



OFFICE OF THE GOVERNOR
DOUG DUCEY

Executive Budget Recommendation
Fiscal Year 2018

Presented by OSPB January 13, 2017



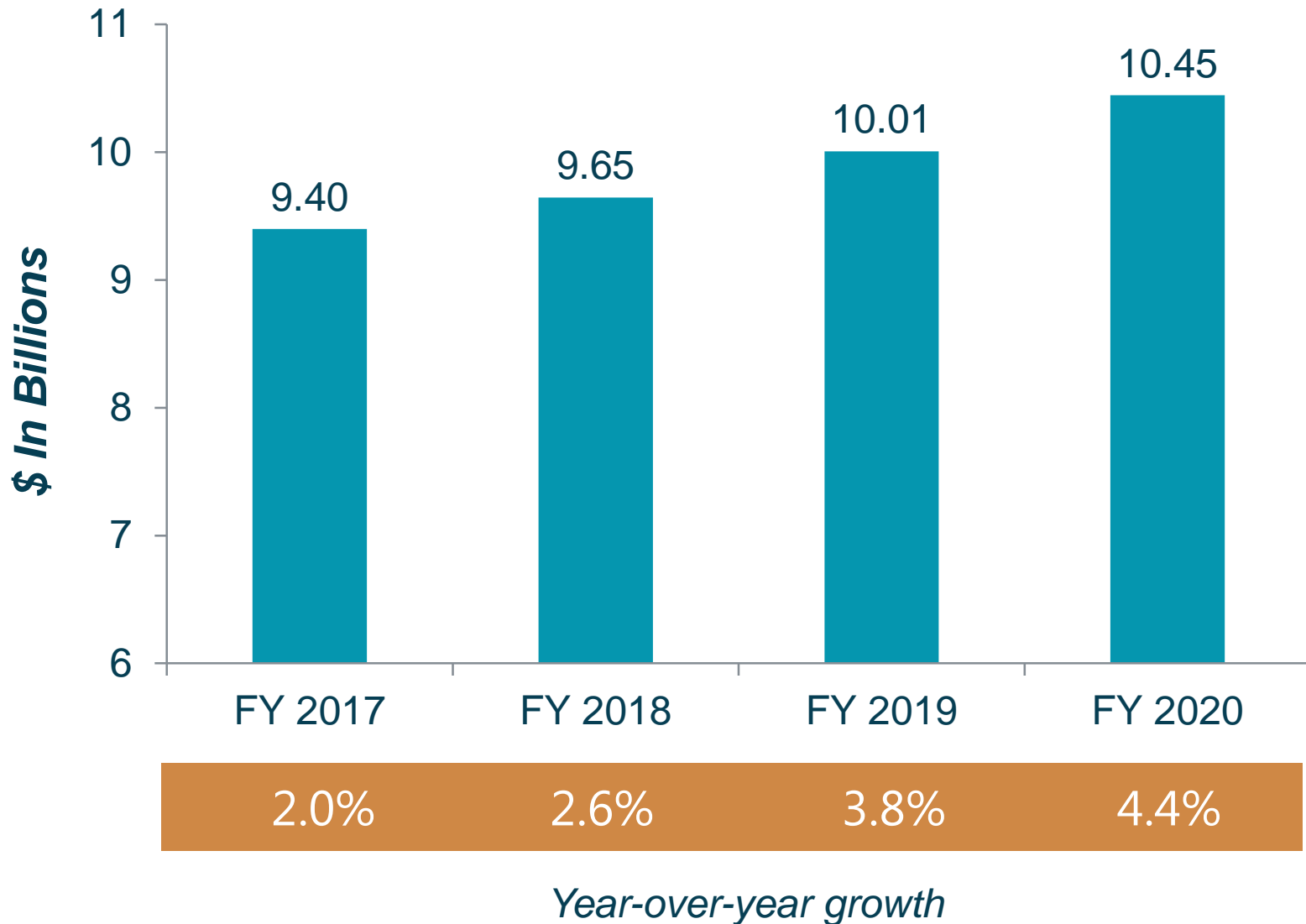
Fiscal Year 2016 General Fund Recap

\$ in millions

*FY 2016 Actual
(Preliminary)*

Beginning Balance	312
One-time Revenues	267
Ongoing Revenues	9,218
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Total Resources	9,797
Total Spending	9,513
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Ending Balance	284
Structural Deficit	(36)

