



FY 2023

Executive Budget Briefing

January 18, 2022

Arizona Governor's Office of Strategic Planning and Budgeting

“The State of our State is strong. And we are poised to do what everyone in public service strives for: to leave it stronger than we found it.”

Governor Doug Ducey

Overview

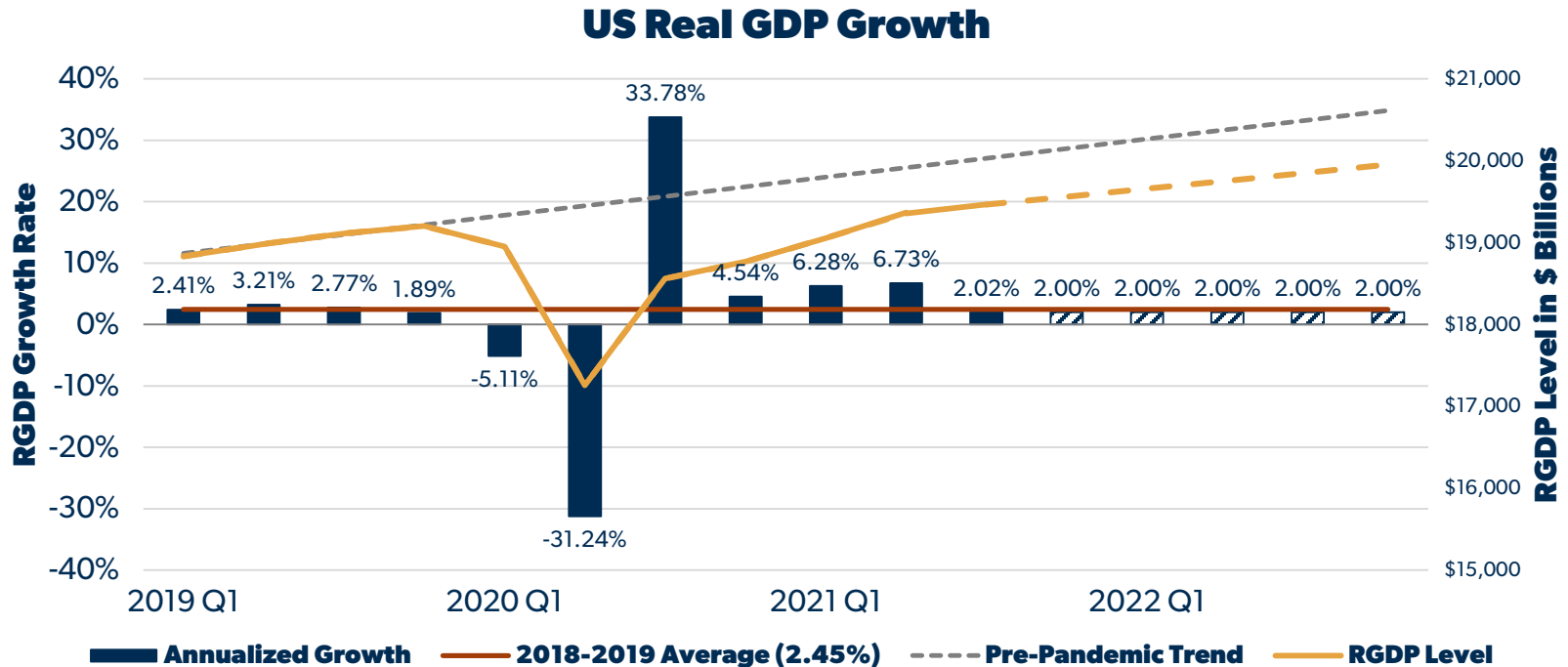
- The Economy and State Revenues
- FY 2023 Budget Overview
- FY 2023 Budget Priorities
 - Education
 - Health & Welfare
 - Public Safety
 - Natural Resources
 - Government that Works

The Economy and State Revenues

“Instead of going on a spending spree, in Arizona, we’ve lived within our means. New citizens and businesses choose our state every day, our budget is balanced and our economy is roaring. Fiscal responsibility and smart policies matter.”

Governor Doug Ducey

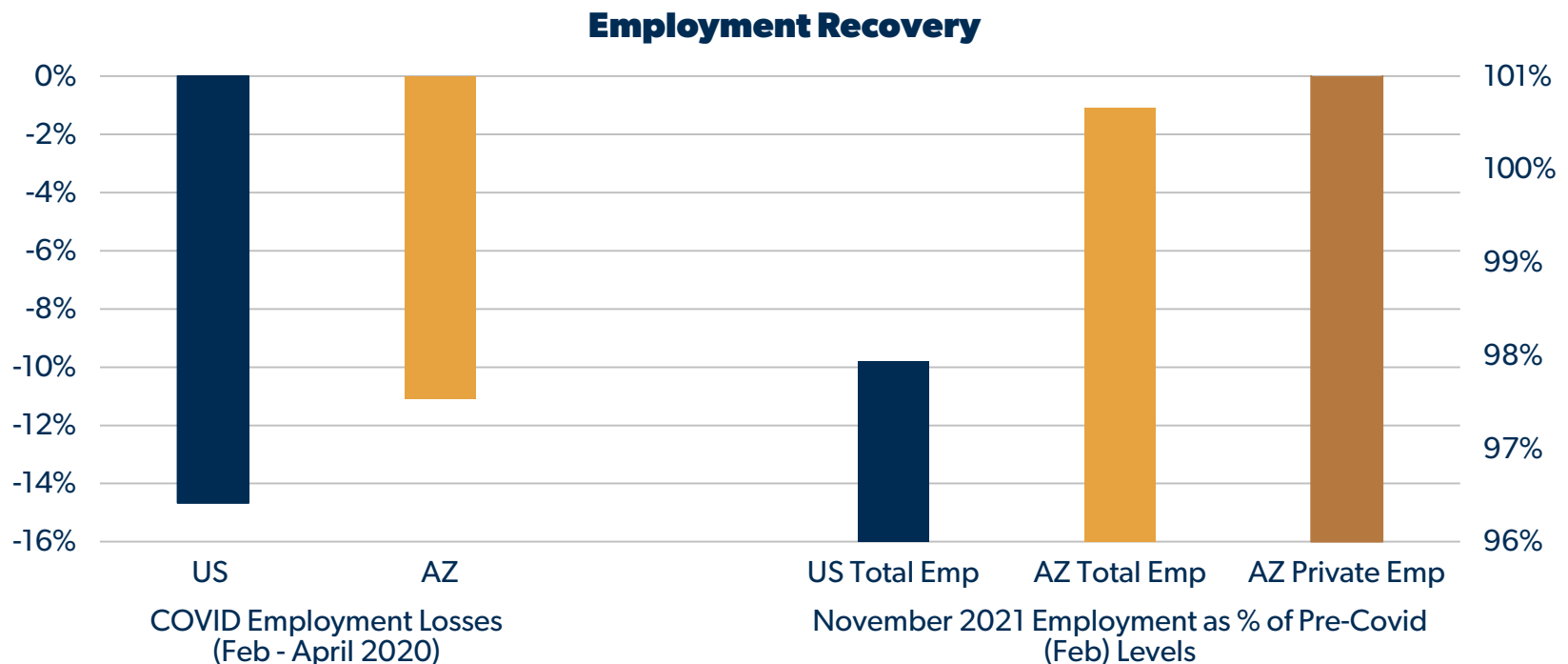
US Faces Unprecedented GDP Volatility



- After unprecedented volatility during the pandemic, **U.S. growth is slowing**
- It will take sustained growth well above 2.45% in order to reach the pre-pandemic trend

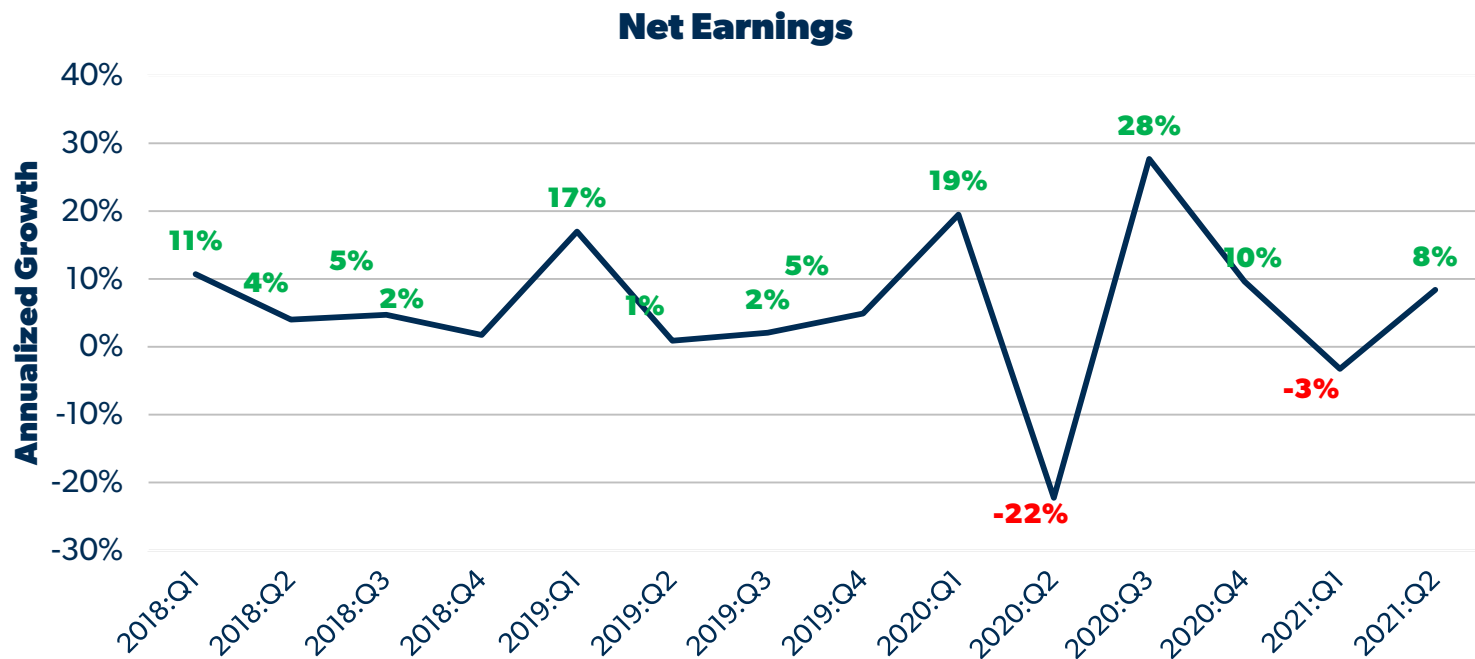
Arizona Stronger Than US In Jobs Retention And Recovery

- As of November 2021, total employment in Arizona has recovered to over **100% of pre-COVID-19 levels**, surpassing the nation's recovery by 3% and ranking an impressive **4th** among all states
- Total private employment in Arizona has also surpassed pre-pandemic levels



Arizonans' Incomes Continue To Grow

- Arizona saw record personal income growth in 2020, joining Montana for the **largest increase in the country: 8.4%**
- Net earnings – which excludes government transfers – also experienced significant growth in 2020



Inflation Is Costing Arizonans

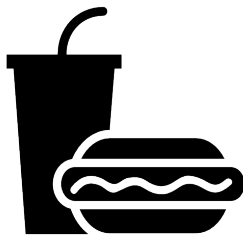
Despite workers experiencing a **4.7%** growth in earnings in December, the total cost of goods increased by **7.0%** the same month

- The average person in the Phoenix Metro has seen their spending power erode by **\$4,986** across the entirety of 2021

Average Monthly Inflation by Category, 2021

3.8%

\$435 more per year



Food and Beverage

37.5%

\$1,100 more per year



Gasoline

3.3%

\$1,182 more per year



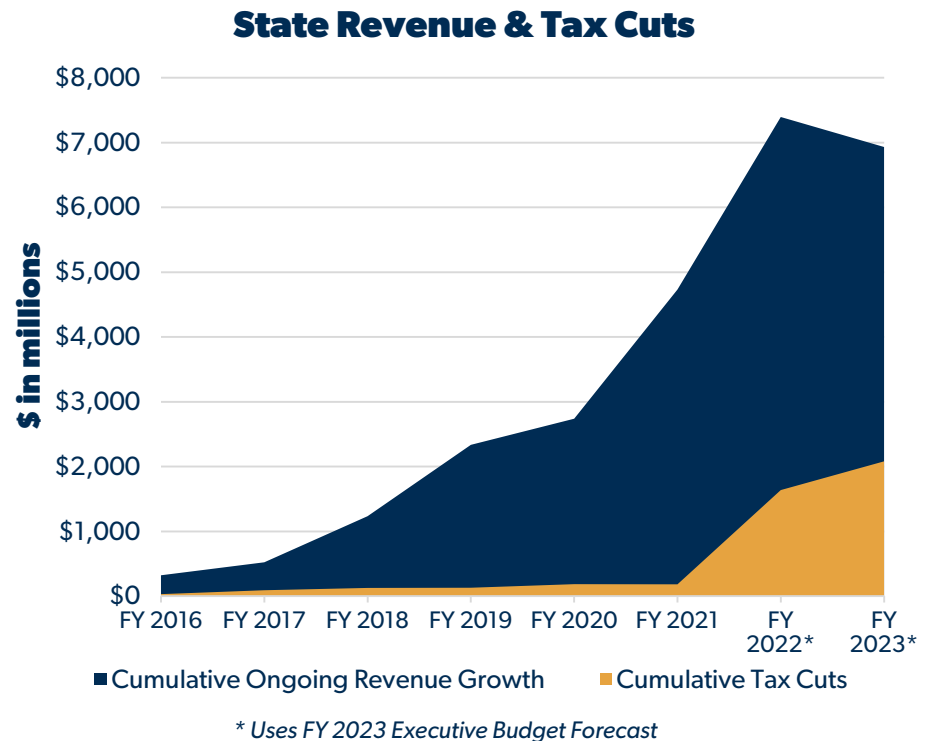
Housing

Thoughtful Tax Policy Has Saved Arizonans Billions

Governor Ducey vowed to cut taxes and make Arizona one of the best states in the nation to live and do business. This has included ushering in some of the most significant tax cuts in state history, impacting all types of Arizonans:

- **Fiscal Year 2015:** Ensure that Arizonans do not pay more in taxes due to inflation
- **Fiscal Year 2016:** Protect small businesses from paying taxes on key capital investments
- **Fiscal Year 2017:** Further inflation protection
- **Fiscal Year 2018:** Ensure veterans pay no taxes on their pensions
- **2.5% flat income tax** by FY 2024

Since 2015, State revenues have topped **\$7 billion** and over the same period, we've returned over **\$2 billion** back to taxpayers



Recognizing the Value of Work In the Tax Code

\$74 M for the creation of a 5% State Earned Income Tax Credit that is targeted to low-income households with children and jobs

\$128 Annually

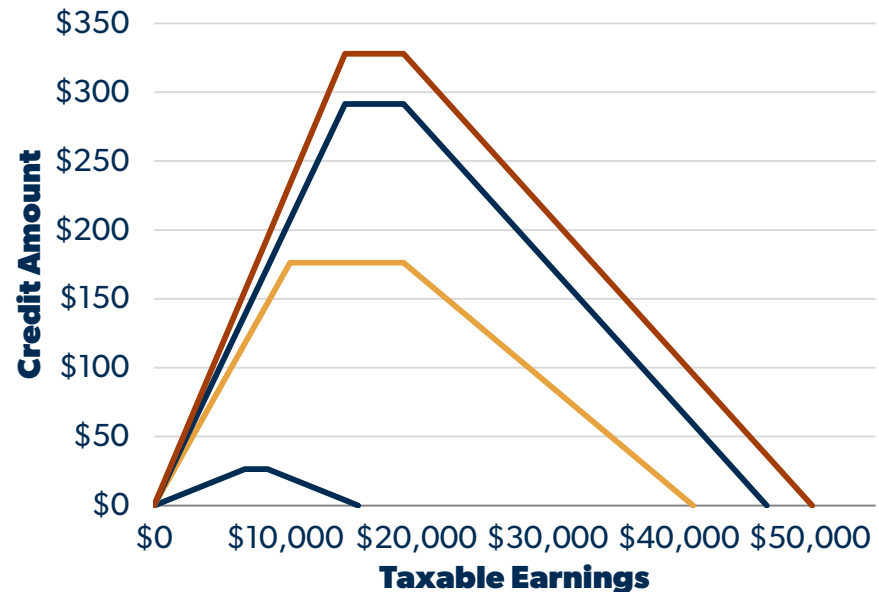
**Average Benefit for
Eligible Arizona Taxpayers**

577,000

**Estimated
Eligible Arizona
Taxpayers**

EITC Benefit Across Filing Status

(Estimated)



— No Children — One Child
— Two Children — Three+ Children

Continuing to Diversify and Grow Arizona's Economic Engine

\$58 M to explore continue the Executive's work of making Arizona a destination for business expansions and relocations

- Arizona has a long history of tax reform, economic incentives and regulatory relief that has supported our high-growth environment
- While the Tax Foundation ranks Arizona 20th in the nation for State Business Tax Climate, the Executive Budget sets aside budget capacity to improve that ranking further

