

Arizona State Budget

FY 2011 & FY 2012

January 7, 2011

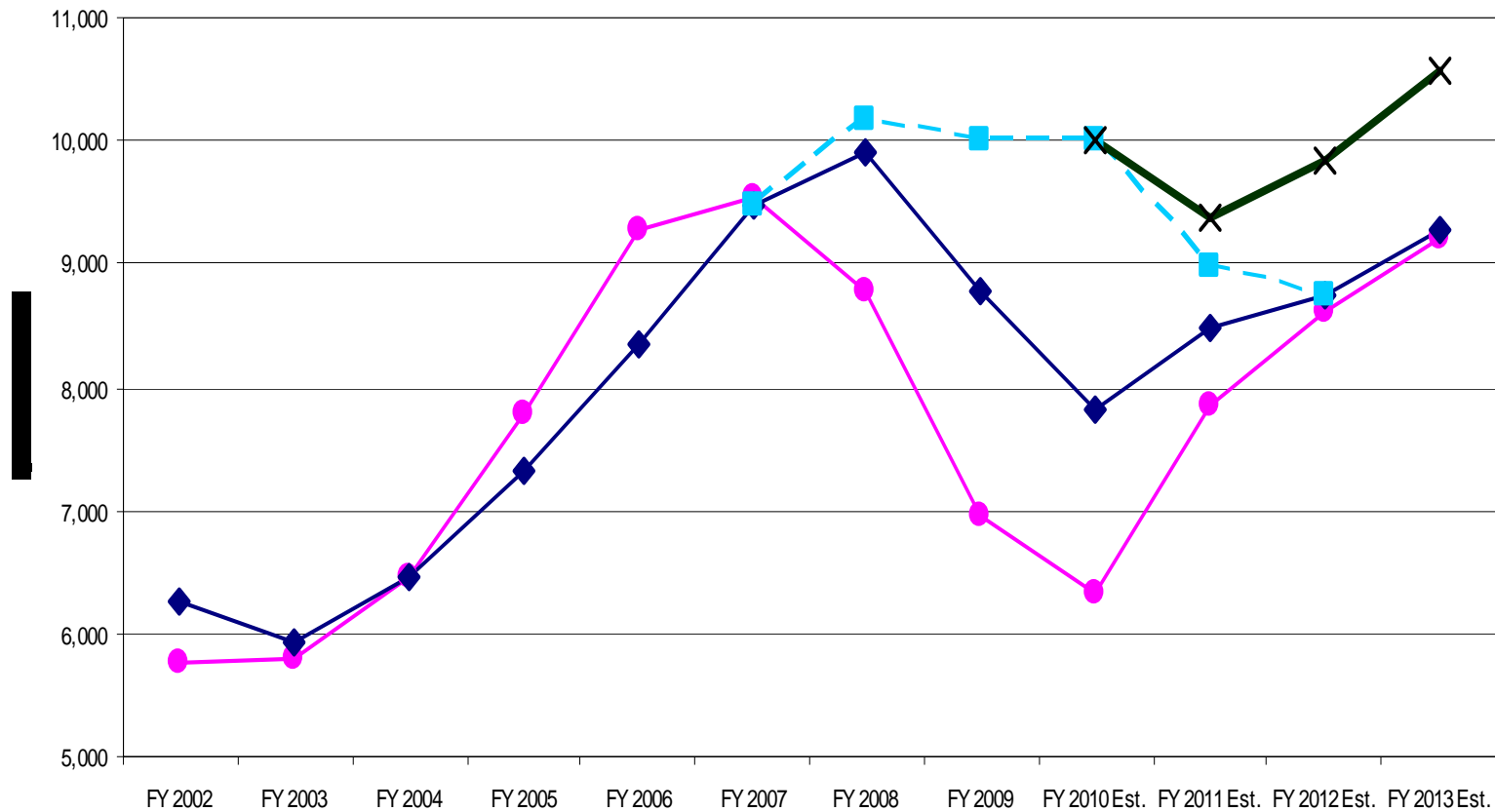
Where We Were – FY 2010

General Fund Ongoing Revenue and Expenditures before Solutions



