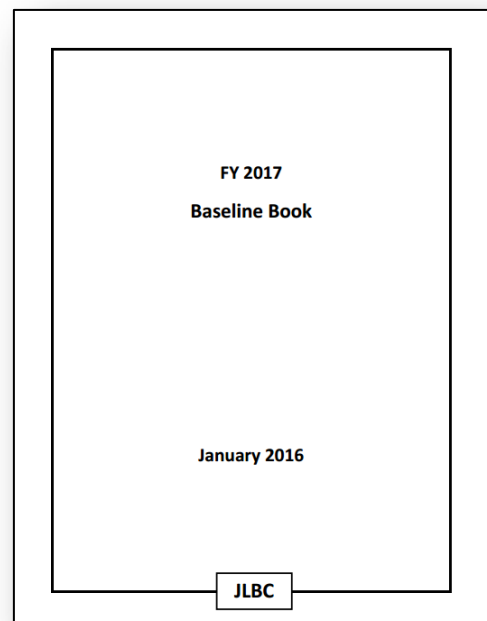
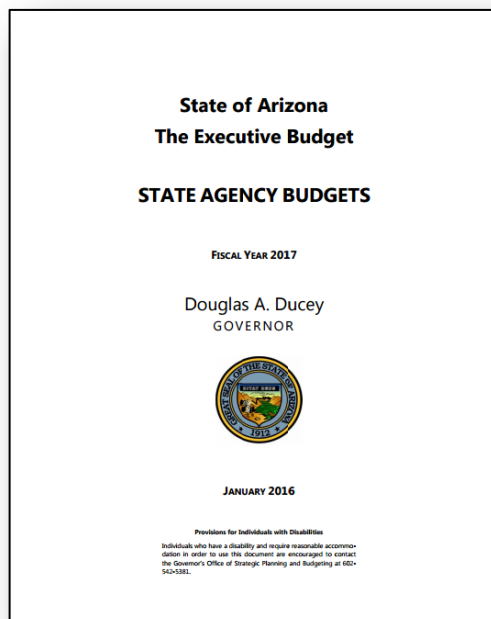


FY2016 Executive Budget Recommendations and JLBC Baseline

Governor Ducey's FY2016 budget calls for a \$9.5 billion spending plan with the goal of achieving a structurally balanced budget in FY2017 and maintaining the spending reductions enacted in the FY 2016 budget. However, the budget does call for \$284 million of new spending, including:

- **\$31.5 million** to expand the Department of Public Safety (DPS) Border Strike Task Force (BSTF). Of the \$31.5 million, \$21.5 million is one-time and the other \$10 million is ongoing. The one-time expenditures include **\$1.5 million** to be distributed to border Sheriffs.
- **\$115 million** for K-12 Education, including \$30 million for a Joint Technical Education District (JTED) grant program, \$46.5 million for caseload growth, \$6 million for college prep, \$7.8 million for the student data system and test security, and \$15 million for building renewal grants.
- **\$25.7 million**, for capital projects on state buildings.
- **\$17.6 million** to award a private prison contract to open 1,000 new male medium security beds.
- **\$10 million** for a general fund loan to Arizona State Parks for capital improvements.

JLBC Baseline generally continues FY2015 funding levels into FY2016 while making relevant formula adjustments.



JLBC Baseline Compared to Executive Recommendations

Revenue and Expenditure Projections

Some of the major differences between the Governor's budget recommendations and the JLBC Baseline are revenue projections.

<i>(Dollars in Millions)</i> <i>*Figures may not add due to rounding</i>	FY2017		FY2018		FY2019	
	Exec.	JLBC	Exec.	JLBC	Exec.	JLBC
Beginning Balance¹	\$484.0	\$499.3	\$620.8	\$0	\$856.6	\$0
On-going Revenues	\$9,516.8	\$9,396.9	\$9,869.4	\$9,754.6	\$10,177.1	\$10,150.2
On-going Expenditures	\$9,343.5	\$9,370.9	\$9,636.2	9,606.9	\$9,931.7	\$9,825.4
Ending Balance²	\$620.8	\$625.3	\$856.6	\$147.7	\$1,102.0	\$324.8
Structural Balance³	\$173.3	\$26.0	\$233.2	\$147.7	\$245.4	\$324.8

