“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
• 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.

**Employment Recovery**

- US COVID Employment Losses (Feb - April 2020)
- AZ COVID Employment Losses (Feb - April 2020)
- US Total Emp November 2021 Employment as % of Pre-Covid (Feb) Levels
- AZ Total Emp November 2021 Employment as % of Pre-Covid (Feb) Levels
- AZ Private Emp November 2021 Employment as % of Pre-Covid (Feb) 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

- **Food and Beverage**
  - 3.8%
  - $435 more per year

- **Gasoline**
  - 37.5%
  - $1,100 more per year

- **Housing**
  - 3.3%
  - $1,182 more per year
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)
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

<table>
<thead>
<tr>
<th>Month</th>
<th>Enacted FY 22 Projections</th>
<th>Actuals vs Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>$155.2 M</td>
<td>YTD: +$1.3 B</td>
</tr>
<tr>
<td>August</td>
<td>$129.9 M</td>
<td>YTD: +20.3%</td>
</tr>
<tr>
<td>September</td>
<td>$275.9 M</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>$208.1 M</td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>$235.4 M</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>$273.8 M</td>
<td></td>
</tr>
</tbody>
</table>

January 18, 2022
Between FY 2015 and FY 2021, ongoing General Fund revenues have exceeded budgeted forecasts by over $4.5B.
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.

Difference from Executive Forecast

- **IIT**: $(66.9) M
- **CIT**: $343.0 M
- **TPT**: $177.3 M
- **Other**: $(238.7) M

YTD: +$215 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 being binding.

### Proposition 208 Removal Impact on Revenues

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenues FY 2023 Executive Budget</th>
<th>Prop 208 Repeal</th>
<th>New Tax Cuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$13,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>$14,000</td>
<td></td>
<td></td>
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<tr>
<td>2024</td>
<td>$14,500</td>
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<td></td>
</tr>
<tr>
<td>2025</td>
<td>$15,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Revenue Impacts By Fiscal Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Prop 208 Repeal</th>
<th>FY 2023 Tax Cuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>$688 M</td>
<td>$(132) M</td>
</tr>
<tr>
<td>2024</td>
<td>$315 M</td>
<td>$(83) M</td>
</tr>
<tr>
<td>2025</td>
<td>$278 M</td>
<td>$(83) M</td>
</tr>
<tr>
<td>2026</td>
<td>$244 M</td>
<td></td>
</tr>
</tbody>
</table>
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

- **$1.98 B** FY 2022 Ending Cash Balance with Revenue Adjustments
- **$132.5 M** Tax Reform
- **$1.38 B** New Executive Initiatives
- **$45.5 M** Executive Baseline Changes
- **$ 1.02 B** Ending Cash Balance

Executive Initiatives $1.38 B

- **72%** One-Time Executive Initiatives
- **28%** Ongoing Executive Initiatives
Spending at a Glance

Executive Initiatives
$1.38 B

- Capital & Infrastructure: 41%
- Public Safety: 22%
- K-12 Education: 10%
- Higher Education: 13%
- Health and Welfare: 6%
- Government That Works: 8%

Executive Baseline + Initiatives
$1.43 B

- Capital & Infrastructure: 25%
- Public Safety: 14%
- K-12 Education: 15%
- Higher Education: 4%
- Health and Welfare: 26%
- Government That Works: 16%
For 7th Straight Year, Arizona Remains Structurally Balanced

<table>
<thead>
<tr>
<th></th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$895</td>
<td>$1,983</td>
<td>$1,017</td>
<td>$899</td>
<td>$1,142</td>
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<tr>
<td>Structural</td>
<td>$2,717</td>
<td>$2,433</td>
<td>$552</td>
<td>$387</td>
<td>$699</td>
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</tbody>
</table>

January 18, 2022
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

January 18, 2022
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.