General Fund Ongoing Revenue Forecast



General Fund Snapshot

<i>\$ in thousands</i>	FY 2017	FY 2018
Total Revenues*	9,763,143	9,802,196
Enacted Base Spending	9,608,269	9,608,269
Baseline Changes	35,790	1,340
New Initiatives	0	175,651
Total Spending	9,644,059	9,785,259
Ending Balance	119,083	16,937
Structural Balance	4,674	10,830

*Includes carryforward balance and previously enacted fund transfers

FY 2017 Supplemental Recommendations

In order to close out the current fiscal year, the following funding issues are recommended:

Impact of Proposition 206	\$ 7.7M	Ongoing
Department of Child Safety	\$ 8.0M	One-time
Land Department CAP water fees	\$ 0.2M	Ongoing
1% Property Tax Cap	\$ 19.8M	Ongoing

Total FY 2017 Supplemental \$ 35.8M

FY 2018 Spending Priorities

Making a Major Investment in Education

The recommendation includes \$76 million in baseline funding for enrollment growth, inflation and other factors and makes **\$453 million in new strategic investments** over the next 3 years above the baseline.

These dollars are in addition to the \$318M from Prop. 123 in FY 18

New system and targeted investments align with education goals and strategies

	FY 2018	3-Year Total
K-12 System	\$88M	\$232M
K-12 Targeted	\$25M	\$96M
Higher Ed	\$52M	\$125M
New Investment Above Baseline	\$165M	\$453M

More Pay for Teachers: System Wide

ALL Arizona public school teachers will get a pay increase in FY 2018!

The Executive recommends phasing in an *across the board* \$68 million investment into teacher pay over the next five years, starting with \$13.6M GF in FY 2018.

More Pay for Teachers: Targeted

1. Attract talented teachers to Arizona's most in need schools:

- Provide sign-on bonuses for new teachers in districts and charters in which more than 60% of students are eligible for free or reduced price lunch
- \$1,000 bonus per teacher = \$6.4M GF starting in FY 2018

2. \$250,000 to expand the Math, Science, and Special Education Teacher Loan Forgiveness program

Kindergarten and Early Literacy Funding

Research shows that a student's ability to read proficiently by the end of third grade is a strong predictor of high school graduation and career success

The Executive recommends funding towards kindergarten and early literacy programs at districts and charters in which more than 90% of students are eligible for free or reduced price lunch

The funding is based on district/charter Kindergarten enrollment

- \$10M (\$1,244 per student) in FY 2018
- \$20M (\$2,488 per student) in FY 2019 and beyond

Results-Based Funding

The Executive Recommends \$38 million to reward high performing district and charter schools, with an emphasis on schools that serve high-need populations

Schools with AzMerit scores in the top 10% (based on proportion of students that passed) will receive this funding.

Funding will range between \$225 (low poverty) and \$400 (high poverty) per student based on levels of students at the school receiving free and reduced price lunch.

High Poverty (60%+ FRPL)	\$400
Low Poverty (<60% FRPL)	\$225

Enrollment Reconciliation Funding

- Helps school districts reconcile actual enrollment with previously made year-long commitments to teachers
- Districts will receive Enrollment Reconciliation funding to help manage the impact of declines in enrollment in excess of 2%
- \$20 million one-time, non-lapsing appropriation in FY 2018

School Facilities and Infrastructure

Building Renewal Grants

\$17M for School Facilities Board building renewal grants

Broadband Connectivity for Rural Schools

\$5M to fund a state match that will be combined with federal E-Rate dollars to expand broadband to high-need, rural schools

Success Beyond High School

Youth enrollment in school or workforce

\$1M for JTED completion grants

\$100,000 for Jobs for Arizona's Graduates

Percentage enrolled in post-secondary education

\$114,700 FAFSA completion initiative

Investing to Reach our Goals

\$1.1M: K-12 academic standards

\$250,000: School Leadership Training

\$200,000: Computer science initiative (coding)

\$800,000: ASDB early childhood services (0-3)

Major Commitment to Universities

Enable universities to invest approximately \$1 Billion in research and development and capital

\$30 million in redirected TPT and university match will enable bonding for R&D facilities and deferred maintenance projects

Projects will attract and retain skilled teachers, transform research into commercialized products or services, and address Arizona's workforce needs.