Arizona's Business Tax Competitiveness

38th

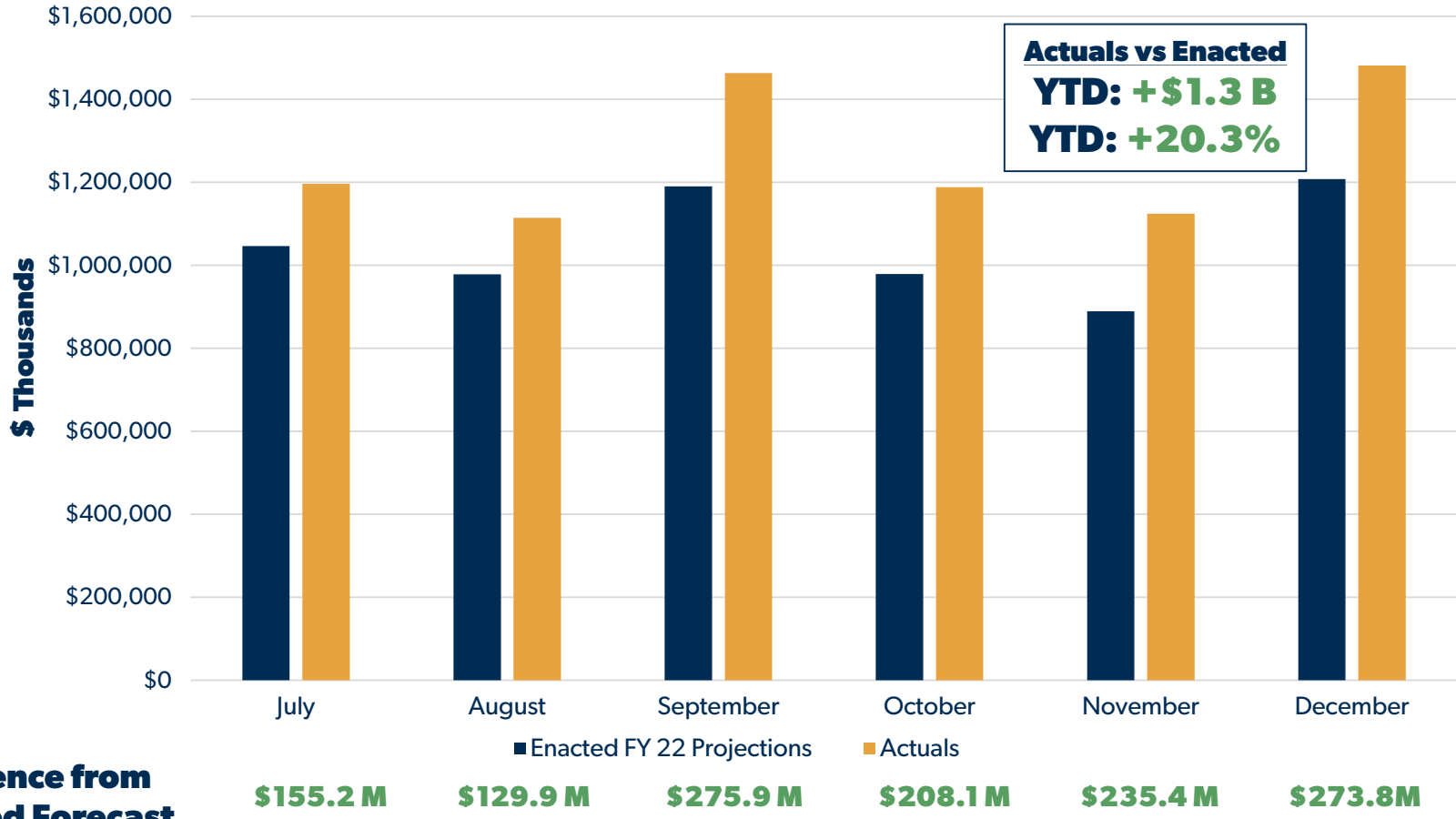
Highest Corporate
Income Tax Rate

10th

Highest Industrial
Property Tax Rates

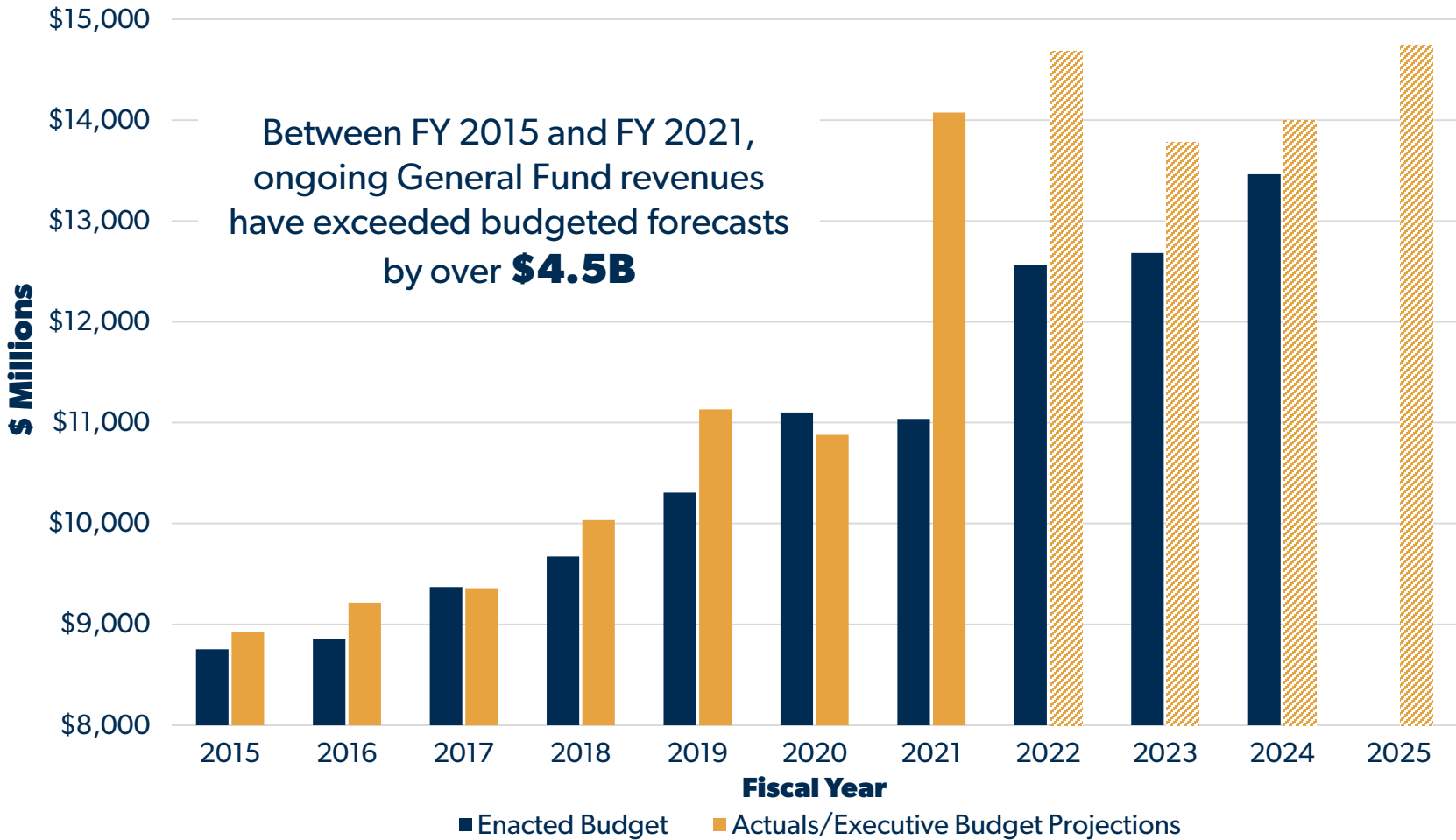
General Fund Tax Revenues Continue to Exceed Enacted Forecast

General Fund Tax Revenues by Month



Difference from Enacted Forecast

Executive Ongoing Revenue Forecast

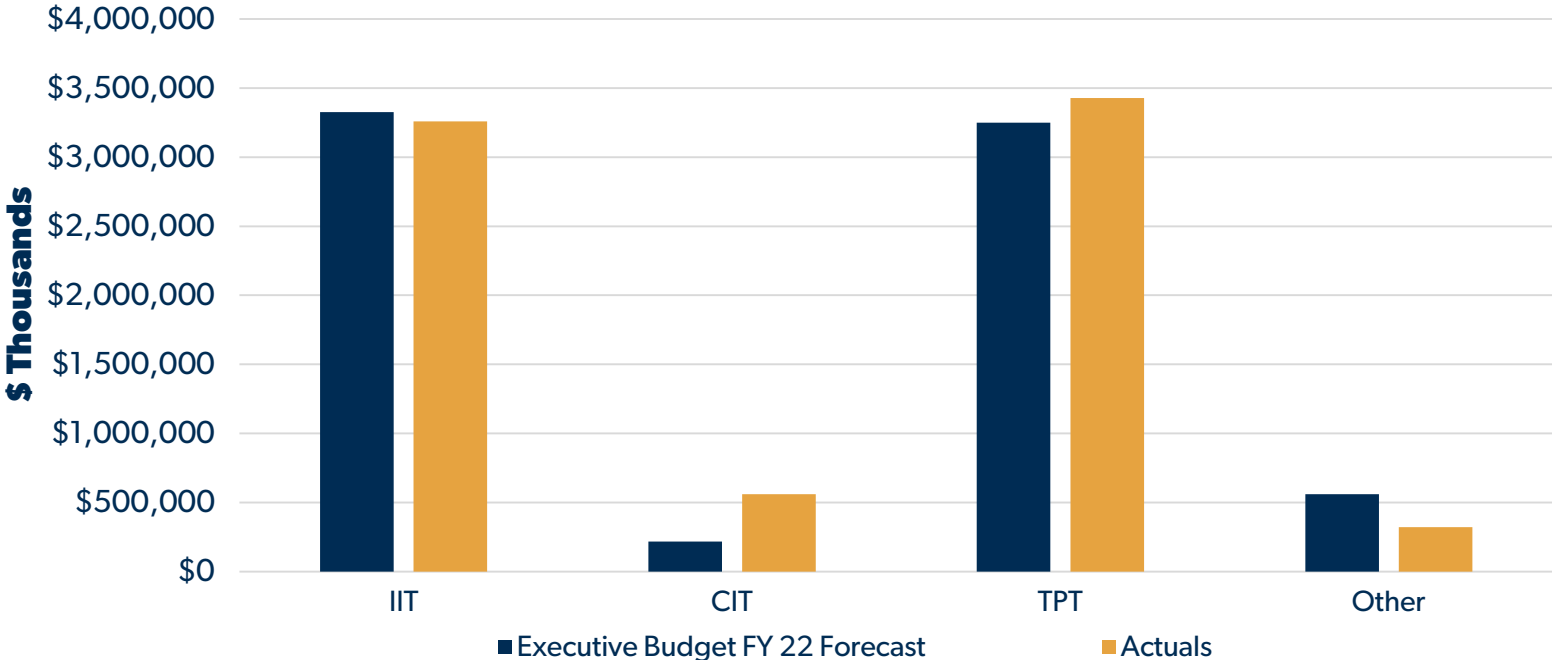


Revenues Are Poised To Meet Executive Forecast

- Overall, General Fund tax revenues in Fiscal Year 2022 are set to meet or exceed the Fiscal Year 2023 Executive Budget forecast

YTD: +\$215 M

FY 2022 Revenue by Source, July-December



Difference from Executive Forecast

\$(66.9) M

\$343.0 M

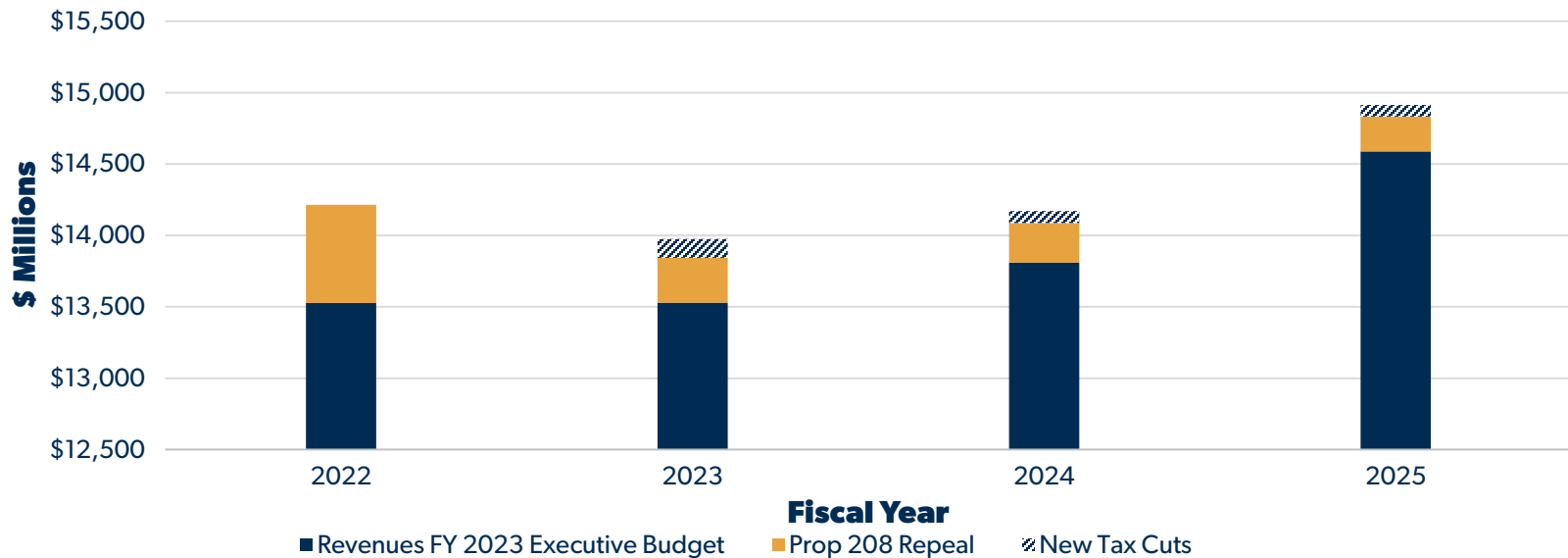
\$177.3 M

\$(238.7) M

Impact of Prop 208 Repeal and Tax Proposals on General Fund Revenue

The unconstitutional ruling regarding Proposition 208 leads to net revenue savings due to the 4.5% top marginal income tax rate cap no longer binding

Proposition 208 Removal Impact on Revenues

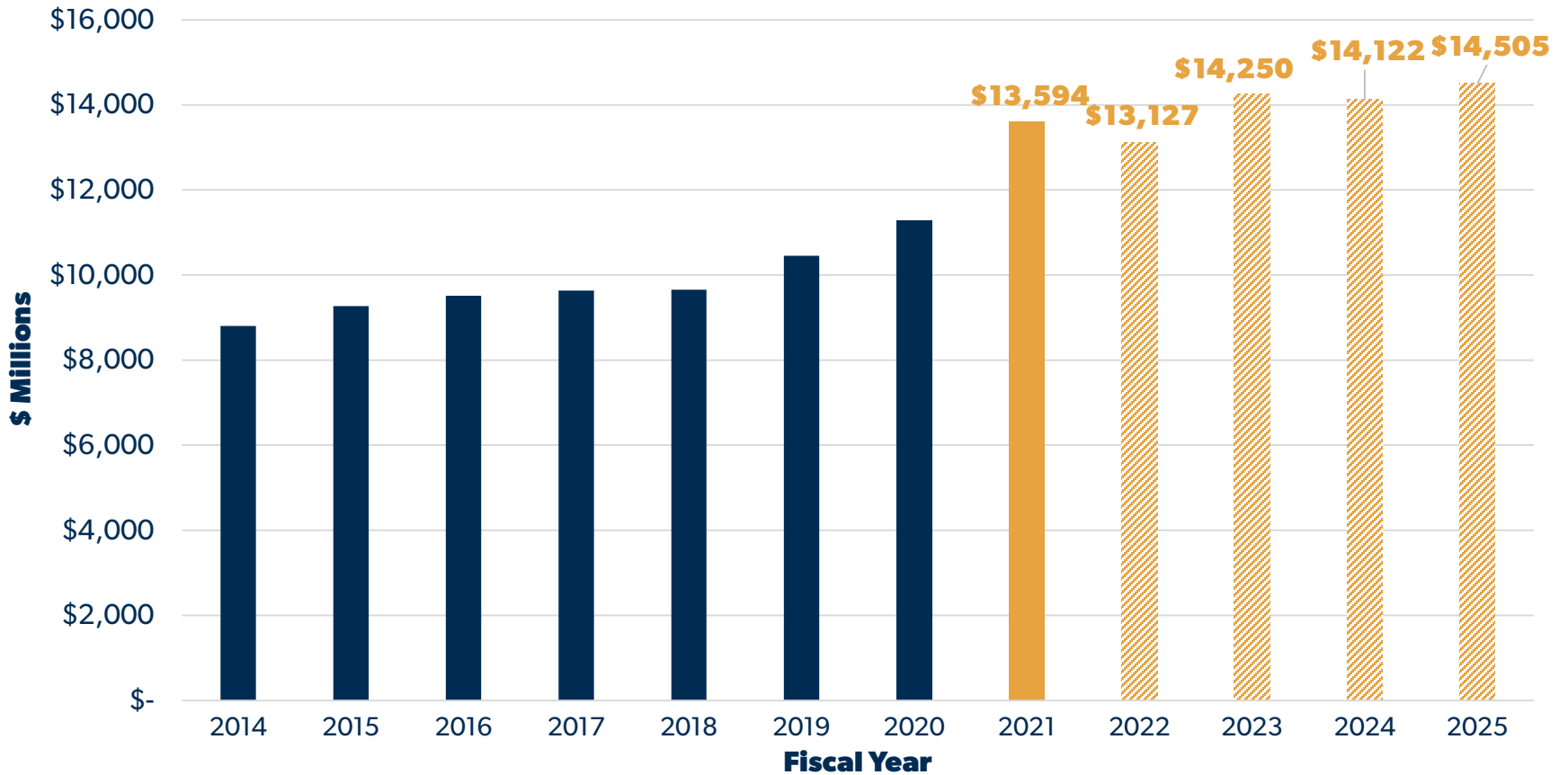


Revenue Impacts By Fiscal Year

| | | | | |
|-------------------------|----------------|------------------|-----------------|-----------------|
| Prop 208 Repeal | \$688 M | \$315 M | \$278 M | \$244 M |
| FY 2023 Tax Cuts | | \$(132) M | \$(83) M | \$(83) M |

