

State of Arizona Executive Budget

SUMMARY

FISCAL YEAR 2024

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GOVERNOR



JANUARY 2023

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Education

The Executive Budget recognizes the needs of Arizona’s public schools, provides a framework for achieving critical goals, and supports the implementation of programs and measures designed to restore learning loss imposed by the pandemic.

“Arizonans have made clear it’s time to rebuild and reinvest in our public schools.”

Gov. Katie Hobbs

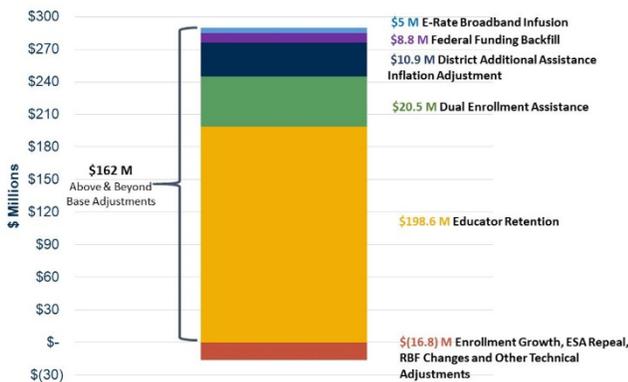
K-12 Education

Arizona’s K-12 education system stands at the convergence of enduring challenges to its health and effectiveness. Thirty months after the onset of the pandemic, its effects are still being felt in Arizona’s schools. At the same time, inflationary pressures, inequitable funding mechanisms, and a mass diversion of funding from the public education system continually apply budgetary pressures and threaten public schools’ vital mission.

The Executive Budget recognizes the needs of Arizona’s public schools, provides a framework for achieving critical goals, and supports the implementation of programs and measures designed to restore learning loss imposed by the pandemic.

Figure 1

\$273.7 Million Net Increase in Education Funding



FUNDING COMMITMENT AT RECORD LEVELS

Central to supporting Arizona’s public education system is investing in the State’s per-pupil spending levels. The FY 2024 Executive Budget’s investments are on pace to push per-pupil spending to its highest level on record, in direct support of educating and preparing Arizona students.

Per-pupil funding, when counting only State funding, is projected to rise from \$7,999 to \$8,250. After counting all of the investments and considering all sources of funding included in the Executive Budget, that number climbs to \$17,322 per pupil.

HELP FOR STUDENTS WHO NEED IT MOST

The FY 2024 Executive Budget provides direct support to targeted student groups that face some of the largest hurdles to their education: students with special needs, and students in high-poverty areas.

Emphasizing the commitment to students with special education needs, \$4.4 million is included in FY 2024 to increase the State’s funding to students with a developmental disability, emotional disability, mild intellectual disability, or specific learning disability. Once fully phased in, this initiative will more than triple the additional support these categories of students received prior to FY 2023.

In an effort to provide aid to schools in low-income areas, a Free or Reduced Price Lunch Weight has been introduced. The weight is applied to every school in which 50% or more of its students qualify for Free or Reduced Price Lunch (FRPL). To support its implementation, the FRPL weight is set to be phased in with an additional ongoing \$13 million appropriated in FY 2024.

Through the two measures – special education and FRPL weight – the State strengthens its support for students that are most in need.

ADDRESSING INFLATIONARY PRESSURES

Calendar year 2022 saw the nation’s highest inflation rates in over four decades. As schools attempt to stretch dollars of decreasing value, it is essential to reinforce critical funding on which Arizona schools rely for classroom resources such as textbooks, instructional materials, curriculum, and technology.

Those resources are funded through the Additional Assistance funding formulas. However, while Charter Additional Assistance is increased for inflation on an annual basis, the District Additional Assistance (DAA) formula is not.

During the 2022 Legislative session, a \$23.1 million increase to DAA was approved for FYs 2024 and 2025. The Executive Budget seeks to further ease the DAA disadvantage by tracking DAA to 2% or the rate of inflation, whichever is less, to match the adjustment that charter schools receive. For FY 2024, this amounts to an additional \$10.9 million to DAA.

PROMOTING K-12 EQUITY

ESA Restoration to Pre-2022 Status. Universal expansion of the Empowerment Scholarship Account (ESA) program, passed during the 2022 Legislative session, is a drain on the General Fund

and poised to cost Arizona taxpayers an estimated \$1.5 billion over the next ten years.

In response, the Executive Budget repeals the universal expansion and returns the program to its status prior to the 2022 Legislative session, ensuring that families that use vouchers for children with special needs still have access to their voucher accounts. This action will save taxpayer dollars from an underreported and unnecessary use and bolster support of our public schools.

Table 1

ESA Costs/Savings by Student Origination Category

	FY 2023 Projected 12/01		FY 2024 Projected	
	Students	Costs/Savings	Students	Costs/Savings
Previous District	6,883	\$11,678,900	8,391	\$14,237,200
Previous Charter	2,267	\$(3,173,700)	2,503	\$(3,504,100)
Kindergarten Cohort*	7,518	\$61,657,300	11,457	\$69,545,700
Kindergarten Cohort **	6,399	\$52,480,100	8,149	\$49,465,700
Other Universal	3,227	\$26,465,600	3,557	\$21,591,500
Total	26,294	\$149,108,200	34,057	151,336,000

* Attributed to Private School

** Attributed to Homeschool

Accountability in Expanding Reporting Requirements. The Executive Budget further acts to ensure that all Arizona students receive the same monitored, reported, and evaluated educational instruction that is provided by the State’s district schools.

To accomplish this goal, charter schools and private schools that receive funds via the ESA program will be held to the same reporting requirements as district schools. Expanding these requirements across the board will promote effective and appropriate stewardship of taxpayer dollars within the education system.

Elimination of Inequitable Results-Based Funding. Designed to distribute additional per-pupil funding based on school letter grades (assessment results have also been utilized), the program has largely benefited Maricopa and Pima county schools in high-wealth areas.

The Executive Budget eliminates Results-Based Funding, which costs the State \$68.6 million annually.

Addressing Educator Retention. Recognizing the substantial savings provided to the State through the repeal of Universal Empowerment Scholarship Account expansion and Results-Based Funding, the Executive Budget reinvests these funds into supporting and retaining Arizona’s educators.

The Executive Budget redirects the \$68.6 million designated for Results-Based Funding and an additional \$130 million in savings from the repeal of universal ESAs into the Base Support Level for Arizona schools, devoting that funding toward resources

necessary to retain critical education staff and increasing the Base Support Level for schools by 3.04%.

Furthermore, the Governor’s Office will establish an Educator Retention Task Force that will develop a thorough framework for the steps that need to be taken to improve retention of educators in Arizona’s schools. This task force will examine class sizes, resources, working conditions, and all other variables that play into educator retention.

The creation of this task force and the additional Base Support Level funding increase are first steps in the Governor’s commitment to invest more in Arizona’s educators, students, and long-term future.

PREPARING STUDENTS FOR THE FUTURE

Dual Enrollment Program. As the effects of learning loss from the pandemic linger, students are in need of significant college-preparedness support.

To offer Arizona students a head start on higher education, the Executive Budget includes \$20.5 million for a new Dual Enrollment support and advancement program. Of that amount:

- \$15 million will be used for a Dual Enrollment Student Fund that will offer low-income students a \$50 reimbursement per credit hour, up to six credit hours for students in grades 9 and 10, and up to 12 credit hours for students in grades 11 and 12;
- \$5 million will be used to incentivize schools to incorporate dual-enrollment classes; and
- the remaining \$500,000 will be utilized for the Teachers Academy Program at the three State universities, to provide teachers with the necessary degrees and certifications to teach dual-enrollment classes.

Through these investments, Arizona will offer students the jump-start they need to succeed after high school graduation.

School Counseling and Social Work. Critical to the success of children in the classroom is ensuring that they have mental health resources on campus.

The 2022 Enacted Budget included \$50 million in School Safety funding to be used to support, promote, and enhance safe and effective learning environments by supporting the costs of placing school resource officers, juvenile probation officers, school counselors, and school social workers on school campuses.

Currently, each counselor in an Arizona school provides services for more than 700 students on average. That is the highest ratio in the nation and nearly three times the recommended standard. To remedy that situation, the FY 2024 Executive Budget modifies the funding parameters under the program to prioritize the hiring of counselors and social workers.

