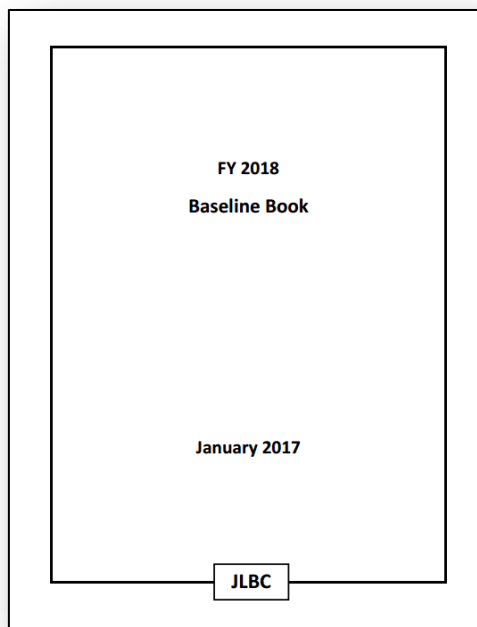
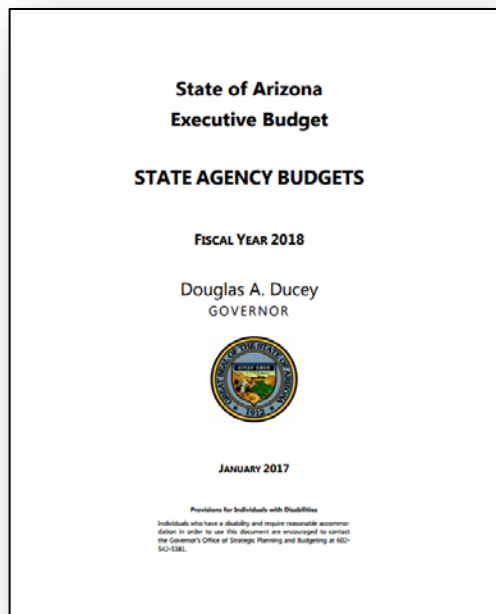


FY2018 Executive Budget Recommendations and JLBC Baseline

Governor Ducey's FY2018 budget calls for a \$9.8 billion spending plan with the continued goal of a structurally balanced budget in FY2018. The Governor's budget outlines \$176 million of new initiative spending, including:

- **\$114 million** for K-12 Education; \$38 million for a results-based funding program, \$20 million in teacher pay increases and incentive bonuses, \$10 million for all-day kindergarten in low-income schools, \$5 million for broadband access in rural schools, and \$17 million for building renewal grants.
- **\$15 million** for one-time capital projects at the three state universities.
- **\$5.4 million** to the Department of Economic Security to extend TANF Cash Assistance benefits and to support the Early Intervention Program.
- **\$2.9 million** to the Department of Water for drought contingency planning and adjudications.

The JLBC Baseline generally continues FY2017 funding levels into FY2018 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>	FY2018		FY2019		FY2020	
	Exec.	JLBC	Exec.	JLBC	Exec.	JLBC
Beginning Balance¹	\$119.1	\$114.1	\$16.9	\$159.0	\$27.2	\$167.9
Total Revenues	\$9,802.2	\$9,760.6	\$10,023.9	\$10,010.7	\$10,472.2	\$10,477.8
Total Expenditures	\$9,785.3	\$9,601.6	\$9,996.7	\$9,842.8	\$10,355.3	\$10,216.9
Ending Balance²	\$16.9	\$159.0	\$27.2	\$167.9	\$116.9	\$260.9
On-going Revenues	\$9,645.0	\$9,646.4	\$10,006.9	\$10,010.7	\$10,445.1	\$10,477.8
On-going Expenditures	\$9,634.2	\$9,600.1	\$9,994.7	\$9,817.1	\$10,353.3	\$10,154.9
Structural Balance³	\$10.8	\$46.3	\$12.2	\$193.6	\$91.7	\$323.0