![Total K-12 Spending Chart](chart.png)

- Anticipated ESSER Expenditures
- Non-ESSER Federal Funding
- Local Funding
- State Funding

January 18, 2022
$323.3 M in new K-12 Investments
$10.9 B in Total Funding

- $227 M Above & Beyond Inflation
- $92.5 M School Capital Needs
- $96.3 M Enrollment Growth, Inflation, and Other Technical Adjustments
- $58.0 M Operation Excellence
- $60.8 M Results-Based Funding Modernization
- $15.7 M Other Targeted Investments

January 18, 2022
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

**Student Counts of Schools Across Letter Grades***

- **Schools with FRL 60%+**
  - 187,771 Est. Students
- **Schools with FRL <60%**
  - 61,511 Est. Students
  - 15,260 Est. Students

*SY 18-19 Grades, SY 19-20 FRL, SY 20-21 ADM
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 **$241/pupil**

- A-rated Schools with 60%+ FRL Population
- A-rated Schools with <60% FRL Population
- B-rated Schools with 60%+ FRL Population

---

**Student Counts of Schools Across Letter Grades***

[Bar chart showing student counts by letter grade and FRL status]

*SY 18-19 Grades, SY 19-20 FRL, SY 20-21 ADM
Bolstering School Choice Across Arizona

$20.0M 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:
  - $2.0M for the City of Chandler to provide extended-day transportation for students
  - $1.5M for Crane ESD to develop a menu of transit options so that students can choose
  - $100K for Black Mothers Forum community carpool system for microschool families

### 2022 Transportation Modernization Grant Recipients

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

<table>
<thead>
<tr>
<th>American Civics Act</th>
<th>American Civics Education Pilot Program</th>
<th>State Seal of Civics Literacy</th>
<th>Sandra Day O’Connor Civics Celebration Day</th>
<th>Civics Initiatives</th>
<th>Civics Excellence Incentive Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Civics Exam passage (60%+) in order to acquire an Arizona High School Diploma</td>
<td>Established Arizona American Civics Pilot Program for grades 9-12</td>
<td>Created Civics Literacy Seal to honor students with high proficiency</td>
<td>Established a day where a majority of instruction time is devoted civics, in honor of Justice O’Connor</td>
<td>Invested $2 M to fund civics initiatives with the School for Civic and Economic Thought Leadership at Arizona State University</td>
<td>Track Civics Exam results statewide and reward schools who have students that achieve 95% or higher on the Civics Exam</td>
</tr>
</tbody>
</table>

2015 | 2018 | 2018 | 2020 | 2021 | 2022 |
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

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

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

All funding at +60% enhanced SQFT rate per FY 2022 budget
$127 M in Higher Education Investments
$2.1 B in Total Funding

- $20 M Protecting Tuition Dollars from Healthcare Inflation
- $10.8 M Restore Urban STEM and Workforce Funding
- $12.5 M Promise Program Expansion
- $7.0 M Rural Community College Aid
- $5.0 M Freedom School Funding
- $25.7 M Accelerated Nursing Program
- $46 M New Economy Initiatives

January 18, 2022
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

Arizona State University
  NEI Engineering
  $21.2 M

Northern Arizona University
  NEI Healthcare
  $10.1 M

University of Arizona
  NEI Health, Mining, Space, and Defense
  $14.7 M

January 18, 2022
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)

<table>
<thead>
<tr>
<th>Year</th>
<th>ASU</th>
<th>UA</th>
<th>NAU</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>10.4</td>
<td>11</td>
<td>31.1</td>
</tr>
<tr>
<td>2018</td>
<td>10.4</td>
<td>11.1</td>
<td>34.8</td>
</tr>
<tr>
<td>2019</td>
<td>10.2</td>
<td>11</td>
<td>38.2</td>
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<tr>
<td>2020</td>
<td>9.6</td>
<td>11.2</td>
<td>41.6</td>
</tr>
<tr>
<td>2021</td>
<td>8.8</td>
<td>11.3</td>
<td>43.3</td>
</tr>
</tbody>
</table>
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
$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.
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

$7.2 M Surveillance System
$588 K IT Investments
$301 K Anti-Ligature Corrections
$205 K Redundant Generator
$200 K Replace Room Walls

$5.9 M Staffing Increases
$1.4 M Operations Contracts

FY 2022 Supplemental
FY 2023 Investment
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
$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**
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
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