\$7 million in redirected TPT for university general operating expenditures

Additional University Resources

The Executive recommends a \$15 million one-time General Fund appropriation to the universities

Will allow universities to address their high priority needs and support the costs associated with Arizona resident students

Caring for Vulnerable Populations

\$2 Million to support the Early Intervention Program at DES, which provides evaluations to children 0-3 who may have developmental delays

\$700,000 to continue providing home and community based services to the elderly, including meals on wheels and help with everyday tasks

Safe Communities

\$3 Million at DES to protect vulnerable adults from abuse, fraud and neglect.

\$1.2 million in Public Safety to clear out the sexual assault kit backlog

Continued Improvements to our Safety Net

\$2.8 Million to provide opportunities for families to gain back an additional twelve months of TANF Cash Assistance if they meet eligibility requirements:

- Must be in full compliance at all times with all work search and training requirements.
- If the recipient has school-aged children, they must have a 90 percent or higher attendance record.

Supporting Child Safety

For the first time in over 10 years the population of children in out of home care is beginning to drop and the backlog is on track to be eliminated.

To continue supporting DCS in its mission to promote permanency and safety for children in Arizona, The Executive recommends

- \$4.2 Million to support permanent placements by providing funding for adoption services
- \$1 Million to the “grandmother stipend” to provide financial assistance for kinship care
- \$400,000 support for court appointed special advocates

Combating the Opioid Epidemic

The Executive Recommends \$220,900 at AHCCCS to prevent opioid abuse

Over the last decade, the number of prescription drug overdose deaths has increased by 44% in Arizona.

In Arizona between 2010 and 2015 there was a 155% increase in prescription drug-related hospital admission.

Adult Emergency Dental

The Executive recommends \$1.5M at AHCCCS to provide emergency dental benefits, up to \$1,000 per year, to all AHCCCS adults

The only adults currently receiving dental benefits from a dentist are those in the long-term care program

However, the other 850,000 adults in the AHCCCS acute care program only receive dental care when their problems become severe enough to require a physician or oral surgeon

Ensuring Government Works

\$30M one-time General Fund infusion into the Health Insurance Trust Fund (HITF) matched by other State funds

In calendar year 2016, HITF has seen an unexpected increase in medical claims

\$7M for IT infrastructure improvements for the Department of Revenue

Tax Reform

Adjusting personal exemption for inflation to eliminate hidden tax hike

Personal exemption is an automatic exclusion of income for all taxpayers, regardless of income or deductions

- Current exemption for individuals: \$2,100
- 19 other states and the federal government adjust personal exemption for inflation
- Estimated to reduce revenue by \$2.8 million in FY 2018

Reducing Recidivism

Department of Corrections

- \$400,000: 6 Substance Abuse Counselors to provide treatment
- \$100,000: 1 Re-entry Planner to work with inmates prior to their release

