



# FY2020 STATE BUDGET

## Executive Budget Recommendations and JLBC Baseline

Governor Ducey’s FY2020 budget calls for a \$11.9 billion spending plan with the continued goal of a structurally balanced budget in FY2020 and beyond. The Governor’s budget outlines a \$542 million deposit into the state’s Budget Stabilization Fund and \$538 million of new initiatives including:

- **\$11 million** to eliminate the county fee for the Arizona Department of Juvenile Corrections (ADJC).
- **\$184 million** for K-12 Education; \$59.7 million in results based funding; \$10 million to career and technical education; \$9.3 million in new funding for School Resource Officers; \$99 million for the School Facilities Board and \$6 million for additional school counselors and social workers.
- **\$63 million** for an increase in salaries including the Department of Public Safety (\$21.5 million), the Department of Corrections (\$35.5 million) and the Department of Juvenile Corrections (\$3.2 million).
- **\$59 million** in funding for Arizona’s Universities including an additional \$21 million for the Arizona Teachers Academy.

The JLBC Baseline generally continues FY2019 funding levels into FY2020 while making relevant formula adjustments.

## REVENUE AND EXPENDITURE PROJECTIONS

The following table reflects a comparison of the Governor’s budget recommendations and the JLBC Baseline revenue and expenditure projections.

Dollars in millions <i>*Figures may not add due to rounding</i>	FY2020		FY2021		FY2022	
	Executive	JLBC	Executive	JLBC	Executive	JLBC
<b>Beginning Balance</b>	\$854.1	\$945.0	\$109.3	\$150.0	\$20.4	\$ <sup>-1</sup>
<b>Total Revenues</b>	12,045.6	12,122.6	11,593.9	11,677.4	11,889.1	11,956.7
<b>Total Expenditures<sup>2</sup></b>	11,936.3	10,784.4	11,573.5	11,438.0	11,792.5	11,736.2
<b>Ending Balance</b>	109.3	1,338.2	20.4	239.4	96.6	220.5
<b>Ongoing Revenues</b>	11,090.7	11,175.8	11,439.6	11,527.4	11,823.7	11,956.7
<b>Ongoing Expenditures</b>	10,846.6	10,629.5	11,335.0	11,269.6	11,681.7	11,707.7
<b>Structural Balance</b>	244.1	546.3	104.6	257.8	142.0	249.0

<sup>1</sup> JLBC anticipates that the ending balance in FY2021 will be allocated as a part of the budget process.

<sup>2</sup> Includes a transfer of \$542.2 million to the Budget Stabilization Fund in FY2020.



## **SELECT EXECUTIVE RECOMMENDATIONS**

### ***Elimination of the Local Cost Sharing Fee for the Arizona Department of Juvenile Corrections***

Starting in FY2020, eliminates the statutory requirement for counties to pay for 25% of the cost of the Arizona Department of Juvenile Corrections.

### ***Maximizing the State's Rainy Day Fund***

In FY2020, transfers \$542 million from the state General Fund to the state Budget Stabilization Fund (BSF). This would bring the fund to \$1 billion in FY2020.

### ***Public Safety Pay Increase***

Proposes \$57 million to increase DPS Trooper and DOC officers pay. This results in an average pay increase of 9% for DPS and 10% for Corrections Officers.

### ***Drought Contingency Plan***

\$30 million for conservation efforts dedicated to protecting water levels in Lake Mead, and an additional \$5 million to support infrastructure projects for agriculture. This is in addition to the original \$6 million approved in FY2018.

### ***Rural Broadband Internet Development***

Proposes \$3 million for construction costs to expand broadband services in underserved rural areas of the state. Additionally creates state broadband position in the Arizona Commerce Authority to manage broadband planning and work with local leaders.

### ***I-17 Expansion***

Increases funding by \$40 million in FY2020 and \$45 million in FY2021 for the planned 1-17 expansion between Anthem and Sunset Point. Expansion increases the number of northbound and southbound lanes.

## **ONE-TIME FUNDING ITEMS**

- The Executive Recommendation and JLBC Baseline do not continue the FY2019 relief for the 8 smallest counties for increases in the Elected Officials Retirement Plan (EORP) liability.
- Both budgets continue the required contribution to the Department of Revenue.



**SELECT COUNTY SPECIFIC ISSUES**

Item	Executive Recommendation	JLBC Baseline
Department of Juvenile Corrections <sup>3</sup>	Eliminate the statutory fee for counties to pay for ADJC (\$11.26 million).	Keeps the fee, does not continue one-time relief from FY2019.
Department of Revenue <sup>4</sup>	Continues the local cost sharing fee at \$20.8 million.	
HURF Funds <sup>5</sup>	Eliminates funding for the Department of Public Safety from HURF.	
Community Colleges <sup>6</sup>	Appropriate \$1.3 million as a subsidy to assist counties with the cost of out of county community college tuition.	
Flexibility Language <sup>7</sup>	Not addressed.	Continued for FY2020.
Restoration to Competency (RTC) <sup>8</sup>	Continues the requirement that counties pay for 100% of the cost for RTC services.	
County Lottery Revenue <sup>9</sup>	Continues the appropriation of \$550 thousand to each of 12 smallest counties.	
Forestry – Environmental County Grants <sup>10</sup>	Continue to appropriate \$250 thousand for county environmental grants.	
AHCCCS/ALTCS <sup>11</sup>	Increases county contributions to \$330.7 million due to enrollment growth, increases in the federal match rate and capitation rate increases.	
Superior Court Judges Cost Share <sup>12</sup>	Continues the phase-in of the cost share of Maricopa County Superior Court Judges.	

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

<sup>3</sup> In FY2019, 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 \$11.3 million in one-time funds to offset a portion of this cost.

<sup>4</sup> In FY2019, 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 \$5.1 million.

<sup>5</sup> In FY2019, the state reduced the \$99M from HURF used to fund DPS operations to \$15.5M.

<sup>6</sup> In FY2019 the Out-of-County Tuition Subsidy was provided to Apache and Greenlee counties in the amount of 1.3M.

<sup>7</sup> Language was included in the FY2019 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.

<sup>8</sup> Starting in FY2010, counties were required to pay 100 percent for RTC services.

<sup>9</sup> The FY2019 budget provided an ongoing direct appropriation, in-lieu of lottery revenue, of \$550,050 to the 12 smallest counties.

<sup>10</sup> Used by Greenlee, Graham, Gila, Navajo and Apache Counties for environmental projects that impact economic development.

<sup>11</sup> FY2019 budget required counties to contribute \$318.8 million towards state match.

<sup>12</sup> The FY2019 budget amended statute to phase in a 50/50 cost share between Maricopa County and the state for Superior Court Judges’ salaries and benefits over two years.