MODERNIZING ARIZONA'S SCHOOLS

As the resources on which schools depend continue to evolve, it is essential that Arizona schools have the infrastructure necessary to support this development. Chief among these needs is fast and reliable broadband service. The Executive Budget includes a one-time increase of \$5 million to be utilized for the "E-Rate: Universal Service Program for Schools and Libraries," hosted by the Federal Communications Commission, which provides matching dollars to states.

Through these federally matched funds, the State can help public schools develop broadband infrastructure that meet students' needs. The matching figures are derived from the instituted discount rate that the FCC applies for each state and school. E-Rate dollars for the State of Arizona have historically been drawn down at a rate of approximately 13:1. To date, the E-Rate program has served nearly 356,000 students throughout Arizona, with \$157.9 million being invested to date. Of these funds, \$10.2 million have been provided via State funding.

If the trend continues, the Executive's \$5 million investment could return \$60 million to transform Arizona's schools.

Building Renewal and New School Construction

The Department of Administration School Facilities Division is committed to maintaining and modernizing Arizona's school buildings and properties. The Executive Budget takes further steps to implement and accelerate building improvements.

As a part of this effort, the Executive Budget includes \$1 million in one-time funding to develop and implement a plan to conduct in-person inspections of school facilities. This is done in recognition of the fact that Arizonans are dedicated to ensuring that their students have access to adequate facilities.

BUILDING RENEWAL GRANTS

The Executive Budget includes a one-time increase of \$332.2 million for Building Renewal Grant (BRG) funding. When combined with the ongoing budget of \$16.7 million, the additional funding will bring BRG capacity to \$348.9 million – the largest amount in the last decade. This will allow schools to address crumbling and inadequate infrastructure.

NEW SCHOOL CONSTRUCTION

New school capital funding is required when projections indicate that a school or additional space will be needed within two years. The Executive Budget includes funding of \$172.7 million in new school construction for three schools already in progress, construction of nine new schools, and land and site condition projects.

The Executive Budget also includes funding that reflects the Joint Legislative Budget Committee-adopted 7.27% inflation adjustment. The identification of school districts listed in the figure below as exceeding capacity in FY 2025 is based on conceptual approvals as of December 2022.

Figure 3

School Facilities Building Renewal Grant Funding History

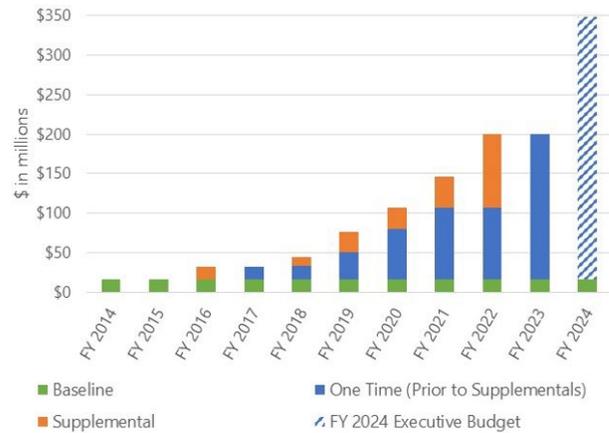


Table 2

New School Construction: FY 2024 Starts

Program Type	Description	Fiscal Year 2024
New Construction	Agua Fria UHSD Grades: 9-12	\$23,612,500
	Glendale ESD Grades: K-8	\$764,810
	Liberty ESD Grades: K-8	\$11,575,503
	Queen Creek USD - 16N Grades: K-6	\$5,077,132
	Queen Creek USD Grades: 7-8	\$10,606,050
	Queen Creek USD Grades: K-6	\$13,909,950
	Saddle Mountain USD Grades: 9-12	\$10,884,418
	Santa Cruz Valley USD	\$2,000,000
	Snowflake USD Grades: 9-12	\$2,232,572
New Construction Subtotal:		\$80,662,934
Land	Agua Fria UHSD	\$24,000,000
	Liberty ESD	\$10,000,000
	Littleton ESD	\$620,000
	Queen Creek USD - 16N	\$11,100,000
	Queen Creek USD (1)	\$480,000
	Queen Creek USD (2)	\$4,700,000
	Queen Creek USD (3)	\$390,000
	Snowflake USD	\$5,000,000
	Land Subtotal:	
Site Conditions	Douglas Unified District	\$550,000
	Glendale ESD	\$117,948
	Maricopa Unified School District	\$675,937
	Queen Creek USD	\$336,418
	Santa Cruz Valley	\$348,060
	Somerton Elementary District	\$291,148
	Somerton Elementary District	\$227,268
	Tanque Verde Unified District	\$289,339
	Tanque Verde Unified District	\$75,000
Yuma Union High School District	\$1,036,340	
Site Conditions Subtotal:		\$3,947,458
Grand Total		\$140,900,392

Table 3

New Schools Under Construction, In Progress: FY 2023 Starts

Description	Fiscal Year at Capacity	FY 2024 Advance Appropriation
Marana 9-12	2024	\$ 8,805,100
Nadaburg 9-12	2024	11,799,000
Pima 9-12 (Rural)	2024	11,149,800
Total		\$ 31,753,900

Higher Education

Arizona’s public universities and community colleges are essential to enhancing Arizona’s economic output. The Executive has made key investments in higher education programs designed to:

- give all Arizona students equal access to postsecondary education, and
- provide those students with the skills needed to meet the labor demands of the state’s rapidly growing economy.

Additionally, the FY 2024 Executive Budget continues its investment in Arizona’s community colleges and programs that reduce the costs of higher education for Arizonans facing financial challenges. These programs offer opportunities for all Arizonans to earn a degree, regardless of their location or financial standing.

COMMUNITY COLLEGES

Rural Aid. The Executive Budget includes one-time funding for aid to the state’s 10 rural community college districts. The Executive doubles the State’s investment of \$7 million for Rural Aid in FY 2023, to \$14 million in FY 2024. This increase is prompted by rural community college enrollment growth over the last year.

The supplemental aid allows those community colleges to cover the costs of maintenance, operations, and initiatives. The additional funding will support Arizona’s rural community college districts as they continue to grow and increase equal access to postsecondary education for all Arizonans.

Funding will be allocated among the rural districts based on each district’s share of actual FY 2022 rural enrollment.

Restoration of STEM and Workforce Funding. To weather the storm of the 2007-2009 Great Recession, the State was forced to make financial decisions that included suspension of Science, Technology, Engineering, and Math (STEM) and Workforce formula funding for Maricopa, Pima, and Pinal community colleges.

The FY 2023 Executive Budget permanently reinstated formula funding for those three districts. The FY 2024 Executive Budget continues the reinstatement with a combined \$10.3 million in STEM and Workforce aid funding.

Table 4

Restored STEM and Workforce Funding

Community College District	Funding
Maricopa	\$ 7,927,600
Pima	1,769,000
Pinal	656,700

The funding distributed to community colleges can be utilized for the development of programming, instruction, student support, and other initiatives directed at the incorporation of STEM and Workforce education.

UNIVERSITIES

Arizona Promise. The Arizona Promise program is designed to make higher education accessible for Arizona students regardless of financial background or resources. The program provides a college degree opportunity for students who cannot afford the associated costs, paving the way to a college education for every eligible Arizonan who seeks it.

The 2021 Higher Education BRB (SB 1825) created the program with a \$7.5 million initial investment. The following year, the Executive Budget included a \$12.5 million increase to the Promise program, allowing for a total of 4,473 students to be fully funded for the 2022-2023 school year.

For FY 2024, the Executive Budget includes an investment in the program of \$40 million each year, allowing approximately 10,200 additional students annually to attend a State university with tuition and fees covered.

Current eligibility stipulates that a student must:

- be an Arizona resident;
- have graduated high school with a 2.5 or higher GPA;
- be accepted to an eligible Arizona postsecondary institution;
- complete and submit a Free Application for Federal Student Aid (FAFSA) application; and
- qualify for the maximum Pell Grant.

The scholarship funding is awarded for all four years of undergraduate schooling and covers the remaining gap between a student’s received assistance and the remaining cost of attendance.

Promise for Dreamers. The Executive Budget includes \$40 million to support the development of a new tuition scholarship program for Deferred Action for Childhood Arrival (DACA) eligible students. This program is available to all DACA eligible students in Arizona who have been in an Arizona high school for at least two years.