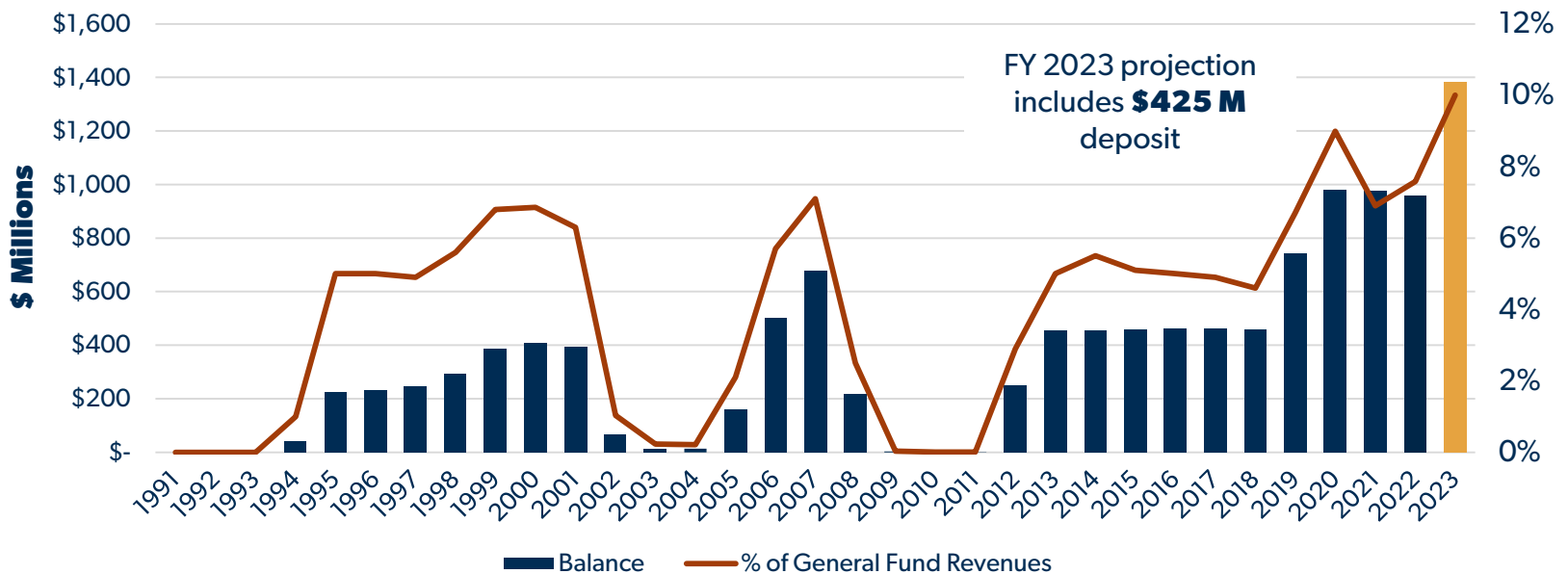
Executive Total Spending Forecast

Total General Fund Spending, FY 2014-2025

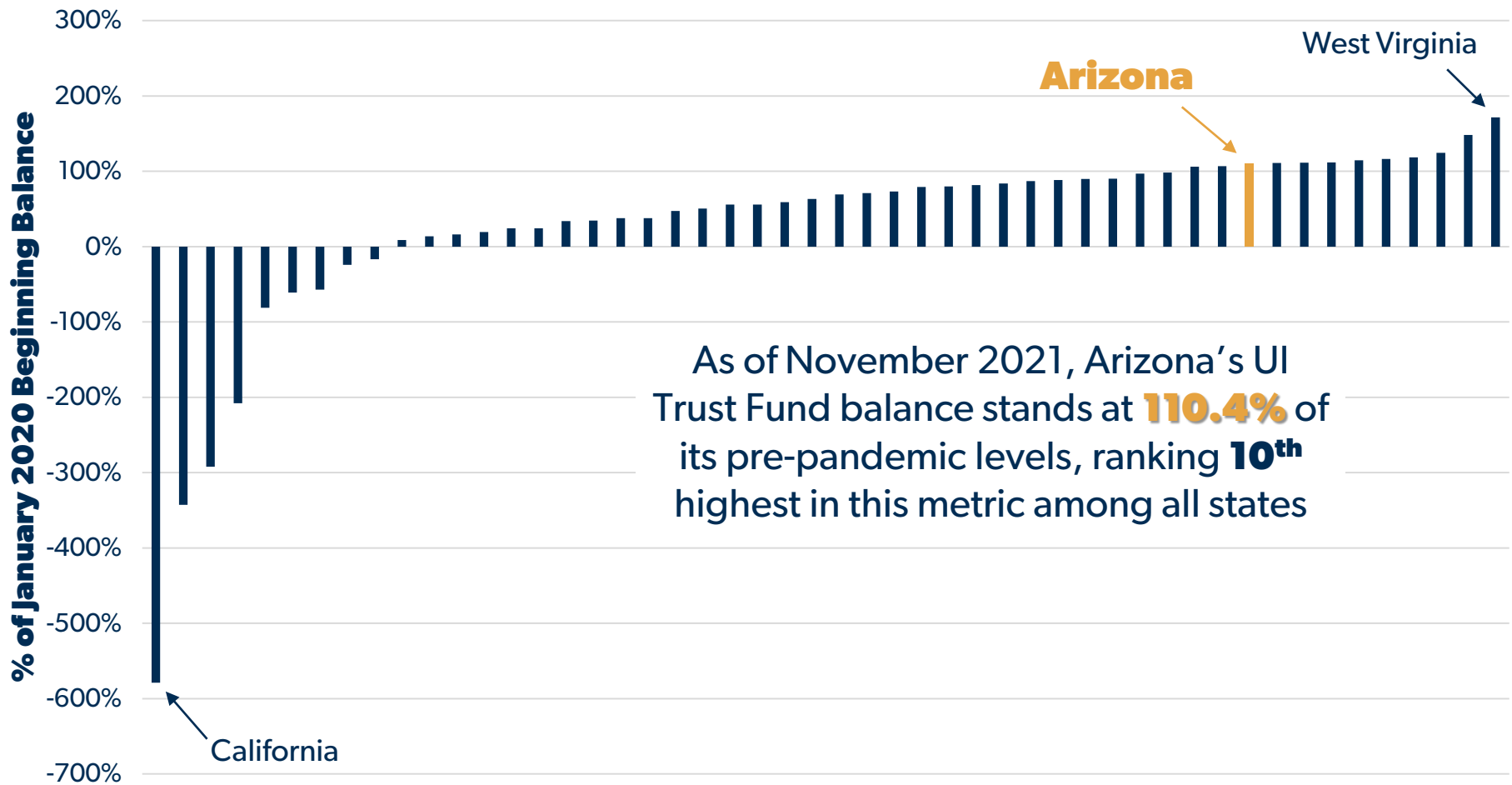


Securing Arizona's Fiscal Future

- As of November 2021, the Budget Stabilization Fund (BSF) balance is **\$959.7 M**
- The projected FY 2022 ending balance is **7.8%** of total General Fund revenue
- The national median of ending balance to General Fund revenue is **10.8%**
- The Executive Budget includes a **\$425 M** deposit in FY 2023, bringing the ending balance to **\$1.4 B**, or **10%** of projected General Fund revenues



Arizona's UI Trust Fund Balance Reaches Pre-Pandemic Levels, 10th Highest in Nation



As of November 2021, Arizona's UI Trust Fund balance stands at **110.4%** of its pre-pandemic levels, ranking **10th** highest in this metric among all states

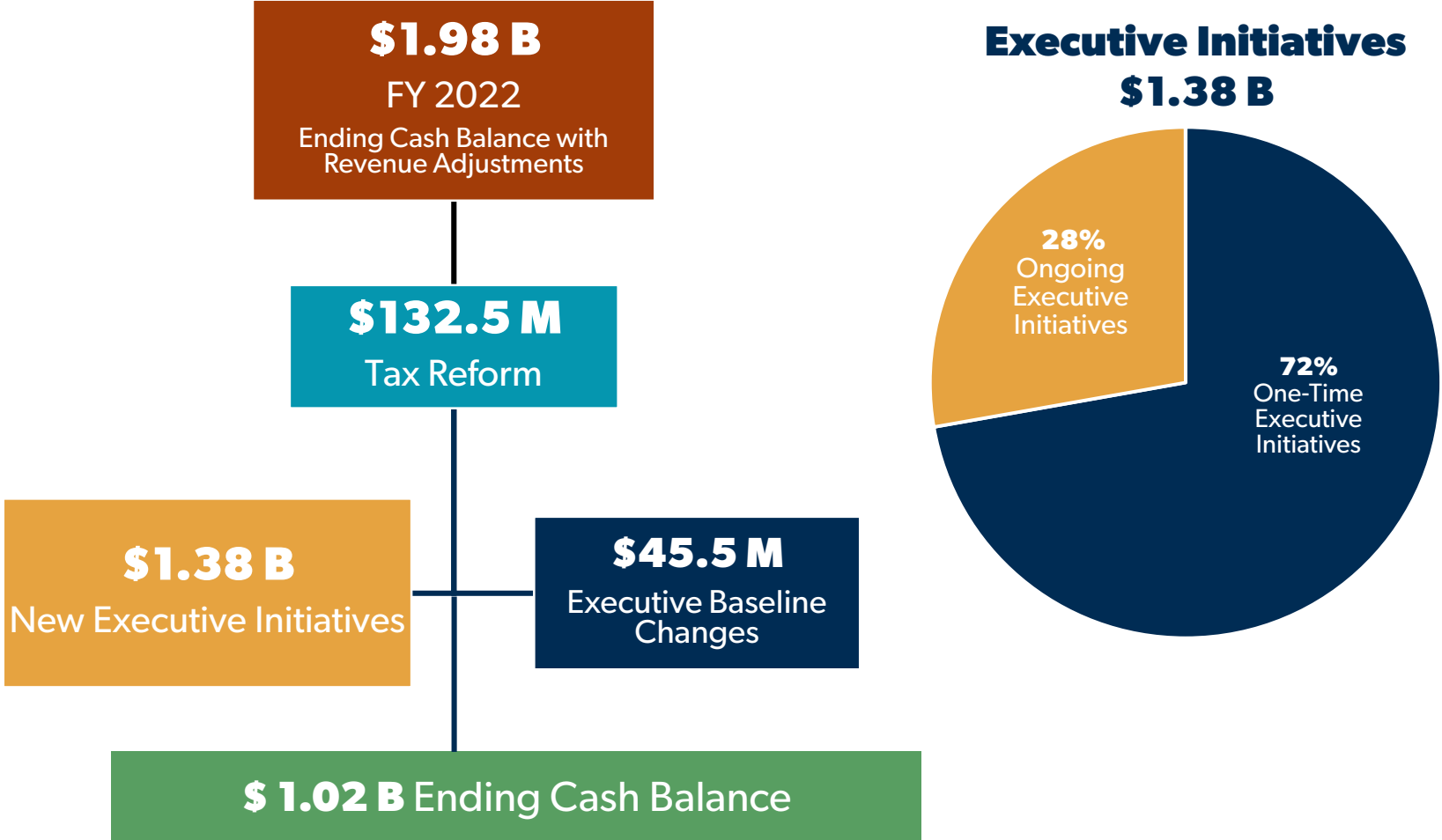
Net balance is cash balance net of outstanding Title XII Advance debt

FY 2023 Budget Priorities

“From paying off billions in debt to taking our Rainy Day Fund to a record-breaking \$1 billion, securing a high credit rating and cutting taxes for hardworking Arizonans, we’re making fiscally responsible decisions that benefit the people we serve: the citizens of Arizona. Our fiscal year 2023 executive budget keeps this stewardship going. We’re making targeted investments in education, public safety, border security, infrastructure and the things that matter to Arizonans.”

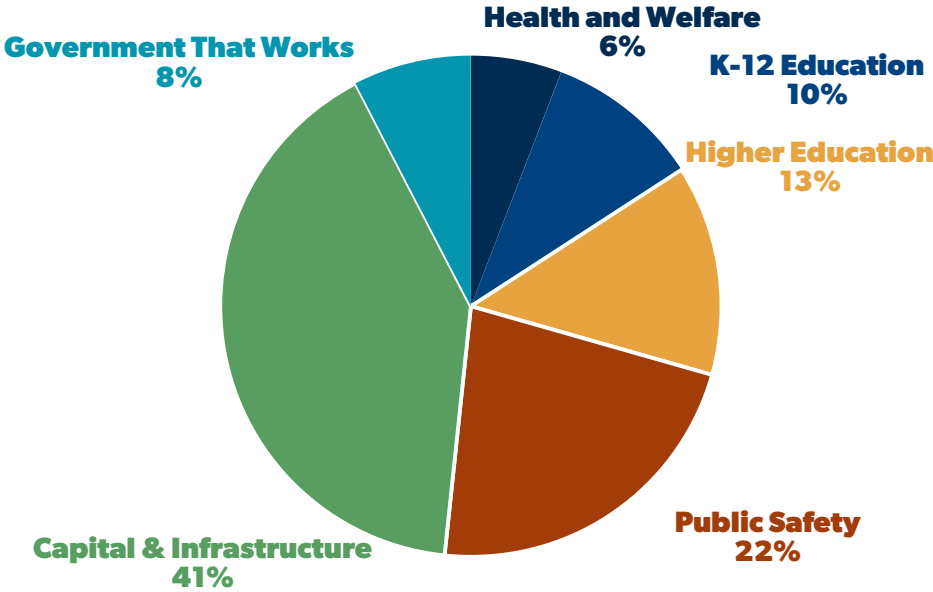
Governor Doug Ducey

FY 2023 Executive Funding

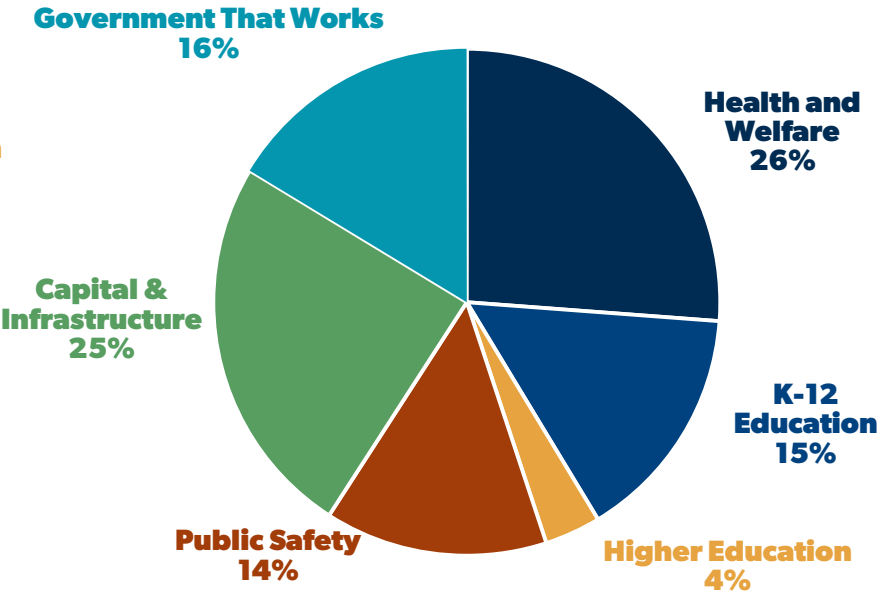


Spending at a Glance

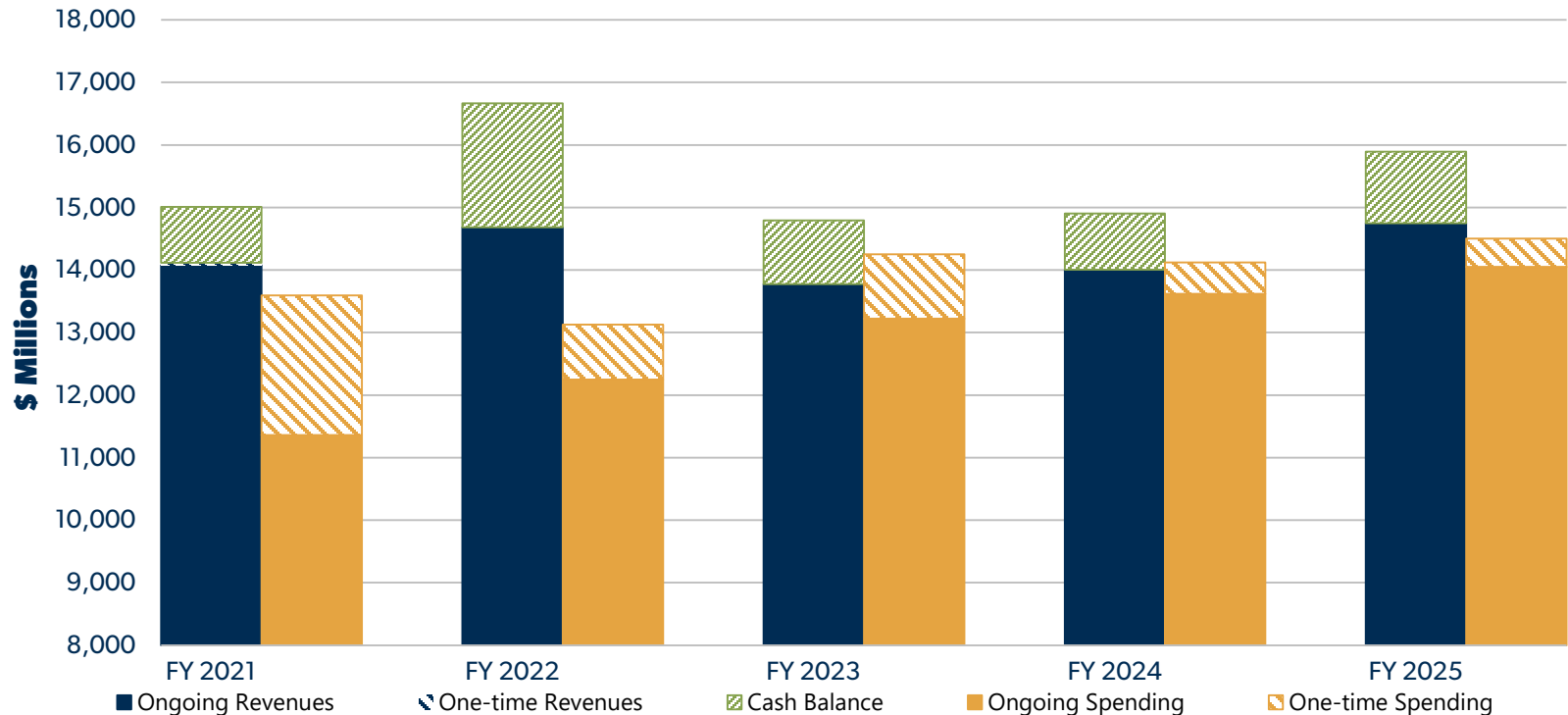
Executive Initiatives
\$1.38 B



Executive Baseline + Initiatives
\$1.43 B



For 7th Straight Year, Arizona Remains Structurally Balanced



| \$ Millions | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Cash | \$895 | \$1,983 | \$1,017 | \$899 | \$1,142 |
| Structural | \$2,717 | \$2,433 | \$552 | \$387 | \$699 |

Education

“In Arizona, we’re committed to expanding school choice, ensuring students have all the tools they need to succeed, and supporting our hardworking educators. We will continue to make targeted investments that put students — especially our kids in K-12 — on the path to success.”

Governor Doug Ducey

K-12 Funding Has Grown and Increased in Source Diversity since 2016

\$2.2 B

**Land Trust
Disbursements since
2016 Under Prop 123**

\$645 M

**20 x 2020
Annual Teacher
Salary Funding**

\$371 M

**Additional
Assistance
Restoration**

+\$2,317

**Per Pupil Funding
Nominal Increase
from State Sources**

\$684 M

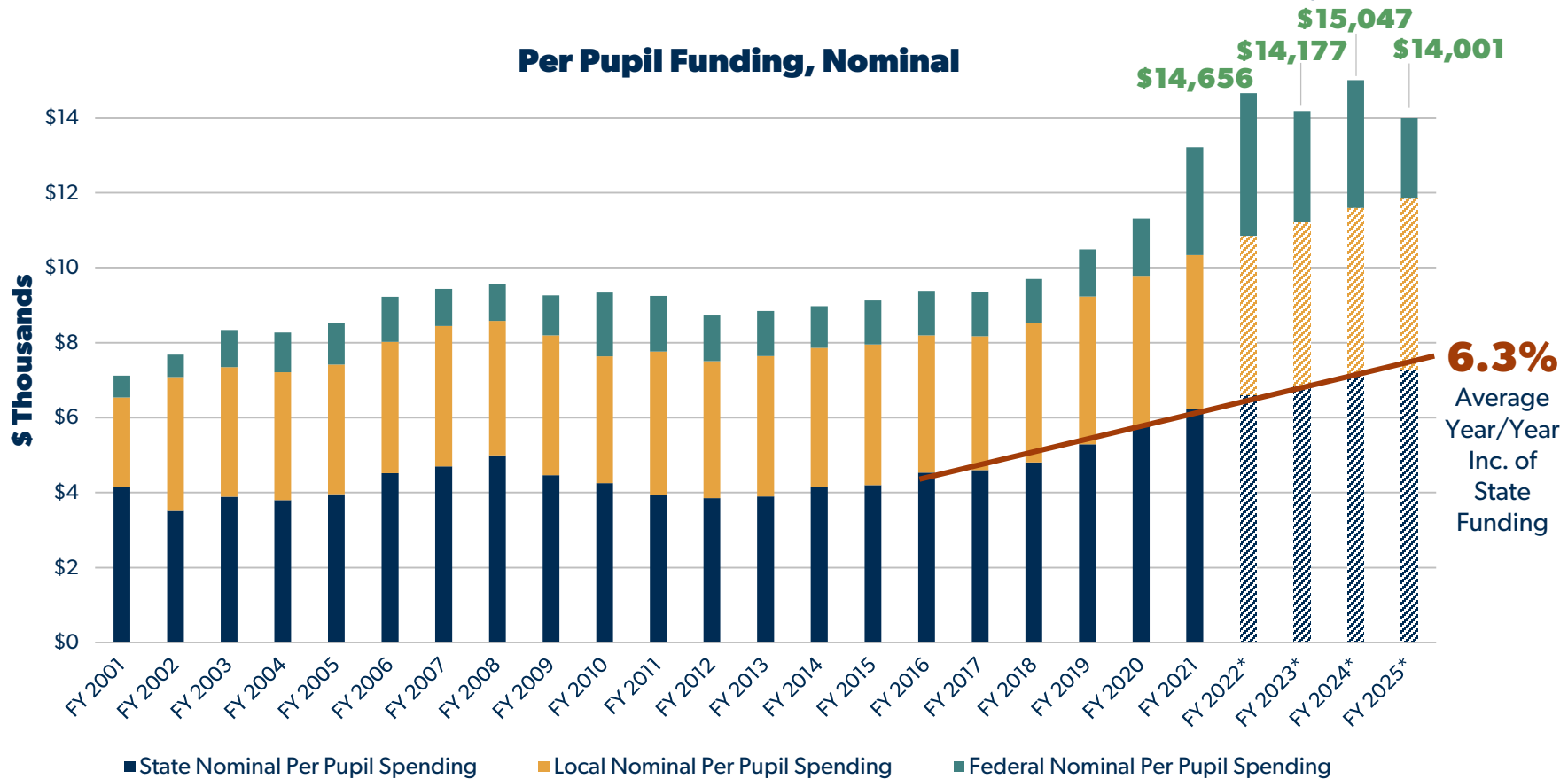
**Annually Due To
Prop 301 Extension
In Partnership with
Legislature**