Select Items and Issues Directly Related to Counties

County Specific Issues	JLBC Baseline	Exec. Recommendation
Juvenile Corrections – In FY2016, the state shifted \$12 million of the Arizona Department of Juvenile Corrections (ADJC) to counties, allocated based on total county population	Reduces the agency budget by \$1 million but continues to require counties to contribute \$12 million to the agency.	Reduces the agency budget by \$1.9 million but continues to require counties to contribute \$12 million to the agency.
Department of Revenue – In FY2016, a total of \$20.8 million of the Arizona Department of Revenue's budget was shifted to local governments, of which counties were required to contribute \$6.7 million	Both budgets maintain the current \$20.8 million shift impacting counties by \$6.7 million.	
HURF Funds – In FY2016, the state swept \$96.4M from HURF to fund DPS operations. The state continued a \$30M local government HURF restoration, but removed language which would have increased this to \$60M in FY2017.	JLBC continues the current HURF shift of \$96.4M and the \$30M restoration in FY2017.	The Executive recommends increasing the HURF sweeps by \$783,300 to a total \$97.2M. This increase will be used to help pay for increased retirement costs at DPS.

¹ JLBC assumes a \$0 beginning balance for Fiscal Years 2018 and 2019 to provide a consistent baseline.

² Neither JLBC nor the Executive ending balances include the effects of K-12 litigation if Prop. 123 fails

³ Reflects the differences between on-going revenues and expenditures; does not include any "rainy day" fund deposits

County Specific Issues	JLBC Baseline	Exec. Recommendation
<p>1 Percent Property Tax Cap – In FY2016, the state shifted responsibility for the tax liability accrued under the Constitutional provision limiting property taxes on a residential property to local governments, with an estimated financial impact to counties between \$11 million and \$21 million.</p>	<p>Both budgets continue this policy with no mechanical or substantive changes.</p>	
<p>Presidential Preference Election (PPE) – In FY2016, the State changed statute to require that the Secretary of State (SOS) reimburse counties for the cost of the PPE at \$1.25 per active registered voter instead of 100 percent of the cost. This cost shift underfunded the election by \$6.6 million.</p>	<p>JLBC maintains this level of funding but notes that the FY2016 appropriation to the SOS is not enough to fund the PPE at \$1.25 per active registered voter and suggests two courses of action:</p> <ol style="list-style-type: none"> 1. Appropriate an additional \$2.2 million to the SOS 2. Reimburse counties at a rate of \$0.59 per active registered voter 	<p>The Executive recommends an FY2016 supplemental appropriation to the SOS of \$2.1 million designed to reimburse counties at the \$1.25 per active registered voter rate.</p>
<p>Restoration to Competency (RTC) – Starting in FY2010, counties were required to pay 100 percent for RTC services.</p>	<p>Both budgets continue to require counties to pay 100 percent of the cost for RTC services.</p>	
<p>Sexually Violent Persons (SVP) – In FY2016 counties were required to pay for 31 percent of the cost to house and treat SVPs at the Arizona State Hospital.</p>	<p>Both budgets continue to require counties to pay 31 percent of the cost for RTC services.</p>	
<p>County Lottery Revenue – The FY2016 budget provided a direct appropriation, in-lieu of lottery revenue, of \$550,000 to the 10 smaller counties, eliminating the distribution for Pinal, Mohave, and Yavapai Counties.</p>	<p>Both budgets continue to provide the in-lieu appropriation to the 10 counties under 200,000 persons.</p>	