In November 2022, Arizona voters approved Proposition 308, allowing any Arizona student, regardless of immigration status, to be eligible for:

- in-state tuition at State universities and community colleges if they graduated from, and spent at least two years attending, an Arizona public or private high school, or homeschool equivalent; and
- State financial aid at State universities and community colleges.

Federal law prohibits dreamers from receiving federal financial aid for higher education, including the Pell Grant.

Consequently, Arizona Dreamers are barred from receiving eligibility for the Promise program. The creation of the Promise for Dreamers program will allow the State to establish a financial aid program to support these students' access to higher education.

Current eligibility for the program requires that an applicant:

- be an Arizona Resident;
- graduated from an Arizona public or private high school or homeschool equivalent with a 2.5 GPA;
- be accepted to an eligible Arizona postsecondary institution; and
- have been enrolled in an Arizona high school for a minimum of two years.

The scholarship funding is awarded for all four years of undergraduate schooling and covers the cost of attendance.

Arizona Teacher's Academy. The Arizona Teacher's Academy has seen enrollment growth by nearly 1,400% since 2018. Growth is expected to continue, attracting college students throughout the state and across the nation to commit to teaching in Arizona.

To maintain the program and accommodate the expected growth, the Executive Budget includes an increase of \$15 million in ongoing funding. This investment will allow for the Teacher's Academy to continue to supply Arizona with talented and committed teachers.

The investments in the Teacher's Academy will bring its total operating budget to \$30 million annually and allow Arizona schools to connect with university graduates to fill needed positions.

New Economy Initiatives. The FY 2023 Enacted Budget included significant investments to build the State universities'

capacity for more students to pursue degrees strongly connected to evolving workforce needs within the Arizona economy.

The FY 2024 Executive Budget continues this year's funding levels for "New Economy" initiatives.

The three-pronged goal of the New Economy initiative is to:

- boost post-secondary attainment;
- reduce the time required to obtain a degree; and
- increase the number of graduates in critical high-demand industries (e.g., engineering, medicine, technology, and natural resources).

Ultimately, the investment in Arizona's students today will result in a stronger, healthier, and more competitive economy. Despite the State universities' enrollment fluctuations, the number of students participating in majors connected to New Economy initiatives has continued to increase. That growth is due in part to continued State investment in high-priority workforce development programs.

The State universities have begun to reach enrollment capacity for New Economy focus areas. The Executive's investment in New Economy Initiatives will help the programs to grow and create a workforce prepared for Arizona's future.

Consistent with the emphasis on New Economy initiatives:

- Arizona State University is continuing to develop the Ira Fulton School of Engineering, build new science and technology centers, and build out a robust workforce development program.
- Northern Arizona University is continuing its statewide buildout of health and wellness career pathways.
- The University of Arizona is building up its programs in health services, specifically with a focus on its cancer research and engineering development.

Health and Welfare

State government’s fundamental purposes include providing critical services and support to enhance the health and wellness of all Arizonans.

“One of the things I learned as a social worker is the power of prosperity - when families are doing well, so many other things start going the same way.”

Gov. Katie Hobbs

In protecting and meeting the needs of low-income and other vulnerable Arizonans, State government continues to transform the ways in which it operates, with an emphasis on technology advancements and the pursuit of excellence in service provision.

The FY 2024 Executive Budget addresses important needs related to medical care, low-income housing, and vulnerable populations.

Health Services

AHCCCS

Medicaid Caseload Growth and the End of Covid-19 Federal MOE Requirements. Due to the maintenance-of-effort (MOE) requirements included in the federal Families First Coronavirus Response Act, the Arizona Health Care Cost Containment System (AHCCCS) is required to maintain coverage for all members during the current public health emergency, regardless of any loss of regular eligibility status.

As a consequence, during State fiscal years 2021, 2022, and 2023, member growth in this population has been significantly higher than normal. However, the State’s costs associated with the elevated enrollment levels has been offset by a temporary 6.2% increase in the regular Federal Medical Assistance Percentage (FMAP).

As part of the December 2022 federal omnibus bill, the MOE requirements and enhanced FMAP rates were set to expire during calendar year 2023. The MOE requirements will end on April 1, 2023, and the enhanced FMAP rate will decrease each quarter until it returns to the normal rate after December 31, 2023.

The Executive Budget includes \$257 million for AHCCCS program caseload growth and unwinding of federal Covid-19 policies.

Medicaid Enterprise System Modernization. The mainframe IT system that operates all of AHCCCS’s essential functions is over thirty years old. To continue the process of replacing the legacy system, the Executive Budget provides:

- \$2 million for a systems integrator to support the process, and
- \$700,000 for the cost of replacing the first modules.

Home and Community-Based Services. Pursuant to the 2021 American Rescue Plan Act (ARPA), there is a temporary 10% increase in the FMAP rate for certain Medicaid expenditures for home and community-based services (HCBS). The State has until March 31, 2024, to spend the additional federal dollars.

The Executive Budget provides increases in federal expenditure authority for AHCCCS (\$463.5 million) and the Department of Economic Security (\$115.8 million) to spend the additional funds.

The appropriation increases will help implement or expand the following items.

Parent Initiatives. Allow parents of minor children enrolled in the Arizona Long Term Care System (ALTCS) to serve as paid caregivers and create a “parent university” to teach skills to support children in the home and to meet their specific needs.

HCBS Improvement Grants. Provide (a) grants to providers, health systems, and contracted vendors for programmatic improvements to HCBS and (b) grants for approved infrastructure investments.

Improved Metrics. To improve data collection on performance, the following initiatives are planned:

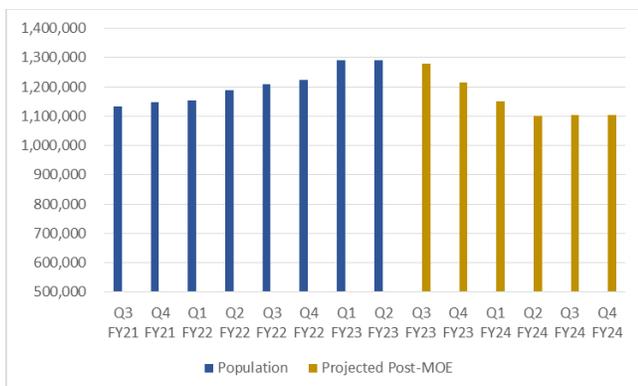
- implement a member satisfaction survey, provider rate surveys, and case worker surveys; and
- develop health equity metrics for people with intellectual or developmental disabilities.

Workforce Development Initiatives. Several workforce development initiatives are planned, including:

- a caregiver career pathway platform;
- career training and education for direct-care workers;

Figure 4

Traditional Medicaid Population



- extra provider payments for increased wages and benefits;
- incentive payments to providers to develop comprehensive workforce development plans for recruiting and retaining direct-care workers; and
- a direct-care worker credentialing process.

IT System Upgrades. Planned improvements to information technology (IT) systems include:

- a new healthcare workforce online database;
- standardizing electronic medical record systems among HCBS providers;
- upgrading ALTCS case manager hardware and software;
- procuring an electronic health record and case management system for the Department of Economic Security's Division of Developmental Disabilities (DDD) and the Division's HCBS providers;
- updating the AHCCCS providers web portal;
- upgrading the Client Assessment and Tracking System (case management system for multiple AHCCCS populations);
- developing an online public dashboard for reviews of HCBS provider quality;
- upgrading the AHCCCS Quality Improvement system; and
- creating a central employment repository system to streamline employee background clearance management.

Service Expansion. Some services will be expanded, including:

- developing assertive community treatment teams to provide wraparound support for DDD members with complex behavioral health diagnoses;
- expanding home-delivered meals to DDD members;
- extending HCBS services to aging members who have a serious mental illness; and
- making permanent the provision of personal care services in short-term acute care settings.

Other Initiatives. Other planned initiatives include:

- in-depth review of specialty providers and their capacity to serve member with complex conditions;
- developing tools for detecting and addressing social isolation;
- incentives for providers to create new telehealth delivery models; and
- updating the tools used to screen DDD members to determine whether they are at risk of institutionalization.

DEPARTMENT OF HEALTH SERVICES

The Executive is committed to promoting, protecting, and improving the health and wellness of individuals and communities statewide.

Arizona State Hospital. The Arizona State Hospital (ASH) operates a 260-bed facility in Phoenix and provides long-term inpatient psychiatric care to Arizonans who have a serious mental illness and are undergoing court-ordered treatment.