FY 11 Budget Solution with Federal Health Care Reform Impact

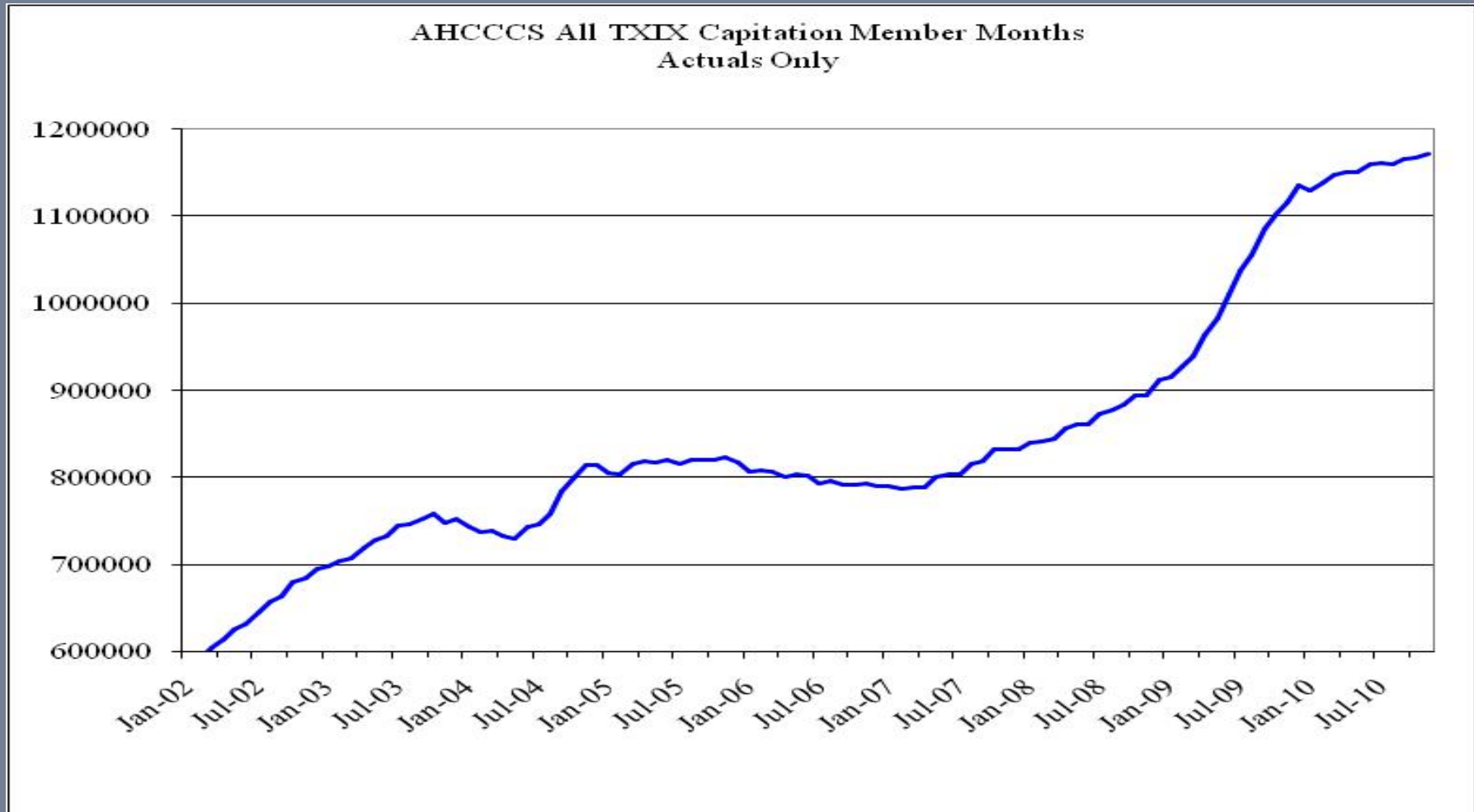
General Fund Ongoing Revenue and Expenditures Adopted Budget



