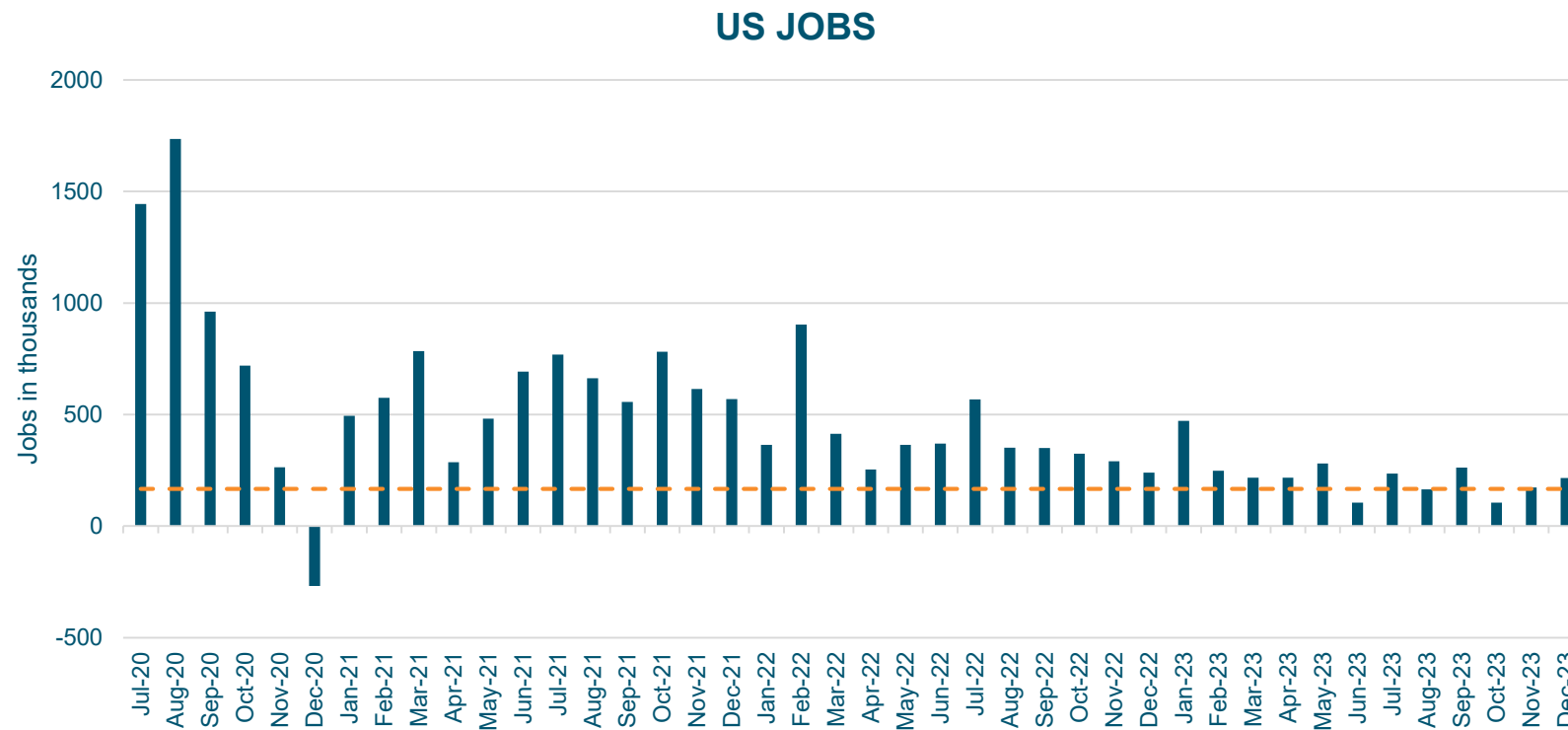
US Real GDP Summary

- After brief declines in early 2022, real GDP continued on a growth path slightly below the 2015-2019 average, before posting an impressive **4.9%** growth in Q3 of 2023



US Job Growth Remains Strong

- Most recent jobs report shows US added 216,000 jobs in December 2023
- The US has added an average of 467,000 jobs per month since Q3 2020 (first quarter after COVID recession)
- This compares to just 167,000 per month over the 10 year period ending in 2019



Source: US Bureau of Labor Statistics

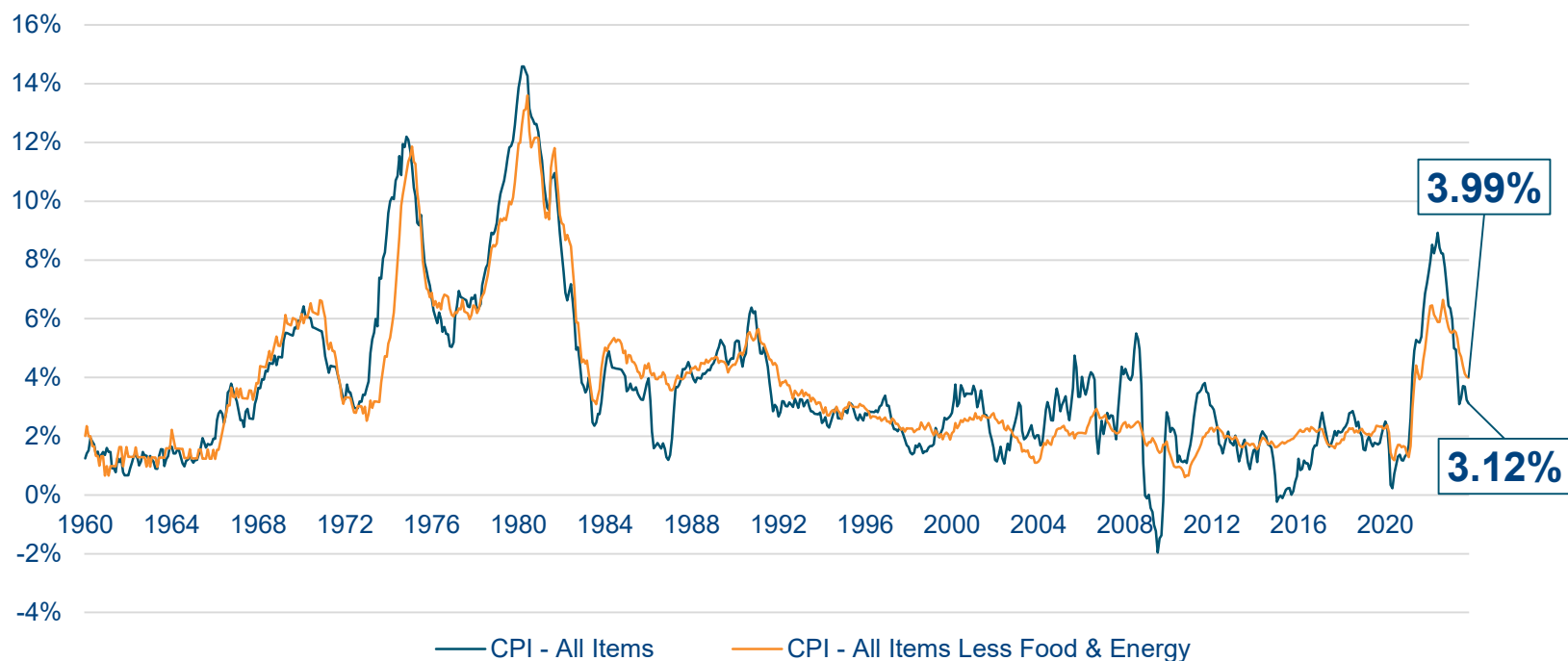
■ US Monthly Job Gains

- - - 10-Year Average (2010-2019)



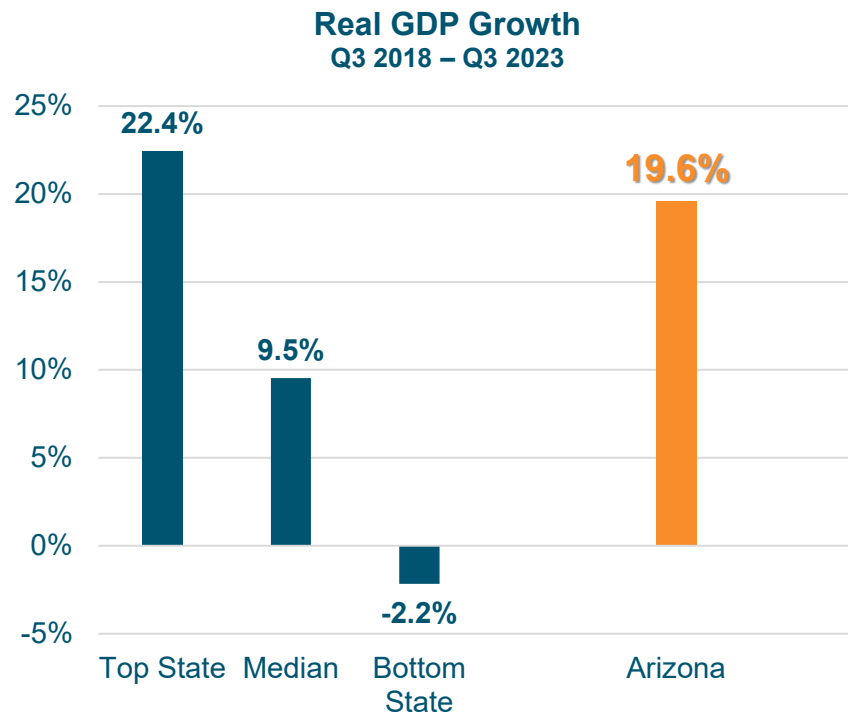
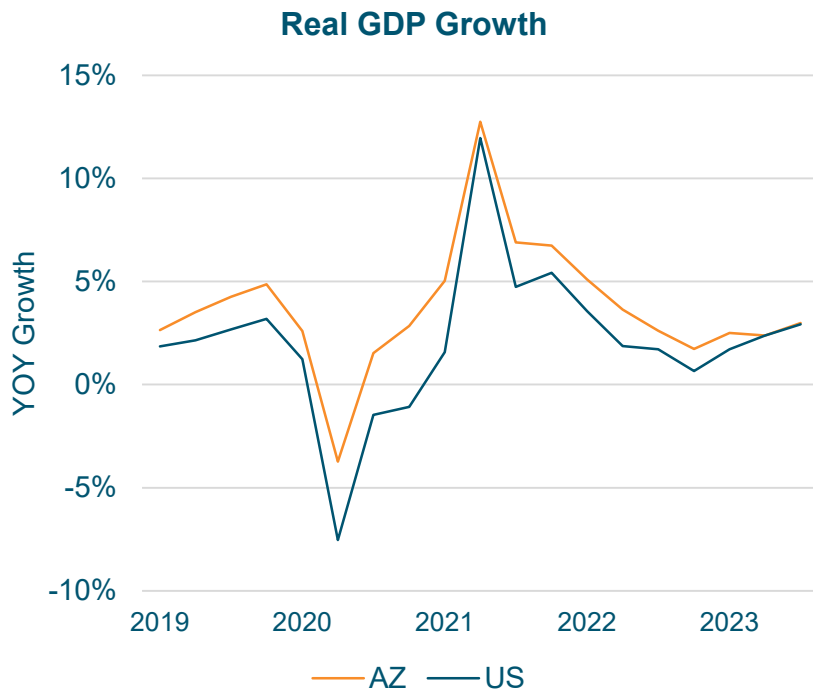
Inflation Has Cooled In 2023

- After peaking at 8.9% in 2022, headline inflation fell precipitously through 2023
- However, the overall inflation rate excluding volatile food and energy categories remains nearly double the Fed's 2.0% target rate



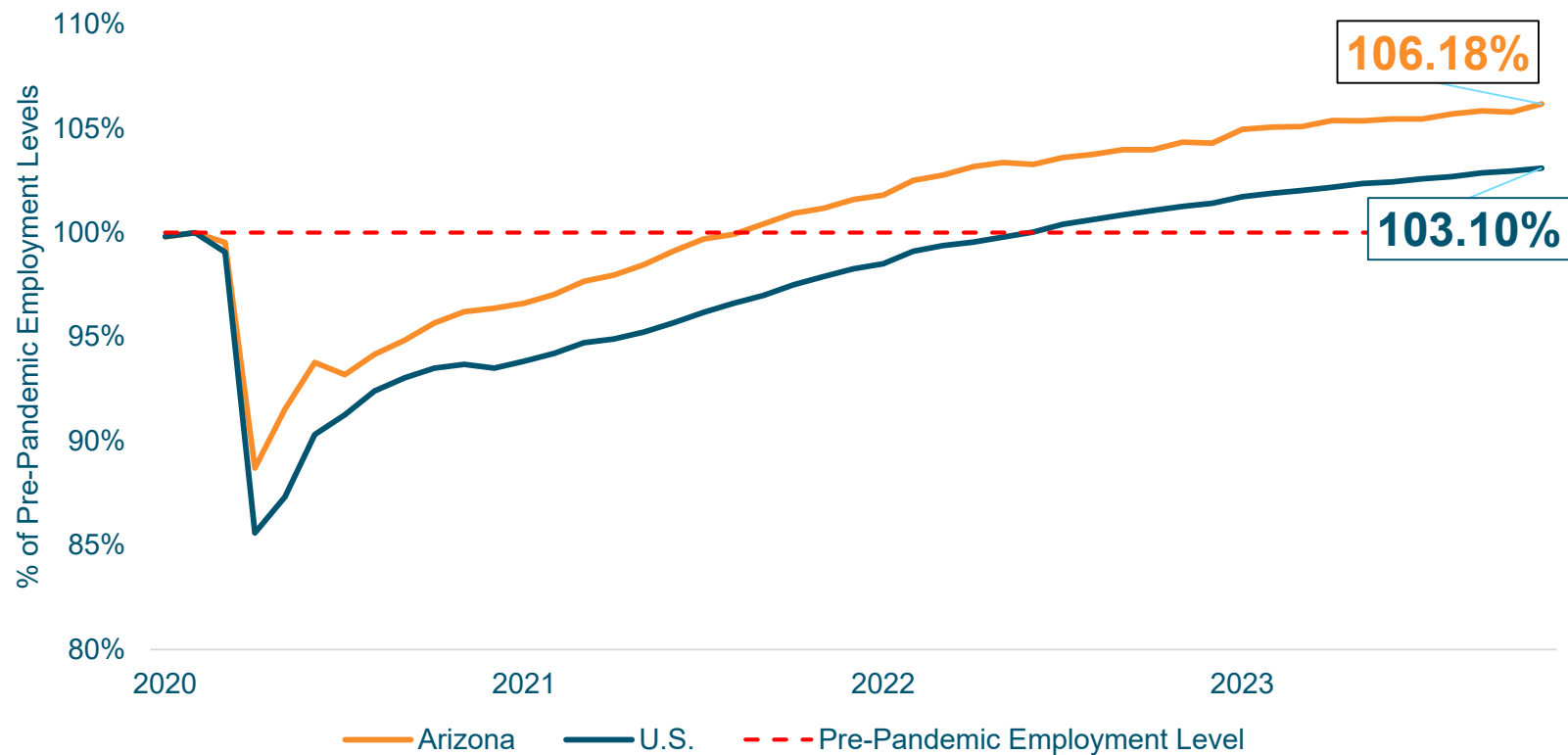
Arizona Has Outperformed the US and Other States

- Since 2019, the Arizona economy has been growing at a faster pace than the nation as a whole
- This growth has also exceeded that of many other states
- For the 5-year period ending in Q3 2023, the Arizona economy grew **19.6%** – making it the **4th fastest growing state** during this time period