The Executive Budget provides significant staffing and capital resources to further enhance ASH operations and improve staff and resident safety.

Staffing Shortfall. The Executive Budget includes \$9.7 million to address an ASH staffing shortfall. The additional funding will be used to provide compensation adjustments and ensure consistent and appropriate staff-to-patient acuity levels to better serve patients.

In addition, the Executive Budget includes funding to address increases in contracted pharmaceutical, dietary, risk management, fleet management, and maintenance costs necessary for ASH operations.

Capital Improvements. The Executive Budget includes \$4.3 million to fund the following projects on the ASH campus:

- complete a multiyear project to upgrade the ASH video security system;
- demolish the Tumbleweed Building, which poses an asbestos and electrical wiring fire hazard;
- replace water pumps that provide water to help regulate the temperature at ASH and at buildings occupied by the Department of Corrections; and
- replace water isolation valves to reduce disruptions to resident services.

BOARD OF NURSING

An increase in the number of nursing license applications has resulted in delayed processing times, an increased investigation timeline, and increased overtime costs at the Board of Nursing.

To address those issues, the Executive Budget includes \$154,100 for two additional licensing specialists at the Board and \$146,800 for an additional staff attorney.

Housing

The Executive Budget advances the State's goal of encouraging affordable housing and helping unhoused families receive residential assistance.

Housing Trust Fund Deposit. To assist families and individuals who are currently, or at risk of becoming, unhoused, \$150 million will be deposited into the Housing Trust Fund for utility and emergency rental assistance, legal aid, home repair, and other allowable uses.

Children, Families, and At-Risk Adults

DEPARTMENT OF CHILD SAFETY (DCS)

The Executive Budget continues the State’s strong commitment to protecting Arizona children, with an emphasis on enhancing foster and kinship care.

Visitation Aid Expansion. To expand insourced supervised parenting time, the Executive Budget includes 80.0 additional FTE positions. The additions do not require increased funding, due to offsetting costs achieved by reducing the number of paid contractors. The additional case aides will allow DCS to reduce the visitation waitlist.

Healthy Families AZ. This voluntary home-visit program supports families that are at high risk of abuse or neglect. Participating families learn parenting skills in personal sessions tailored to fit their specific needs.

The program has shown positive outcomes in reducing risk factors associated with abuse and neglect. Families that participate in this program are 50% less likely than non-participating families to have DCS remove their children from the home. Also, participating families are set up on a better lifelong trajectory, with more positive outcomes years after participating in the program.

Due to funding restrictions, only 4,000 families – only 25% of those eligible – participate in the program. The Executive Budget includes \$2.5 million to allow for program expansion in FY 2024, increasing its capacity to an additional 300 families by the end of the year. This will allow contracted agencies to hire additional home visitors for more families to be served at once.

The initial focus was to expand existing sites with future expansion by contracting with agencies to expand into more rural areas. In FY 2023, \$10 million was appropriated to this program, with the goal of doubling its capacity. To reach that goal, an additional \$2.5 million will be needed in FY 2025, for a total investment of \$15 million.

Adoption Services. A welcome result of reducing the out-of-home population is an increase in the adoption rate for children in the State’s care. When reunification is not a possible outcome, adoption provides kids with permanent homes, where safety and care are enhanced.

Adoption Services funding covers adoption home recruitment costs, adoption legal expenses, and maintenance and special-needs subsidies for adopted children.

For the State, foster adoption is a long-term financial commitment, as DCS pays an adoption subsidy to the adoptive parents until the child reaches age 18 or graduates from high school, whichever occurs later.

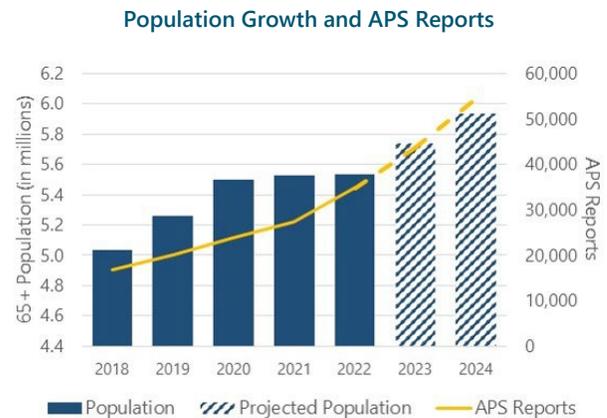
The Executive Budget provides \$11.5 million to fully fund the adoption subsidy for 34,556 children, making good on the Executive’s commitment to increase the number of children in loving, forever families.

DEPARTMENT OF ECONOMIC SECURITY (DES)

DES and other State agencies provide temporary assistance to persons in need, protect Arizona’s most vulnerable adults and children, and help low-income working families and persons with disabilities achieve independence. The Executive Budget supports that mission.

APS Reporting Growth. Adult Protective Services (APS) has a mandate to investigate all reports of abuse and neglect of Arizona adults.

Figure 5



Prior to FY 2022, year-over-year reporting growth had consistently been at about 15%. The changed in FY 2022, when 28% reporting growth far outpaced projections. Because of the large growth in reports, average investigator caseload is expected to reach 90, which is almost four times the standard of 25 recommended by the National Adult Protective Services Association (NAPSA).

The Executive Budget includes \$5.5 million and 50.0 new FTE positions for APS to reduce caseload numbers to a more sustainable level. An additional \$9.1 million is included to backfill an anticipated loss in federal funding.

Arizona Early Intervention Program (AZEIP) Provider Rate Increase. The AZEIP program is Arizona’s statewide system of services and support for families that have infants and toddlers, up to three years of age, with disabilities or developmental delays.

In FY 2022, federal funds were used to temporarily increase provider rates, to support the work of identifying children’s early-life needs. In FY 2023, federal funds continue to be used to support higher rates. Starting in FY 2024, the increases will be made permanent with \$4.4 million from the State General Fund.

These services are similar to services provided to members of the developmentally disabled community, but the rates do not always increase at the same rate. Providing a permanent increase is expected to bring the rates for services to the same level for similar populations, making funding consistent for providers.

Government That Works

The FY 2024 Executive Budget provides a variety of well-conceived funding initiatives that promote a State government that works for the benefit of Arizona residents, visitors, and businesses.

“Those who work in public service should feel empowered, and it is our responsibility to ensure barriers to accessibility and opportunities are broken down for all.”

Gov. Katie Hobbs

The FY 2024 Executive Budget invests in an enduring objective of offering a positive experience for businesses and individuals in interacting with State government and ensuring that, whether online or in person, they receive high-quality, efficient service and can be confident that their data will be safely stored.

The FY 2024 Executive Budget provides valuable investments in:

- cybersecurity and information technology advances;
- providing a business-friendly environment that enhances economic development;
- maintaining sound stewardship of the State’s capital assets;
- addresses State employee pay and retention; and
- a variety of funding initiatives that promote a State government that works for the benefit of Arizona residents, visitors, and businesses.

Cybersecurity

Cybersecurity involves protecting networks, devices, and data from unlawful access or criminal use and, for State government, guaranteeing confidentiality, integrity, and availability of information.

The constantly growing volume of cyberattacks on governments makes effective cybersecurity for the State more critical than ever.

The Executive Budget provides \$585,500 to protect the State’s cyber infrastructure and create a more effective threat response. This funding will enhance the security of the State’s IT assets, data, and infrastructure by:

- testing and patching vulnerabilities in networks and web applications;
- scanning the deep web and dark web for potential threats and vulnerabilities; and
- regularly tuning cyber security alerts to ensure alert accuracy.

Internal Technology Advancements

CONTINUED MODERNIZATION OF STATEWIDE SYSTEMS

AFIS Upgrade Phase III. The Arizona Financial Information System (AFIS) is the State’s official accounting system.

The Department of Administration (DOA) began Phase I of the current AFIS renewal and upgrade project in FY 2022 with an appropriation of \$2 million. In FY 2023, Phase II was funded by a \$1.5 million increase. For FY 2024, the Executive Budget provides an additional \$520,000 increase, as well as \$537,000 in partial-year system operations.

Payroll System Modernization. The Human Resource Information System (HRIS) contains State government’s human resources, payroll, benefits, and time and attendance systems. The current platform was procured in 2003 and will reach its end of life in 2027, leaving it unsupported and vulnerable to security, compliance, and functionality challenges.