Budget Shortfall

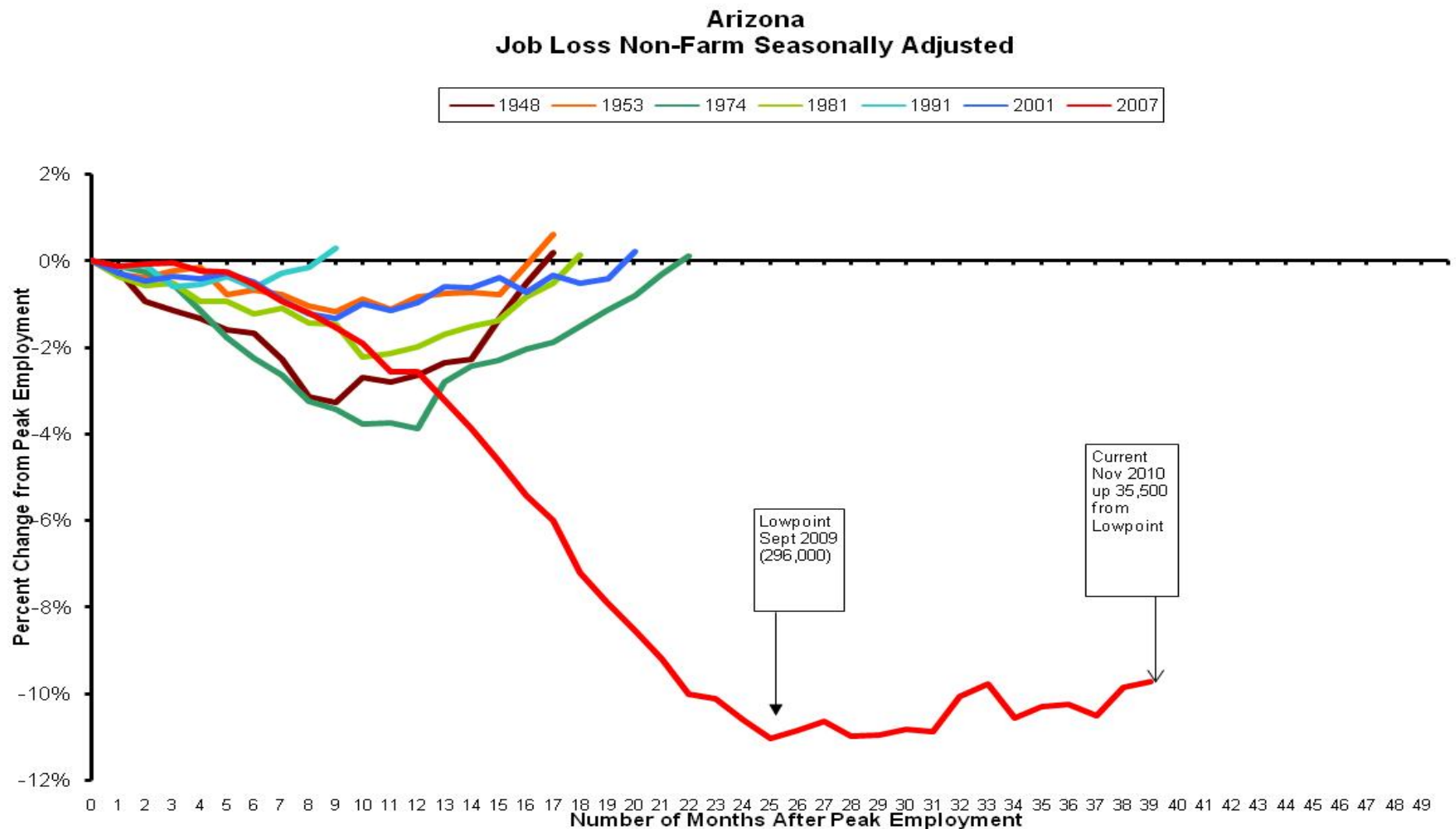
- FY 2011 \$763 million
- FY 2012 \$1.15 billion