Arizona Employment Remains Strong

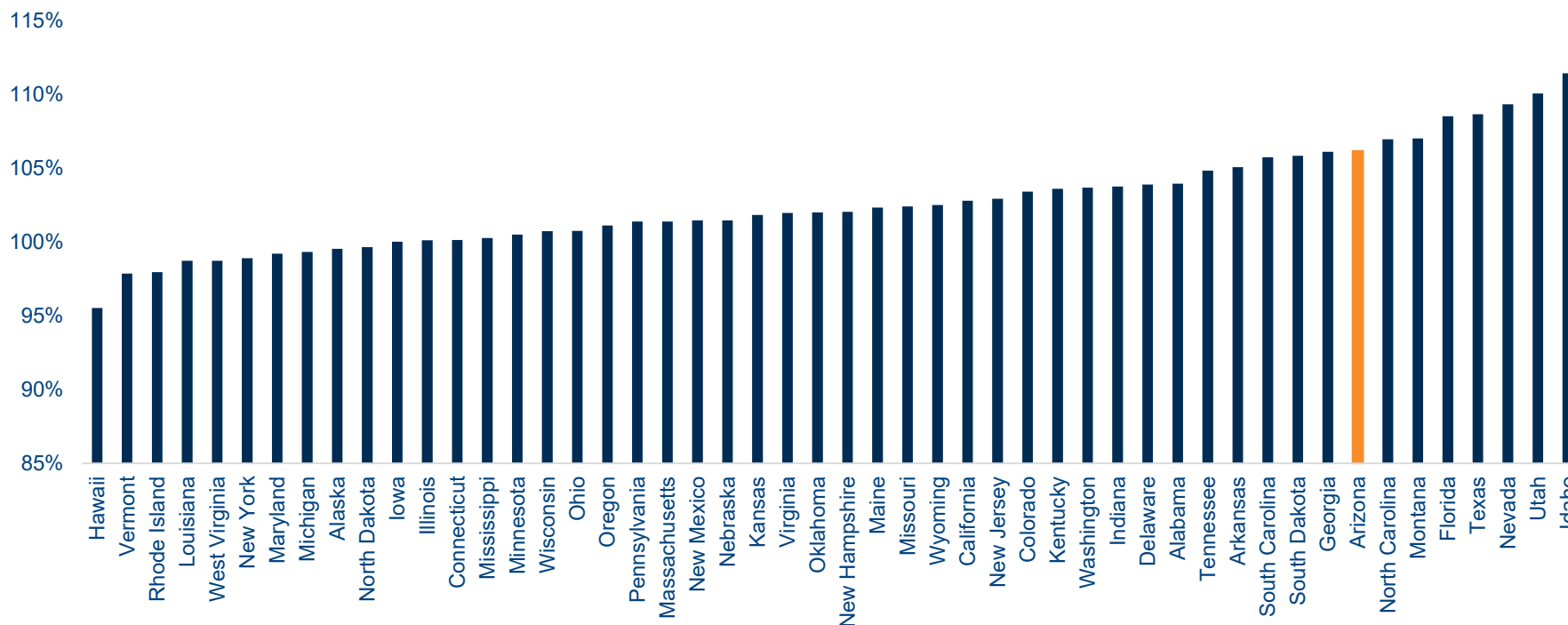
- Arizona recovered pandemic employment losses faster than the US and most states
- As of November, the **Arizona** economy has **6% more jobs** than it did prior to the pandemic—double the rate of the US



Arizona Employment is Strong

- When compared to each individual state, Arizona ranks 8th in total non-farm employment growth above pre-pandemic levels

November 2023 Employment Levels
(% of Feb 2020 Levels)



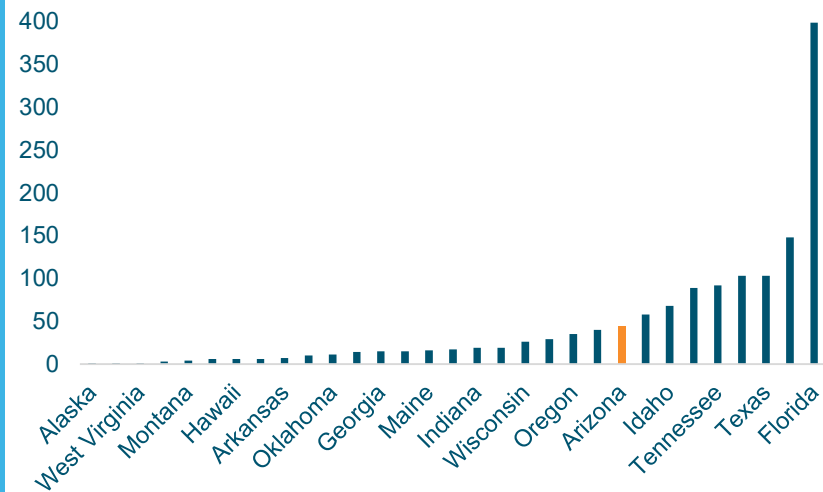
A Top-Ten Destination For People And Businesses

- The Grand Canyon state continues to be one of the fastest growing states, ranking **8th** in total population growth between 2020 and 2022
- This growth has been bolstered by net migration figures, which has put **Arizona 4th** in total net migration of people, and **9th** in net firm migration

Total Net Migration April 2020 – July 2022

1.	Florida	797,809
2.	Texas	639,314
3.	North Carolina	248,898
4.	Arizona	212,851
5.	South Carolina	180,965
6.	Georgia	166,266
7.	Tennessee	157,821
8.	Idaho	91,249
9.	Alabama	71,884
10.	Nevada	70,228

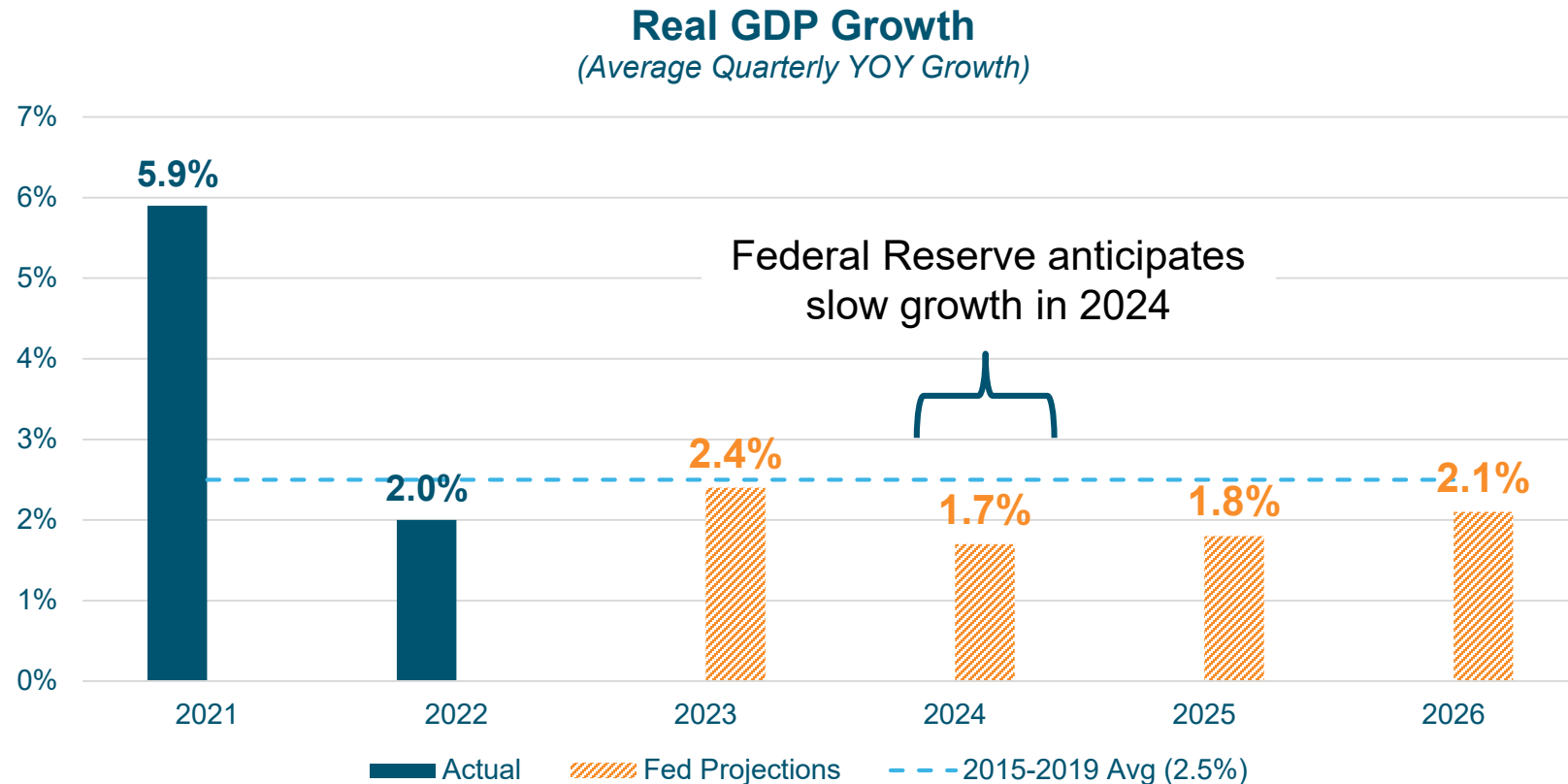
Net Firm Migration by State 2021



Source: US Bureau of Labor Statistics

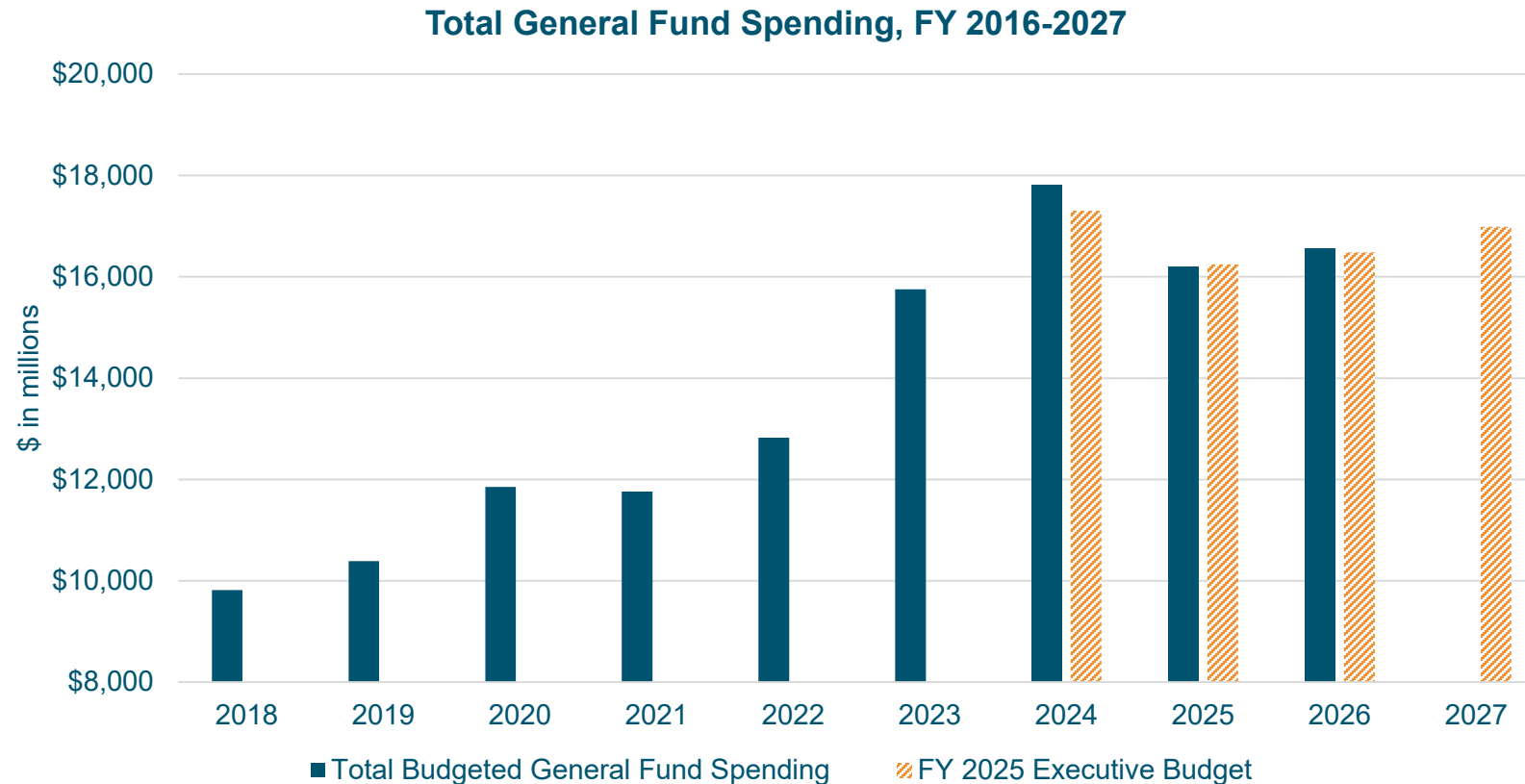
Economic Headwinds Expected

- Forecasters across the country expect sluggish growth in 2024
 - Some anticipate a recession in 2024 – Federal Reserve Bank of New York’s recession probability model predicts over a 50% chance of recession in next 12 months

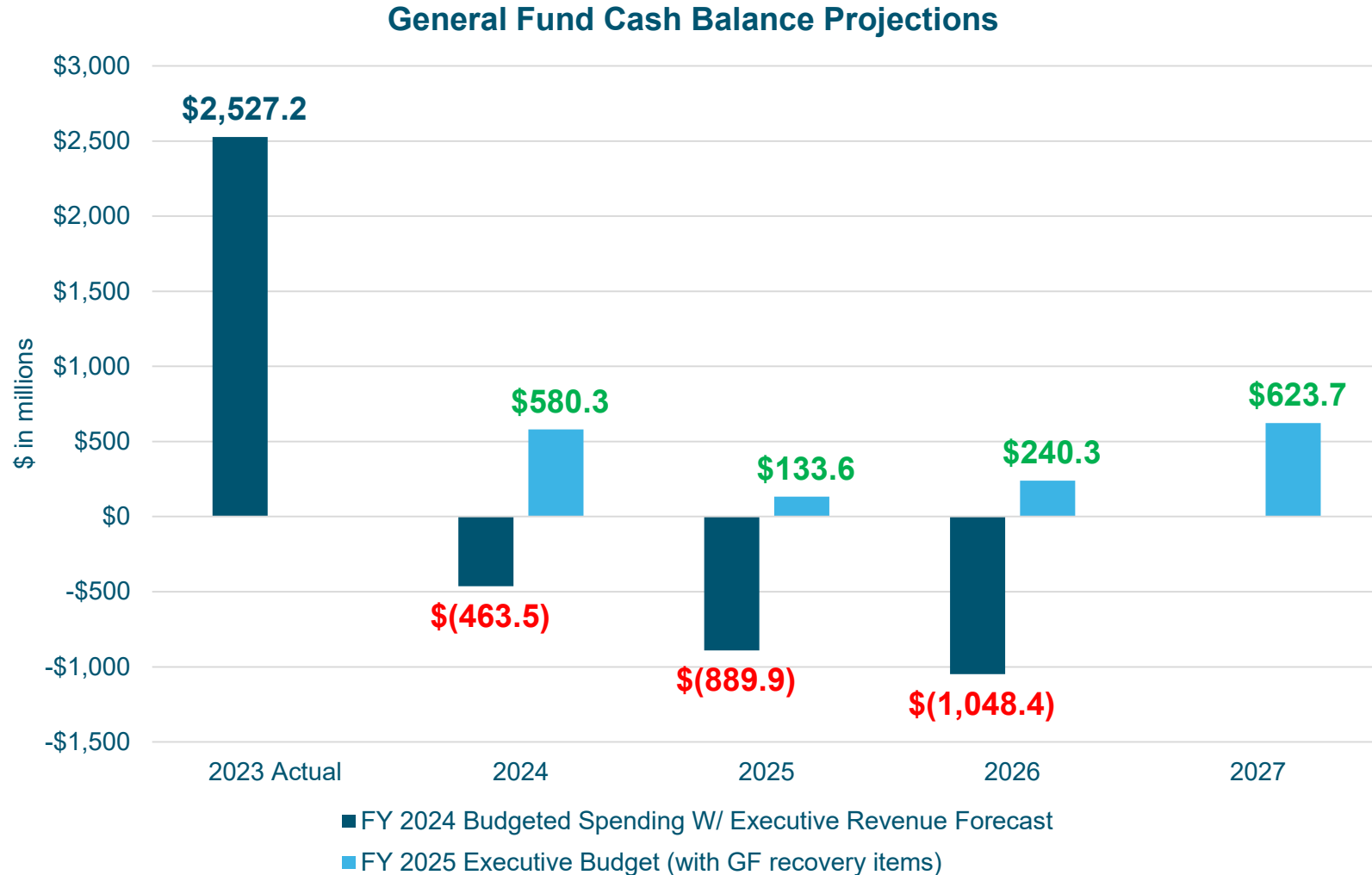


Executive Total Spending Forecast

- The FY 2025 Executive Budget contemplates lower spending in FY 2024 due to a combination of supplemental spending and FY 2024 appropriation revisions
- Executive Budget FY 2025 - FY 2027 spending includes additional appropriation revisions, baseline caseload adjustments, and new Executive initiatives