Department of Forestry

- \$1.5 million to support a post-release fire crew

Stewardship of Natural Resources

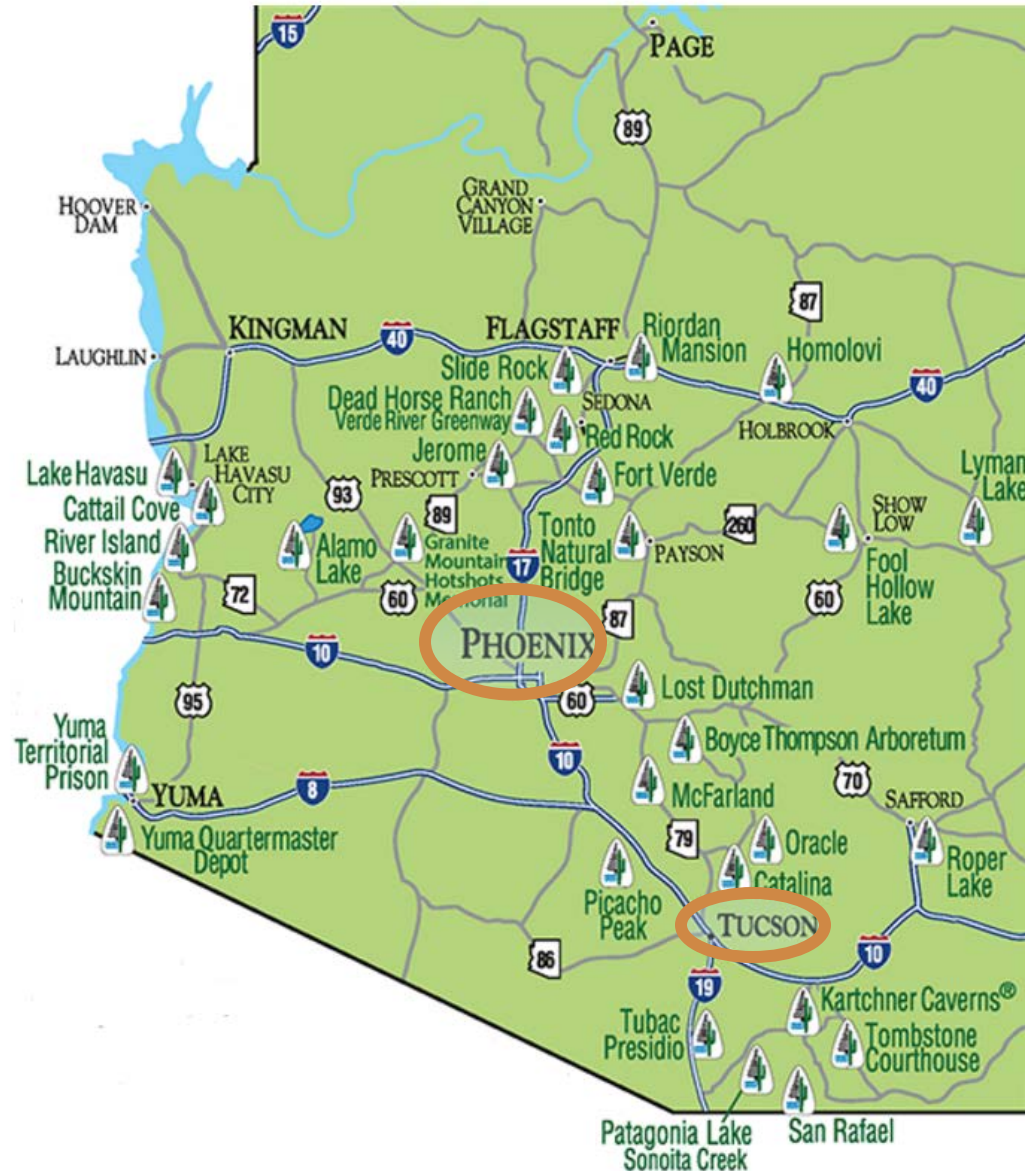
\$269,900 at the Department of Forestry and Fire Management for one additional deputy fire marshal and fire communications equipment

\$2.9 Million investment at the Department of Water Resources

- \$2 Million for the State's drought contingency plan
- \$900,000 for 12 additional personnel

Boosting Rural Arizona Economies

- State Parks are a major economic driver for rural Arizona
- The Executive recommends making the State Park Revenue Fund non-appropriated to provide more flexibility to reinvest and expand parks in rural Arizona



Highlights of New FY 2018 Investments

K12 Education (includes SFB)	\$113.6M
Higher Education	\$51.8M
Health Insurance Trust Fund	\$30.0M
Economic Security	\$5.8M
Drought Contingency	\$2.0M
Forester	\$1.5M
DPS Sexual Assault Kit Testing	\$1.2M
DCS Kinship Stipend	\$1.0M
Cash Balance	\$17M
Structural Balance	\$11M

Highlights of FY 2018 Education Investments

Teacher Salary Increase	\$13.6M
Kindergarten and Early Literacy	\$10M
New Teacher Bonus	\$6.4M
Enrollment Reconciliation	\$20M
Results-Based Funding	\$37.6M
Additional K-12 Investments	\$8.9M
SFB Building Renewal	\$17.2M
K-12 Total	\$113.6M
University One-Time Resources	\$15.0M
University R&D Infrastructure and Ops.	\$36.8M
University Total	\$51.8M
Combined Total	\$165M



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FY 2018 Executive Budget Available at:

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