<table>
<thead>
<tr>
<th>Border Strike Force Seizures since 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>457 Pounds of Heroin</td>
</tr>
<tr>
<td>190 Million Lethal Doses of Fentanyl</td>
</tr>
<tr>
<td>8,030 Prescription Pills</td>
</tr>
<tr>
<td>707 Firearms</td>
</tr>
<tr>
<td>$14 Million Cash</td>
</tr>
</tbody>
</table>
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

**$10.5 M** to address inflationary pressures and improve equipment

**$8.2 M** for Helicopter Lifecycle Replacement for DPS fleet

---

**Public Safety Vacancies**

- **Fiscal Year 2015**
  - Vacant Positions: 50
  - Vacant Funded Positions: 10
  - Vacant Unfunded Positions: 40

- **Fiscal Year 2016**
  - Vacant Positions: 100
  - Vacant Funded Positions: 20
  - Vacant Unfunded Positions: 80

- **Fiscal Year 2017**
  - Vacant Positions: 150
  - Vacant Funded Positions: 30
  - Vacant Unfunded Positions: 120

- **Fiscal Year 2018**
  - Vacant Positions: 200
  - Vacant Funded Positions: 40
  - Vacant Unfunded Positions: 160

- **Fiscal Year 2019**
  - Vacant Positions: 250
  - Vacant Funded Positions: 50
  - Vacant Unfunded Positions: 200

- **Fiscal Year 2020**
  - Vacant Positions: 300
  - Vacant Funded Positions: 60
  - Vacant Unfunded Positions: 240

- **Fiscal Year 2021**
  - Vacant Positions: 350
  - Vacant Funded Positions: 70
  - Vacant Unfunded Positions: 280

- **Fiscal Year 2022 YTD**
  - Vacant Positions: 400
  - Vacant Funded Positions: 80
  - Vacant Unfunded Positions: 320

**11.6% State Trooper Turnover Rate**
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

<table>
<thead>
<tr>
<th>Project</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Renewal</td>
<td>$32,600,700</td>
</tr>
<tr>
<td><strong>Fire and Life Safety</strong></td>
<td></td>
</tr>
<tr>
<td>Lewis Repair / upgrade fire alarm and fire sprinkler systems</td>
<td>$13,742,800</td>
</tr>
<tr>
<td>Lewis Repair smoke EVAP and fire alarm system</td>
<td>$600,000</td>
</tr>
<tr>
<td>Eyman Upgrade door-locking system for bathrooms</td>
<td>$200,000</td>
</tr>
<tr>
<td>Tucson Upgrade failing door, locking, and control systems</td>
<td>$1,893,300</td>
</tr>
<tr>
<td>Perryville Replace motor-controlled locks</td>
<td>$125,000</td>
</tr>
<tr>
<td>Perryville Manual and electrical security lock upgrades</td>
<td>$1,427,700</td>
</tr>
<tr>
<td>HVAC</td>
<td></td>
</tr>
<tr>
<td>Replace EVAP cooling system at Eyman and Perryville</td>
<td>$42,323,000</td>
</tr>
</tbody>
</table>

**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

January 18, 2022
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

Recidivism Rate in Arizona, 2017-2020
Based on Second Chance Center (SCC) Participation and Employment Status

- Average Recidivism: 40.60%
- Attended SCC, did not achieve employment: 27.40%
- Attended SCC, achieved employment: 17.80%

56% Reduction of Recidivism for participants that attend Second Chance Center and achieve employment
Supporting DEMA Readiness Centers

$10.4\text{ M}$ for addressing Readiness Center Maintenance Backlog

$1.6\text{ M}$ 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**

<table>
<thead>
<tr>
<th>FY 2022 Appropriation</th>
<th>Average Needed Each Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.0\text{ M}$</td>
<td>$3.5\text{ M}$</td>
</tr>
</tbody>
</table>

**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

- **Groundwater**: 41%
- **Colorado River**: 36%
- **In-State Rivers**: 18%
- **Reclaimed Water**: 5%