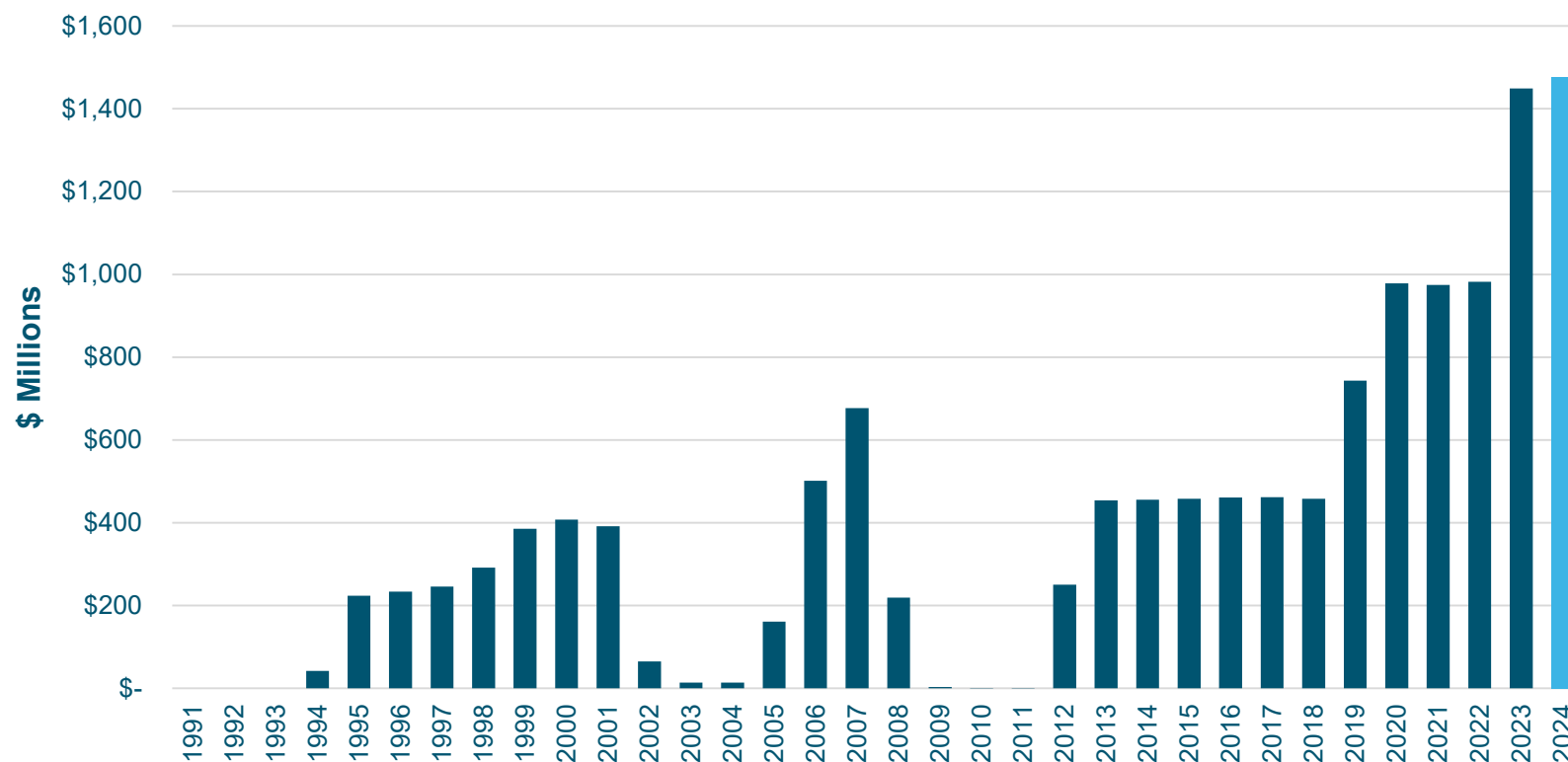


The Executive Budget Solves Projected Shortfalls



Maintaining Arizona's Fiscal Future

- The FY 2025 Executive Budget maintains a strong rainy day fund, relying on other responsible budget measures to resolve anticipated deficits
- As of January 2024, the Budget Stabilization Fund (BSF) balance is \$1,459.1M



Revenue Recovery

Revenue Recovery

- The Executive's Approach to Resolving FY 2024 and 2025 Deficits is:
 - Measured, comprehensive, and diverse
 - Prioritizes the financial health of the state
 - Ensures recovering options are spread across multiple sectors
 - Ensures that the critical needs across the state are supported for our growing economy
- The Executive Budget Preserves:
 - Local Government Revenue Sharing Agreements
 - Formula Funding
 - The Budget Stabilization Fund
 - Ongoing funding at Agencies

Revenue Recovery

- **\$121M one-time** FY 2024 ex-appropriations
 - Unexpended balance of FY 2024 one-time appropriations
 - Spans 11 agencies and 26 line items
- **\$201M one-time** ex-appropriation of Capital and IT projects from FYs 2022-2024
 - Unexpended balance of appropriations, except one where only half is being ex-appropriated
 - Total of 12 projects and 6 agencies
- **\$30.4M one-time** in prior year ex-appropriations from FYs 2016-2023
 - 13 appropriations, 5 departments

Revenue Recovery

- **1% one-time** cut to Executive and Legislature in FY 2025
- Executive Budget proposes transfers from 78 funds across 44 boards and agencies which generates additional revenue of **\$282M one-time** to state General Fund
 - Methodology used for fund transfers ensures that funds themselves remain structurally balanced moving forward
- **\$418.6M** recovered from transportation projects appropriated by the Legislature

Delay of Non-Critical Spending

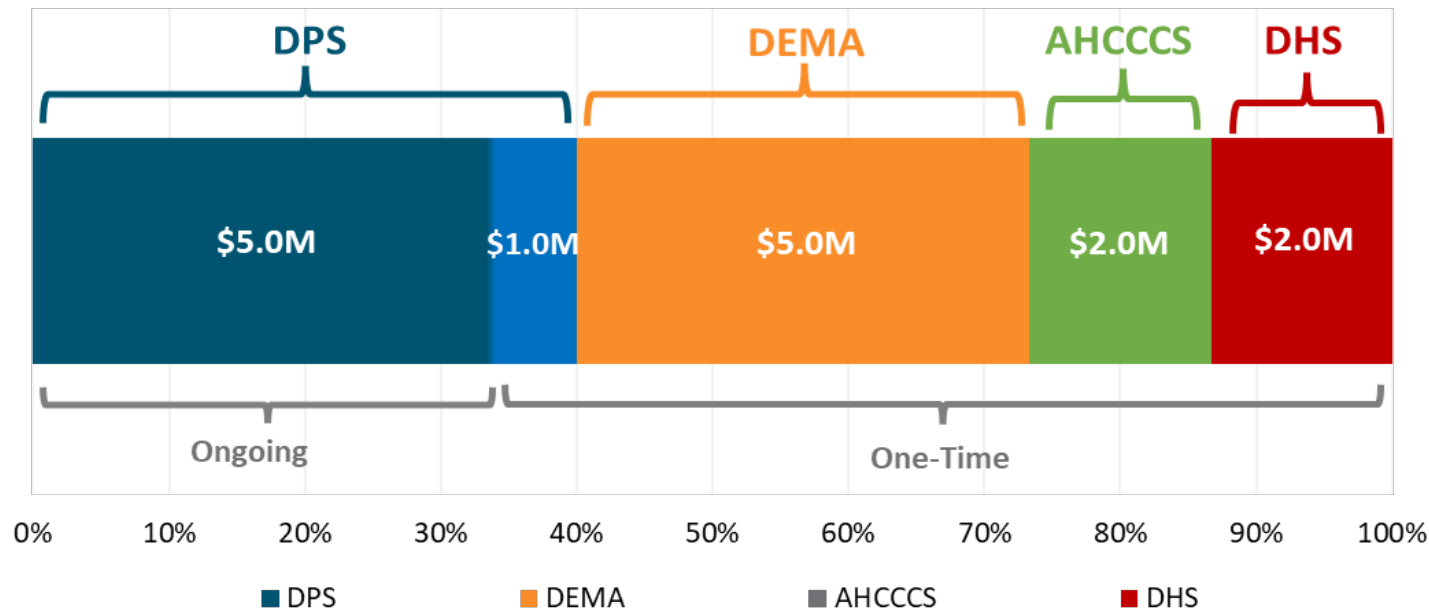
- No GF dollars for any capital or IT projects that have not already begun
- Building renewal for the ADOA building system is included using only non-GF fund sources
 - Restricted to addressing fire, life, and safety needs and emergency repairs
 - Exception: Capital projects related to Inmate Health Care Federal Court Injunction requirements

Public Safety, Border Security, and Corrections

Keeping Arizona Safe and Securing the Border

Stopping Arizona's Fentanyl Epidemic (SAFE)

- **\$15M GF** for the SAFE initiative to:
 - Strengthen law enforcement's efforts to reduce the flow of fentanyl and other illegal drugs into the state
 - Expand access to treatment and harm reduction services, particularly in rural communities
 - New investments towards public safety initiatives and a statewide fentanyl awareness campaign highlighting the dangers of fentanyl and education on substance use

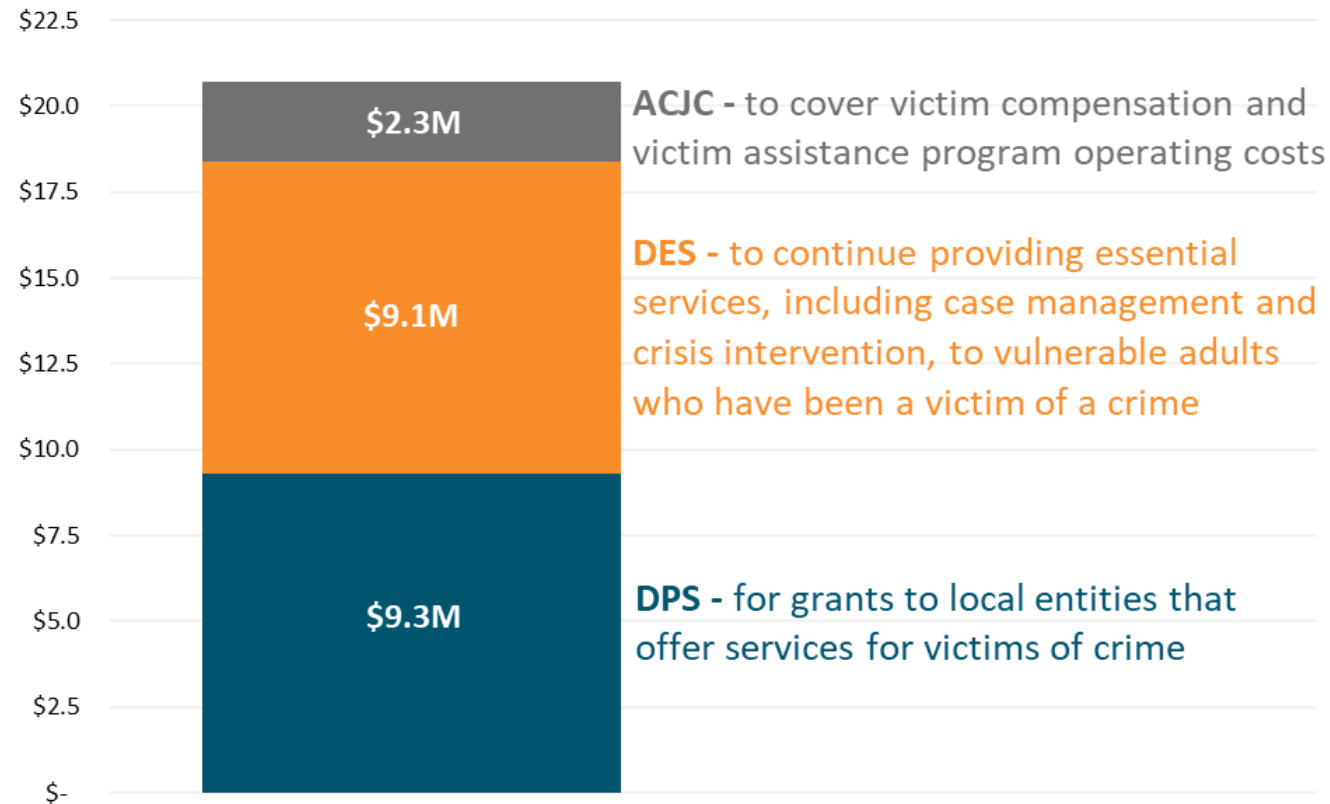


Operation SECURE – Border Coordination Office

- **\$1M GF ongoing** starting in FY 2026 to the Department of Homeland Security for the Border Coordination Office
 - Improve support for local emergency management and law enforcement
 - Address humanitarian issues
 - Mitigate the impacts of mass migration in the State’s border communities
 - Increase collaboration between state and local leaders
 - Coordinate the State’s response to situations along the southern border
 - Build and maintain relationships with local governments, law enforcement, agencies and emergency management
 - Serve as the central point of coordination for State activities related to border security and safety
 - Monitor border operations

Victims of Crime Act Funding Backfill

- **\$20.7M GF ongoing** to backfill reduced Victims of Crime Act (VOCA) federal grant dollars at 3 agencies

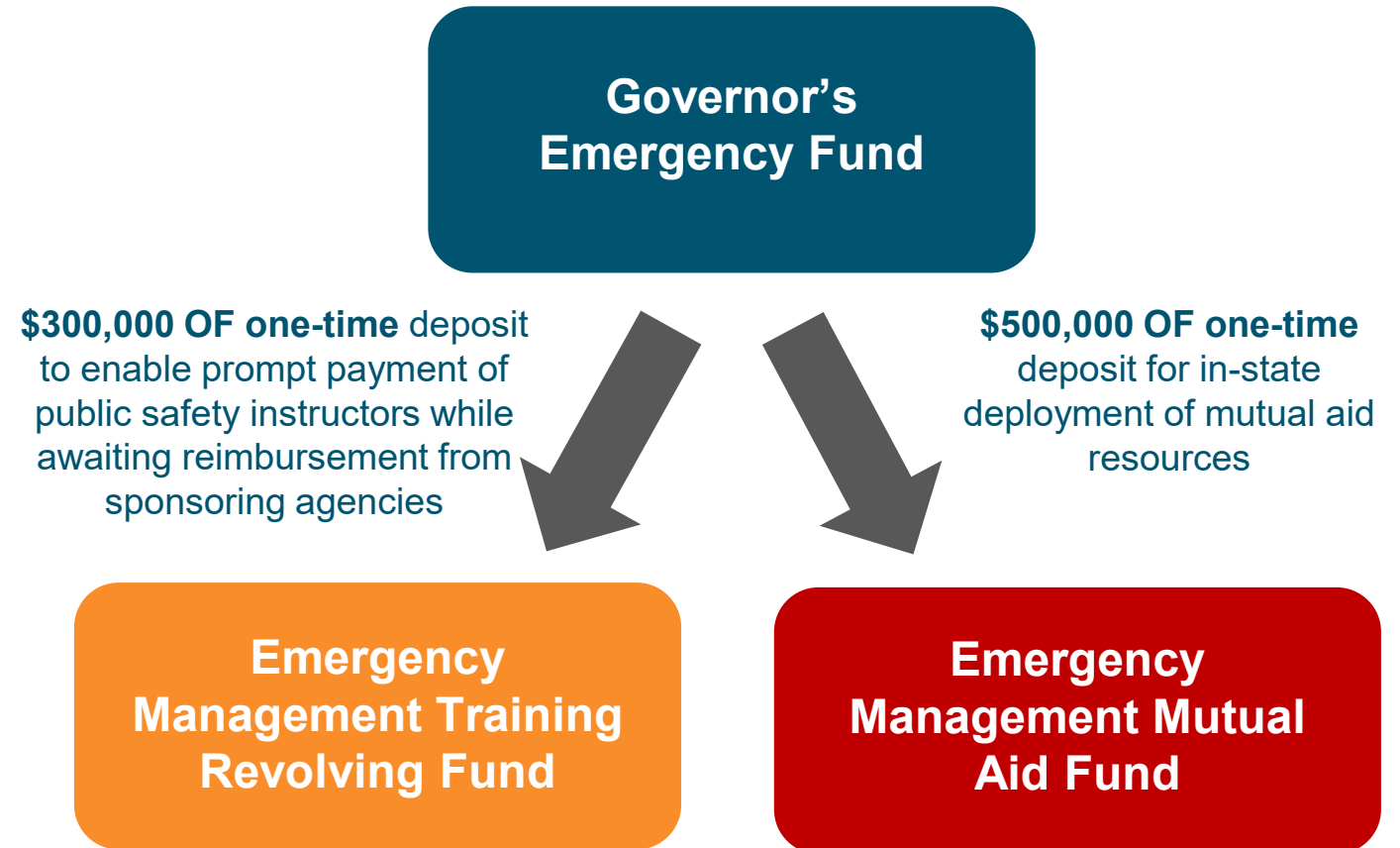


DPS Operations

- **\$7M GF ongoing and 110.0 FTE positions** to continue implementation of Major Incident Division (MID)
 - MID will conduct independent investigations of critical force incidents
 - Upon request, MID will investigate criminal allegations against peace officers
- **\$770,000 OF one-time** for rifle refurbishment
 - 1,100 rifles are past useful life and pose public safety hazard
 - Funding extends rifles' useful life by 10 years
- **\$195,700 OF ongoing and 2.0 FTE positions** to reduce backlogs in Concealed Weapons Permit program
 - Staff hasn't increased since FY 2015, while concealed weapons permit applications are 50% above FY 2015 level
- **\$2.2M GF one-time** fuel budget increase
 - Current level of funding only covers up to \$2.84 / gallon of fuel