Enrollments



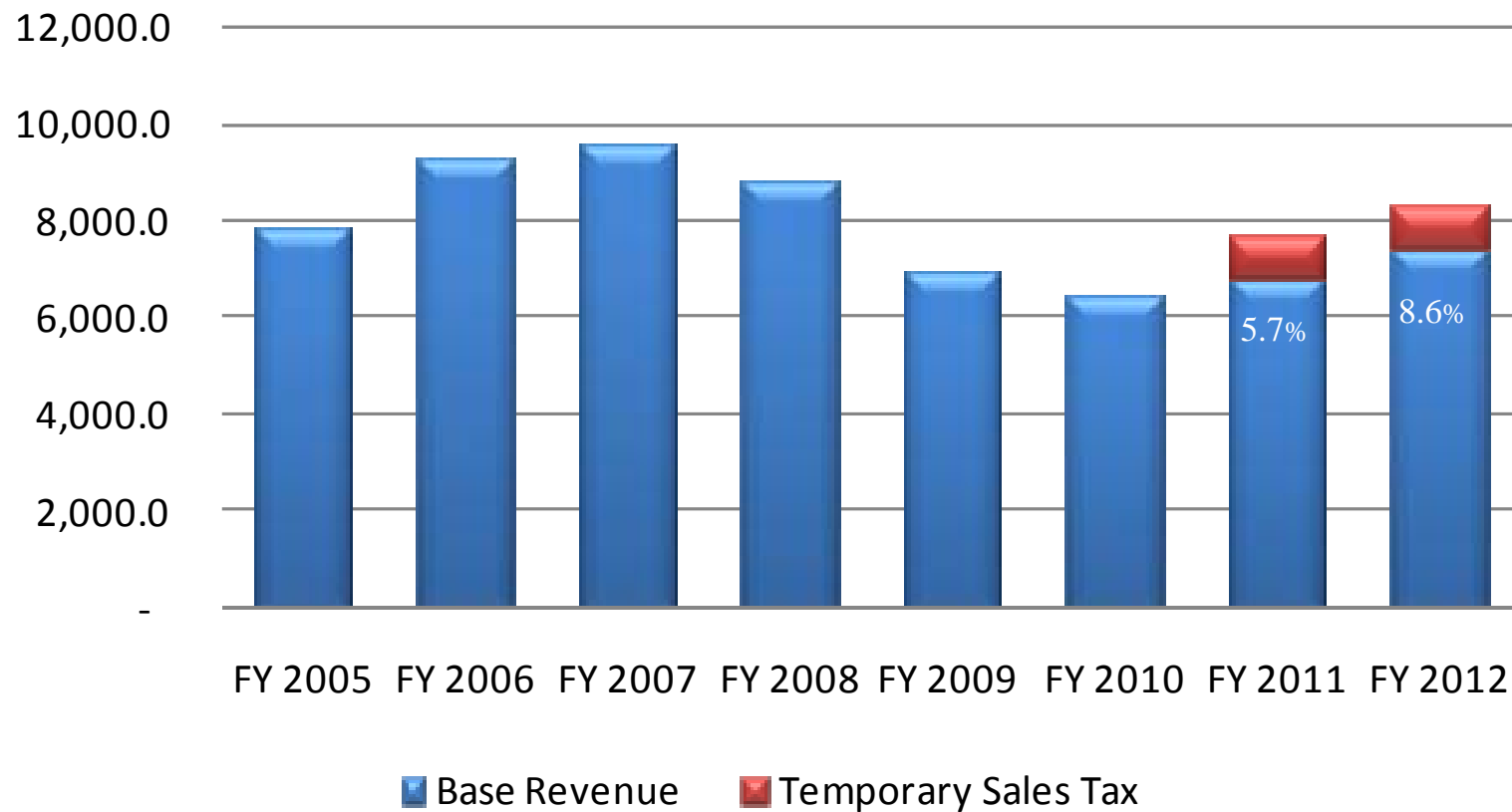
AHCCCS added approximately 149,000 members in FY 2010. OSPB projects they will add 36,600 in FY 2011