Replacing the system will help ensure that the State’s more than 36,000 employees receive their pay and benefits. The planned upgrade contemplates improvements to salary and job function analysis to inform decision makers and ensure that State government remains nimble and competitive.

The FY 2023 budget included a \$22.4 million increase from the HRIS Automation Projects Fund Subaccount for year-one development costs, financed via a proportional pro rata charge to State agencies. The FY 2024 Executive Budget includes \$20.6 million from the Automation Projects Fund to continue replacement of the system. The project is expected to be completed in FY 2025 at a total cost of \$44.1 million.

Tax System Modernization. The Department of Revenue’s Business Reengineering/Integrated Tax System (BRITS) was implemented in 2002 and lacks much of the functionality required for efficient operations.

Replacing BRITS will resolve functionality issues and enhance the Department’s customer-facing modules. To develop and implement the BRITS replacement, the Executive Budget includes \$11.8 million General Fund as the second of eight deposits from the General Fund and the Integrated Tax System Project Fund to the Automation Projects Fund.

AGENCY SYSTEM UPGRADES

Computer-Aided Dispatch System Replacement and Upgrade. The Department of Transportation (ADOT) computer-aided dispatch system relies on multiple servers that will reach end of life by June 2024. Due to the critical nature of the system in ensuring the safety of the State’s Highway System, the

Executive Budget includes an increase in funding to replace the end-of-life servers. The replacement will provide additional upgrades that will enhance data collection and streamline ADOT's operations.

eCorp System Upgrade or Replacement. The Executive Budget provides \$6.3 million to upgrade the Corporation Commission's eCorp system and fund the writing of application programming interfaces (APIs) that will connect the system to Business One-Stop.

Connecting the system to Business One-Stop will make the business licensing process more streamlined for the public.

Currently, Arizona businesses are required to go through multiple agencies, platforms, and timetables to start their operations. Business One-Stop will promote ease of navigation and allow most businesses to complete and submit necessary forms and receive updates and notifications in one location.

This web portal is a single online location that will serve as a convenient and valuable resource to help companies and individuals seamlessly plan, start, and grow Arizona businesses and relocate businesses from other states.

Probation Case Management System Replacement. The Administrative Office of the Courts' current Adult Probation case management system (APETS) was written over 20 years ago. The system is outdated, and finding knowledgeable staff to manage it is increasingly difficult.

Replacing the system with an off-the-shelf solution will provide an updated platform with additional functionalities, such as remote access to the information system on mobile technology. The Executive Budget includes \$3.3 million for the licensing and staffing costs of the new system.

STATE SYSTEM UPGRADES

The Executive Budget includes \$100 million in one-time funding as a set-aside for State systems upgrades for Health & Human Services, ID management related to safety net systems, and addressing inoperability of systems.

Arizona Open for Business

RURAL BROADBAND ACCELERATED MATCH FUND

Broadband has become a backbone to society that connects individuals and families to education, employment, and healthcare.

The federal Investment in Infrastructure and Jobs Act (IIJA) established the Broadband, Equity, Access, and Deployment (BEAD) program. BEAD is designed to provide funding for the planning and deployment of broadband infrastructure in unserved and underserved locations. In order to receive BEAD funding, a match must be provided.

The Executive Budget establishes the Rural Broadband Accelerated Match (RBAM) Fund and deposits \$50 million into

the RBAM Fund to assist eligible non-state recipients of BEAD to secure the match needed to draw down the BEAD funding.

Monies within the RBAM Fund are available only to political subdivisions outside of Maricopa and Pima counties, as follows:

- 50% to counties, with half going to counties with populations of more than 100,000 and half to smaller counties; and
- 50% to municipalities, with half going to municipalities with populations of more than 10,000 persons and half to smaller municipalities.

The Arizona Commerce Authority (ACA) may utilize 1% of its portion for administrative costs to manage the grant program.

To ensure equity, ACA is authorized to further prescribe the process to receive funding and how it will be distributed, including setting the maximum grant awards for each category. A locality's ability to provide matching funds will be a positive factor in evaluating their application.

SMART FUND DEPOSIT

In response to the IIJA, the FY 2023 budget established the State Match Advantage for Rural Transportation (SMART) Fund to assist communities in competing for and drawing down federal grants related to surface transportation (i.e., roads and transit).

The Executive Budget include a \$25 million deposit to help ensure that Arizona remains competitive in drawing down federal transportation grants.

INTERSTATE 17 EXPANSION SHORTFALL

The FY 2020 budget appropriated funding to construct a third highway lane in both directions between Anthem and Black Canyon City and add a flex lane from Black Canyon City to Sunset Point.

Due to unforeseen events associated with changes in federal law and increased contractual costs, the project is projected to have a funding shortfall of \$76.2 million.

To address the shortfall, the Executive has instructed the Department of Transportation (ADOT) to review the Legislative transportation projects included in the FY 2023 Enacted Budget for their merit, alignment with the State's transportation system priorities, and a determination of potential savings. The FY 2023 Budget included 44 Legislative projects totaling \$538 million.

Stewardship of Capital Assets

BUILDING SYSTEM MANAGEMENT

System-Wide Building Renewal. The Executive Budget provides \$39.1 million in one-time funding (including \$25.1 million from the General Fund) for building renewal across the DOA Building System, including targeted infrastructure repair, replacement, and renovation.

The Executive Budget also provides \$74.9 million in building renewal funding for certain agencies, including:

- \$65.6 million at the Department of Corrections (DOC), of which \$59.8 million is from the General Fund (DOC facilities represent the largest component within the DOA Building System);
- \$3.8 million at the Exposition and State Fair;
- \$3 million at State Parks;
- \$1.8 million at the Game and Fish Department;
- \$468,700 at the Pioneers' Home; and
- \$214,200 at the State Lottery Commission.

This total of \$114 million represents 105% funding of the building renewal formula and the largest investment in building renewal in the State's history.

State Facility Broadband Deployment. State facilities (e.g., State parks, Motor Vehicle Division offices, DCS/DES offices, and ADOT maintenance yards) in rural areas lack proper broadband connections to provide fast, reliable, and consistent services that impede the ability of an affected State agency to fulfill its mandate.

The Executive Budget includes \$16 million in one-time funding to enhance broadband infrastructure at State facilities in rural Arizona.

The Executive intends for the DOA to address the most severe locations and attempt to bundle multiple State facilities to yield the largest benefit.

In coordination with the ACA, this initiative may be leveraged to utilize State facilities as an anchor institution to connect the remaining community.

DEPARTMENT OF CORRECTIONS

Fire and Life Safety. The Executive Budget includes \$48.7 million for the DOC to complete critical fire and life safety projects at the Douglas, Globe, Perryville, Tucson, Winslow, and Yuma prison complexes and the correctional officer training academy. Replacement of doors, locks, and fire alarm and suppression systems will enhance the safety and security of the prison complexes.

HVAC Replacement. To ensure that all State-owned complexes managed by DOC have functioning air conditioning systems, the Executive Budget includes \$66.8 million in FY 2024 from the Arizona Rescue Plan Act (ARPA).

FY 2024 is the second year of a four-year plan to upgrade to HVAC systems all prisons that have evaporative cooling systems. The Department intends to install HVAC systems at the Globe, Lewis, Tucson, and Yuma prison complexes.

Transitioning from evaporative cooling systems to air conditioning systems will enhance the safety of staff and inmates, increase the longevity of infrastructure, and reduce repair and maintenance costs.

DEPARTMENT OF HEALTH SERVICES

Replace Hospital Video Security. The Executive Budget includes \$3.5 million in one-time funding for the Department of Health Services (DHS) to finish replacement of the video security system for the Arizona State Hospital (ASH).

Replacing the system will give hospital staff the high-definition video quality and audio capture needed for patient and staff safety.

Demolish Vacant Tumbleweed Building. The Executive Budget includes \$410,000 in one-time funding for DHS to demolish the vacant Tumbleweed building on the ASH campus.

The building is in poor condition and poses a health hazard to staff and visitors.

Replace Water Pumps and Isolation Valves. The Executive Budget includes \$200,000 in one-time funding for DHS to replace water pumps and water isolation valves at ASH.

The pumps carry hot and cold water throughout the campus and are essential for patient services. Most of the current water-isolation valves are inoperable, requiring that all water use be shut down before doing any water plumbing work. Replacing the water pumps and isolation valves will improve operations and patient services.