DEMA Programs

- **\$462,900 GF one-time** for year 2 of 3 of Hazard Mitigation Assistance
 - Funding allows DEMA-EM to function until pre-award expenses can be reimbursed by federal government
- **\$200,000 GF one-time** for year 2 of 3 of Hazard Mitigation Revolving Fund Deposit
 - Allows for \$9M drawdown from FEMA
 - Provides hazard mitigation assistance to local governments to reduce risks from natural hazards and disasters



Inmate Health Care Federal Court Injunction

- **FY 2025: \$194.6M ongoing operational, \$8.6M one-time for capital, and 84.0 FTE positions** to remain in compliance with inmate health care injunction
 - Includes healthcare contract increases, salaries, overtime, medication, security technology, and capital projects related to health care infrastructure improvements
 - Contemplates savings from projected Medicaid reimbursements
 - OSPB does not project vacancy savings in FY 2025 due to current hiring and retention trends and pending the conclusion of the staffing study
 - Operational funding = **\$192.8M GF** and **\$1.8M OF**, **\$187,400 one-time**
 - Capital funding = **\$2.7M GF** and **\$5.9M OF**, all one-time
- **FY 2024: \$74M one-time operational and 84.0 FTE positions** supplemental appropriation increase
 - Operational funding = **\$68.8M GF** and **\$5.1M OF**

Corrections Critical Funding Issues

- **\$10.6M GF ongoing** to continue one-time funding from FY 2024 for inmate food services
 - \$9.1M covers rising food contract costs
 - \$1.5M covers a funding gap for food resulting from deactivating the Florence State Prison Complex
 - An additional \$0 placeholder is included in FY 2025 due to ongoing food vendor contract negotiations
- **\$55.3M one-time** to cover private prison rate increases
 - The FY 2024 budget provided one-time funding for rate increases at the Florence West and Phoenix private prison, and to fully fund the cost to operate the La Palma private prison
 - \$10.8M is to cover a prior increased rate at the Kingman private prison, which was approved in December, 2022
 - **\$54.3M GF, \$1M OF**
- **\$508,300 GF ongoing** to cover increased cost for wastewater services at Perryville Prison
 - City of Goodyear provides wastewater services to Perryville Prison and underwent system upgrades that increased cost to provide these services

Department of Veterans' Services

- Starting January 1, 2024, AZ National Guard members and U.S. military Reservists may be laid to rest at AZ Veterans' Memorial Cemeteries in Sierra Vista, Marana, and Camp Navajo
 - (2022 Burial Equity for Guards and Reserves Act & AZ Laws 2023, Ch. 205)
- Sierra Vista and Marana Cemeteries experience labor shortfall of about 1,400 personnel hours; expected to grow as a result of these new laws
- **\$70,425 ongoing** from State Veterans' Cemetery Trust Fund to enable DVS to hire one additional interment caretaker



Judiciary

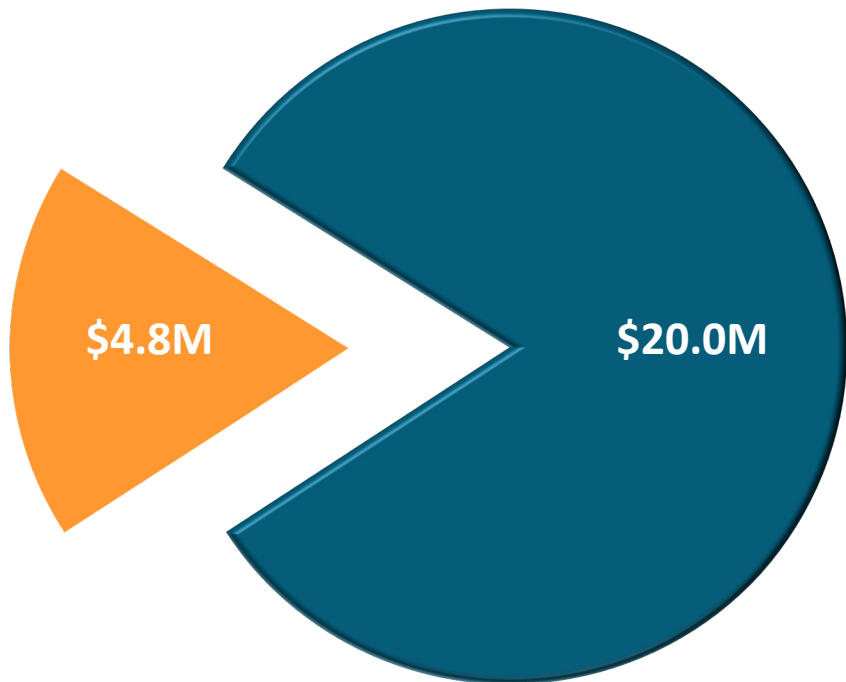
- **\$1.1M GF ongoing** for judicial salary increases
 - Continues the FY 2023 three-year budget plan
- **\$2M GF ongoing** for the replacement of the current Adult Probation Enterprise System w/ new Statewide Case Management System
 - Supports ongoing costs for licensing, implementation, and maintenance
- **\$830,000 OF ongoing** for the Court Appointed Special Advocate (CASA) program
 - CASA volunteers advocate for children in foster care system
- **\$280,000 GF one-time** for digital evidence software
 - Continues the FY 2024 three-year budget plan
 - Supports digital evidence for all case types
- **\$250,000 GF one-time** for Juvenile Monetary Sanctions Backfill
 - Continues the FY 2024 three-year budget plan
 - Backfills lost revenues from the repeal of juvenile monetary sanctions

Healthcare Access

Affordable, Accessible, and Accountable Healthcare for all Arizonans

Healthcare Licensing Reform

Behavioral Health Provider Rate Increases



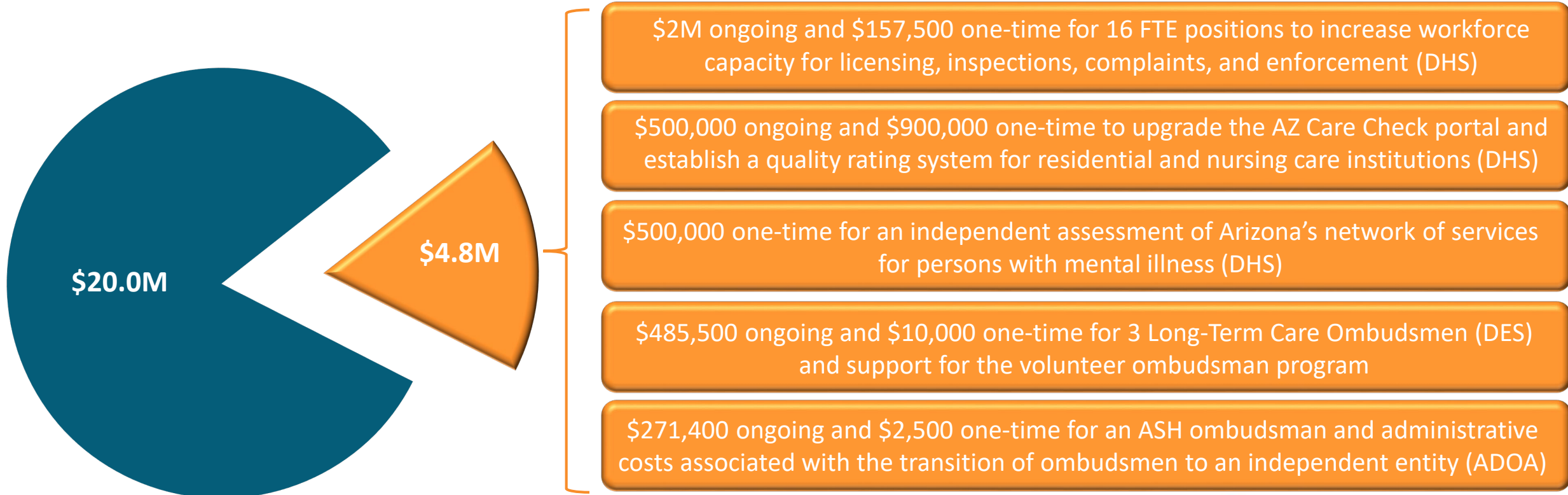
\$10.0M ongoing for targeted rate increases for specific behavioral health codes (AHCCCS)

\$10.0M ongoing to incentivize participation in behavioral health quality improvement initiatives and activities (AHCCCS)

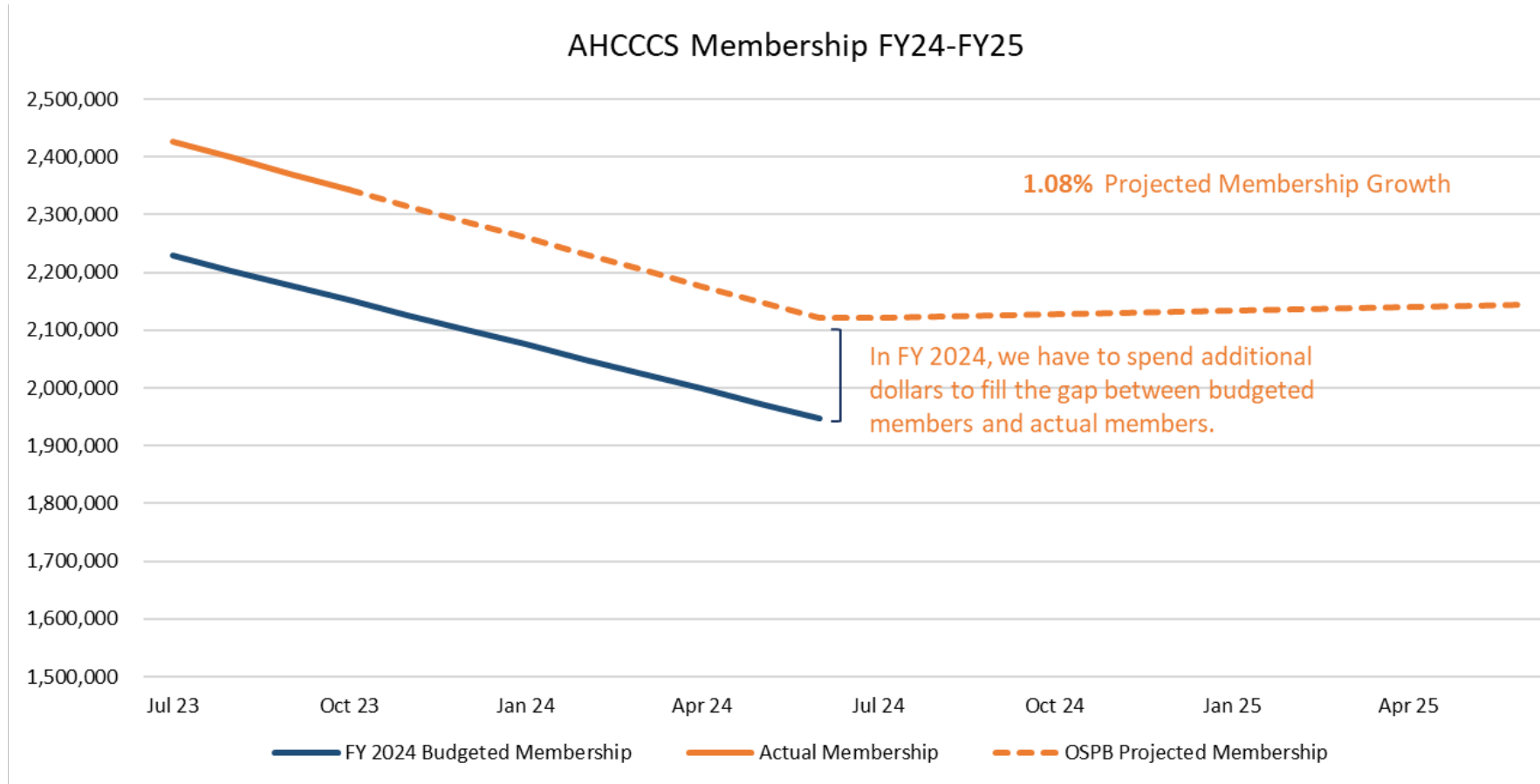
This funding is intended to improve quality within the behavioral health system and promote a high standard of care

Healthcare Licensing Reform

Licensing and Long-Term Care Initiatives



AHCCCS Caseload



AHCCCS Caseload

- FY 2024 Supplemental Funding Need
 - As illustrated in previous slide, OSPB estimates actual membership in FY 2024 will exceed budgeted levels by 8.9%
 - AHCCCS experiencing significant savings in FY 2024 due to fraud and waste prevention and reduction in abuse of fee for service programs
 - Net impact of these two factors is a supplemental funding need of **\$26.3M** in FY 2024
 - Supplemental can be covered using a portion of the Prescription Drug Rebate Fund Balance
- FY 2025 Caseload Costs
 1. FY 2024 Supplemental Impact Continues
 2. 3% Projected Capitation Rate Growth
 3. 1.08% Projected Membership Growth
 4. 1.4% Decrease in Arizona's Federal Medicaid Match Rate – driven by a multiyear rolling average of the State's per capita income compared to other states
- Total FY 2025 cost is **\$1.4B ongoing**
 - **\$213.1M GF**, **\$149.8M OF**, and **\$1.1B** federal expenditure authority funds

Other Notable Investments at AHCCCS

- **\$3.4M GF one-time** for Mainframe IT System Replacement
 - Continues vital multiyear project to replace AHCCCS' mainframe IT system (impacting all aspects of AHCCCS operations), running on outdated coding language
- Add 202 Positions to Combat Fraud, Waste, and Abuse
 - **\$0 GF**—cost neutral funding shift from fee for service program to paying for positions
 - Savings from fraud, waste, and abuse prevention far exceed cost of positions
- **\$10.5M GF one-time** for Crisis Behavioral Health Care Network Funding
 - Investment to ensure that the state's network of crisis behavioral health services has enough funding for all seeking services
 - Since the implementation of the 988 emergency phone line, AHCCCS has seen an increase in persons seeking services, and due to volume growth, less of those seeking services are eligible for federal Medicaid reimbursement
- Parents as Paid Caregivers Program Extension
 - **\$133,100 GF ongoing** to make permanent this program that supports children with physical and/or developmental disabilities who participate in the Arizona Long-Term Care System (ALTCS) programs by paying their guardians for certain caregiving services
 - There is a corresponding initiative of **\$4.2M GF** at DES for the same purpose

Department of Health Services

- **\$15.0M GF one-time** for Arizona Nurse Education Investment Pilot Program
 - Continues the FY 2023 three-year budget plan
- **\$500,000 GF one-time** for Preceptor Grant Program for Graduate Students
 - Continues the FY 2023 three-year budget plan
- **\$841,600 ongoing** to add **14.0 FTE positions** at Arizona State Hospital
 - **\$591,600 GF** and **\$250,000 OF**
- **\$646,900 OF ongoing** for additional administrative support, which includes adding **5.0 FTE positions** and covering a budget reporting tool subscription