Economy – Job Growth



Revenues

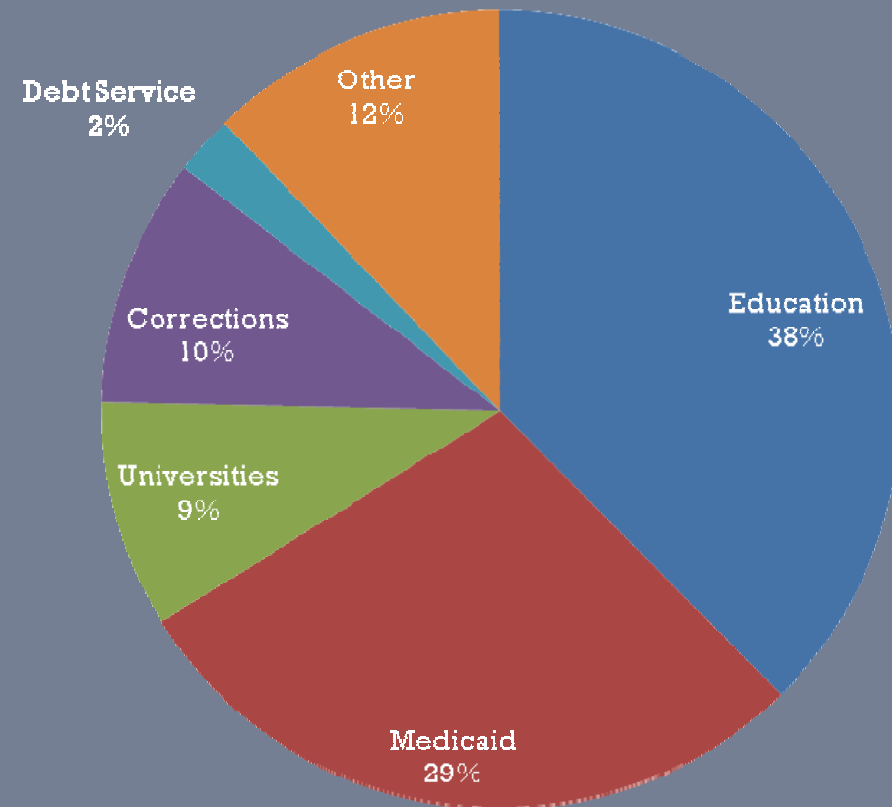
GF Revenues



6 Major Activities Account For FY 2011 On-Going General Fund Spending

**Ongoing FY 2011 General Fund
Responsibilities**

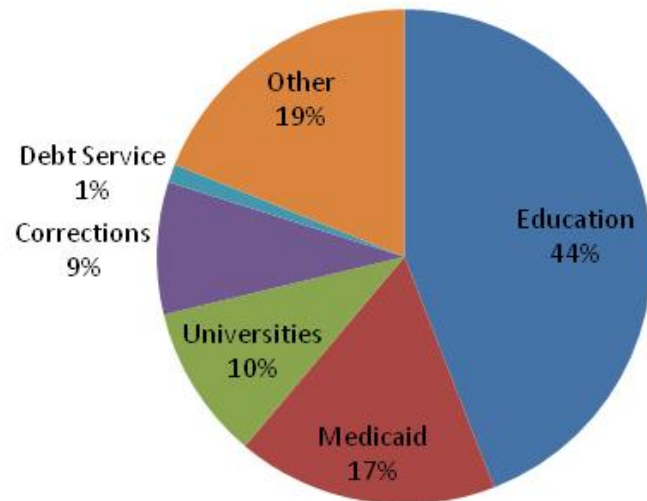
<u>Budget Unit</u>	<u>(Millions)</u>
Education (K-12)	\$ 3,491.2
Medicaid	2,649.0
Universities	855.6
Prisons	938.7
Debt Service	223.4
Other	<u>1,128.1</u>
TOTAL	\$ 9,286.0