37

**Total New
Schools Across
Arizona**

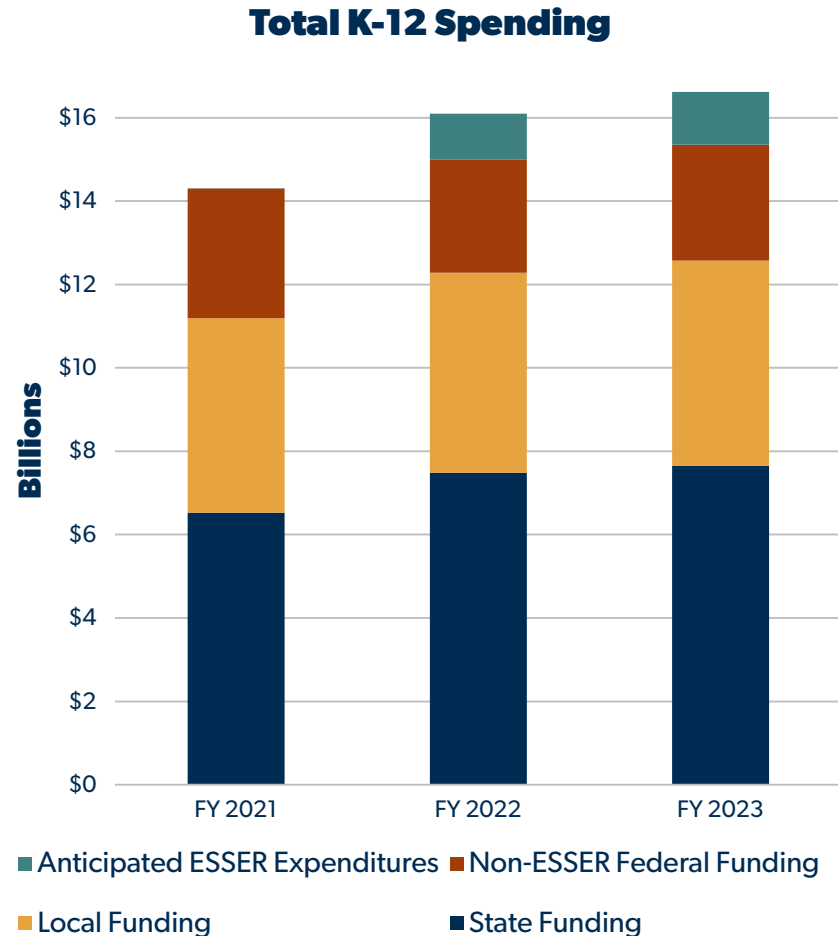
Arizona Is Spending The Most Ever on K-12 Education

Following the record setting per-pupil funding, both of total and state funding, the Executive expects an increase above per-pupil levels in FY 2023 and beyond



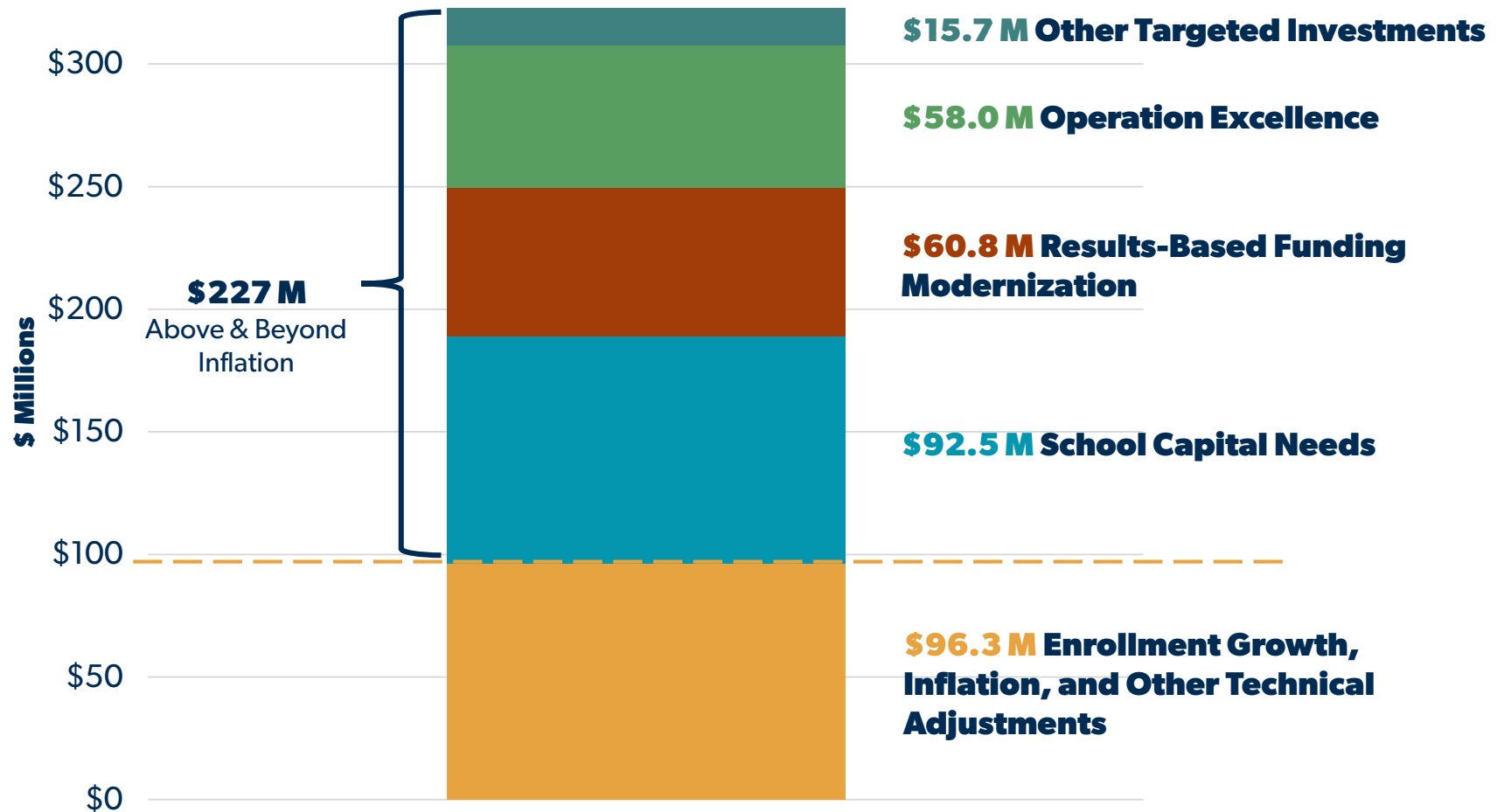
Schools Received Billions in Federal Funding Over Last Two Years

- **3.5% Year over Year** increase in Per-Pupil state funding is provided in the Executive FY 2023 Budget in both targeted investments and formula funding
- **\$4.0+ Billion** in Federal Elementary and Secondary School Emergency Relief (ESSER) Funding has been received by the State and is already being expended
- FY 2022 General Appropriations Act directed the Auditor General to compile federal expenditure information related to ESSER funding at school and State level



\$323.3 M in new K-12 Investments

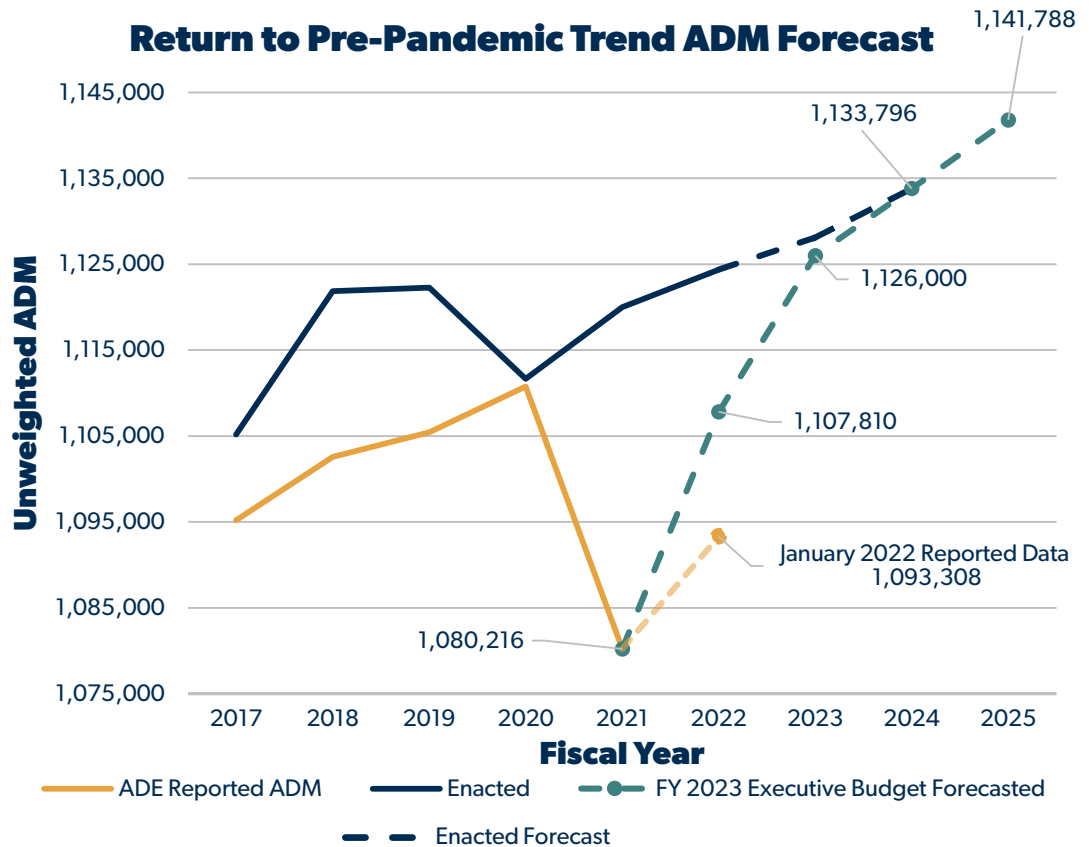
\$10.9 B in Total Funding



Return to Pre-Pandemic Enrollment Trend by FY 2024

The Executive Budget considers a full return to pre-COVID-19 enrollment levels by FY 2024, while re-basing in FY 2023 to anticipated realistic enrollment levels

- **\$136.9 M** for 1.6% growth anticipated from FY 2022 to FY 2023
- **\$(156.9) M** in rebasing savings, as a large disparity exists between enrollment reported by the Department of Education and the enrollment level that currently enacted appropriations for FY 2023 and beyond can support



Getting Arizona's Kids Back on Track

\$100 M of federal funding investments to help mitigate the pandemic's impact on public education to lessen academic loss, with **additional funding based on demand**

- AZ Back on Track Summer Camp
 - Summer math, reading, and American civics instruction program
 - Leverage partnerships between high-achieving schools and community organizations
- Maintain and enhance current K-12 literacy efforts across the state, with a focus on ensuring 3rd grade proficiency

AZ Back on Track Summer Camp Estimated Impacts

206,000

Students Participating
In Summer Camps

250

Hours of Instruction
Provided Per Student

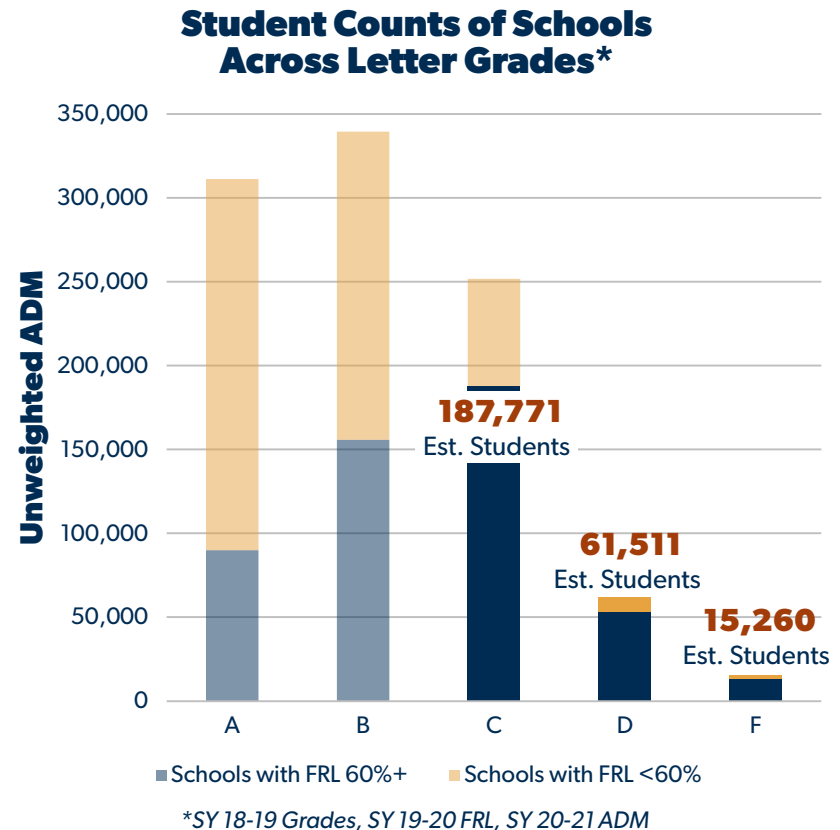
5,900

Instructors with
Instruction Aides

Operation Excellence: Equipping Schools for Success

\$58.0 M to bring a renewed focus to closing the achievement gap through an evidence-based approach to chronically failing and underperforming schools

- **D-rated and F-rated schools** will be targeted for intervention under “Operation Excellence”
- **C-rated schools** with 60% or higher FRL population will be eligible and encouraged to participate
- **\$150/pupil** across three school years to help implement evidence-based strategies to improve attainment
- After the third year of the program, schools that do not make adequate progress and still receive a D or F rating will be subject to action by the State Board of Education



Rewarding Success and Incentivizing Student Achievement

\$60.8 M in additional funding to modernize Results-Based Funding, bringing total funding to **\$129.4 M annually** for successful schools

- Return to usage of letter grades to determine eligibility
- Place into the education funding formula
- Address inflationary pressures by increasing anticipated per pupil amount to FY 2023 levels
- **326** schools and **155,700** students above current statutory program

\$429/pupil

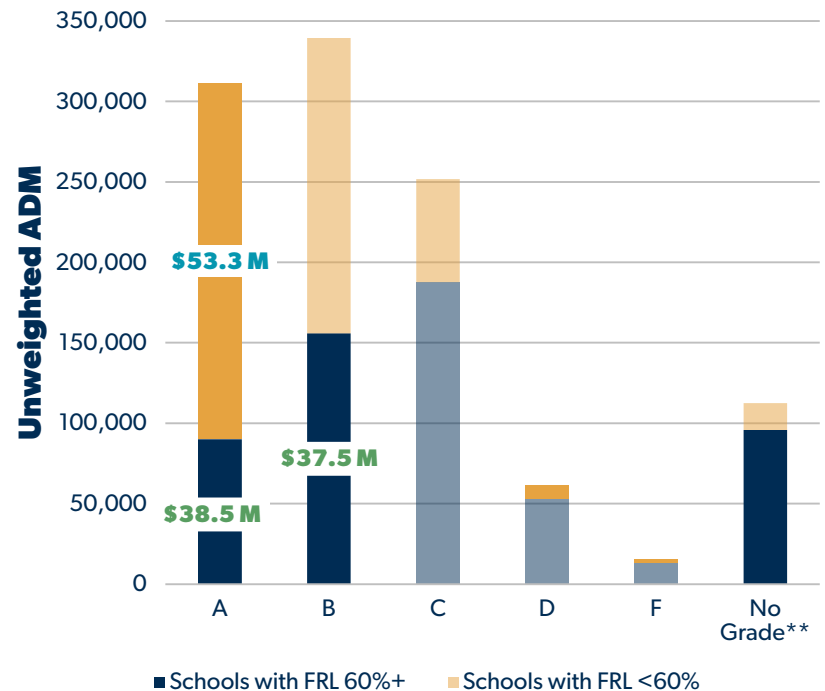
A-rated Schools with 60%+ FRL Population

\$241/pupil

A-rated Schools with <60% FRL Population

B-rated Schools with 60%+ FRL Population

Student Counts of Schools Across Letter Grades*



*SY 18-19 Grades, SY 19-20 FRL, SY 20-21 ADM

Bolstering School Choice Across Arizona

\$20.0 M for to continue a second year of School Transportation Modernization Grants to identify and elevate best practices for the future of how students get to their school of choice

- Currently funded projects include:
 - **\$2.0 M** for the City of Chandler to provide extended-day transportation for students
 - **\$1.5 M** for Crane ESD to develop a menu of transit options so that students can choose
 - **\$100 K** for Black Mothers Forum community carpool system for microschool families

2022 Transportation Modernization Grant Recipients

| Recipient | Award | Recipient | Award | Recipient | Award |
|---------------------------|-----------|-----------------------------|-----------|--------------------------------|-----------|
| AZ Autism Charter Schools | \$2.0 M | Tombstone USD #1 | \$850,000 | Schola | \$255,000 |
| Chinle USD | \$2.0 M | Bowie USD | \$550,000 | Boys & Girls Club Of Bisbee | \$200,000 |
| City of Chandler | \$2.0 M | Nogales USD #1 | \$550,000 | Holbrook USD #3 | \$155,000 |
| Osborn SD #8 | \$2.0 M | Pima JTED | \$500,000 | Avondale Elementary SD | \$150,000 |
| Tolleson Union HSD | \$2.0 M | The Leona Group | \$500,000 | Black Mothers Forum | \$100,000 |
| Crane Elementary SD #13 | \$1.5 M | Empower College Prep | \$460,000 | Heritage Elementary - Williams | \$95,000 |
| Vista College Prep | \$1.0 M | Dysart USD | \$450,000 | Challenge Charter School | \$85,000 |
| Colorado River UHSD #2 | \$850,000 | Leman Academy of Excellence | \$300,000 | Midtown Primary School | \$25,000 |