Other Notable Investments at ADOA and DIFI

- **\$250,000 OF one-time** for ADOA to conduct actuarial study to explore including healthcare providers and direct care workers contracted with AHCCCS, DES, and/or DHS in State health insurance plan
- **\$545,200 GF one-time** to establish Prescription Drug Affordability Division at Department of Insurance and Financial Institutions and hire personnel needed to fulfill Division responsibilities, including:
 - Promoting prescription drug and overall healthcare savings for Arizonans
 - Approving drug price increases
 - Setting copay caps on frequently prescribed medications
 - Monitoring Pharmacy Benefit Managers' compliance with applicable state laws and regulations

Housing and Human Services

Building Thriving and Supportive Communities Across Arizona

Housing & Human Services: Department of Housing Initiatives

- The Executive Budget extends the Low Income Housing Tax Credit (LIHTC) program by 8 years, through FY 2034, and provides **\$8M** in tax credits each year
 - Qualifying rental property developers may claim tax credits against their insurance premium or income tax liability in equal amounts over 10 years
 - The Executive Budget contemplates a revenue reduction of **\$8M** in FY 2026 and **\$16M** in FY 2027, with the projected revenue reduction peaking at **\$64M** in FY 2034
- The Executive Budget includes **\$13M one-time** to the Arizona is Home – Mortgage Assistance Program to provide down payment assistance and/or mortgage interest rate relief for qualifying middle-income households statewide and qualifying households in rural counties
 - **\$3M GF** and **\$10M Housing Trust Fund**

Preserving Housing Funding

- The Department of Housing is in the process of awarding the following FY 2024 funds:

Housing Trust
Fund Deposit

\$150.0M GF

Homeless Shelter and
Services Fund Deposit

\$40.0M GF

Mobile Home Relocation
Fund Deposit

\$5.0M GF

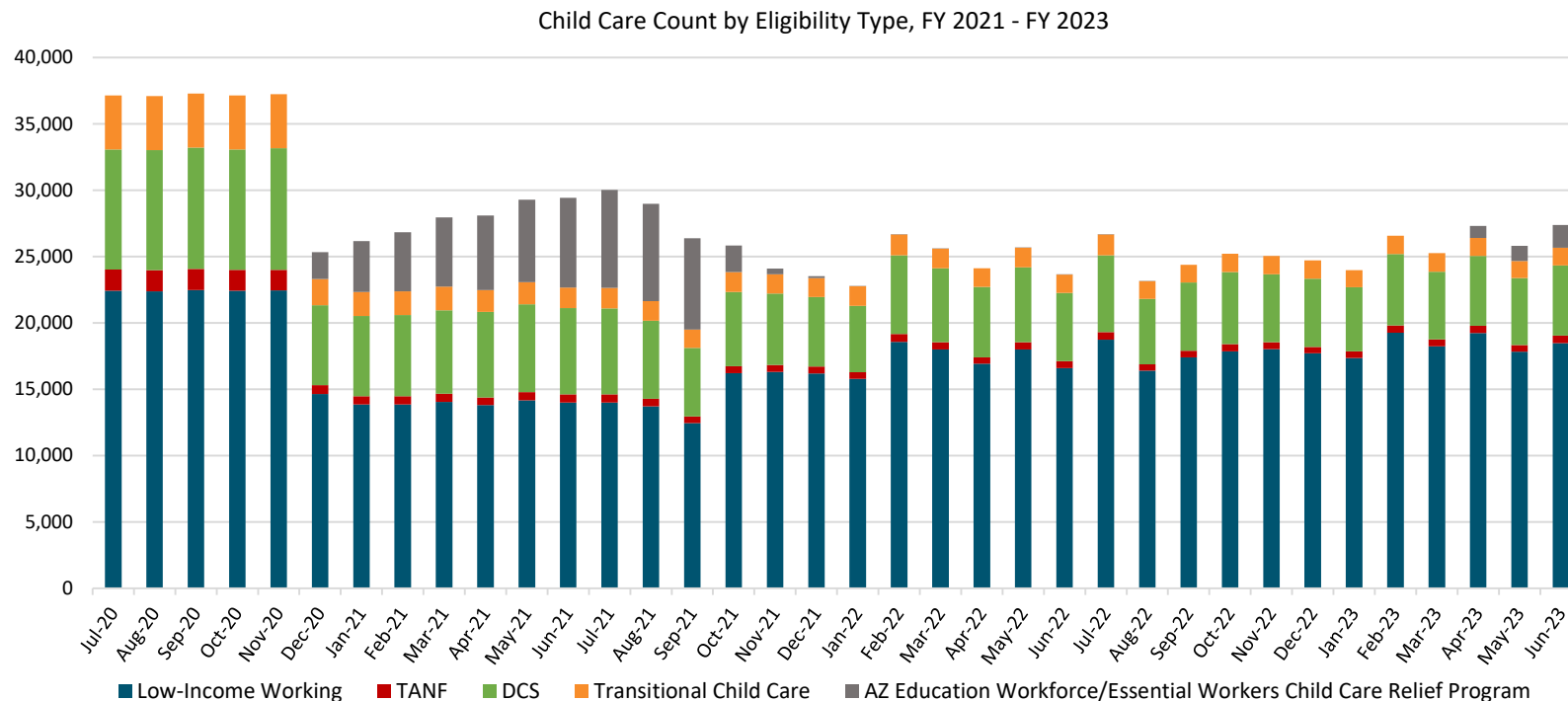
Military Transitional
Housing Fund Deposit

\$1.9M GF

- As of January 2nd, 2024, notices of funding availability (NOFA) in the amount of **\$101M** from the Housing Trust Fund Deposit Dollars have been announced for the following services:
 - Extreme Weather Shelter and Response
 - Local Jurisdiction Affordable Housing Plans
 - Lower Cost Housing Typology
 - Rapid Rehousing
 - Owner Occupied Housing Emergency Repair
 - Transitional Housing
 - State and National Housing Trust Funds
 - LIHTC
- \$2.5M** will also be allocated to AHCCCS as federal matching dollars for a pilot Housing and Health Opportunities (H2O) program

DES Child Care Network Support

- **\$100.0M GF one-time** and **\$91.0M in ongoing federal funding** for additional support for the Child Care Assistance Program
 - This funding will help maintain a 50% high-quality enhancement rate for providers, cover mandatory registration fees that are passed on to parents, and continue the child care waitlist suspension
 - Without reliable access to child care, caregivers may miss work, skip opportunities for promotion, or leave the workforce altogether



At this FY 2025 funding level, an average of 31,700 children are expected to be served each month

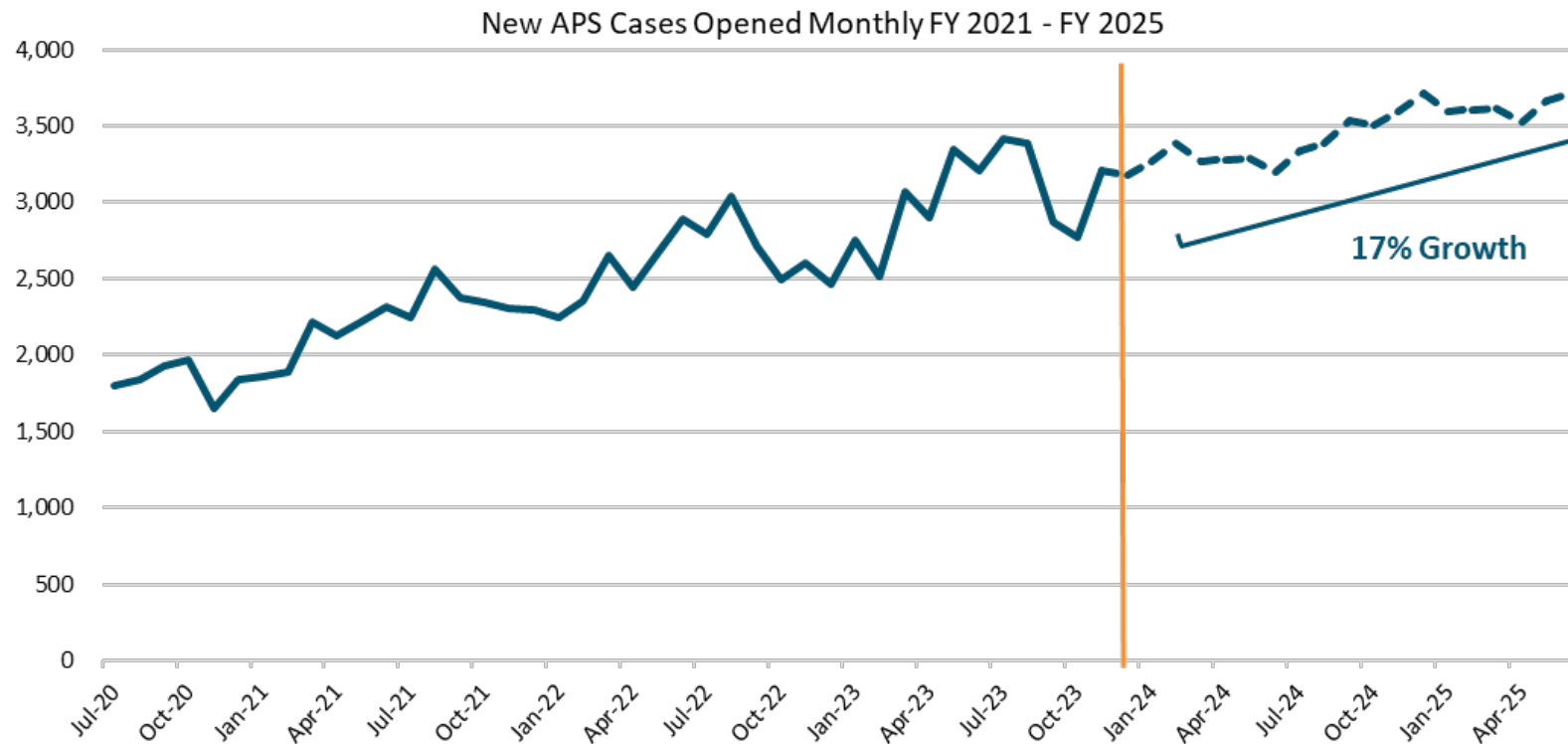


Supporting Vulnerable Arizonans through DES

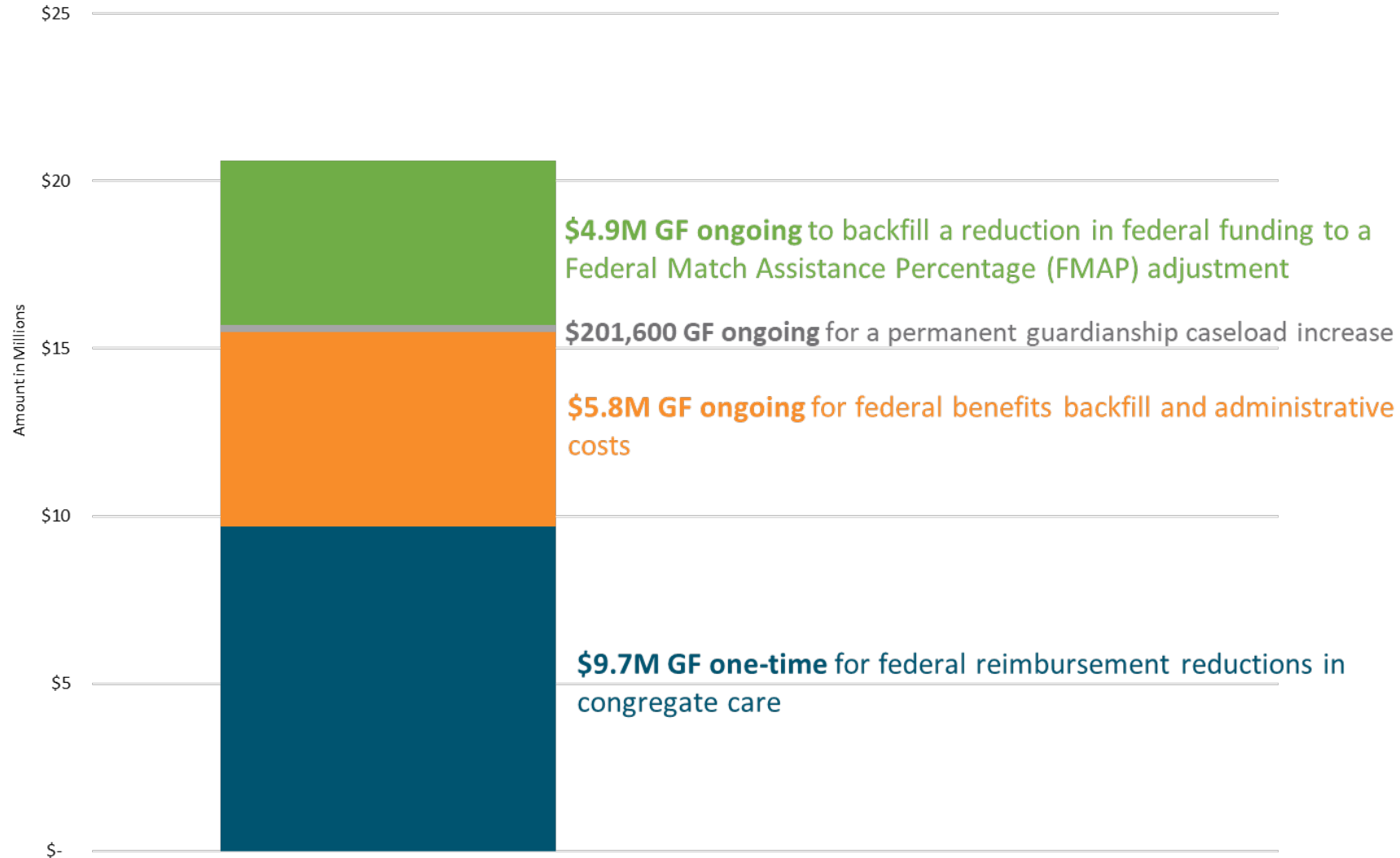
- **\$4.2M GF ongoing** for Parents as Paid Caregivers Program extension
 - There is a corresponding initiative of **\$133,100 GF** at AHCCCS for the same purpose
- **\$165.5M GF ongoing** and **\$476.1M expenditure authority** for Division of Developmental Disabilities (DDD) caseload and capitation growth and a reduction in Federal Medical Assistance Percentage (FMAP) matching dollars
- **\$6.6M OF ongoing** for State-Funded Long-Term Care Services provider rate increases
 - Primarily funds room and board expenses for Arizona Long Term Care System (ALTCS) members
- **\$4.4M GF ongoing** for Arizona Early Intervention Program provider rate increases
 - Continues the FY 2023 three-year budget plan
- **\$1.2M GF one-time** for Group Home Monitoring Program
 - Continues the FY 2023 three-year budget plan

Supporting Vulnerable Arizonans through DES Cont.

