

## FY 2014-2015 State Budget

(As Signed by the Governor, with Line-Item Vetoes on April 11, 2014)

### Summary

The Governor signed into law a set of budget bills (HB 2703, SB 1488, HB 2705, HB 2706, HB 2707, HB 2708, HB 2709, SB 1487, and HB 2711) that details the state's FY2015 budget. The Governor also utilized her line-item veto authority to veto eight items totaling \$4.6 million. The budget, as signed with line-item vetoes, proposes \$9.22 billion in spending for FY 2015, (\$18.6) million below the House's original budget proposal and \$9.5 million above the Senate's version. In total, the budget represents an increase of approximately \$422.3 million over the current year's budget. In addition, the budget calls for spending of \$9.4 billion in FY 2016, and \$9.7 billion in FY 2017.

### Major County Issue

- **Partial HURF Restoration:** As session law, requires that prior to any other distributions, \$30 million in FY2015, \$30 million in FY2016, and \$60 million in FY2017 in HURF monies be distributed as follows:
  - 33.231% to counties: \$9,969,300 in FY2015
  - 48.097% to cities: \$14,429,100 in FY2015
  - 5.247% to cities over 300,000 persons: \$1,574,100 in FY2015
  - 13.425% for counties over 800,000 persons for controlled access: \$4,027,500 in FY2015

Further stipulates that the allocation to each county will be made according to current statute (A.R.S. § 28-6538) governing the distributions of HURF monies. *SB 1487 Sec. 11 (pg. 10)*

- **Direct Appropriations to Counties (Lottery Revenue):** Appropriates, from the state general fund, \$7,150,500 to the Arizona Department of Administration (ADOA) to be equally distributed to all (13) counties under 900,000 persons (Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Navajo, Pinal, Santa Cruz, Yavapai, and Yuma). Each qualifying county receives \$550,000. *HB 2703 Sec. 121 (pg. 63)*
- **Sexually Violent Persons (SVP) Payments:** Decreases the requirement that counties reimburse the Department of Health Services (DHS) for the cost associated with housing an SVP at the Arizona State Hospital (ASH), from 50 percent to no greater than the percentage paid in FY 2014 (estimated to be 34 percent). The FY 2014 numbers were reduced by \$1.8 million. Includes "flexibility language" allowing counties to pay for this program with any source of county revenue. *HB 2705 Sec. 10 (pg. 21)*
- ~~**TPT Electricity Exemption County Backfill:** Appropriates \$1,300,000 to ADOA for distribution to counties negatively impacted by the lost revenue resulting from the TPT exemption on electricity for manufacturers and smelters. ADOA will determine the distribution plan, subject to review by the Joint Legislative Budget Committee (JLBC). *HB 2703 Sec. 122 (pg. 63) – Vetoed*~~