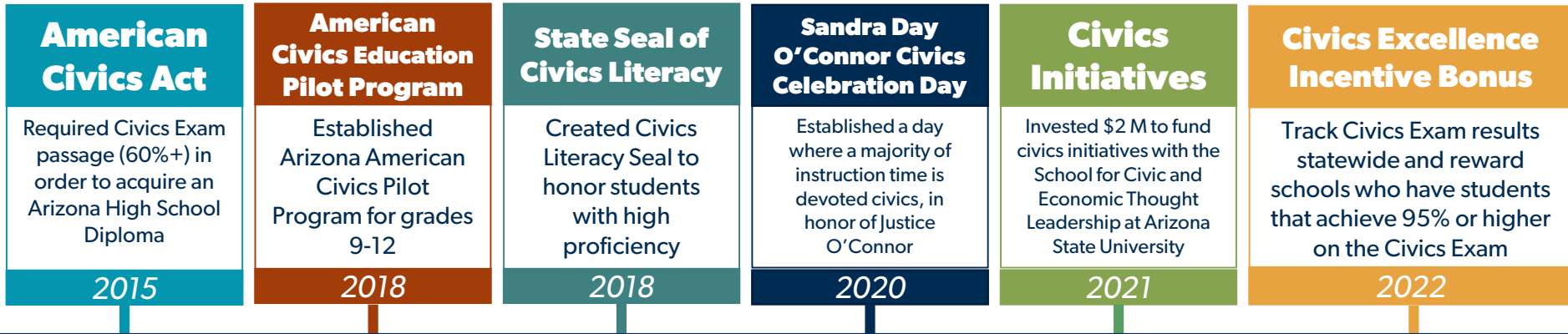
Strengthening Arizona's Civic Muscles

\$5.0 M to build upon civics excellence by incentivizing civics attainment

Arizona is a leader in supporting civics education, and the Executive Budget continues to prioritize civic values by:

- Establishing the **Civics Excellence Incentive Bonus Program** to reward schools who have students that achieve 95% or higher on the Civics Exam:
 - **\$450 per-pupil** who attends a school with an FRL population of 50%+
 - **\$300 per-pupil** who attends a school with an FRL population less than 50%
- 50% of incentive bonus must go to classroom teacher with achieving student with remainder going towards professional development or student instructional support

Governor Ducey's Continued Commitment to Civics

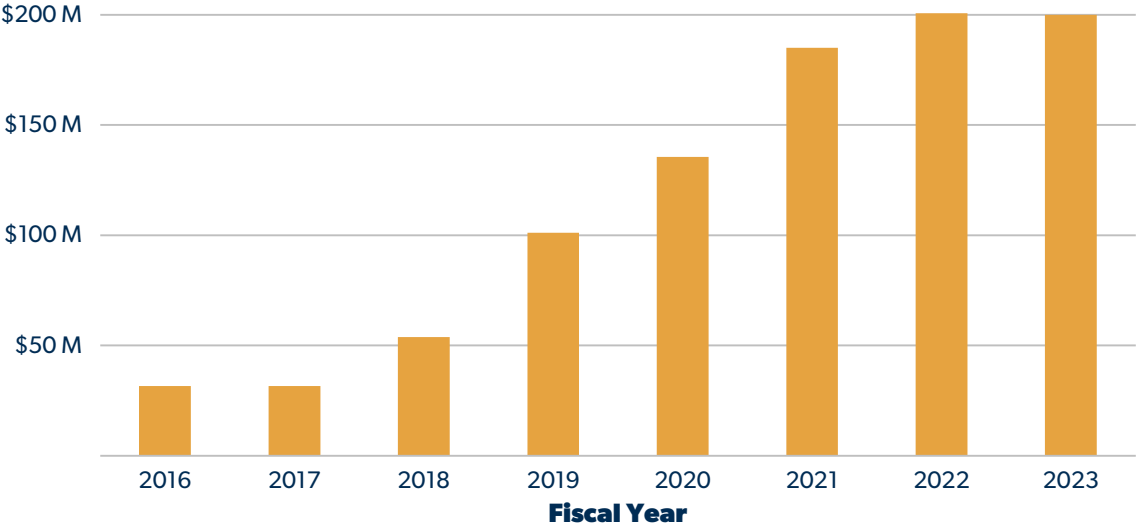


Providing Unprecedented Resources To Maintain Our School Facilities

\$200 M in funding for Building Renewal Grants to address needs in schools across Arizona, comprised of a baseline amount of \$16.7 M and one-time funding of **\$183.3 M**

\$93.1 M in supplemental FY 2022 funding to address additional needs, bringing current-year spend on Building Renewal projects to \$200.3 M

**Building Renewal Funding
FY 2016-2023**



+5,314%
Increase in Annual Funding to Address School Repair Needs Statewide

\$939.3 M
Total Funding Provided for BRG since FY 2016

Funding New School Construction

\$89.4 M to complete five new schools already under construction and start construction on three new schools

New School Construction - FY 2023

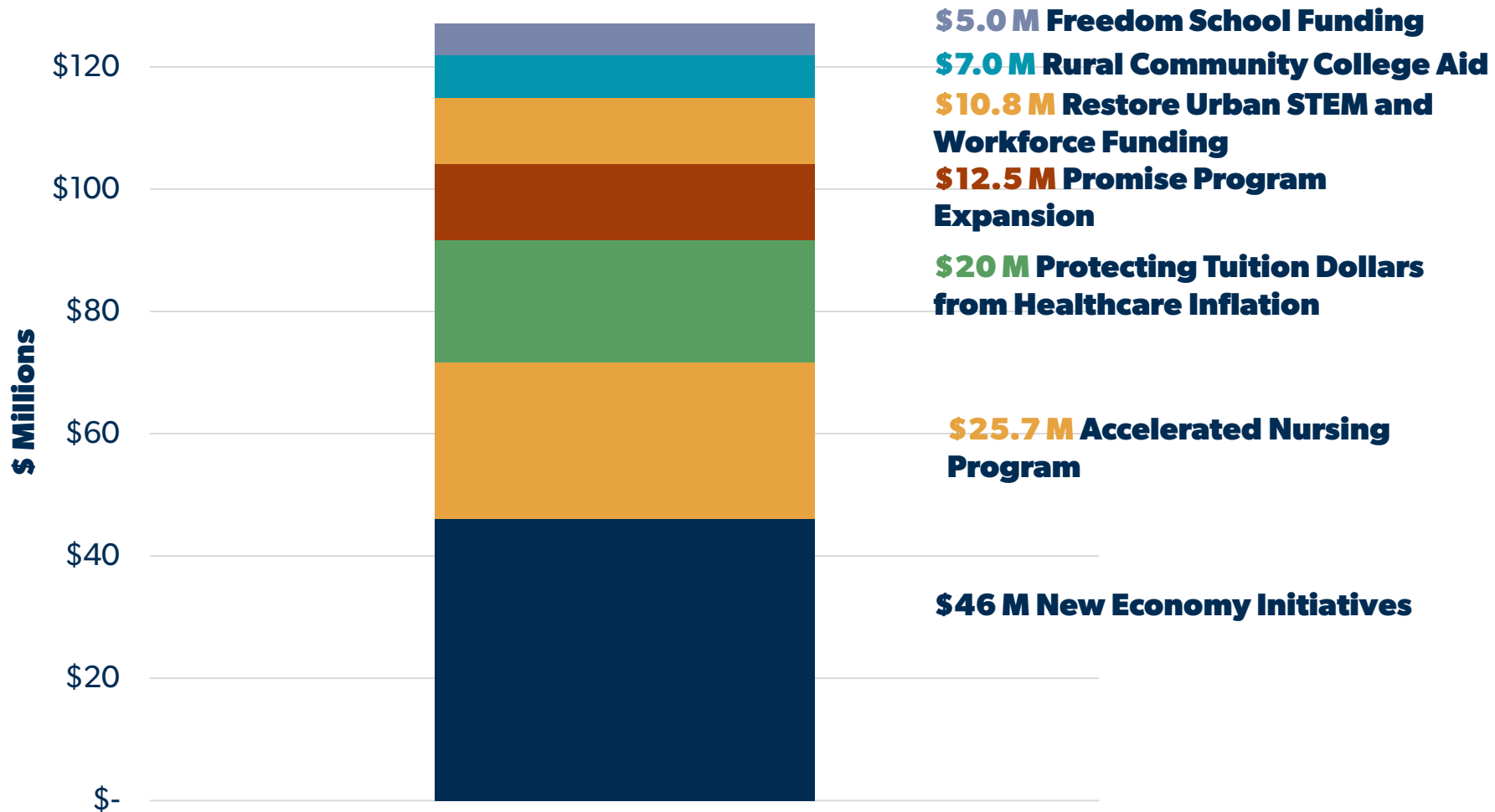
| Start Year | Expected Over Capacity Year | Square Footage | FY 2023 Executive Budget* |
|-------------------------|-----------------------------|----------------|---------------------------|
| Fiscal Year 2022 | | | |
| Liberty K-8 | 2023 | 73,290 | \$10,100,000 |
| Sahaurita 9-12 | 2023 | 55,375 | 9,100,000 |
| Queen Creek 9-12 | 2023 | 120,375 | 19,800,000 |
| Vail 6-8 | 2023 | 62,836 | 8,800,000 |
| Yuma 9-12 | 2023 | 100,000 | 16,500,000 |
| Subtotal | | | \$64,300,000 |
| Fiscal Year 2023 | | | |
| Marana 9-12 | 2024 | 50,000 | \$8,800,000 |
| Nadaburg 9-12 | 2024 | 67,000 | 11,800,000 |
| Pima USD 9-12 | 2024 | 60,300 | 4,500,000 |
| Subtotal | | | \$25,100,000 |
| GRAND TOTAL | | | \$89,400,000 |

All funding at
+60%
enhanced
SQFT rate
 per FY 2022
 budget

*Amounts reflect 6.63% per-square-foot inflation factor approved by JLBC on December 14, 2021

\$127 M in Higher Education Investments

\$2.1 B in Total Funding



Investing in Arizona's Economic Future

\$46 M to support the Universities' New Economy Workforce Initiatives

- The New Economy Initiatives are designed to expand and establish programs that prepare students for careers in future high-demand jobs

\$5.0 M to further invest in the Universities' Freedom Schools

\$30 M in federal funding for Arizona Workforce Accelerators at Community Colleges

\$10.8 M to restore STEM and Workforce funding for Maricopa and Pima Community Colleges

\$7.0 M in aid to the ten rural Community Colleges



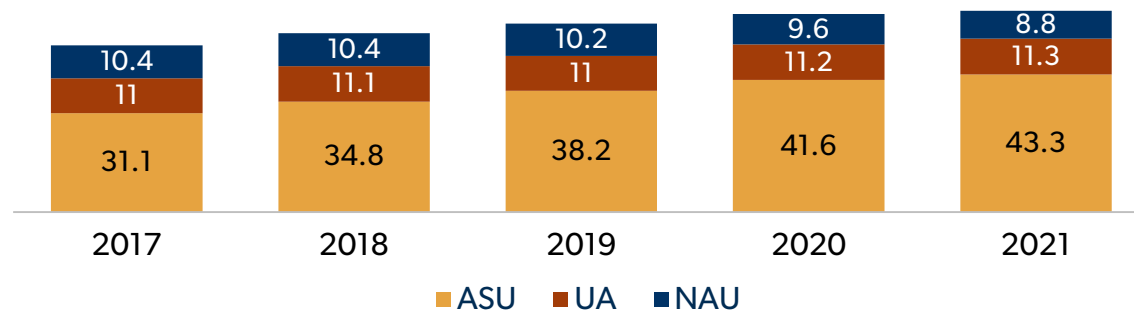
Making Higher Education Attainable for More Arizonans

\$12.5 M to expand the Arizona Promise Program

- Projected to fund **4,600** students
- Builds upon FY 2022 \$7.5 M investment to establish the Promise Program
- Administered by the three Arizona universities
- Fills the tuition gap for students that are fully Pell-Eligible

\$10 M investment to waive tuition costs for veterans' spouses

Total Pell Grants Awarded by Arizona Institutions (Thousands)



Health and Welfare

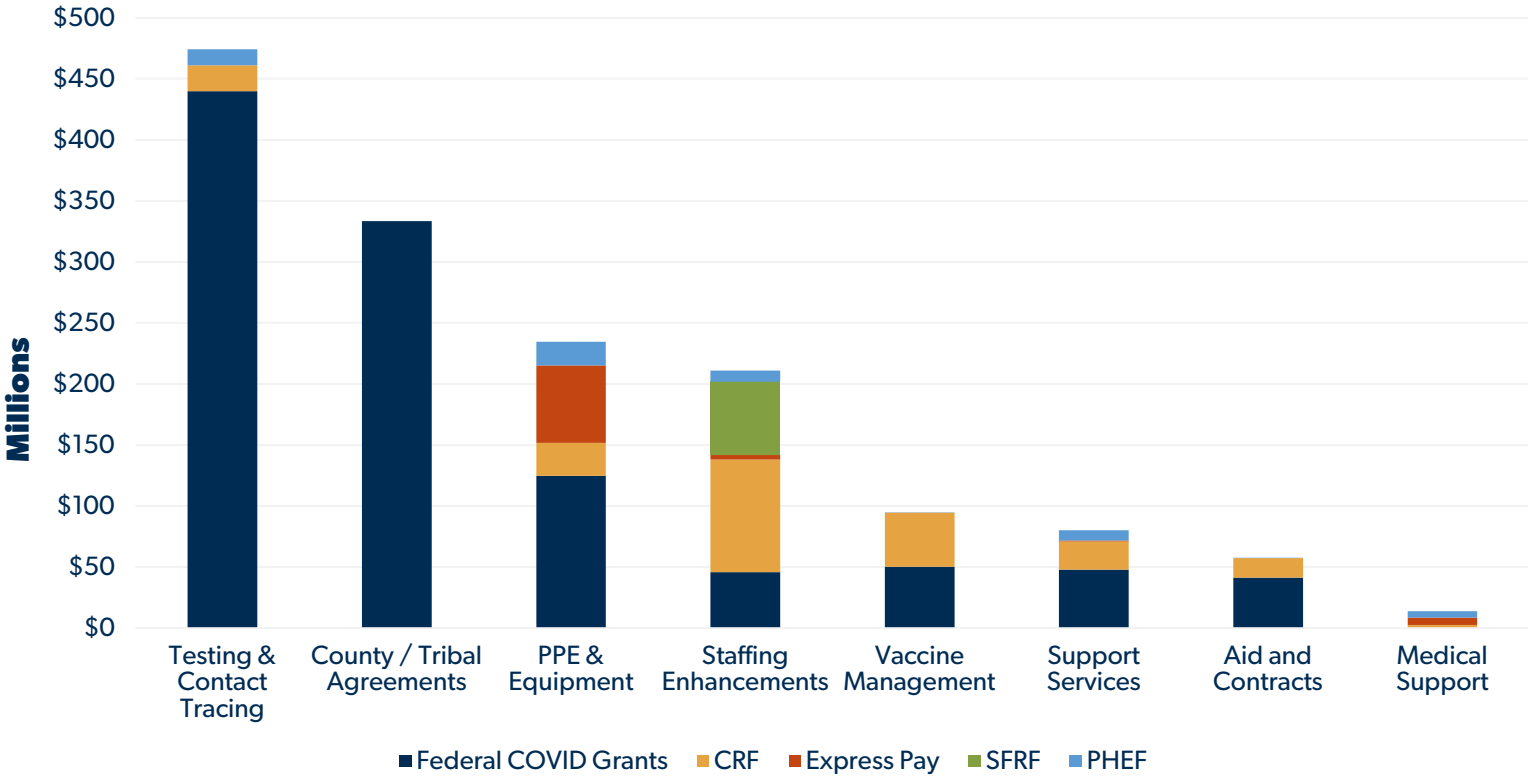
“The health and welfare of all Arizonans is a top priority. We are committed to protecting vulnerable children and adults and ensuring they have the resources they need — and we’re doing that with our fiscal year 2023 budget.”

Governor Doug Ducey

Crucial Funding for COVID-19 Response

\$1.5 B in federal and state resources have been allocated by the Department of Health Services as a part of the State's COVID-19 response

Health Services COVID-19 Funding by Source and Use

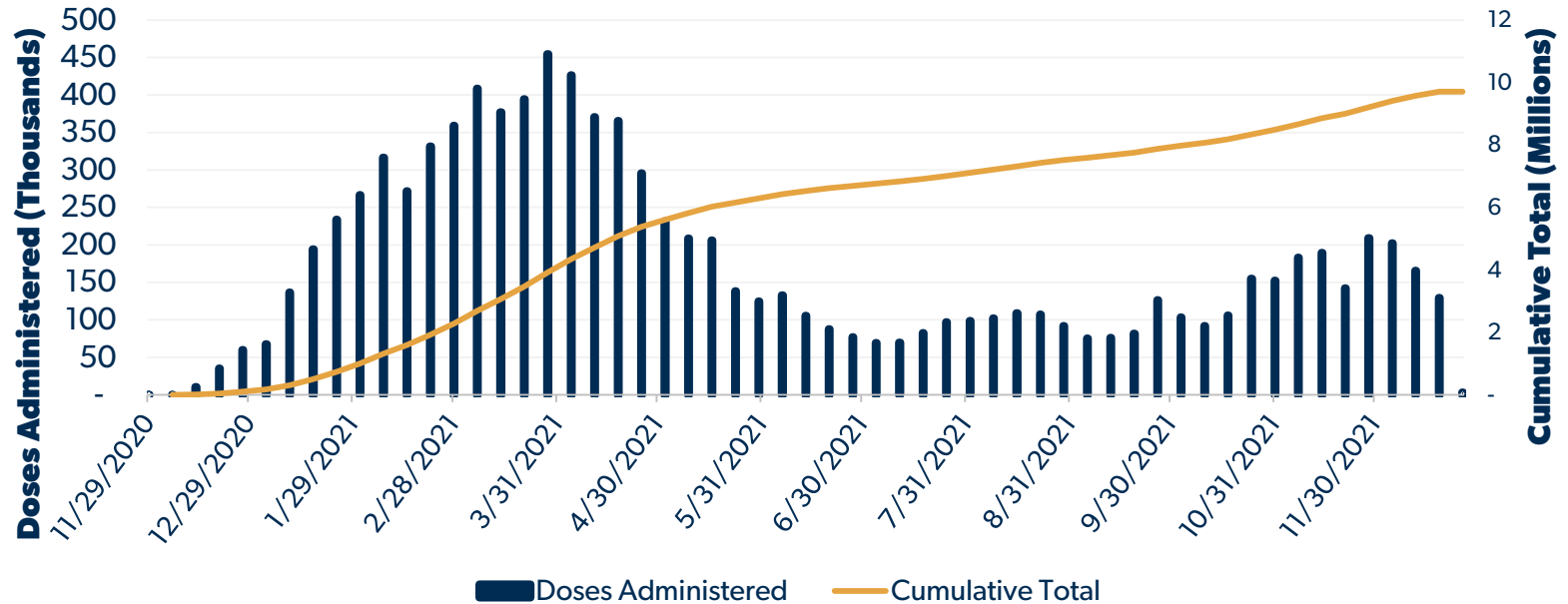


Protecting Arizona's Most Vulnerable

3.9 million, or 65% of Arizonans have been fully vaccinated against COVID-19 since November 2020

- Rollout has successfully reached the most vulnerable populations, with **93.8%** of Arizonans aged 65 and older fully vaccinated
- **Nearly 100%** have received at least one dose of the vaccine