- **\$5.9M GF ongoing** and **\$480,000 GF one-time** to support the Adult Protective Services Program by filling **52.0 FTE positions**
 - This funding will help maintain a 1:25 investigator caseload ratio



DCS Caseload and Federal Backfills



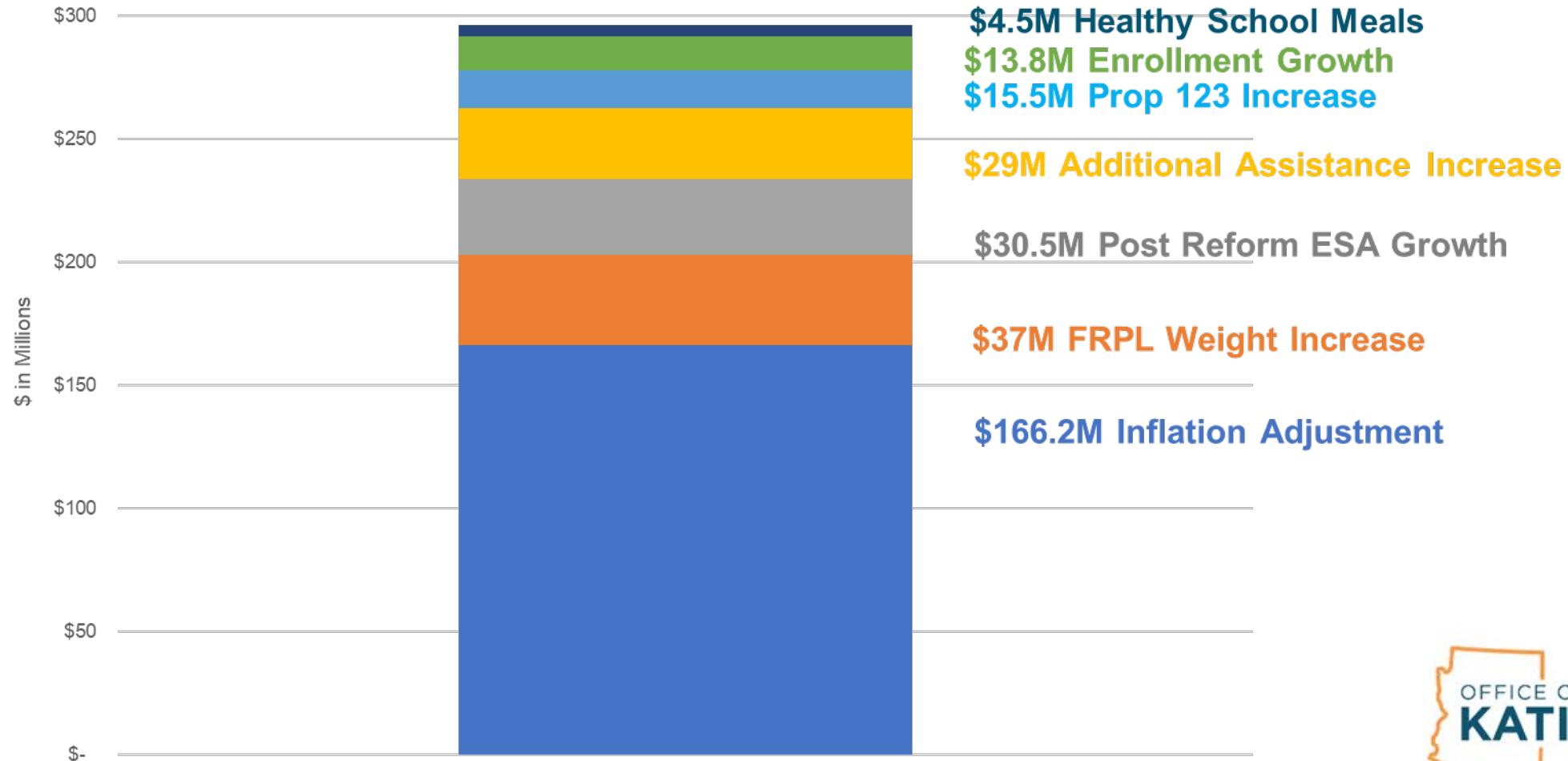
DCS Initiatives

- **\$2.5M expenditure authority ongoing** for Healthy Families program expansion
 - Continues the FY 2023 three-year budget plan
- **\$13.7M GF one-time** to cover contract costs associated with Kinship Support Services
- **\$38.2M GF ongoing** and **\$453,600 expenditure authority** to address a shortfall in the Caseworker SLI due to increased operating costs and decreased vacancy savings
 - FY 2024 Supplemental: **\$22.7M GF** and **\$1.8M expenditure authority** for same purpose
- **\$264,400 GF ongoing** and **\$5.5M expenditure authority** to draw down additional \$1.3M in additional federal funding for Community-Based Child Abuse Prevention grants and make full use of existing Child Abuse Prevention Treatment Act grant authority
 - Allows the agency to draw down the full amount available from the federal grant
- **\$6.3M GF ongoing** for supervised visitation rate increases
 - FY 2024 Supplemental: **\$3.2M** for same purpose
- **\$10.1M GF ongoing** for children and family supports contracts, covering provider rate increases for Nurturing Parenting and Family Connections programs
 - FY 2024 Supplemental: **\$10.1M** for same purpose

Improving Education

Ensuring Quality Education for Every Arizonan and Building a Workforce Pipeline

Improving Education: \$296M in K-12 Investments (GF and Land Trust)



Enrollment Trends and ESA Costs

- From FY 2022 to FY 2023 total public school enrollment experienced a net decline of 1,000.
- In contrast, FY 2022 to FY 2023 total ESA enrollment experienced an increase of 49,990
- Marginal public school enrollment decline in comparison to ESA growth suggests that new ESA enrollment in FY 2023 was derived from outside of the public school system
- Therefore the increase in ESA costs from FY 2022 to FY 2023 is primarily associated with ESA recipients who are generating a net new General Fund cost on the State since they have not switched from district or charter schools.

Public School Headcount and Costs against ESA Headcount and Costs			
FY 2022 - FY 2024 est.			
Fiscal Year	FY 2022	FY 2023	FY 2024 Estimate
Public School Enrollment			
Charter Unweighted ADM	220,379	221,470	224,868
District Unweighted ADM	875,516	873,149	866,451
Total Public School Unweighted ADM	1,095,895	1,094,619	1,091,318
ESA Enrollment			
Pre-Universal Population	11,699	16,532	17,385
Universal Population	-	45,157	57,030
Total ESA Population	11,699	61,689	74,416
Total Enrollment			
Total K-12 Population	1,107,594	1,156,308	1,165,734
Costs			
Total GF BSA Appropriation (Minus ESA Costs)	\$ 4,940,359,355	\$ 5,559,564,860	\$ 5,776,971,516
ESA Costs	\$ 210,602,645	\$ 478,941,740	\$ 723,450,700

**Data is derived from ADE School Finance Payment System and FY 2023 Quarterly ESA Reports*

ESA Reform

- OSPB revised forecasts estimate ESA costs will reach **\$723M** in FY 2024 and **\$822M** in FY 2025
- The FY 2024 Enacted Budget estimated ESA costs would reach **\$625M** in FY 2024
- Starting in FY 2025, Executive Budget proposes reform to ESA program which would require universal ESA recipients to have attended a public school for at least 100 days at any point in their public school career to remain eligible for the ESA program
- JLBC estimates in the FY 2024 Enacted Budget that 49,500 ESA students had no prior history in public school
- Using that 49,500 value, implementing reform will reduce ESA costs by **\$244M** in FY 2025

STO Repeal

- The Executive Budget repeals the Student Tuition Organization (STO) income tax credit that funds scholarships for students to attend qualified private schools located in Arizona beginning in tax-year 2025
- The Executive estimates that the repeal of these tax credits will save the state General Fund \$185M beginning in FY 2026
 - The savings are expected to increase to \$230M beginning in FY 2027

Healthy School Meals: Removing the Reduced-Price Meal Co-pay

- **\$4.5M GF ongoing** for ADE to offer free school meals to students who are eligible for reduced-price meals
- This funding will:
 - Eliminate the co-pay barrier
 - Target low-income families in Arizona who do not qualify for free meals and meet the 131% - 185% federal poverty level
 - Increase access to healthy meals for some of the most vulnerable students in Arizona

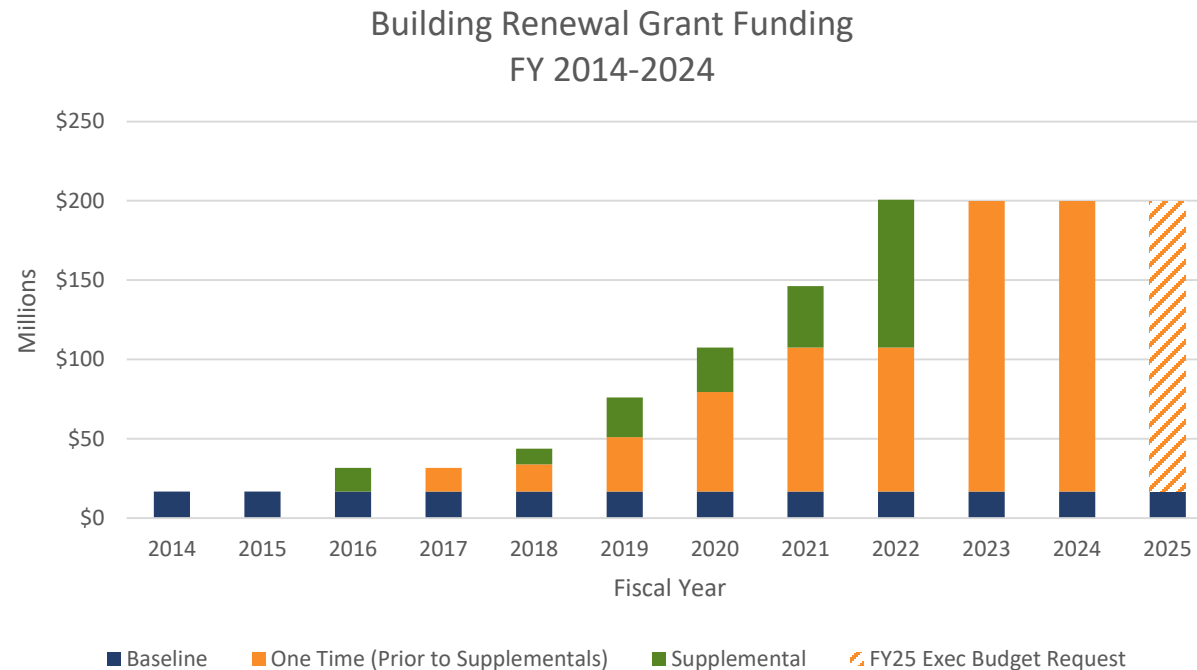
This funding will provide approximately 1.5 million additional meals

Actuarial Study

- **\$250,000 OF one-time** for ADOA to conduct actuarial study to explore including educators and school personnel in State health insurance plan
 - Including **\$250,000 OF one-time** for ADOA to conduct a similar actuarial study to explore including contracted healthcare providers and direct care workers, total investment is **\$500,000** in FY 2025

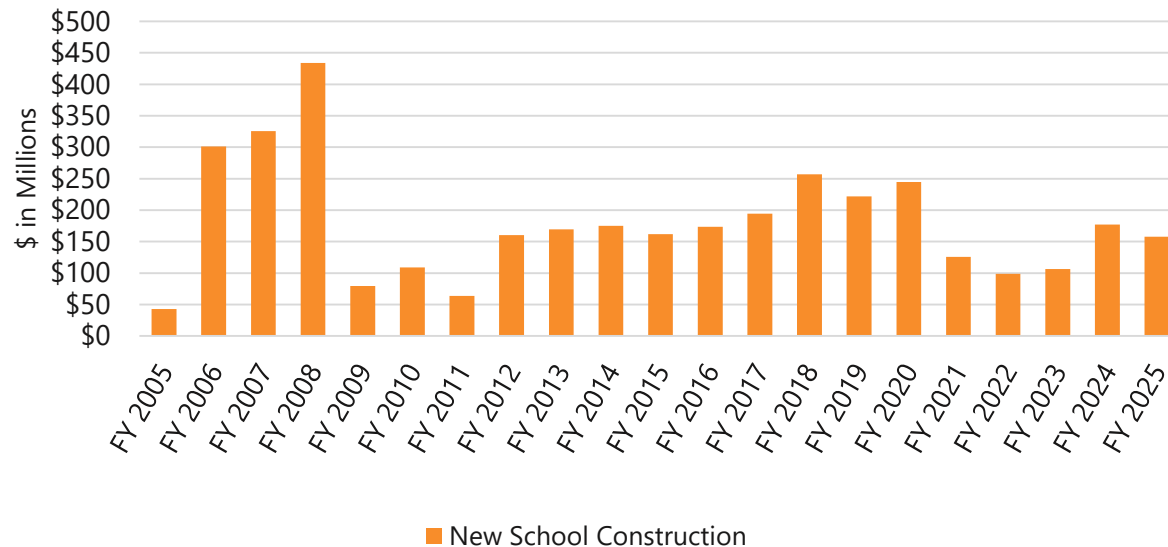
School Facilities – Building Renewal Grants

- The FY 2025 Executive Budget includes an historic investment in the Building Renewal Grants program at the School Facilities Division of ADOA
- **\$183.3M GF one-time** for building renewal projects at school facilities, in addition to the **\$16.7M** in baseline funding, for **\$200M** in total funding

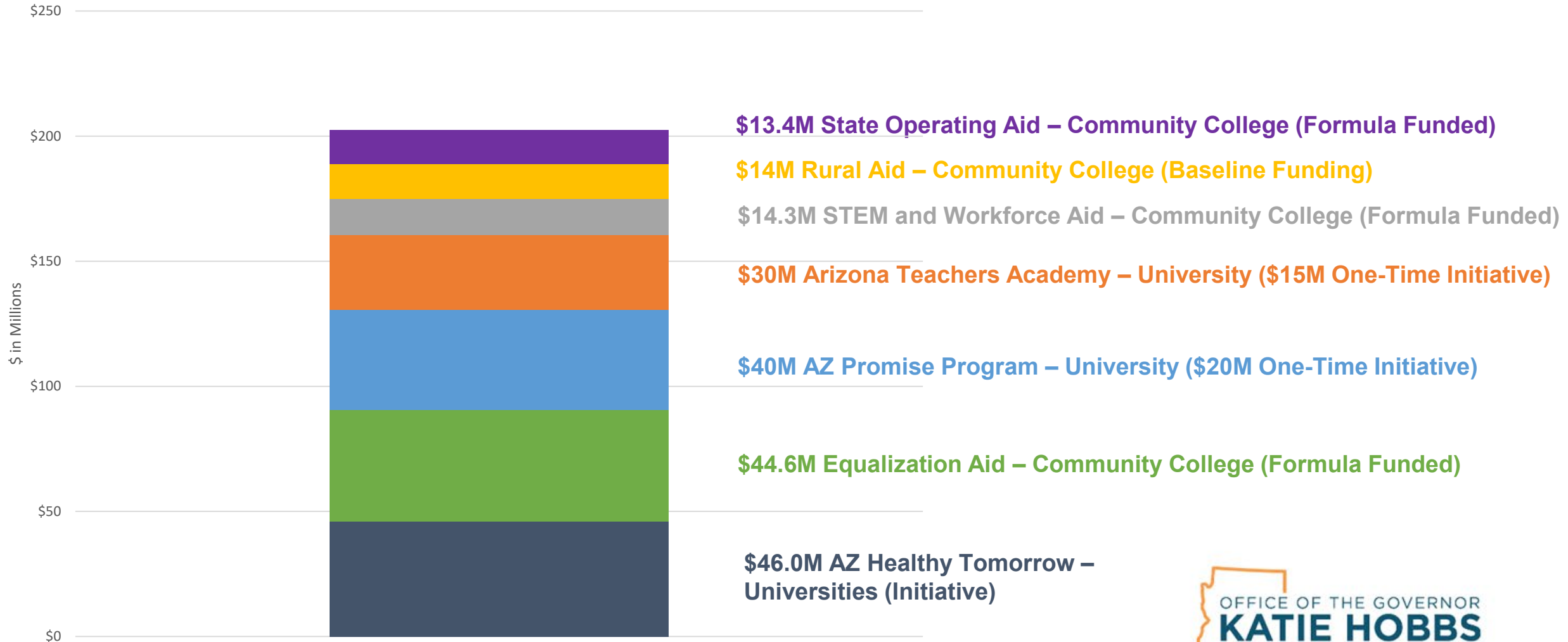


School Facilities – New Schools

- The FY 2025 Executive Budget includes funding for construction of new schools, as well as land acquisition and several site condition projects
 - **\$77.9M GF one-time** for year two construction costs at seven schools
 - **\$70.1M GF one-time** for year one construction costs at five schools, land acquisition, and several site condition projects
- These projects were approved at the December 15th School Facilities Oversight Board (SFOB) meeting



\$202.3M in Higher Education Investments



Higher Education Investments Cont.