## [HB 2703 2014-2015; general appropriations](#)

- **County Attorney Immigration Enforcement:** Maintains \$1,213,200 for county attorney immigration enforcement, specifying amounts for the Maricopa County Attorney, \$200,000, and the Maricopa County Sheriff, \$500,000. *Sec. 4 (pg. 1)*
- **State Aid to Indigent Defense to AG for Capital Post-Conviction Prosecution:** Appropriates \$800,000 from the State Aid to Indigent Defense Fund to the Attorney General (AG) for capital post-conviction prosecution. This represents a \$300,000 increase over the current year's budget. *Sec. 11 (pg. 8)*
- **Out of County Tuition:** Appropriates \$1,273,800 for rural county reimbursement, an increase of \$425,800 over the current year's budget. Of the \$1,273,800, Apache County will receive \$699,300 and Greenlee County \$574,500. *Sec. 17 (pg. 11)*
- **County Attorneys Fund:** Continues to provide \$973,600 of Arizona Criminal Justice Commission (ACJC) grant monies to counties. *Sec. 22 (pg. 14)*
- **County Participation; Child Support Enforcement:** Appropriates \$6,740,200, a (\$1,860,000) decrease, to the Department of Economic Security (DES) for county participation in child support enforcement. The decrease reflects Pinal County reverting control of their program back to DES. *Sec. 26 (pg. 15)*
- **Environmental County Grants:** Appropriates \$275,000 to the State Forester for county environmental projects in Eastern Arizona. *Sec. 36 (pg.28)*
- **County Tuberculosis Provider Care and Control:** Maintains a \$590,700 appropriation for county tuberculosis programs. *Sec. 43 (pg. 30)*
- **County Judicial Reimbursements:** Continues to provide \$187,900 to the Supreme Court to reimburse counties for state grand juries and capital post-conviction relief (PCR). State grand jury is limited to \$97,900 and PCR is limited to \$90,000. *Sec. 51 (pg. 35)*
- **HURF to DPS:** Transfers \$89,247,100 million from the Highway User Revenue Fund (HURF) to the Department of Public Safety (DPS) and not-withstands the statutory cap. This represents a (\$30.7 million) reduction from the current year budget. *Sec. 78 (pg. 45)*
- **State Aid to Indigent Defense to DPS:** Appropriates \$700,000 from the State Aid to Indigent Defense Fund to DPS for operations. *Sec.78 (pg. 45)*
- **County Fairs, Livestock, and Agricultural Promotion:** Appropriates \$1,779,500 to the County Fairs, Livestock, and Agricultural Promotion Fund, which is administered by the Office of the Governor. *Sec. 79 (pg. 46)*
- **Justice of the Peace Salaries:** Appropriates \$1,205,100 to the State Treasurer to cover the state's share of JP salaries. This amount is unchanged from last year. *Sec. 93 (pg. 51)*
- **Law Enforcement Boating Safety Fund (LEBSF):** Appropriates \$2,183,800 to be allocated to county law enforcement agencies in counties which had a law enforcement and boating safety program in existence prior to July 1, 1990 (Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, Yuma). *Sec. 93 (pg. 51)*

- **Direct Appropriations to Counties (Lottery Revenue):** Appropriates, from the state general fund, \$7,150,500 to the Arizona Department of Administration (ADOA) to be equally distributed to all (13) counties under 900,000 persons (Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Navajo, Pinal, Santa Cruz, Yavapai, and Yuma). Each qualifying county receives \$550,000. *Sec. 121 (pg. 63)*
- **Graham County Assistance:** Appropriates \$500,000 to ADOA to be allocated to Graham County for maintenance of essential county services. *Sec. 121 (pg. 63)*
- ~~**TPT Electricity Exemption County Backfill:** Appropriates \$1,300,000 to ADOA for distribution to counties negatively impacted by the lost revenue resulting from the TPT exemption on electricity for manufacturers and smelters. ADOA will determine the distribution plan, subject to review by the Joint Legislative Budget Committee (JLBC). *Sec. 122 (pg. 63) – Vetoed*~~
- **Drug Treatment & Family Drug Court Programming:** Appropriates \$500,000 to the Administrative Office of the Courts (AOC) to distribute \$250,000 to a county with more than 500,000, but less than 1 million persons (Pima County) to be used in a drug treatment alternative to prison program. The other \$250,000 is distributed to a county with more than 3 million persons (Maricopa County) to contract with a provider offering integrated delivery of drug related services from testing to treatment. The contractor must use evidence-based treatment standards and provide an option for online case management system to report progress to the court. *Sec. 131 (pg. 69)*