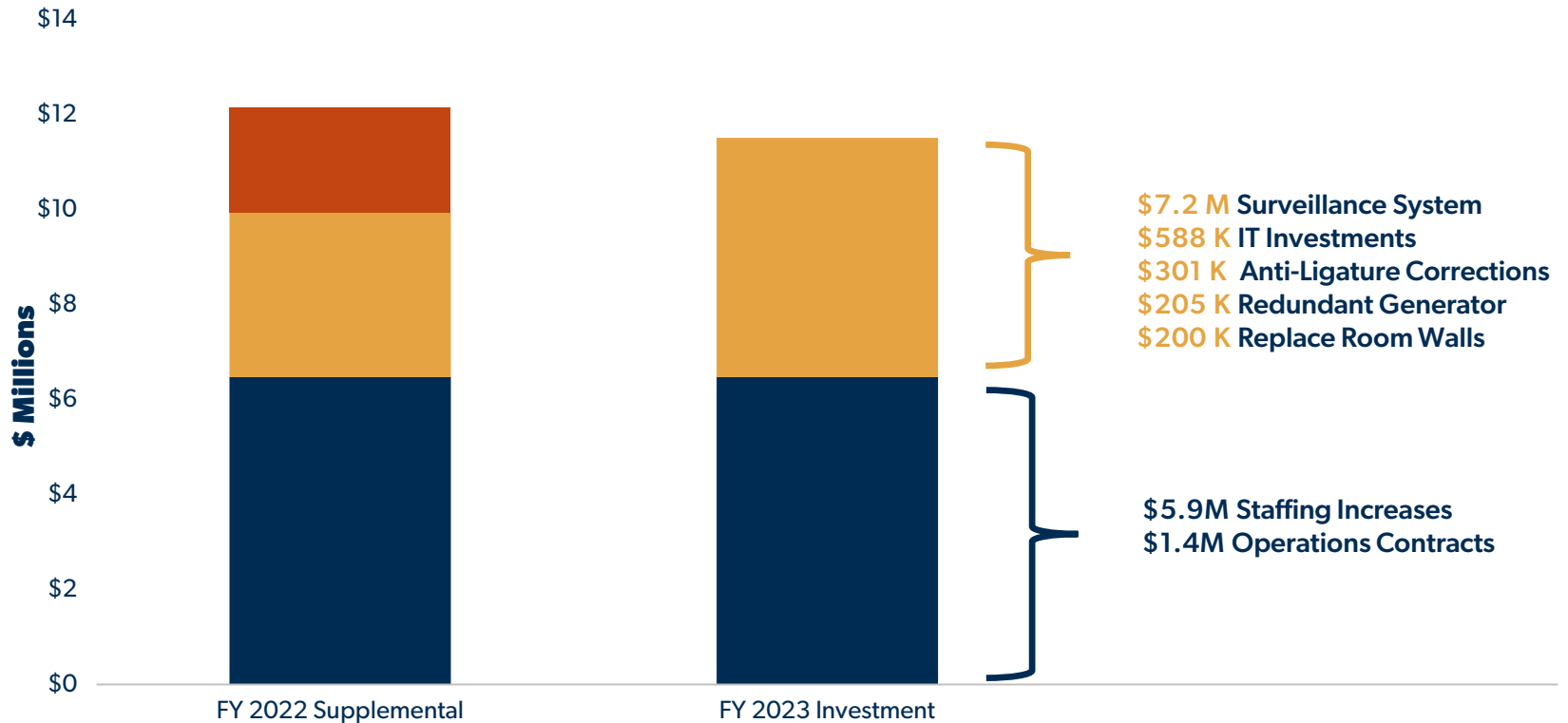
Weekly COVID-19 Vaccine Doses Administered



Providing Optimal Care for Arizonans in Need

\$11.5 M for the Arizona State Hospital to address ongoing operational pressures and complete critical health, safety, and security projects on campus

Arizona State Hospital Investments



Addressing Medical Staffing Needs Across the State

\$25.7 M to foster a public-private partnership with Creighton University to expand the Accelerated Nursing Academy

- **32.9%** of Arizona hospitals are experiencing critical nursing shortages, placing it in the top 10 states for nursing shortages nationwide
- The University will add a 3rd Accelerated Nursing Cohort
- Accelerated program is only 12 months to complete, compared to standard 48 months
- Creighton University is also committing **\$15.7 M** investment in its partnership with the State

300+

Additional Registered Nurses from the program Committed to work in AZ by 2030

94%+

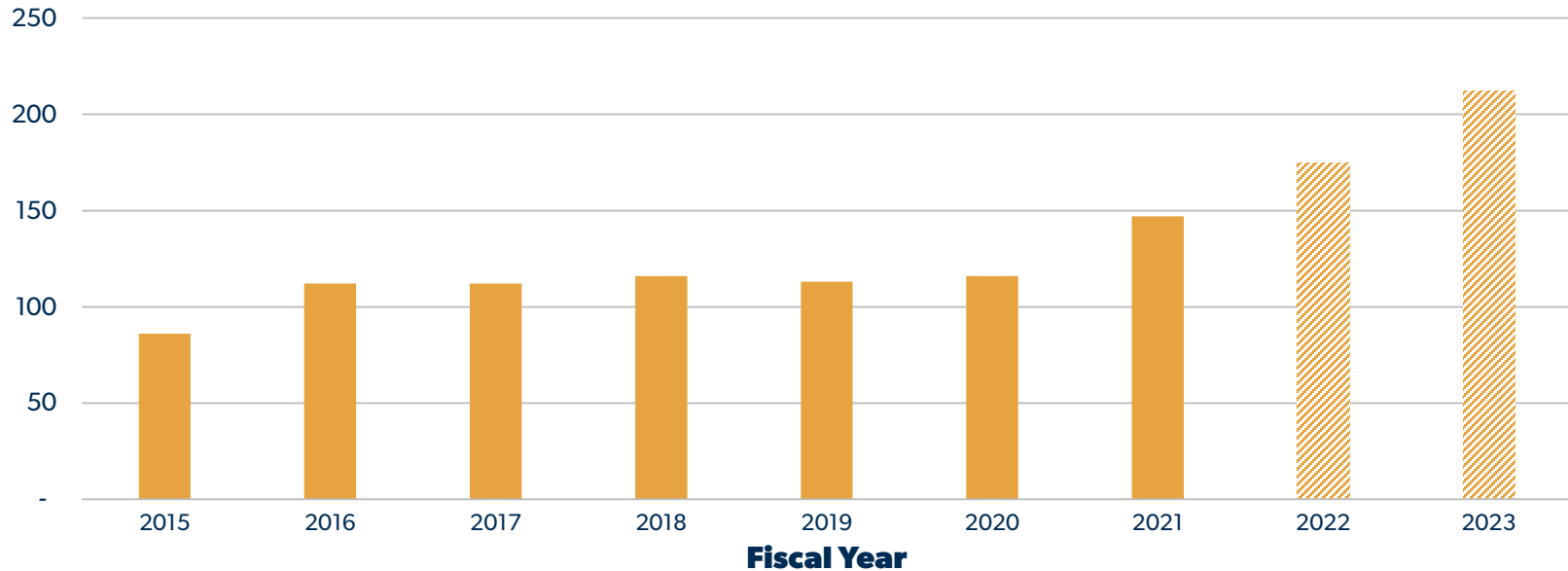
Creighton University Accelerated Nursing Passage Rate

Protecting Arizona's Most Vulnerable

\$8.2 M in ongoing funding to account for increased costs due to the rising caseload of Adult Protective Service (APS) Investigators working with vulnerable adults

- Hiring 62 FTEs to manage caseload growth and cover higher staffing costs
- Reduce annual caseload from **1:39** to **1:24**

Caseload per Investigator, FY 2015-FY 2022



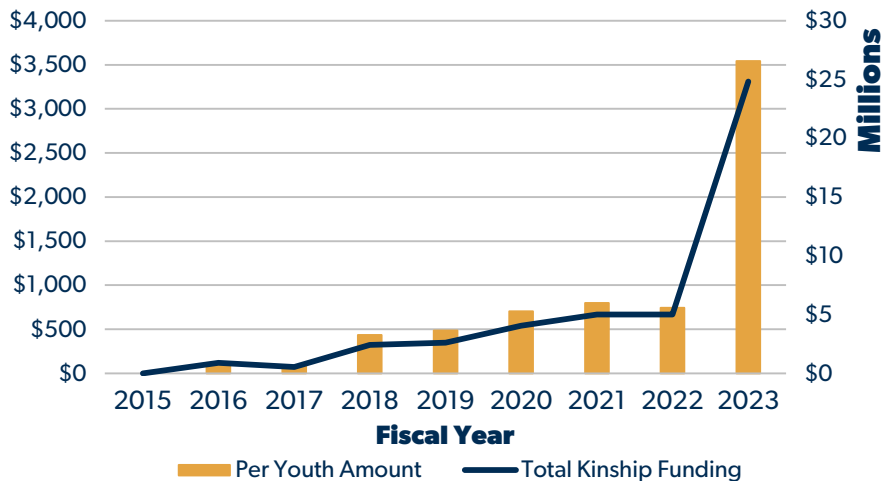
Keeping Arizona Families Together

\$19.8 M to support expanding monthly kinship stipend from **\$75** to **\$300**

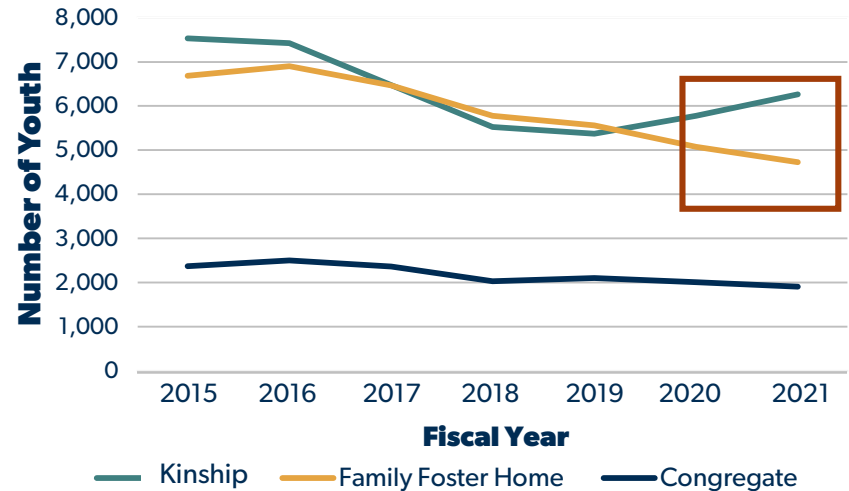
\$4.8 M to increase monthly allowance for the youth from **\$63.45** to **\$126.90**

- Reduce congregate caseloads to settled amount within 24 months
- Allow youth in state custody to experience greater normalcy
- Streamline ability of kinship care givers to become fully licensed, increasing monthly allowance from base **\$300 to \$600**

Kinship Support



Out-of-Home Population



Public Safety

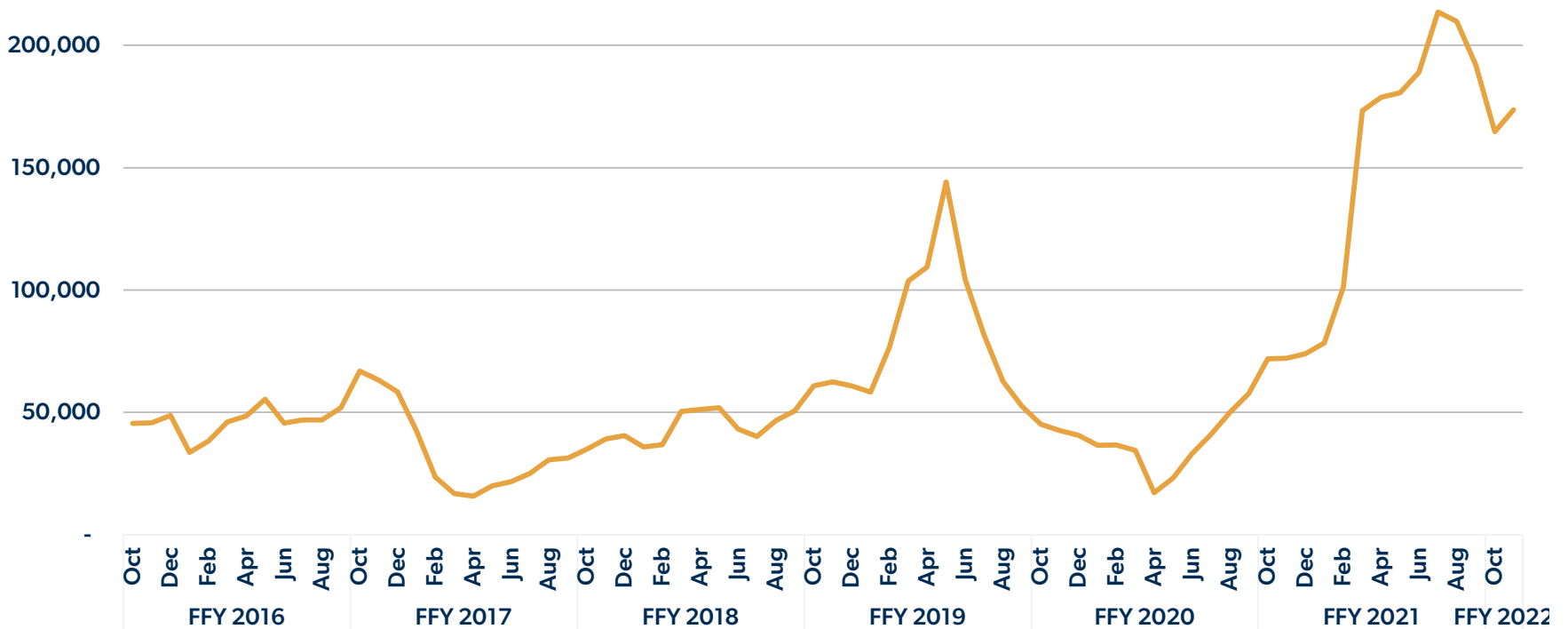
“We intend to keep Arizona a place where we honor and value our law enforcement professionals and all first responders — a place where public safety matters. We will continue to support those who do so much to protect our communities.”

Governor Doug Ducey

Border Crossings Have Spiked Over the Past Year

281% increase in illegal encounters at the border from 45,516 to 173,620 per month since Federal Fiscal Year 2016

**Southwest Border Encounters by Month
Federal FY 2016 – Federal FY 2022**

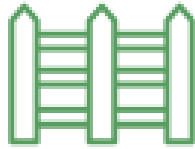


Securing Arizona's Border

\$50 M deposit in Border Security Fund for enhanced:



Patrolling



Physical Barriers



Detention



Prosecution

\$11.6 M to expand the Border Strike Force (BSF)

- **Doubles** the investment in BSF Ongoing (DPS activities)
- **Triples** the investment for BSF Local Support (grants to locals)

Creation of the American Governors' Border Strike Force in FY 2023 will allow for:

- Partnership across state lines
- Targets transnational criminal organizations
- Supports law enforcement retention and recruitment

Border Strike Force Seizures since 2018

457

Pounds of
Heroin

190 Million

Lethal Doses
of Fentanyl

8,030

Prescription
Pills

707

Firearms

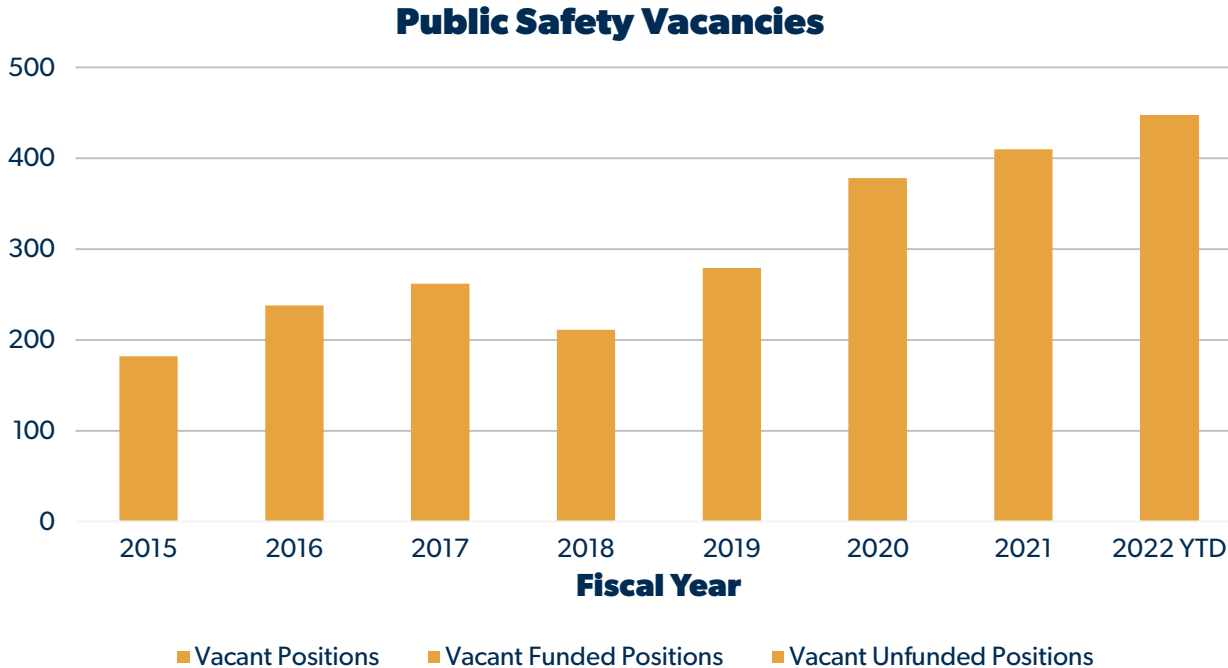
\$14 Million

Cash

Investing in the Public Safety Workforce

\$30.8 M in salary adjustments for Department of Public Safety (DPS) positions

- DPS has 448 appropriated positions vacant out of 2,288 positions



11.6%
**State Trooper
Turnover Rate**

\$10.5 M to address inflationary pressures and improve equipment

\$8.2 M for Helicopter Lifecycle Replacement for DPS fleet

Improving Critical Infrastructure

\$92.9 M to address infrastructure needs across ADCRR to ensure safety and decrease future increased costs to the State