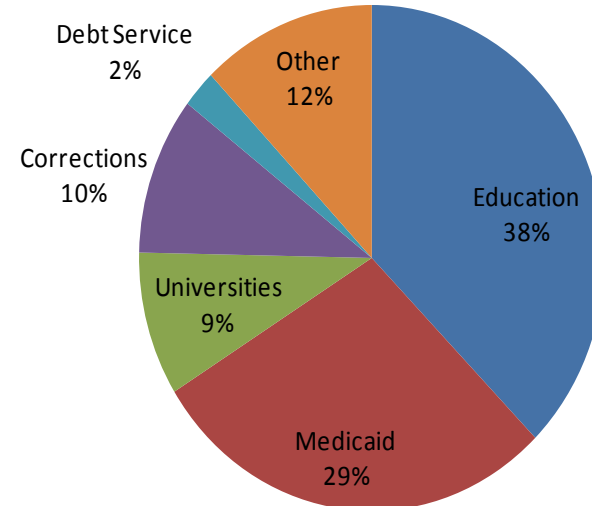
K-12 amount is based on the appropriation
Universities does not include capital funds

Expenditure Changes FY 2007-FY 2011

Ongoing FY 2007 General Fund Responsibilities



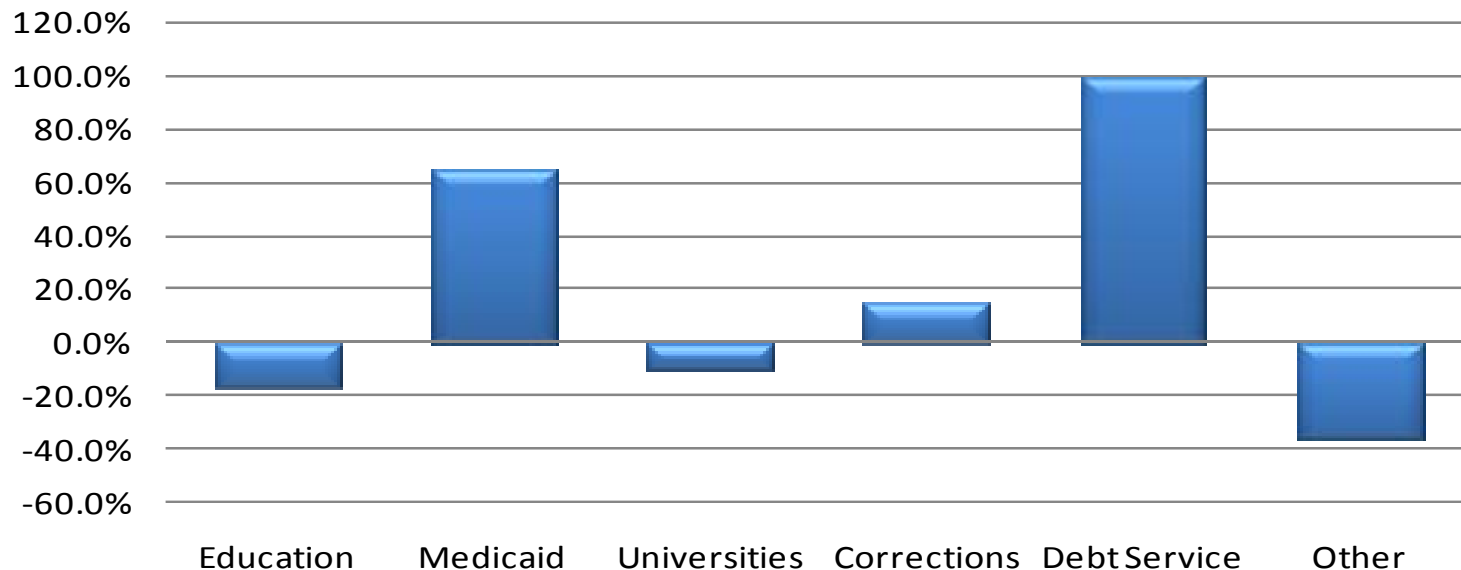
Ongoing FY 2011 General Fund Responsibilities