Select Items and Issues Directly Related to Counties

Executive Recommendations

- **State Parks:** Facilitate increased investment in revenue boosting projects and rural economic development by shifting to an enterprise model of financial flexibility. Proposal would allow State Parks Board greater ability to direct the revenue generated by the parks into parks projects and potentially enter into private public partnerships.
- **Home and Community Based Services (ALTCS):** Continues what had been a one-time appropriation to create home and community-based services intended to allow seniors to remain in their own homes for a longer period of time prior to qualifying for placement in county/state ALTCS funded nursing home.
- **Redirect Transaction Privilege Tax Revenue Paid by Universities to University Capital Program:** Allows universities to keep the TPT (sales taxes) paid by the universities on their purchases to service debt on capital bonds and fund operations. Estimated impact on state is \$30 million annually with an additional \$6.5 million impact on state-shared TPT distributions to cities and counties. **County share is \$2.6 million plus annual growth.**

One-Time Funding Items

- **Executive Recommendation and JLBC Baseline do not continue the one time funding provided to counties to offset Department of Juvenile Corrections cost shift (\$8 million in FY17).**
- **Executive Recommendation and JLBC Baseline do not continue the one time additional funding provided to counties to offset HURF shift (\$30 million one-time to locals in FY17).**
- **Both Executive and JLBC Baselines include funds to replace lost lottery and county financial flexibility for the 10 smallest counties.**

More information appears below on these items and others.

County Specific Issues	JLBC Baseline	Exec. Recommendation
<p>Juvenile Corrections – In FY2017, the state shifted \$11.3 million of the Arizona Department of Juvenile Corrections (ADJC) to counties, allocated based on total county population. Additionally the legislature appropriated \$8 million in one-time funds to offset a portion of this cost.</p>		<p>Requires counties to contribute \$11.3 million to the agency while maintaining statutory fee requirement.</p>
<p>Department of Revenue – In FY2017, 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.</p>		<p>Both budgets maintain the current \$20.8 million shift impacting counties by \$6.7 million.</p>
<p>HURF Funds – In FY2017, the state swept \$96M from HURF to fund DPS operations. To partially offset this, the state continued a \$30M local government HURF restoration, and added an additional \$30 million in one-time funds for a total of \$60 million to offset the HURF shift to DPS.</p>		<p>Both budgets maintain the current HURF shift of \$96M to DPS and a \$30M restoration to local governments in FY2018. The additional one-time \$30M General Fund appropriation to local governments was not included in either budget.</p>
<p>Community Colleges - Out-of-County Tuition Subsidy</p>		<p>Both baselines appropriate \$1.3M as a subsidy to assist counties with the cost of out-of-county community college tuition. Apache \$699,300 and Greenlee \$574,500.</p>

County Specific Issues	JLBC Baseline	Exec. Recommendation
Flexibility Language – Language was included in the FY2017 budget which allows counties under 250,000 persons to use any source of county revenue to meet any county fiscal obligations up to \$1,250,000 per county. Report to JLBC required.	Continued for FY18.	Continued for FY18 for counties with population under 200,000.
Probation Officer -In all counties, except Maricopa, the cost of probation officers is split between the state and county 50/50.	Provide \$302,400 for salary increases.	Recommends an additional 19 probation officers are hired to help with caseload growth.
1 Percent Property Tax Cap – In July 2016 tax court found a law change related to county liability for a residential cap unconstitutional.	Both proposals appropriate state funds related to total primary property taxes exceeding the 1% cap.	
Restoration to Competency (RTC) – Starting in FY2010, counties were required to pay 100 percent for RTC services.	Both budgets continue to require counties to pay 100 percent of the cost for RTC services.	
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.	Both budgets continue to require counties to pay 31 percent of the cost for SVP services.	
County Lottery Revenue – The FY2017 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.	Both budgets continue to provide the in-lieu appropriation to the 10 counties under 200,000 persons.	
Forestry - Environmental County Grants	Both budgets include a \$250,000 appropriation for county environmental grants.	

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