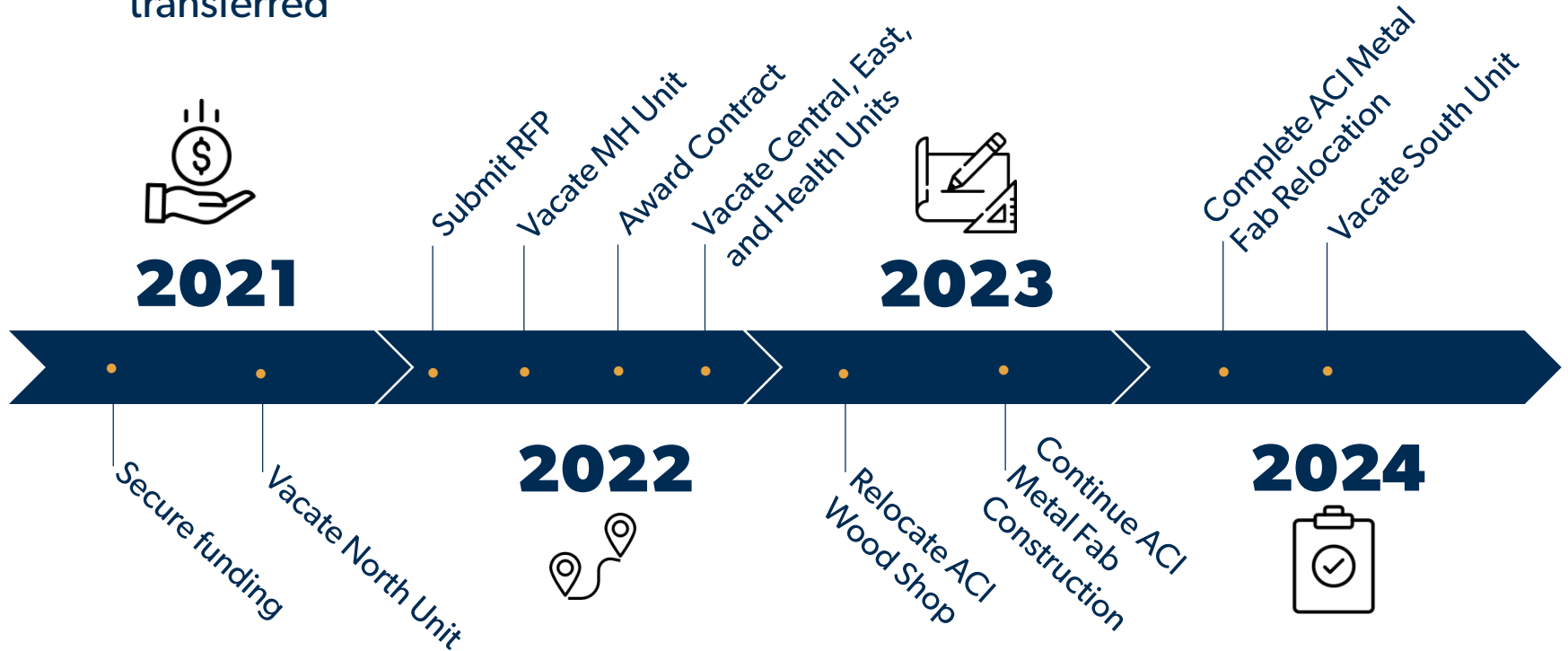
- Second time ADCRR’s building renewal formula has been fully funded since its creation in 2012
- Part of a 4-year, \$127.3 million plan to convert all state-owned complexes to air conditioning

| Project | | Investment |
|---|--|---------------------|
| Building Renewal | | \$32,600,700 |
| Fire and Life Safety | | |
| Lewis | Repair / upgrade fire alarm and fire sprinkler systems | \$13,742,800 |
| Lewis | Repair smoke EVAP and fire alarm system | \$600,000 |
| Eyman | Upgrade door-locking system for bathrooms | \$200,000 |
| Tucson | Upgrade failing door, locking, and control systems | \$1,893,300 |
| Perryville | Replace motor-controlled locks | \$125,000 |
| Perryville | Manual and electrical security lock upgrades | \$1,427,700 |
| HVAC | | |
| | Replace EVAP cooling system at Eyman and Perryville | \$42,323,000 |
| TOTAL FY 2023 TARGETED INVESTMENTS | | \$92,912,500 |

Florence Deactivation Progressing

\$2.4 M to continue the Florence deactivation project

- As inmates are gradually transferred to private beds, the cost is estimated to increase
- By the beginning of FY 2023, the majority of the inmates will be transferred



Reducing Recidivism: Work Opportunity Expansion

\$5.0 M to expand employment opportunities for inmates after incarceration, building upon past efforts

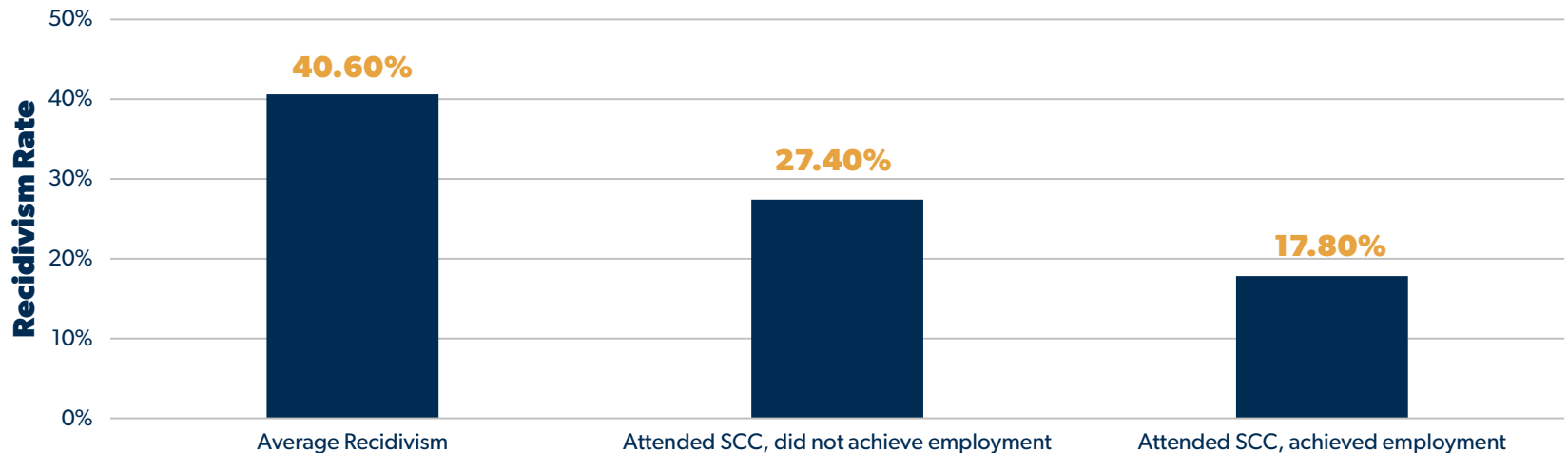
- **\$3.7 M** – ACI Upfitting and Maintenance Center
- **\$1.0 M** – Employment Assistance Services Post-Release
- **\$302 K** – Commercial Driver License Program Expansion

56%

Reduction of Recidivism for participants that attend Second Chance Center and achieve employment

Recidivism Rate in Arizona, 2017-2020

Based on Second Chance Center (SCC) Participation and Employment Status

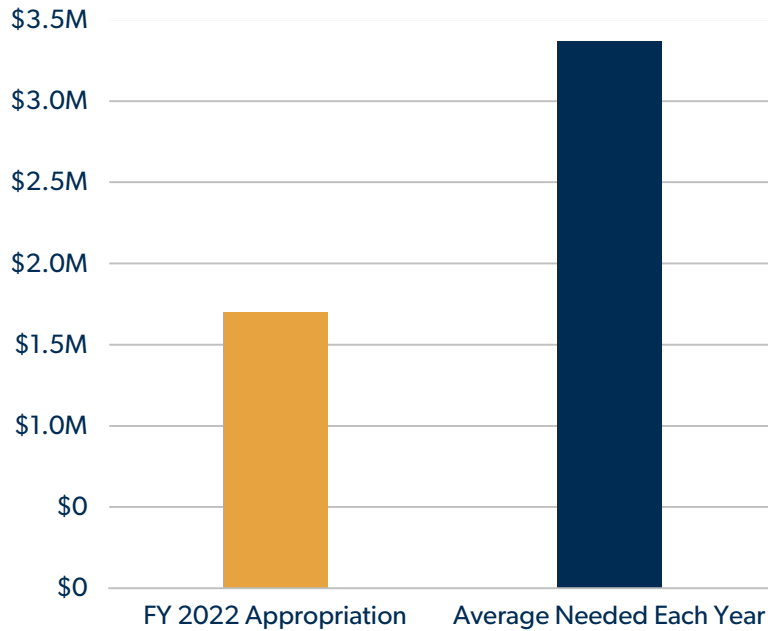


Supporting DEMA Readiness Centers

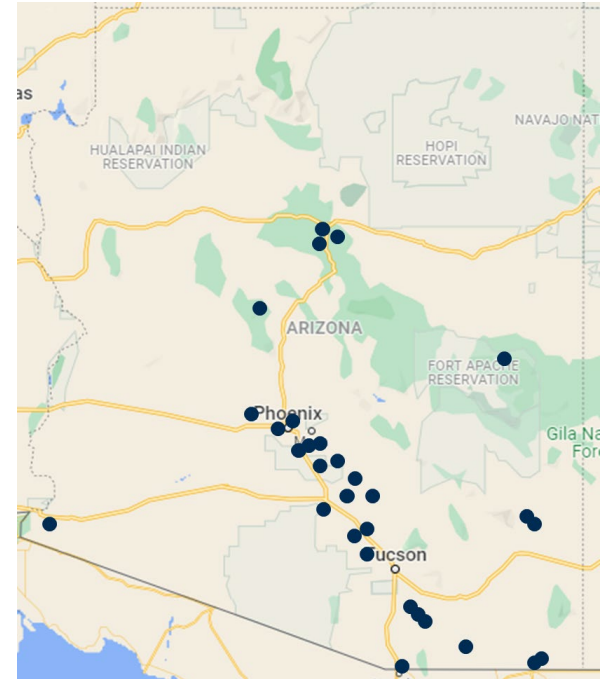
\$10.4 M for addressing Readiness Center Maintenance Backlog

\$1.6 M in State funds is needed to draw down federal funding for Readiness Center Maintenance to prevent backlog from in the future

Readiness Center State Match Need vs. Previous Funded Level



Readiness Centers Across AZ



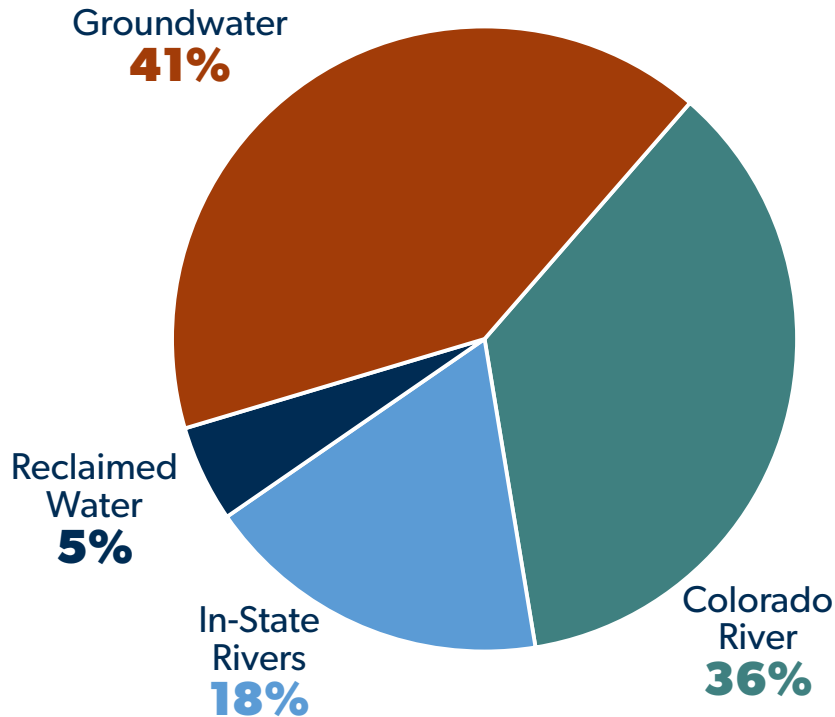
Natural Resources

“We must protect Arizona’s most precious natural resources and pave the way for a sustainable future. One area where our work clearly isn’t done is on water, and our fiscal year 2023 executive budget makes historic investment to secure Arizona’s water future.”

Governor Doug Ducey

Securing Arizona's Water Future

Arizona's Current Water Sources



\$1.16 B

For Water Augmentation Activities by FY 2025

Past investments in Arizona's water use and future:

- **\$160 M** to kick off water augmentation efforts across the State
- **\$52.0 M** in rural water projects aimed at increasing supply
- **\$31.0 M** to increase Groundwater Capacity directly
- **\$34.2 M** for Water Banking payments to conserve water
- **\$30 M** for additional water conservation payments

Arizona Healthy Forest Initiative Crews Deploying, Protecting Arizona's Land

\$36.2 M for phase II of the Arizona Healthy Forest Initiative (AZHFI)

Phase I Rollout Status

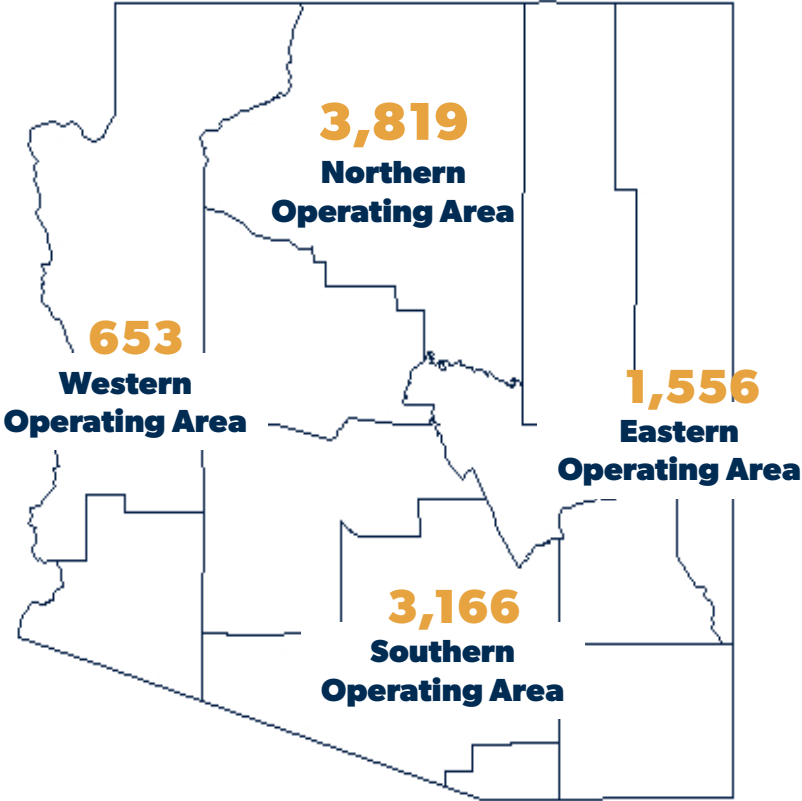
9,194

Acres Treated
out of 10,000
Acre Goal

**February
2022**

Deployment of Fully
Trained Crews

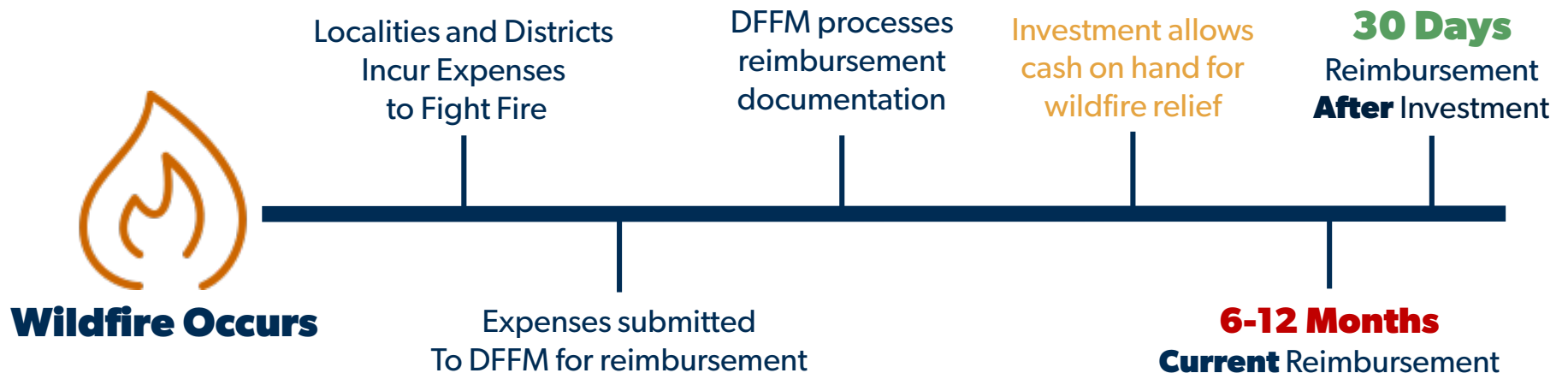
Healthy Forest Initiative Acreage Treated



Generating Savings Through Proactive Efforts

\$16.8 M for the Fire Suppression Revolving Fund

- Department of Fire and Forestry Management (DFFM) is currently appropriated \$4 million for fire suppression efforts
- Funding will provide DFFM with a \$20 million appropriation each year that can be utilized for fire suppression

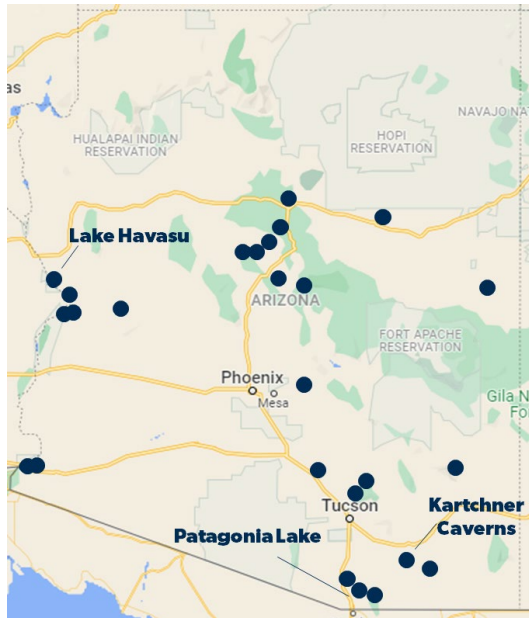


Investing in Rural Tourism

\$176.7 M for a comprehensive 44-project investment in the State Parks System to ensure access for current and future Arizonans

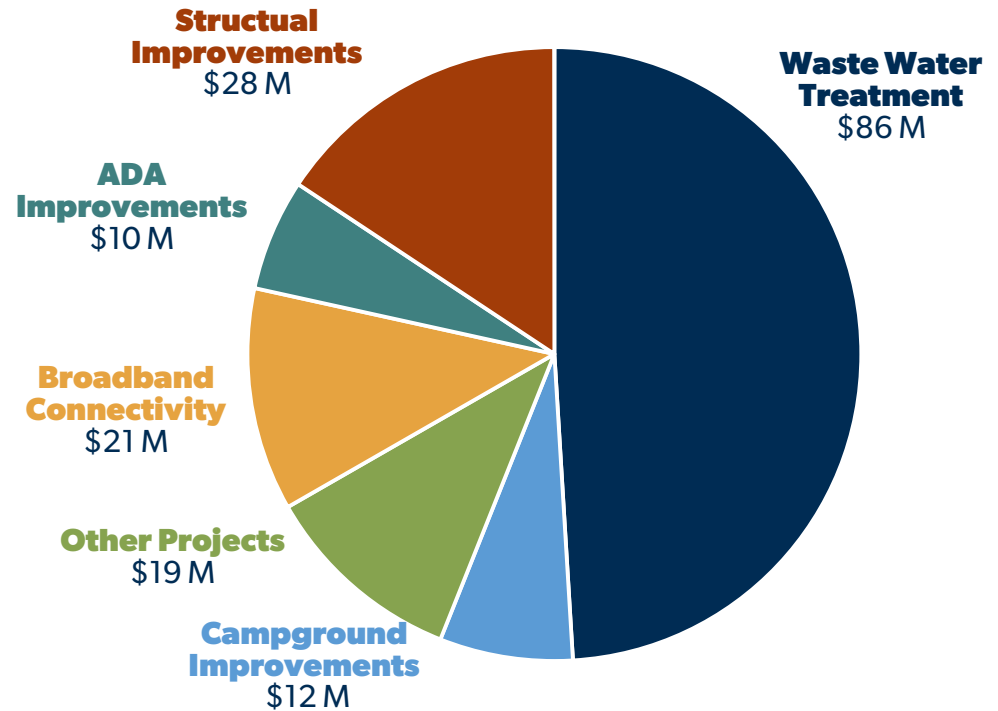
- **\$38.2 M** from General Fund sources
- **\$20.5 M** from the State Parks Revenue Fund
- **\$118 M** from federal funds

State Parks Receiving Investments



● State Park with Project

Funding by Project Type Across State Parks



Government That Works

"We're keeping good on our promise that state government will operate at the speed of business to serve all Arizonans. Our economy is booming, we have cut the red tape and our government is the smallest it has been in years. We will continue to invest in infrastructure, technology and public safety to truly be a government that serves the people."