- **\$46M GF one-time** to Northern Arizona University (NAU), Arizona State University (ASU), and University of Arizona (UArizona) for the AZ Healthy Tomorrow initiative
 - AZ Healthy Tomorrow seeks to rapidly expand Arizona's healthcare workforce and bolster leadership in bioscience, life science, and research
 - New medical school at ASU focused on engineering and technology
 - Community-focused school of medicine at NAU
 - Expansion of the existing medical schools at UArizona in Tucson and Phoenix
 - Expansion of nursing programs, behavioral health and allied health programs, and several other major initiatives
 - Aims to ensure that Arizonans have access to quality, affordable healthcare across the state
- **Authority up to \$1.125B** in FY 2025 under the University Capital Improvement Lease-to-own and Bond Fund
 - Increased from \$800M, providing an additional \$325M in bonding authority

Arizona State School for the Deaf and Blind

Transportation for Students with Disabilities Institutional Voucher:

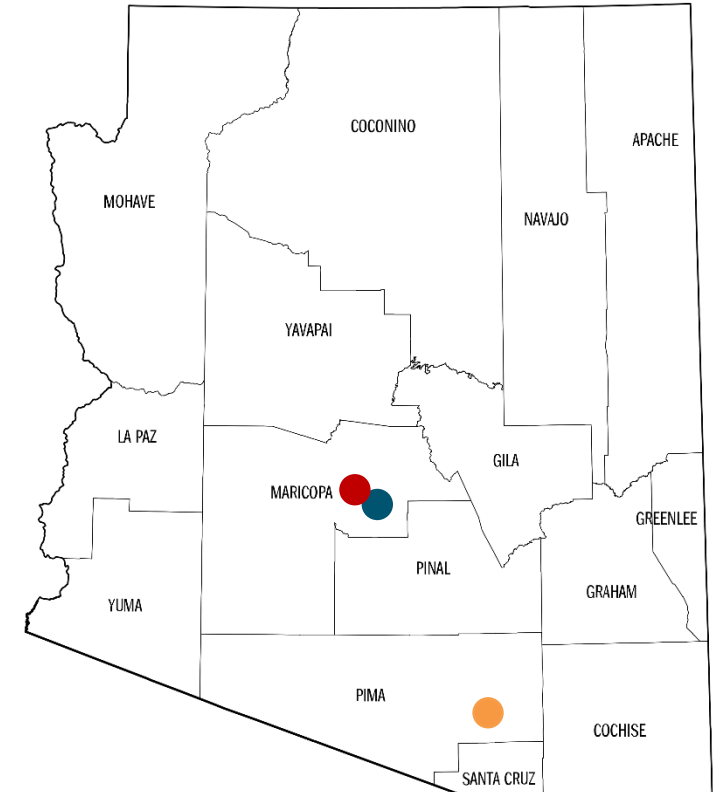
- **\$2.7M one-time** increase in non-appropriated funding to supplement ADE transportation voucher
- Provides for daily & holiday travel to and from Tucson & Phoenix Day Schools and Tucson Residential Campus for children across state

Preschool Students with Disabilities:

- **\$168,000 ongoing** increase in funding to address gap between ADE institutional voucher and private provider tuition rate
- Uses unspent monies in ASDB Telecommunications for the Deaf Fund

Ensuring Access to Services for Students with Disabilities:

- **\$510,000 one-time** increase in non-appropriated funding to address Individual Education Plan (IEP)-related needs (transportation, nursing, evaluations, etc.) at ASDB and private provider campuses



- Phoenix Day School for the Deaf
- ASDB Tucson Campus
- Foundation for Blind Children (3 Campuses)



Resilience, Water, and the Environment

Protecting our Future

Water Investments

- **\$300,000 GF ongoing** to support the maintenance and operation of the State-owned portion of the Continuously Operating Reference Stations (CORS) network
 - Department of Water Resources uses national CORS network for automated groundwater monitoring, supply, and demand studies, and stock pond volume calculations
 - Federal and State agencies, local governments, and surveyors also rely on this network
- **One-time** deposit in FY 2025, FY 2026 and FY 2027 into WIFA's Long-Term Water Augmentation Fund, which was established to finance large-scale water augmentation projects

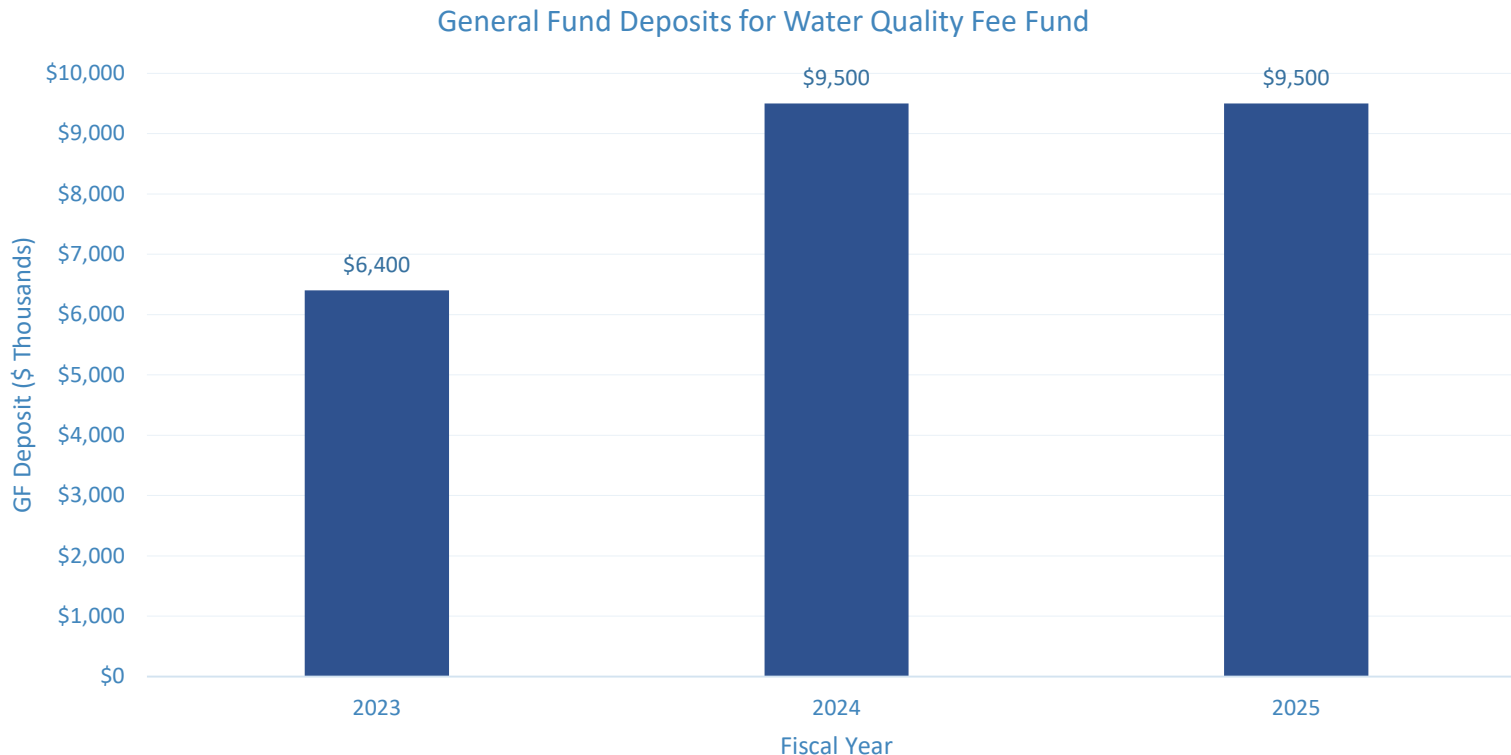


\$33.0M



Water Quality

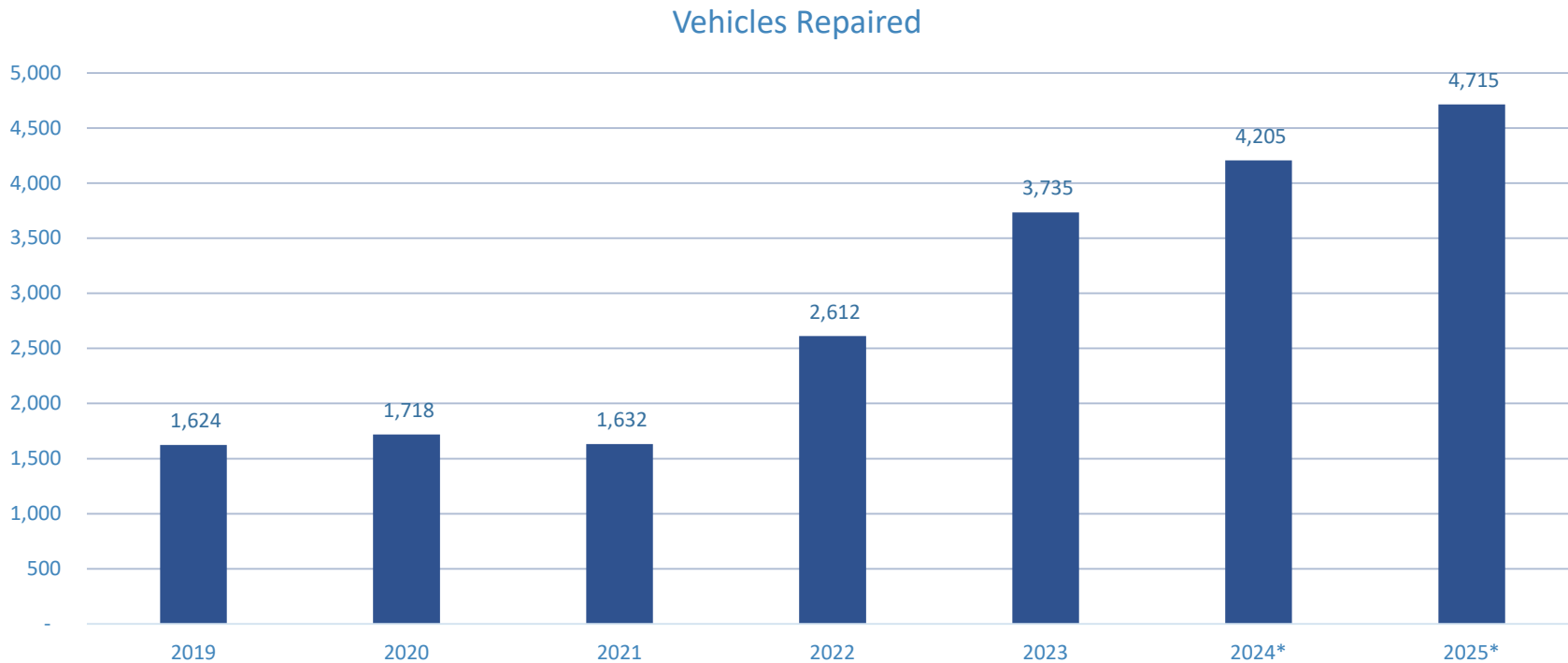
- **\$9.5M GF one-time** deposit into Water Quality Fee Fund (WQFF) to ensure Water Quality Program is adequately funded



- Fund has experienced a structural imbalance and received GF deposits in FY 2023 and 2024
- Fee increases have reduced imbalance, but additional funding is required to support Water Quality Program

Air Quality

- **\$2.7M OF ongoing** for Vehicle Emissions Inspections Testing; quantity of tests are expected to increase by 7.5% in FY 2025
- **\$2.9M OF one-time** to support the Voluntary Vehicle Repair and Retrofit program (VVRP)



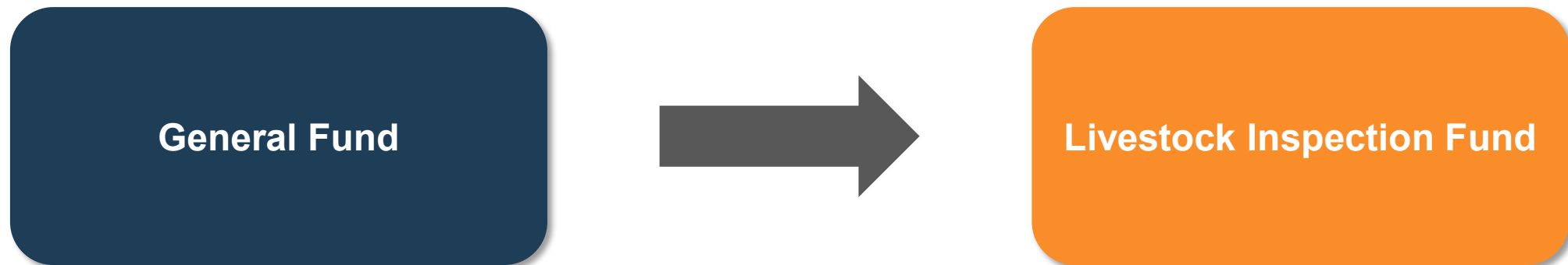
*FY 2024 and 2025 are projected figures assuming adequate funds; due to limited funding, FY 2024 will only have 1,900 repairs

- Demand for VVRP has drastically increased in recent years due to expansion of eligibility; revenues can no longer support demand

Funding Livestock Inspectors

FY 2025 Executive Budget includes creation of new Livestock Inspection Fund:

- Fund will be used by Department of Agriculture to hire additional Livestock Inspectors to ensure statutory compliance at livestock auctions statewide
- Revenues will be generated from fees received by Department for livestock inspections rather than from General Fund
- Estimated revenues \$200,000 annually
- New fund will enable Department of Agriculture to follow model of other western states and fund Livestock Inspectors through fee for service model

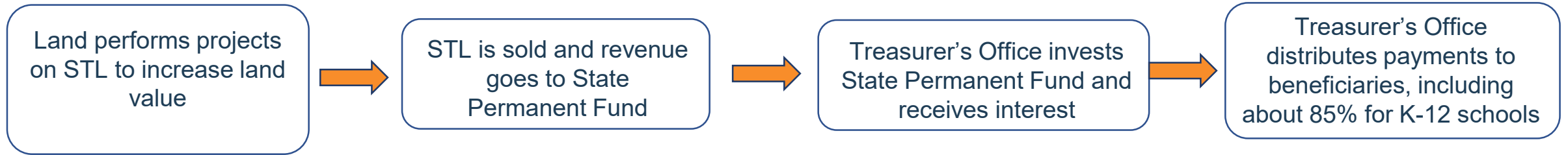


Fire Suppression Funding Increase

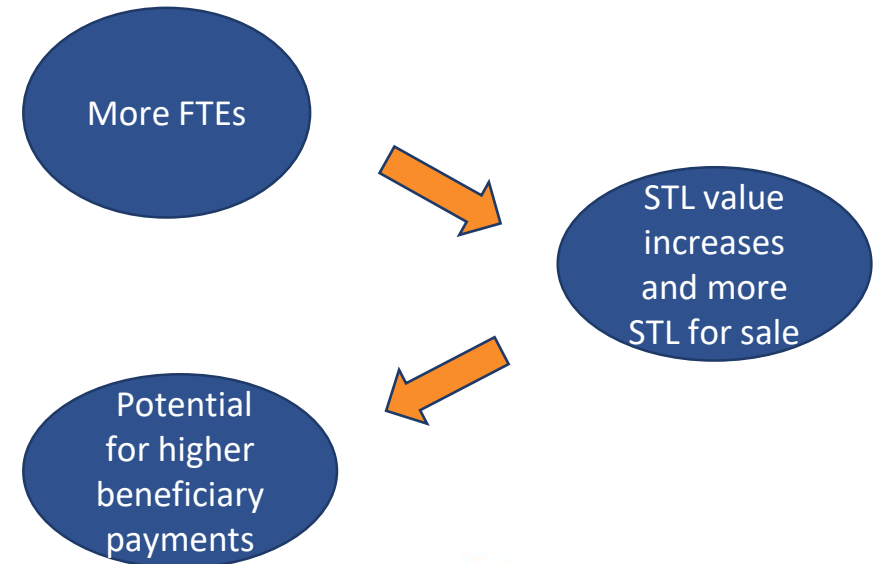
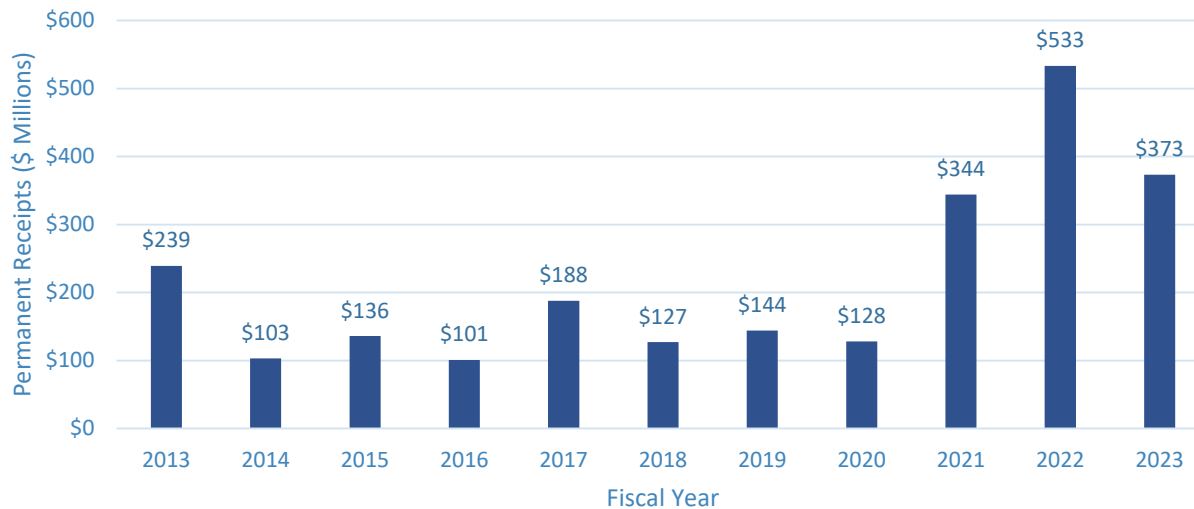
- **\$5M GF one-time** for fire suppression funding and a subsequent **\$5M GF one-time** decrease in Wildfire mitigation
 - Fire Suppression needs \$8M in funding but has only received \$3M in prior years
- Reducing wildfire mitigation will not harm DFFM
 - Preserves \$1.5M for the Healthy Forest Initiative (HFI) at DOC, which is enough for the program to continue operating at its current level and leaves room for growth as fewer inmates participate than originally anticipated