DEPARTMENT OF PUBLIC SAFETY

Aviation Hangar Enhancements. The Department of Public Safety (DPS) Flagstaff hangar cannot accommodate the Department's Bell 429 helicopter.

The Executive Budget includes an increase in one-time funding of \$320,000 to remodel the hangar.

PIONEERS' HOME

Cemetery Columbarium. The Pioneers' Home maintains a cemetery columbarium, a structure in the Home's cemetery for the interment of ashes of persons whose bodies have been cremated.

The columbarium is expected to reach capacity this year. The Executive Budget includes \$75,000 in one-time funding for an additional 112-niche columbarium.

Cemetery Parking. There is not a designated and maintained parking area at the Home's cemetery.

The Executive Budget includes \$250,000 in one-time funding to build an 8,000-square-foot parking lot containing 40 parking spots. This project will help protect the cemetery grounds, plots, and headstones from damage and provide Arizonans with improved access to their loved ones' resting places.

GAME AND FISH DEPARTMENT

Dam, Hatcheries, and Property Maintenance. The Game and Fish Department operates and maintains 38 dams that support aquatic habitat and provide an array of recreational opportunities, including fishing, boating, camping, and wildlife viewing. The dams also affect the Department's operations of six

fish hatcheries and management of numerous wildlife-area properties and related infrastructure.

The Executive Budget includes \$400,000 in one-time funding for renovations at Department-owned dams.

DEPARTMENT OF TRANSPORTATION

Fleet Modernization. The FY 2022 and FY 2023 budgets provided substantial modernization of the management of the State fleet, which includes approximately 1,340 vehicles used by 36 agencies.

The modernization process included:

- transferring ownership of the State fleet to ADOT from DOA;
- establishing two new ADOT funds, the State Fleet Operations Fund and the State Fleet Vehicle Replacement Fund;
- onboarding a group of 296 vehicles that belonged to agencies within the State fleet but were not being managed by the Fleet Manager;
- centralizing the purchase of new vehicles to help ensure that the State is fully leveraging procurement and prevent the reoccurrence of issues experienced prior to the modernization efforts; and
- ensuring that the affected agencies are adequately funded to maintain and replace these assets;

The Executive Budget continues operations modernization for the State fleet by:

- including \$10.1 million to replace 206 vehicles, located at 26 agencies, that have exceeded their life expectancy and are in need of replacement within the State fleet (of the 206 vehicles, 203 vehicles will be at least ten years old at time of replacement);
- providing \$15 million in one-time funding to install electric charging and advanced-fuel infrastructure to support the conversion of the State fleet and ADOT fleet to a sustainable operation;
- instructing agencies to seek, when feasible, advanced-fuel vehicle options when purchasing or replacing a vehicle;
- removing the State fleet exemption for the Schools for the Deaf and Blind; and
- instructing ADOT and the Department of Child Safety (DCS) to develop an FY 2025 proposal to migrate the DCS fleet into the State fleet.

Building Renewal. In addition to managing the State's highways, ADOT maintains an independent building system that includes 1,429 structures comprising 3.7 million square feet and having an estimated replacement value of \$1.1 billion.

The Executive Budget includes \$22.4 million for ADOT to replace or repair infrastructure and major building systems as needed.

Tucson North MVD Office. The Tucson North Motor Vehicle Division (MVD) Office was constructed in the 1970s, with an addition added in the 1990s. The building's layout does not accommodate implementation of modern MVD operations that enhance customer experience and decrease wait times.

The Executive Budget includes \$4.1 million in one-time funding to renovate the facility's lobby and office areas and to allow for modern MVD operations. In addition, the funding will address ADA accessibility and ADA-compliant restrooms.

Statewide Targeted Litter Removal. Litter on and along State highways presents safety concerns for travelers, harms the environment, and detracts from Arizona's natural beauty sought by residents and visitors.

The Executive Budget includes \$3.1 million, in addition to the existing base funding, to provide monthly litter removal services on selected stretches of interstate highways and highly visible routes statewide that do not receive regular litter removal.

Radio Replacement. Communication is vital in coordinating road maintenance and construction, and responding to emergency incidents.

ADOT has roughly 2,500 radios. More than 1,800 of them are over 11 years old, including approximately 600 that are more than 21 years old. Absent major technological changes, most radios have a useful life of approximately five to ten years.

The Executive Budget includes \$1.7 million to upgrade radios and provide proper radio replacement to ensure effective agency communications and operations.

Other Funding Initiatives

ENTERPRISE COMPENSATION STRATEGY

Nursing Compensation Strategy. The Executive Budget includes \$6.8 million as part of a nursing compensation package that is designed to recruit and retain nursing positions within State agencies. The 10% raise for all nursing positions includes:

- \$2.5 million at the Department of Veterans' Services;
- \$1.3 million at the Department of Economic Security (DES);
- \$1.1 million at the Arizona State Hospital (ASH);
- \$996,100 at the Arizona Health Care Cost Containment System (AHCCCS);
- \$299,300 at the Pioneers' Home;
- \$149,000 at the Department of Juvenile Corrections;
- \$205,100 at the Board of Nursing; and
- \$150,200 at the Department of Health Services

Judicial Salary Increases. The Executive Budget includes funding for the full-year implementation of judicial salary

increases included in the FY 2023 budget totaling \$3.2 million. The raises include:

- \$1,136,000 for judicial salary increases implemented in FY 2023;
- \$1,136,100 for raises starting in FY 2024 for the Superior Court;
- \$644,400 for judicial salary increases implemented in FY 2023 for the Court of Appeals; and
- \$263,500 for justice salary increases implemented in FY 2023 for the Supreme Court.

Attorney General Unit Raises. The Attorney General handles legal cases on behalf of the Department of Child Safety (DCS). The Executive Budget includes \$3.9 million to implement a 15% raise to fill vacancies and address high caseload in the Department of Child Safety unit, thus supporting the safety of Arizona children.

The Attorney General's Civil Rights Division investigates claims of discrimination in voting, housing, employment, and public accommodations and claims based on disability. The Executive Budget includes \$281,100 for raises for existing personnel and \$393,100 for 3.0 new FTE positions to reduce turnover and high caseloads.

EMPLOYEE RETENTION PAY

The Executive Budget includes an increase in one-time funding of \$200 million from the General Fund for employee retention pay.

Included in this amount, the Executive Budget recommends a comprehensive assessment of State employee pay in comparison to market rates, by job classification. This study also includes assessments of certain provider rates and their proximity to market. The assessment shall additionally look at potential discrepancies in pay across and within job classifications and will make recommendations to remedy disparities that are not based in job performance.

STATE EMPLOYEE HEALTH INSURANCE

The Health Insurance Trust Fund (HITF) supports the State's self-insured medical, pharmacy, and dental insurance for State employees.

The Executive Budget includes a one-time increase in HITF premiums paid by State agencies on behalf of their employees.

The increased premiums are expected to generate an additional \$234 million in total HITF revenue, with \$138.5 million originating from the General Fund.

In addition, the Executive Budget includes \$50 million from the General Fund one-time to fortify the balance of the Health Insurance Trust Fund.

COURT OF APPEALS EXPANSION

The FY 2023 budget included funding for two additional three-judge panels at the Court of Appeals and necessary staff to support them.

Only part-year funding was provided, and the Executive Budget includes \$2.2 million for full-year implementation.

SUPREME COURT

Confidential Intermediary and Private Fiduciary Program.

The projected costs of the Confidential Intermediary and Private Fiduciary program exceed the current appropriation due to increases in personnel costs and licensing software subscription costs.

The \$139,600 increase in funding will allow the program to continue facilitating contact between parties of an adoption or siblings separated as a result of a dependency action, and licensing individuals and businesses to manage the financial affairs, medical decisions, and other vital matters for Arizona's elderly and vulnerable citizens.

Court Automation. The Administrative Office of the Courts (AOC) depends on court user fees and penalties to fund the Courts' IT infrastructure. Revenue from those sources has been decreasing for the past three years.

The Executive Budget includes \$1.3 million to support the Courts' IT infrastructure. The automation funding for AOC supports many systems, such as background checks, voter eligibility information, e-filing and document management, submitting orders of protection to the courts, and probation tracking.

BUDGET STABILIZATION FUND DEPOSIT

The Executive Budget includes a \$250 million deposit into the Budget Stabilization fund, bringing the estimated FY 2024 ending balance to \$1.6 billion, the highest level in state history. The deposit is an important step to ensure Arizona's future financial stability in the face of economic uncertainty.