Governor Doug Ducey

Targeted Personnel Investments, With a Focus on Public Safety Personnel

The State workforce is smaller, higher paid, more engaged, and getting more done than ever before for the citizens of Arizona

- Average salary has increased from **\$44,116** to **\$50,704** across 2015-2021

State Employee Engagement

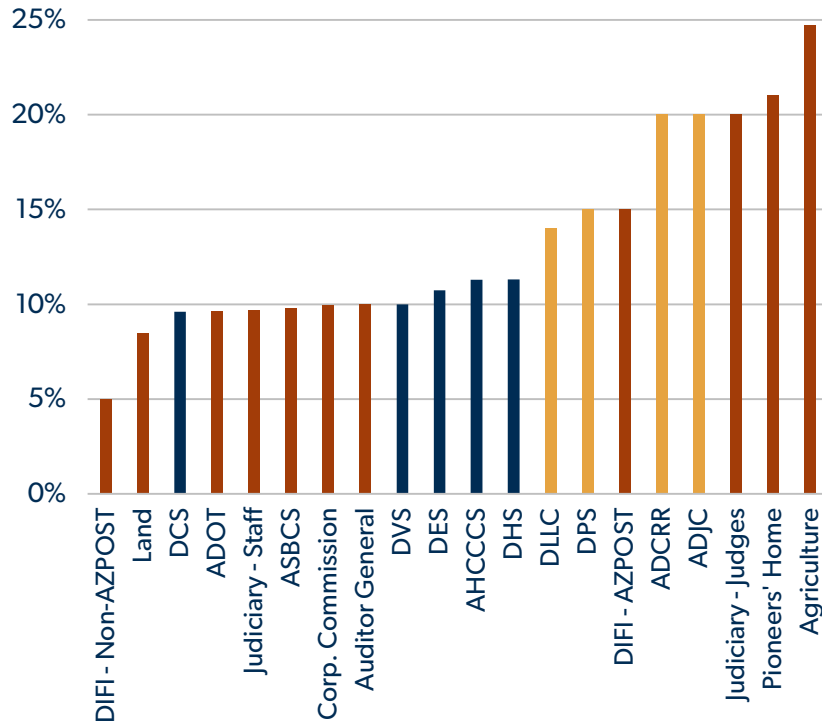
| 2018 | 2019 | 2020 | 2021 |
|------|------|------|------|
| 69% | 70% | 74% | 75% |

- Continuing to build on these successes, the Executive has identified positions with high rates of vacancies to target with additional compensation:
 - **26.2%** Department of Economic Security Habilitation Technician
 - **23.3%** Arizona Pioneers' Home Nursing Assistants
 - **19.9%** Department of Correction, Rehabilitation, and Reentry Correctional Officer
 - **19.7%** Department of Public Safety Trooper
 - **15.3%** Department of Health Services Behavioral Technician 2

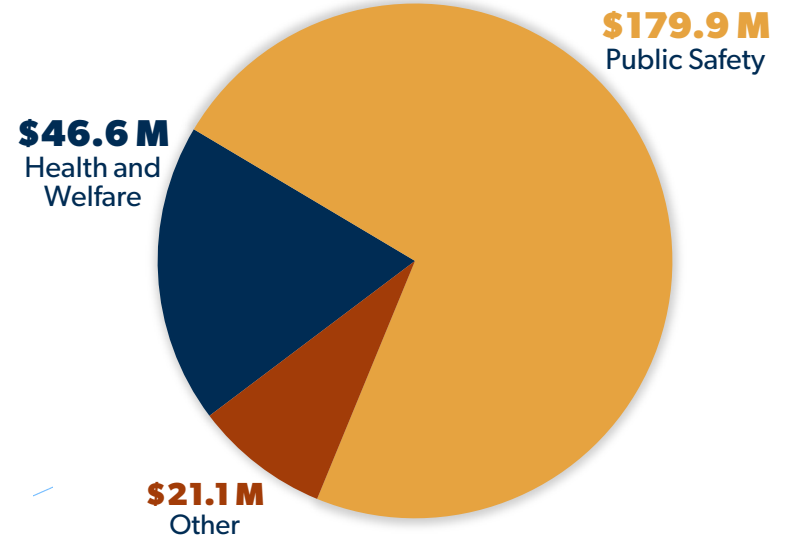
Targeted Personnel Investments, With a Focus on Public Safety Personnel

\$247.6 M across the State enterprise salary increases to address inflationary pressures and staffing needs

Weighted Average Percent Salary Increase by Department



Funding Across Policy Area



Reducing State Building Footprint and Costs

- **22,500+** State employees reported telework days at least once a week since December 2020
- The Executive proposes to reduce the physical footprint by almost **750,000** sqft by FY 2023 via increased teleworking and use of high quality hoteling spaces



Total State Buildings Demolished Under Governor Ducey

- Rent savings as a result are estimated **\$10.0 M+ annually**

| FY 2023 Capital Outlay and Building Renewal | |
|---|---|
| \$99M | Department of Administration Building Renewal West Adams Renovation Projects Building Demolitions |
| \$93 | Department of Corrections Building Renewal HVAC Replacements Fire and Life Safety |
| \$62 | State Parks Building Renewal San Rafael Natural Area Historic Park Upgrades Catalina State Park Bridge Project |
| \$15 | Department of Public Safety New South Mountain District Office Remote Housing Property and Evidence Vehicle Storage |
| \$2 | Game and Fish Department Building Renewal Dam and Property Maintenance |
| \$7 | Other Agencies Building Renewal and Facility Upgrades |
| \$278M | Total Capital Funding |

Expanding the I-10 to Three Lanes From Phoenix to Tucson

\$400 M to continue the expansion of the I-10 another **20 miles** and increase competitiveness in drawing down additional federal funding

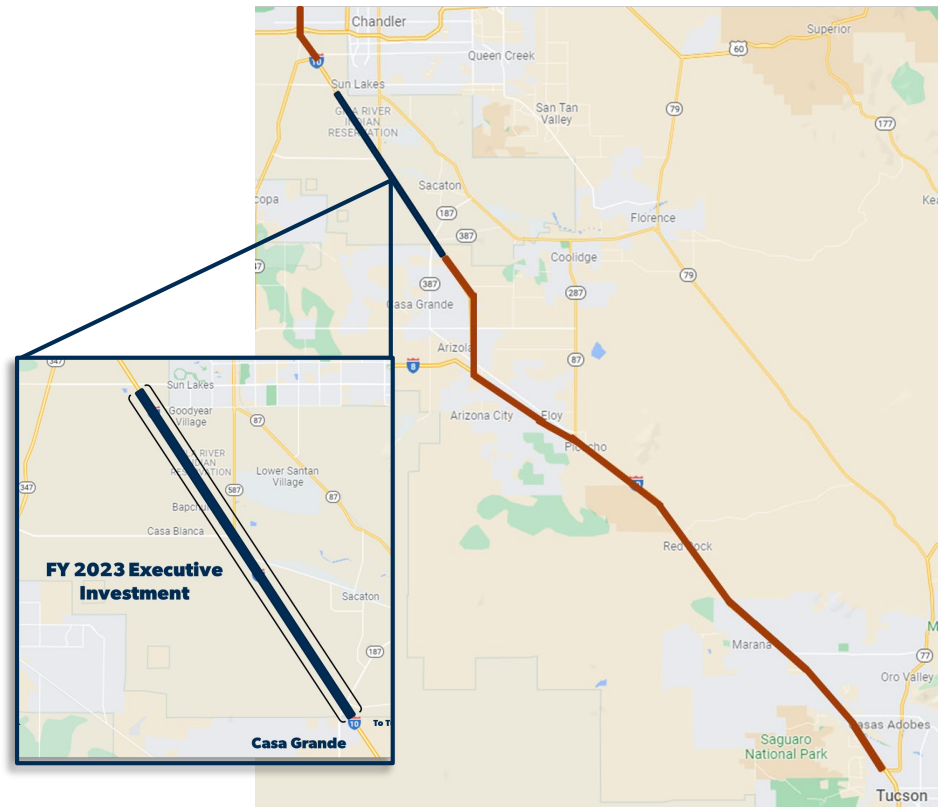
- This investment brings the total that the State has committed to widening the I-10 to **\$540 M**
- Will enhance economic development and ease congestion and better connect the key commerce corridor between Phoenix and Tucson

10%

Share of Three-Lane Expansion Funded Prior to Investment

88%

Share of Three-Lane Expansion Funded With Investment



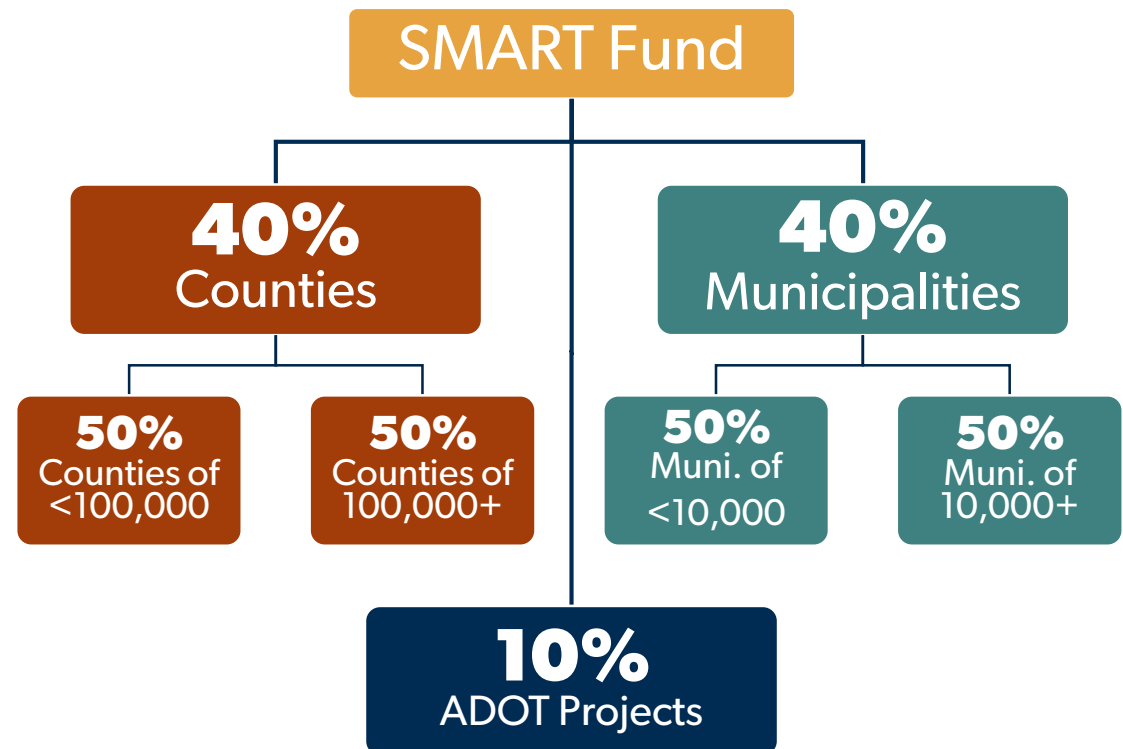
■ Currently Two-Lanes ■ Currently Three-Lanes

Improving Rural Transportation Across the State

\$50.0 M as an initial state investment in a newly created State Match Advantage for Rural Transportation (SMART) Fund to more effectively secure federal dollars

- Aimed to assist with costs associated with applying for and securing federal transportation grants
- Projects must be:
 - Shovel ready
 - Meet all federal requirements
 - Outside Maricopa and Pima County
- Can be used for matching or application costs

SMART Fund Allocation Structure



Investing in State Cybersecurity

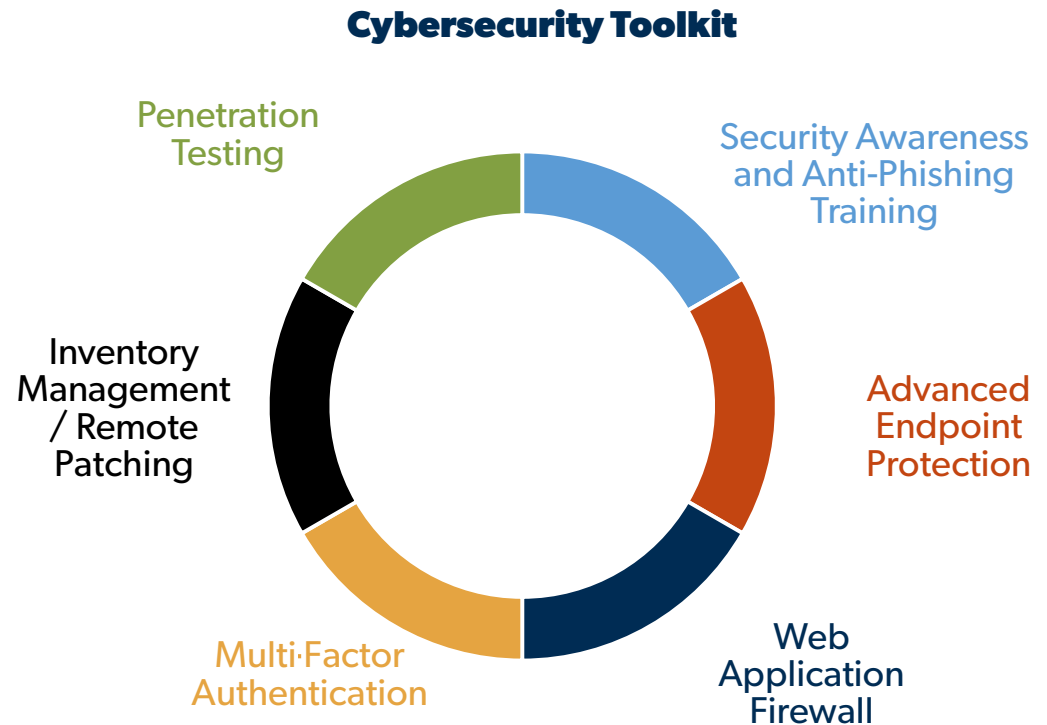
\$24.6 M to prevent cyber breaches through a new cybersecurity risk management program

\$4.2 M to expand State's cybersecurity office

- Additional cybersecurity software and 4.0 FTEs to support deployment of tools

\$10.0 M Statewide Cyber Readiness Grant Program

- Provide six cybersecurity tools to local governments and school districts to provide needed tools and improve election security in all 15 counties

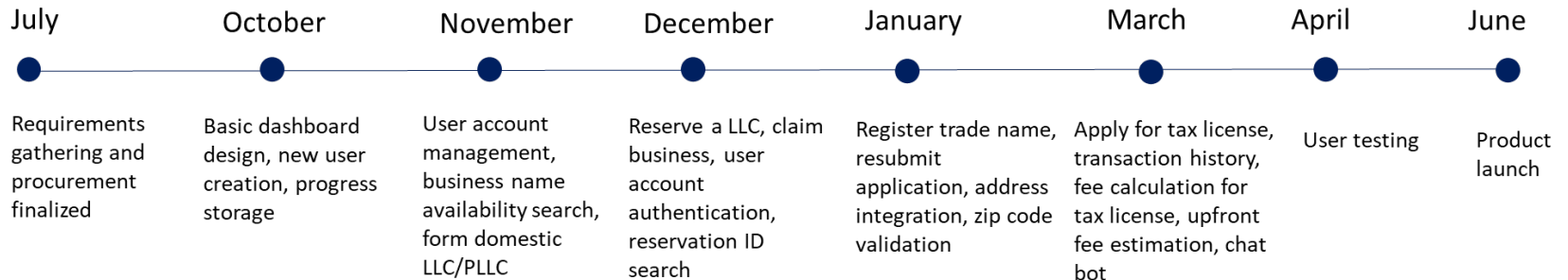


Business One-Stop Continuation

\$15.7 M to develop Phase II of the Business One-Stop Portal, which allows users to seamlessly plan, start and grow businesses in Arizona

- **Phase I (\$7.8 M)** focused on the functionalities needed to plan and start a business, as outlined in Representative Weninger’s original initiative
- **Phase II** expands the portal to include 35 functionalities to allow businesses to:
 - Register a user
 - Connect account to an existing business
 - Update user information
 - Register or cancel a license

Phase I Timeline (July 2021-June 2022)



Ensuring Stability for Arizona's Public Safety Workers, While Reducing Costs

\$611.3 M contribution to PSPRS to pay off the remaining FY 2021 Tier 1 & 2 unfunded pension liability across various departments

PSPRS Funded Status by State Employer

| PSPRS State Employer | Funded Percent | FY 2023 Executive Investment | Funded Percent With Exec. Investment |
|------------------------------|----------------|------------------------------|--------------------------------------|
| Public Safety | 67.9% | \$431.2 M | 100.0% |
| Game & Fish | 27.2% | 97.8 M | 100.0% |
| ASU Campus Police | 52.8% | 24.0 M | 100.0% |
| U of A Campus Police | 58.8% | 15.6 M | 100.0% |
| NAU Campus Police | 44.1% | 7.8 M | 100.0% |
| Emergency & Military Affairs | 56.9% | 9.1 M | 100.0% |
| Attorney General | 53.8% | 9.1 M | 100.0% |
| State Parks | 50.3% | 9.1 M | 100.0% |
| Liquor Licenses & Control | 42.1% | 7.5 M | 100.0% |
| Total / Average | 50.4% | \$611.3 M | 100.0% |

Based upon the pension liability for FY 2020, the payment is estimated to generate a **savings of 122%**

Maintaining Fiscal Discipline

| | FY 2023 | FY 2024 |
|-----------------------------|---------------------|---------------------|
| Total Revenues | \$15,824.6 M | \$15,103.8 M |
| FY 2023 Proposed Tax Reform | \$132.5 M | \$82.3 M |
| Adjusted Revenues | \$15,692.1 M | \$15,021.5 M |
| Enacted Base Spending | 12,826.7 M | 14,249.7 M |
| Baseline Changes | 45.5 M | (541.2) M |
| New Initiatives | 1,377.5 M | 413.6 M |
| Total Spending | 14,249.7 M | 14,122.1 M |
| Ending Balance | 1,017.4 M | 899.4 M |
| Structural Balance* | \$552.4 M | \$386.7 M |

* Numbers do not add due to rounding

Acknowledgements

| | | | |
|--|--------------------------------|---------------------------------------|---|
| Director | Matt Gress | Economist & Budget Analyst | Zach Milne |
| Deputy Director | Bill Greeney | Grant Management Analyst | Nicholas Capozzi Alec Eulano Joseph Fitzgerald Perrin Williams |
| Budget Manager & Chief Economist | Glenn Farley | | |
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OFFICE OF THE
ARIZONA GOVERNOR
STRATEGIC PLANNING & BUDGETING

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