Improving State Trust Land Sales

- **\$500,000 OF ongoing** to add **5.0 FTEs** to increase State Trust Land (STL) value



Permanent Receipts FY 2013 - 2023



State Recreation and State Heritage

\$5.9M OF one-time for phase two capital improvements at the Yuma Territorial Prison State Historic Park

147
Years Old

Current & Future
Generations

\$500,000 OF one-time for feasibility study of a Veterans Memorial State Park

Public
Comment

Location
Options

Cost
Analysis

Increased OF appropriation authority for the State Parks Store Fund

Enhanced Visitor
Experience

Meet Visitor
Expectations

Infrastructure

Promoting Economic Vitality through Safe, Accessible, and Cost-effective
Infrastructure

State Building Systems

- Building renewal for the State's building system is included using only non-GF fund sources
 - Restricted to addressing fire, life, and safety needs and emergency repairs
 - With the exception of the Department of Administration (35%), the agencies listed will receive 50% of the Building Renewal formula calculation
 - ADOA: **\$19M** ; Capital Outlay Stabilization Fund
 - ADOT: **\$11.2M**; **\$11M** State Highway Fund and **\$220,900** State Aviation Fund
 - Arizona State Fair: **\$1.9M**; Arizona Exposition and State Fair Fund
 - Parks: **\$1.5M**; State Parks Revenue Fund
 - ADGF: **\$900,000**; Game and Fish Fund
 - Pioneers Home: **\$200,000**; Pioneers' Home Miners' Hospital Fund
 - Lottery: **\$100,000**; Lottery Fund

Infrastructure

Protecting Statewide Priorities

- Phoenix – Casa Grande Passenger Rail Restoration
- I-10 Expansion
- I-17 Expansion & Flex Lane
- Statewide Pavement Rehabilitation and Preservation
- State Match Advantage for Rural Transportation (SMART) Fund

\$2.5M OF increased in baseline funding to maintain the State Highway System

I-17
Opening

One-time

South Mtn
Loop 202

Ongoing/One-Time

84 New Lane
Miles

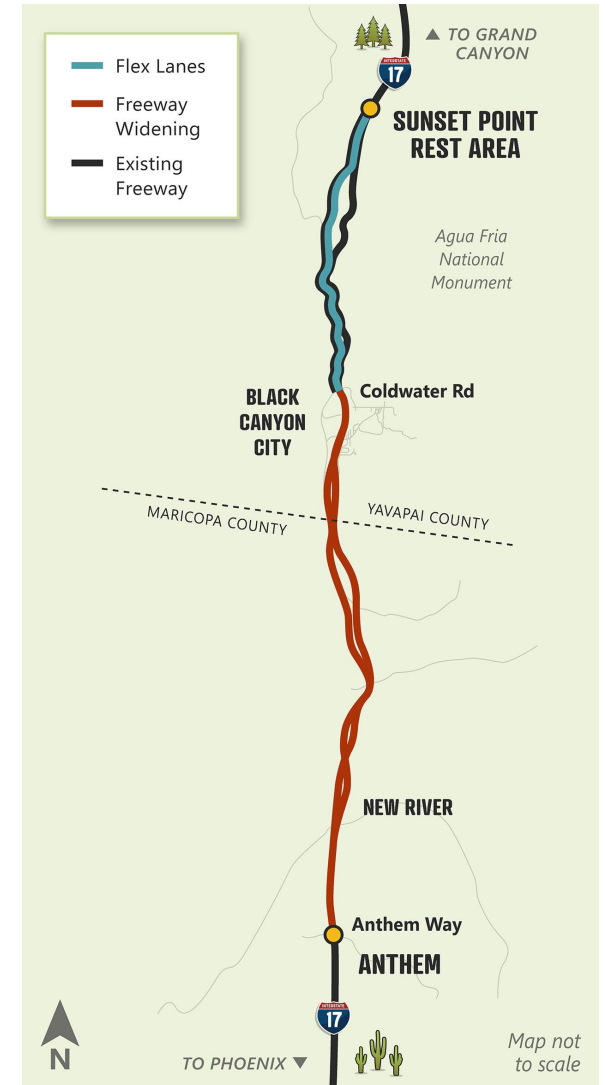
Ongoing



I-10 Expansion



Phoenix – Tucson Passenger Rail



I-17 Expansion and Flex Lane



Infrastructure

\$9.1M OF one-time to address shortfall for critical fueling facilities replacements and **\$3.3M** in one-time increased fuel costs

Public Safety Response

Inclement Weather

School Transportation

\$1.9M OF one-time for FAST System Phase 2 Replacement, backbone for delivering construction projects

30+ Years Old

\$1.7B in Transactions

\$1.5M OF ongoing for 15 additional critical positions to support the implementation of the federal Investment in Jobs and Infrastructure Act (IIJA)

Expedite Project Delivery

New Federal Requirements

Compete for Federal Grants

Affordable and Thriving Economy

Ensuring Arizona's Economy Works for Everyone and Lowering Costs for Arizona Families

Housing Affordability

- The Executive Budget includes **\$13M one-time** to the Arizona is Home – Mortgage Assistance Program to provide down payment assistance and/or mortgage interest rate relief for qualifying middle-income households statewide and qualifying households in rural counties
- **\$2.5M** from the Housing Trust Fund to AHCCCS as federal matching dollars for a pilot Housing and Health Opportunities (H2O) program
- The Executive Budget extends the Low Income Housing Tax Credit (LIHTC) program by 8 years, through FY 2034, and provides **\$8M** in tax credits each year
 - Qualifying rental property developers may claim tax credits against their insurance premium or income tax liability in equal amounts over 10 years
 - The Executive Budget contemplates a revenue reduction of \$8M in FY 2026 and \$16M in FY 2027, with the projected revenue reduction peaking at \$64M in FY 2034

Child Care Affordability

- **\$100M GF one-time** and **\$91M in ongoing federal funding** for additional support for the Child Care Assistance Program, which provides child care assistance to eligible families while they work or participate in other eligible activities
 - This funding will help DES maintain a 50% high-quality enhancement rate for child care providers, cover mandatory registration fees that are passed on to parents, and continue the child care waitlist suspension
 - Without reliable access to child care, caregivers may miss work, skip opportunities for promotion, or leave the workforce altogether
 - Child care ensures employers have a reliable workforce they can depend on, which leads to increased earnings, greater tax revenues, and employment gains
- **\$4.3M GF ongoing** to extend Parents as Paid Caregivers Program at AHCCCS and DES
 - This program supports children with physical and/or developmental disabilities who participate in the Arizona Long-Term Care System (ALTCS) programs by paying their guardians for certain caregiving services

Helping Arizonans Save Money

- **\$545,200 GF one-time** in FY 2025 to cover the start-up costs for establishing the Prescription Drug Affordability Division at the Department of Insurance and Financial Institutions.
 - Additional funding will help cover start-up costs to hire personnel needed to fulfill Division responsibilities
 - Responsibilities of the Division include, but are not limited to:
 - Promoting prescription drug and overall healthcare savings
 - Approving drug price increases
 - Setting copay caps on frequently prescribed medications
 - Monitoring Pharmacy Benefit Managers' compliance with applicable state laws and regulations
- **\$2.9M OF one-time** to support the Voluntary Vehicle Repair and Retrofit program (VVRP)
- **\$4.5M GF ongoing** for ADE to offer free school meals to students who are eligible for reduced-price meals

Building a Workforce Pipeline

- **\$46M GF one-time** to NAU, ASU and UArizona for the AZ Healthy Tomorrow initiative
- **Authority up to \$1.125M** in FY 2025 under the University Capital Improvement Lease-to-own and Bond Fund
- **\$15M GF one-time** for Arizona Nurse Education Investment Pilot Program
- **\$500,000 GF one-time** for Preceptor Grant Program for Graduate Students
- **\$15M GF ongoing** and **\$15M GF one-time** Arizona Teachers Academy – University
- **\$20M GF ongoing** and **\$20M GF one-time** AZ Promise Program – University

Good Government

Protecting Taxpayer Money and Providing Critical Services

Department of Insurance and Financial Institutions

- **\$181,900 GF ongoing** for a fraud unit funding increase to achieve greater insurance fraud-enforcement collections
 - DIFI is statutorily required to assess certain Arizona insurers at a rate of up to \$1,050 per year for the DIFI Fraud Unit
 - DIFI anticipates collections of \$2M in FY 2025, \$181,900 over the current appropriation for the Insurance Fraud Unit SLI
- **\$340,000 OF ongoing** to add **1.0 FTE** bank examiner position and to support **3.0** existing bank examiner positions to meet national bank-examiner standards
- **\$116,000 OF ongoing** to maintain Arizona's Appraiser program by backfilling federal funding to cover the cost of **1.0 FTE** regulatory/compliance position

DOR Critical IT Infrastructure

- **\$1.2M OF one-time** for the replacement of critical IT components that reach end of life in FY 2025
 - Replacement of these components is necessary to remain in compliance with cyber security protocols and requirements mandated by the U.S. Internal Revenue Service for the purposes of handing and storing taxpayer sensitive data

Secretary of State

\$7.0M GF one-time for the 2024 Primary and General Elections

- \$6M for statutory responsibilities
- \$1M for voter education

**12 Proposed
Voter Initiatives
(Nov 2023)**

Active Registered Voters

October 2021	October 2023
4,349,842	4,209,527

2022 Election Publicity Pamphlet

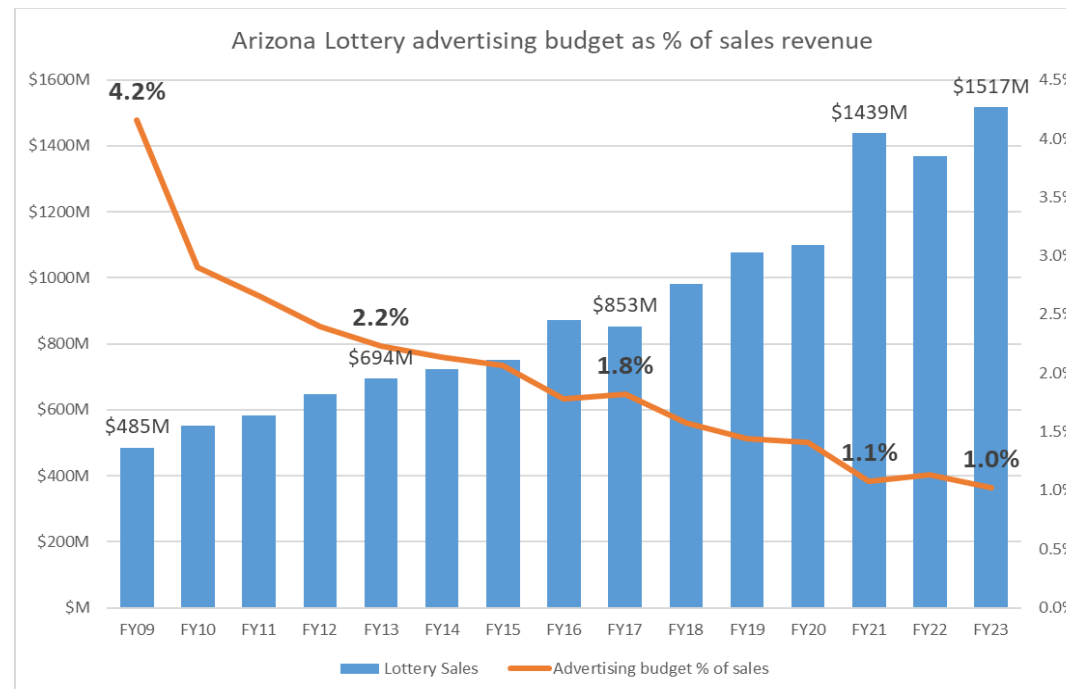
Page count	248
Printed copies (estimated)	2,546,190
Cost (estimated)	\$2,916,785

- Department requested \$8M total for elections in 2024, which is being fully funded through above GF and ARPA allocations

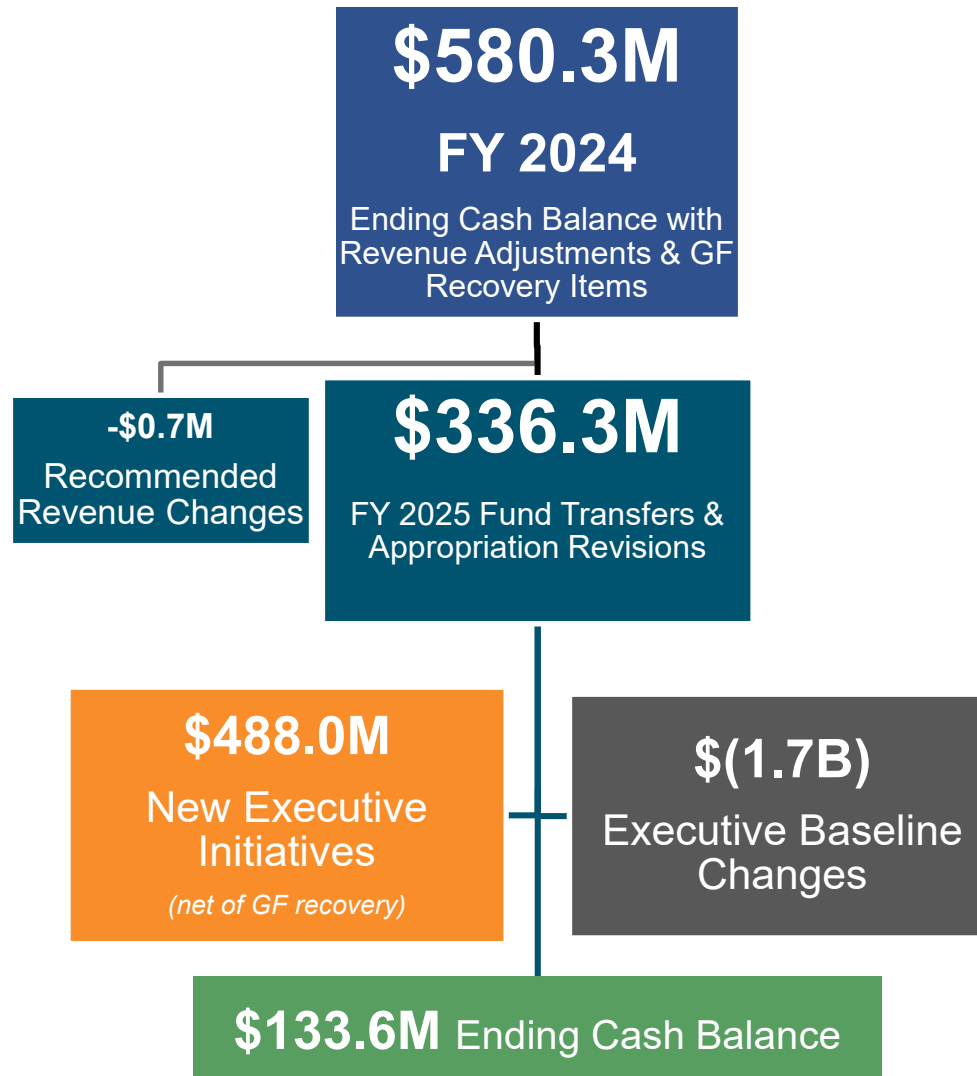


Lottery Commission

- **\$2M OF ongoing** to boost advertising capacities at State Lottery Commission
 - Advertising special line item (SLI) has remained fixed at \$15.5M since FY 2011; since then, as a share of revenues it has declined from 4.2% of total sales volume to below 1% in FY 2024
 - Analysis by Commission suggests revenues could increase by \$6 for each additional \$1 spend on advertising activities— a benefit which would ultimately flow to the state General Fund



FY 2025 GF Executive Funding



Composition of New Executive Initiatives

- **\$410.0M** One-Time Executive Initiatives
- **\$78.0M** Ongoing Executive Initiatives

Questions?