Natural Resources

Thoughtful and effective stewardship of Arizona’s precious natural resources requires deliberate planning and strategic investments.

“Together, we can build a more sustainable, resilient, and livable Arizona for everyone.”

Gov. Katie Hobbs

The FY 2024 Executive Budget provides targeted funding to address Arizona’s needs and opportunities in the important areas of drought management, water quality, and stewardship of State parks.

Water

DROUGHT MANAGEMENT

Long-Term Water Augmentation Fund Deposit. The Executive Budget includes a \$333 million General Fund deposit into the Long-Term Water Augmentation Fund, the second of three equal installments totaling \$1 billion spanning fiscal years 2023-2025.

The aggregate deposits will provide the resources to pursue bold, large-scale solutions designed to increase Arizona’s water resilience through water-supply augmentation and water-use efficiency projects.

Rural Wells Grant Program. Many rural, Latino, and Indigenous communities in Arizona lack funding for certified well drillers to access safe drinking water supplies – a growing concern during the current drought.

The Executive Budget includes \$15 million in one-time funding for a grant program to help these communities secure certified well drillers.

Statewide Water Resource Planning. The Executive Budget includes \$5 million in one-time funding to increase capacity at the Department of Water Resources to provide water resource management planning to local governments statewide and to identify groundwater shortages and set up Active Management Areas.

WATER QUALITY

The Executive Budget also includes \$5 million from the General Fund to be used to clean up perfluoroalkyl and polyfluoroalkyl substances (PFAS) chemicals.

Toxic PFAS chemicals are very difficult to treat, leak into existing water sources, and are linked to increased rates of cancer and other health concerns. Funding for this treatment will create greater access to existing water sources, which will enhance Arizona’s water quality and capacity.

WATER CONSERVATION

The Executive Budget includes \$9.3 million in one-time funding for multiple agencies to support an enterprise approach aimed at increasing the water resiliency of State facilities and property. The \$9.3 million is allocated as followed:

- \$5 million: Department of Administration (DOA)
- \$2.5 million: Department of Transportation (ADOT)
- \$1.3 million: State Parks (ASP)
- \$500,000: Department of Game and Fish

This initiative will emphasize replacing water-thirsty fixtures with low-flow fixtures and modifying existing landscapes by adopting xeriscaping principles that include native plant species.

Recreation, Historical, and Cultural

Catalina State Park. The FY 2022 Enacted Budget provided the initial appropriation for Arizona State Parks to enter into an interservice agency agreement with the Arizona Department of Transportation to design a bridge for the main entrance of the park that becomes blocked during weather events. The Executive Budget includes \$5.8 million in one-time funding for the construction of the bridge.

Statewide Campground Improvements. The FY 2022 Enacted Budget provided the first of three phases of funding to provide improvements to campgrounds throughout the State’s park system. These improvements will be primarily focused on electrical connections but may be expanded to shelters and water connections. The Executive Budget includes \$4.1 million in one-time funding for the second phase.

Riordan Mansion Historic State Park. The Executive Budget includes \$2.9 million to perform preservation and renovation of the historic buildings within the State park.

Statewide Sunshade Structures. The FY 2022 Enacted Budget provided the first of three phases of funding to install sun shade structures throughout the State’s park system. These structures are primarily intended to be installed on trails and day-use areas. The Executive Budget includes \$2.2 million in one-time funding for the second phase.

Oracle State Park. The Executive Budget includes \$2 million in one-time funding to perform preservation and renovation of the historic buildings within the State park.

Yuma Territorial Prison State Historic Park. The Executive Budget includes \$750,000 in one-time funding to perform preservation and renovation of the historic buildings within the State park.

State Park Heritage Fund Deposit. The Executive Budget includes a one-time \$10 million deposit into the State Parks Heritage Fund. The Heritage Fund is designed to provide grants to local entities for park development, historic preservation, non-motorized trails, and outdoor education. This program has been utilized as a catalyst by grant recipients to leverage the State for additional funding.

Of the \$2.5 million deposited in FY 2022, ASP has awarded \$1.8 million in grants for 15 projects across the state. The State's investment was matched by localities with an additional \$2.1 million, for a total current investment of \$3.9 million

Of the \$5 million deposited in FY 2021, ASP has awarded \$4.9 million in grants for 29 projects across the state. The State's investment was matched with an additional \$5.5 million, for a total current investment of \$10.4 million

Arts Trust Fund Deposit. The Executive Budget includes a one-time \$20 million deposit into the Arizona Arts Trust Fund. The Fund is designed to provide grants to organizations and individual artists with the purpose of advancing and fostering the arts in Arizona.

In FY 2023, the Arts Commission received a \$5 million deposit into the Arts Trust Fund, bringing the Commission's total grant-making capacity to \$7.6 million in conjunction with other revenue sources. In FY 2023 so far, the Commission has approved \$4.8 million in grant awards for 323 grantees in 13 counties, which is a \$1 million total increase in grant awards from all of the Commission's FY 2022 grant awards. The \$5 million deposit in FY 2023 increases the Commission's grant-making capacity by 46% in comparison to FY 2020. The largest percentage increase in grant award funding has occurred in rural Arizona counties and cities.

Of the \$5 million appropriated to the Commission in FY 2023, \$1.5 million will be invested in programs for youth, seniors, and veterans through various programs such as the Creative Aging Initiative, Lifelong Arts Engagement Grant, Youth Arts Engagement Grant, Poetry Out Loud, and Creative Capacity Grants. Among applicants for FY 2023 grants, 9.2% identified service to one or more of these populations as central to their mission.

Landscape Preservation

Statewide Targeted Litter Removal. Litter on and along State highways poses safety concerns for travelers, produces negative

environmental impacts, and affects tourism by detracting from the enjoyment of traveling in Arizona.

ADOT has a dedicated funding stream of \$5.2 million for litter removal within Maricopa County and approximately \$1.25 million in base funding within the Highway Maintenance special line item for the remaining counties.

The Executive Budget includes an increase of \$3.1 million in ongoing funding, in addition to the base funding, to provide monthly litter-removal services on selected interstate highways and highly visible routes throughout the state that currently do not receive regular litter removal.

Air Quality

Electric Vehicle Charging and Advanced Fuel Infrastructure. As the adoption of electric and advanced-fuel vehicles continues to increase, the Executive Budget includes \$7.5 million in one-time funding to install the needed public infrastructure for those vehicles at State facilities including State parks, Motor Vehicle Division offices, Department of Child Safety and Department of Economic Security customer facing offices, and other highly used locations.

In addition, the Executive Budget includes \$15 million in one-time funding to install electric vehicle charging and advanced-fuel infrastructure to support the State fleet and ADOT fleet. This funding is integral to transitioning the State fleet and ADOT fleet to electric and other advanced fuels. In addition, this will modernize the two fleets to become more sustainable and reduce the State's negative environmental impact. This modernization may produce a savings in fuel and maintenance costs.

Restoration of Interstate Passenger Rail Service to Phoenix. The federal Infrastructure Investment and Jobs Act (IIJA) set aside funding to initiate, restore, or enhance passenger rail service throughout the nation. Passenger rail has a decreased negative environmental impact in comparison to other modes of transportation.

The Executive Budget includes \$7.5 million in one-time funding to serve as a catalyst to partner with local entities in securing federal support and funding to restore interstate passenger rail service to Phoenix, which has not had interstate passenger rail service since 1996.

Public Safety

The FY 2024 Executive Budget supports essential needs in law enforcement and Arizona’s prison system, invests in a strategic assessment of the corrections system, and strives to reduce the state’s exposure to natural hazards and disasters.

**“Every community across our state also deserves to be safe.
Building an Arizona for everyone means building a
safe Arizona for everyone.”**

Gov. Katie Hobbs

In fulfilling the State’s core function to protect the public, the Executive Budget makes strategic law enforcement investments to ensure proper funding of programs, modernize DPS assets, enhance law enforcement accountability, and place troopers where they are most needed.

It also makes a strategic investment at the Department of Corrections to (a) assess contracts, staffing levels, and retention issues and (b) address operational enhancements and critical building renewal needs at Arizona prisons.

Finally, the Executive Budget includes funding for hazard mitigation assistance, grant funding to reduce risks from natural hazards and disasters, and mitigation project funding.