#### [SB 1487 revenue; budget reconciliation; 2014-2015](#)

- **County Flexibility Language:** As session law, allows counties with fewer than 200,000 persons (Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Navajo, Santa Cruz, and Yuma) to use any source of county revenue, including countywide special districts controlled by the board of supervisors, to meet a county fiscal obligation for FY 2015. Additionally, counties are required to report to the director of JLBC whether the county used the provision and, if so, the intended amount and sources of funds, by October 1, 2014. *Sec. 8 (pg. 10)*
- **Partial HURF Restoration:** As session law, requires that prior to any other distributions, \$30 million in FY2015, \$30 million in FY2016, and \$60 million in FY2017 in HURF monies be distributed as follows:
  - 33.231% to counties: \$9,969,300 in FY2015
  - 48.097% to cities: \$14,429,100 in FY2015
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Further stipulates that the allocation to each county will be made according to current statute (A.R.S. § 28-6538) governing the distributions of HURF monies. *Sec. 11 (pg. 10)*

#### [HB 2705 health; welfare; budget reconciliation; 2014-2015](#)

- **Local Government; Disproportionate Share Hospitals (DSH):** As permanent law, permits local governments, tribal governments, and universities to contribute state match monies for disproportionate share hospital payments. *Sec. 2 (pg. 12)*

- **Arizona Long Term Care System (ALTCS):** FY 2015 county contributions total \$245,196,200 for all 15 counties into the Long Term Care System Fund. This amount is unchanged from the JLBC Baseline. Although the General Appropriations bill reflects several changes to the Arizona Healthcare Cost Containment System (AHCCCS), including a 2 percent increase in skilled nursing facility rates and coverage for insulin pumps, the impact from these changes is only reflected in the state general fund and agency share. *Sec. 9 (pg. 20)*
- **Sexually Violent Persons (SVP) Payments:** Decreases the requirement that counties reimburse the Department of Health Services (DHS) for the cost associated with housing an SVP at the Arizona State Hospital (ASH), from 50 percent to no greater than the percentage paid in FY 2014 (estimated to be 34 percent). The FY 2014 numbers were reduced by \$1.8 million. Includes “flexibility language” allowing counties to pay for this program with any source of county revenue. *Sec. 10 (pg. 21)*
- **Restoration to Competency (RTC) Payments:** Continues to require counties to reimburse DHS for 100 percent of the cost associated with competency restoration treatment at the ASH. Includes “flexibility language” allowing counties to pay for this program with any source of county revenue. *Sec. 11 (pg. 22)*
- **AHCCCS Transfer:** AHCCCS must transfer any excess monies back to the counties by December 31, 2015, if the counties’ proportion of state match exceeds the proportion allowed to comply with the federal Affordable Care Act. *Sec. 13 (pg. 23)*
- **Acute Care Contributions:** Sets county Acute Care contributions at \$47,553,700 for all 15 counties. This amount is unchanged from the JLBC Baseline and includes an inflation indexing of the Maricopa County contribution (Laws 2005, Ch. 328). *Sec. 14 (pg. 24)*
- **Disproportionate Uncompensated Care Pool (DUC Pool):** Requires the collection of \$2,646,200 in DUC Pool contributions from counties other than Maricopa. *Sec. 15 (pg. 25)*

#### [HB 2706 criminal justice; budget reconciliation; 2014-2015](#)

- **Suspension of County Non-supplanting Funding Requirements:** Continues the suspension of county non-supplanting requirements associated with funding of probation services, criminal case processing, and alternative dispute resolution programs. *Sec. 9 (pg. 8)*
- **County Grand Jury Expenses & Indigent Defense:** The criminal justice budget reconciliation bill usually contains session law language that continues to suspend the requirement of the 50 percent reimbursement to counties for grand jury expenses and for state funded representation of indigent defendants in first time, capital post-conviction relief proceedings. Counties are reimbursed using the amount provided in the general appropriations act (\$187,900). However, this language is absent from the BRB, the implications of this are unknown, as the general appropriations bill contains language limiting the reimbursement to appropriated amounts. *N/A*
- **Diversion of State Aid to Indigent Defense Fund to the AG’s Office and DPS:** Allows the AG to use State Aid to Indigent Defense monies for capital post-conviction prosecution and DPS to use State Aid to Indigent Defense monies for operations. *Sec. 11 (pg. 9)*