County Specific Issues	JLBC Baseline	Exec. Recommendation
<p>Flexibility Language – Language was included in the FY2016 budget which allows counties under 200,000 persons to use any source of county revenue to meet any county fiscal obligations. This language is extended to the counties between 200,000 and 900,000 persons provided this authority does not exceed \$1 million.</p>	<p>Continues to allow counties under 200,000 persons unlimited ability to access restricted funds and continues to allow counties between 200,000 and 900,000 persons the ability to access restricted funds up to \$1 million.</p>	<p>Eliminates the flexibility language for counties between 200,000 and 900,000 persons, but continues it for counties under 200,000 persons.</p>
<p>State Aid to Indigent Defense – Funded through a portion of penalty assessments on fines and forfeitures, these monies were used for county cases requiring a public defender. The FY2016 budget shifted \$1.5 million to the Attorney General (AG) and Department of Public Safety (DPS)</p>	<p>JLBC maintains the \$1.5 million sweep with \$799,400 allocated to the AG for Post-Conviction Relief (PCR) and \$700,000 allocated to DPS.</p>	<p>The Executive recommends continuing the \$700 sweep to DPS and moving the AG’s PCR back to the general fund, but sweeps the current AG allocation of \$799,400 into the general fund in FY17. However, in FY18 the PCR would be completely funded by the general fund potentially leaving \$799,400 available.</p>
<p>Environmental County Grants (ECO) – The FY2016 budget included \$250,000.</p>	<p>Both the Executive and JLBC maintain the \$250,000 funding level.</p>	

NOTE: Not all impacts to counties are listed. This is a preliminary review of the major issues and the direct county impacts

New Proposals Included in the Executive Recommendations

ALTCS Preventative Dental

The Executive is proposing restoring adult preventative dental care to the Division of Developmental Disabilities under the Arizona Department of Economic Security (DES) and the elderly and physically disabled (EPD) population under the Arizona Health Care Cost Containment System (AHCCCS). Both of these populations are in the Arizona Long Term Care System (ALTCS), but counties are only responsible for the population under AHCCCS.

The Governor is recommending an additional \$1.4 million from the General Fund to restore adult preventative dental to the EPD population under AHCCCS which will increase county ALTCS contributions by \$1,159,200 in FY2017 and an estimated \$1.5 million in FY2018 and beyond.⁴

County	FY2017 Baseline ALTCS	FY2017 Estimated Impact of Adult Dental Restoration	FY2017 Estimated Total ALTCS w/ Adult Dental ⁵
Apache	\$622,500	\$2,900	\$625,400
Cochise	\$4,967,900	\$23,140	\$4,991,040
Coconino	\$1,869,200	\$8,707	\$1,877,907
Gila	\$2,103,400	\$9,798	\$2,113,198
Graham	\$1,296,700	\$6,040	\$1,302,740
Greenlee	\$33,000	\$154	\$33,154
La Paz	\$592,500	\$2,760	\$595,260
Maricopa	\$154,476,500	\$719,549	\$155,196,049
Mohave	\$7,913,600	\$36,861	\$7,950,461
Navajo	\$2,576,900	\$12,003	\$2,588,903
Pima	\$39,070,400	\$181,989	\$39,252,389
Pinal	\$14,839,300	\$69,121	\$14,908,421
Santa Cruz	\$1,922,300	\$8,954	\$1,931,254
Yavapai	\$8,354,200	\$38,914	\$8,393,114
Yuma	\$8,224,500	\$38,310	\$8,262,810
Total	\$248,862,900	\$1,159,200	\$250,022,100

Child Safety

As the Department of Child Safety (DCS) continues to work through their backlog of uninvestigated cases and strives to become more efficient in case management, an added pressure has been placed on the legal system with dependency cases nearly doubling from 2006 to 2014. In response to this, the Executive is recommending an additional \$6.3 million in FY2017 for the Attorney General (AG),

⁴ In difference between the FY2017 and FY2018 numbers is due to the structure of the federal fiscal year in comparison to the state fiscal year, so that a new policy impacting ALTCS is only in effect for ¾ of the year in FY2017.

⁵ JLBC will produce a more accurate projection of these costs in the coming weeks.

who represents the State in these cases, and an additional \$3.0 million in FY2017 for the courts to hire more hearing officers.

While the Executive's proposal addressed two of the entities involved in these cases, it leaves out the equally important third leg of the stool, the county indigent attorneys responsible for representing the children and the families in these cases. This will place added financial pressure on counties to hire more attorneys to keep up with the increased case load.