Medicaid numbers assume regular FMAP

Expenditure Changes FY 2007-FY 2011

FY 2007-FY 2011 Percentage Change



On-Going General Fund Expenditures	FY 2007	FY 2011	% Change
Education	\$4,156.0	\$3,491.2	-16.0%
Medicaid	\$1,605.8	\$2,649.0	65.0%
Universities	\$952.5	\$855.6	-10.2%
Corrections	\$815.0	\$938.7	15.2%
Debt Service	\$112.3	\$223.4	98.9%
Other	\$1,782.8	\$1,128.1	-36.7%
Total	\$9,424.4	\$9,286.0	-1.5%
SFB New Construction	\$250.0	\$0.0	-100.0%
Total	\$9,674.4	\$9,286.0	-4.0%

Medicaid Assumes regular FMAP

Reductions in Other include funding shifts to both other funds and debt. Major examples include DPS to SHF (\$100).

Sums exclude SFB New Construction which contracted naturally. The remaining program is now supported by debt.

Enacted Budget Solutions

In response to the State's fiscal crisis,
Arizona has taken the following steps:

- Reduced personnel expenditures by 19 percent
- Reduced K-12 per pupil support by 18 percent
- Reduced University per pupil funding by 25 percent
- Reduced child care enrollees by 37 percent (18,000 children)

Enacted Budget Solutions (ctd)

- Reduced the number of families on cash assistance by 48 percent (19,000 families)
- Reduced state benefits for the SMI population
- Provided no inflation for health care providers for the last three years – no capitation growth for the last two
- Eliminated most non federally mandated Medicaid services
- Reduced number of kids on KidsCare by 22,900

Enacted Budget Solutions (ctd)

In addition to spending reductions, Arizona has also:

- Borrowed \$2.1 billion
- Deferred \$1.5 billion in current year payments
- Raised taxes by 14.5 percent (\$900 million)

Facts About Medicaid

- Total Medicaid spending in Arizona's is \$10 billion
 - Of this amount, the federal portion is \$7.3 billion (which equates to 3.2% of the state's personal income)
- Medicaid represents between 3% and 64% of individual hospital revenues (depending on the hospital)
- Medicaid is on average 61% of nursing home revenues.
- Medicaid provides health insurance for 1.3 million Arizonans

Arizona's Medicaid Expansion

- Proposition 204 expanded Arizona's Medicaid population to include all residents with incomes below 100% FPL, including populations not previously federally mandated
- In FY 2012, the expansion population is estimated to be approximately 400,000 people
- The FY 2012 GF cost of the expansion is estimated at \$810 million
- There are six other states that cover this population – Delaware, Hawaii, Massachusetts, Maine, New York, and Vermont

Effects of Health Care Reform

- Prior to Federal Health Care Reform, Arizona was not required to cover the expansion population to qualify for Medicaid matching funds
- Federal Health Care Reform locked the population in place through maintenance of effort requirements
- All states will be required to cover this population – and more – in FY 2014

Federal Assistance

Arizona has two potential mechanisms for relief from covering the expansion population

1. Have Congress pass a law change that would provide a two year (FY 12 and 13) exemption for Arizona to roll back the expansion population. The exemption would likely have to be narrow, limited to expansion populations and triggered on fiscal circumstances
2. Ask for and receive a waiver of the maintenance of effort from CMS for the same time period