$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

Northern Operating Area: 3,819 acres
Western Operating Area: 653 acres
Southern Operating Area: 3,166 acres
Eastern Operating Area: 1,556 acres
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

January 18, 2022

Wildfire Occurs

Localities and Districts Incur Expenses to Fight Fire

DFFM processes reimbursement documentation

Investment allows cash on hand for wildfire relief

30 Days
Reimbursement After Investment

Expenses submitted To DFFM for reimbursement

6-12 Months
Current Reimbursement

January 18, 2022
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

Funding by Project Type
Across State Parks

- Waste Water Treatment $86 M
- Campground Improvements $12 M
- Other Projects $19 M
- Broadband Connectivity $21 M
- ADA Improvements $10 M
- Structural Improvements $28 M
- Other Projects $19 M

State Parks Receiving Investments

State Park with Project
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

<table>
<thead>
<tr>
<th>State Employee Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>69%</td>
</tr>
</tbody>
</table>

• 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

- $179.9 M Public Safety
- $46.6 M Health and Welfare
- $21.1 M Other

January 18, 2022
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

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

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

SMART Fund

40% Counties

50% Counties of <100,000

50% Counties of 100,000+

40% Municipalities

50% Muni. of <10,000

50% Muni. of 10,000+

10% ADOT Projects
Investing in State Cybersecurity

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

$4.2M to expand State’s cybersecurity office
  • Additional cybersecurity software and 4.0 FTEs to support deployment of tools

$10.0M 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

Cybersecurity Toolkit
  - Security Awareness and Anti-Phishing Training
  - Advanced Endpoint Protection
  - Web Application Firewall
  - Multi-Factor Authentication
  - Inventory Management / Remote Patching
  - Penetration Testing
$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)

<table>
<thead>
<tr>
<th>July</th>
<th>October</th>
<th>November</th>
<th>December</th>
<th>January</th>
<th>March</th>
<th>April</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirements gathering</td>
<td>Basic dashboard design</td>
<td>User account management,</td>
<td>Reserve a LLC, claim business, user account authentication,</td>
<td>Register trade name, application,</td>
<td>Apply for tax license, transaction</td>
<td>User testing</td>
<td>Product launch</td>
</tr>
<tr>
<td>and procurement finalized</td>
<td>new user creation,</td>
<td>business name availability</td>
<td>reservation ID search</td>
<td>resubmit application, address</td>
<td>history, fee calculation for</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>progress storage</td>
<td>search, form domestic LLC/P LLC</td>
<td></td>
<td>integration, zip code validation</td>
<td>tax license, upfront fee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>estimation, chat bot</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

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

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

<table>
<thead>
<tr>
<th></th>
<th>FY 2023</th>
<th>FY 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$15,824.6 M</td>
<td>$15,103.8 M</td>
</tr>
<tr>
<td>FY 2023 Proposed Tax Reform</td>
<td>$132.5 M</td>
<td>$82.3 M</td>
</tr>
<tr>
<td><strong>Adjusted Revenues</strong></td>
<td>$15,692.1 M</td>
<td>$15,021.5 M</td>
</tr>
<tr>
<td>Enacted Base Spending</td>
<td>12,826.7 M</td>
<td>14,249.7 M</td>
</tr>
<tr>
<td>Baseline Changes</td>
<td>45.5 M</td>
<td>(541.2) M</td>
</tr>
<tr>
<td>New Initiatives</td>
<td>1,377.5 M</td>
<td>413.6 M</td>
</tr>
<tr>
<td><strong>Total Spending</strong></td>
<td>14,249.7 M</td>
<td>14,122.1 M</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>1,017.4 M</td>
<td>899.4 M</td>
</tr>
<tr>
<td><strong>Structural Balance</strong>*</td>
<td>$552.4 M</td>
<td>$386.7 M</td>
</tr>
</tbody>
</table>

* Numbers do not add due to rounding
Acknowledgements

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ARIZONA GOVERNOR
STRATEGIC PLANNING & BUDGETING

FY 2023 Executive Budget available at:

azgovernor.gov
azospb.gov