Law Enforcement

FUEL INFLATION ADJUSTMENT

The Department of Public Safety (DPS) Motor Vehicle Fuel special line item (SLI) funds motor vehicle fuel purchases for several DPS programs.

In FY 2022, DPS purchased nearly 2.1 million gallons of fuel for the programs supported through the SLI and exceeded its appropriation due to high fuel prices.

Assuming that DPS’s fuel purchases for FY 2023 and FY 2024 are comparable to FY 2022, fuel prices must be at \$2.63 per gallon or less to keep the Department within the Motor Vehicle Fuel SLI appropriation.

The Executive Budget includes a \$3.4 million FY 2023 supplemental and a \$3.7 million FY 2024 one-time appropriation to account for higher fuel costs and increased fuel usage. Proper funding will prevent DPS from having to utilize payroll from other programs to fund its fueling needs.

UNIFORM ALLOWANCE INCREASE

DPS uniform allowances have not increased since FY 2006. Since the FY 2006 increase went into effect, general inflation has been about 52%.

Uniform allowances are paid to employees on a semi-annual basis. If the allowance does not equal the cost to purchase and maintain uniforms, employees must absorb the difference.

The Executive Budget includes \$657,800 to increase uniform allowances to cover the majority of uniform costs and relieve employees of absorbing some costs.

VEHICLE REPLACEMENT

The Highway Patrol is underfunded for vehicle replacement, and most other DPS programs have no vehicle replacement budget at all. In recent years, DPS has addressed those issues via two strategies that undermine public safety: diverting funding from payroll, and replacing vehicles less often.

The \$5.5 million DPS budget for vehicle replacement falls short of meeting the recommended replacement benchmark of 150,000 miles (six years for Highway Patrol vehicles and eight years for other vehicles).

The Executive Budget provides \$11.7 million in one-time funding to lessen the Department’s reliance on vacancy savings and reductions in critical services to meet its vehicle needs.

MASTER SITE UPGRADE

The DPS Master Site houses the servers that control all radio traffic with the digital system, as well as user data, radio ID, GPS data, and network performance. The current infrastructure has one Master Site in Yuma that is owned and maintained by the Yuma Regional Communications System (YRCS). The Department owns a Master Site located in Phoenix.

These systems are designed to allow for redundant Master Site operation, providing a geographically separated backup system that permits shared system administration and coverage. To function properly, each subsystem must be of the same system release or software version.

YRCS plans to upgrade its system in 2024. If DPS falls behind on upgrades, Motorola will not be able to support the systems because the components are no longer supported by the manufacturers.

The Executive Budget includes \$3 million in one-time funding to upgrade the Department’s Master Site.

CONCEALED WEAPONS TRACKING

The DPS Concealed Weapons Permit Unit (CWPU) is engaged in the first phase of a project to modernize its database. The second phase will add business workflow and process-

automation enhancements to the system and prepare the database for integration with the Public Services Portal (PSP).

Laws 2021, Chapter 408 appropriated \$550,000 one-time from DPS to the Automation Projects Fund (APF) to update the Department's Concealed Weapons Tracking System. In the time since that appropriation was approved, DPS changed the scope of the project, causing the project cost to increase well above the APF amount. The change was due in part to additional duties imposed on the CWPU stemming from Laws 2022, Chapter 344.

The Executive Budget includes \$494,500 for the Concealed Weapons Tracking System project and extends its lapsing date to ensure that the system can perform all of the required functions.

MAJOR INCIDENT DIVISION CONTINUATION

The FY 2023 budget established within DPS the Major Incident Division (MID), which will conduct independent investigations of critical force incidents.

A "critical force incident" means any discharge of a firearm by a peace officer due to a use-of-force encounter, or an incident involving a peace officer's intended use of deadly force, or use of force by any other means, that results in death or serious bodily injury of another person, either during an on-duty incident or off-duty incident while acting under the color of authority.

At the request of a chief of police or a county sheriff, the MID shall also investigate a criminal allegation against a peace officer employed by the chief of police or county sheriff.

The FY 2023 three-year budget plan included ongoing MID funding of \$17 million in FY 2024 and \$24 million in FY 2025. When determining implementation of the MID, DPS planned on having 83.0 FTE positions in FY 2024 and 110.0 FTE position in FY 2025. The Executive Budget aligns with the three-year budget plan and includes an additional \$7 million in funding and 83.0 FTE positions for the MID.

REPURPOSING THE BORDER STRIKE FORCE

The Border Strike Force is an initiative that does not appear to have accomplished its intended purpose. To better enhance public safety, the Executive Budget:

- eliminates the Border Strike Task Force Ongoing special line item (SLI) and its associated \$17.1 million in funding;
- moves its funding of \$17.1 million and FTE positions to the patrol program;
- creates a new Local Border Support SLI;
- eliminates the Border Strike Task Force Local Support SLI and its associated \$12.2 million in funding; and
- moves the Border Strike Task Force Local Support SLI funding of \$12.2 million to the new Local Border Support SLI.

Under the patrol program, the FTE positions will be deployed strategically to perform law enforcement duties in areas of greatest need.

The new Local Border Support SLI will be used to provide grants to law enforcement in border communities to conduct border-related activities.

Of the Local Border Support SLI funding, \$11 million will be one-time funding in FY 2024 and will be reevaluated as more spending data is collected.

Prisons

CORRECTIONS SYSTEMS ASSESSMENT

The Executive Budget includes \$2 million to be used to conduct a systems assessment of the Department of Corrections (DOC). The study is intended to examine contracts, staffing levels, and retention issues at the Department.

OPERATIONAL ENHANCEMENTS

The Executive Budget also includes a total of \$69.2 million to support operations at the DOC. The additional funding will be devoted to:

- additional costs due to the leap year, \$1.6 million;
- inmate food, \$10.6 million;
- private prison contract adjustments, \$44.5 million;
- overtime costs of prison staff, \$5.4 million; and
- private prison salary adjustments, \$7.1 million.

Of the total funding provided, \$56.7 million is one-time to cover increased daily costs related to leap year (2024), inmate food, and private prison contract adjustments, and \$12.5 million is ongoing and covers overtime costs and salary adjustments.

Building Renewal. The Department is responsible for maintaining its building system, which consists of 1,518 structures having a total area of 8.8 million square feet. The building system's estimated replacement value is \$2.8 billion.

To improve the correctional environment and preserve infrastructure longevity, investments must be made to address required repairs and maintenance. The Executive Budget's \$65.6 million in funding will allow the Department to address high-need capital projects and enhance safety for inmates and staff.

HVAC Replacement. FY 2024 will be the second year of a four-year plan to ensure that all State-owned complexes have traditional, functioning air conditioning. The Executive Budget includes \$66.8 million for replacement of prison complex evaporative cooling systems with HVAC systems.

Fire and Life Safety. Repair and replacement of fire alarm and suppression systems is imperative for the safety and security of correction staff and inmates.

Pursuant to the Department of Administration's 2024 Capital Improvement Plan, the Executive Budget includes \$48.7 million for critical fire and life safety improvements at DOC facilities. This funding will allow the Department to repair fire alarm systems at the Douglas, Globe, Perryville, Tucson, Winslow, and Yuma prison complexes and the correctional officer training academy.

Mitigation Efforts

HAZARD MITIGATION ASSISTANCE

In the last five years, the Federal Emergency Management Agency (FEMA) Hazard Mitigation Assistance (HMA) program has increased, from three to seven, the number of grants available for funding.

Because of federal hazard mitigation and infrastructure resiliency initiatives, the Department of Emergency and Military Affairs (DEMA) has experienced a substantial increase in pre-award activities needing completion.

The types of pre-award activities include:

- community outreach;
- grant training;
- travel;
- Notice of Intent (NOI) development;
- NOI review and ranking;
- application development support to grant applicants (to include scope of work, budgeting, Environmental Historical Preservation review, Code of Federal Regulation review, and grant compliance);
- technical assistance to the grant applicant; and
- benefit cost analysis development.

The Executive Budget includes \$462,850 in FY 2024 for DEMA pre-award grant activities and an increase of 2.0 FTE positions to assist with the activities. The funding will allow DEMA's Division of Emergency Management (DEMA-EM) to function until pre-award expenses can be reimbursed by the federal government.

Without the additional FTE positions and funding, DEMA will lack adequate project development support, and the State will be denied important federal awards.

STORM ACT FUNDING

The Executive Budget includes funding, and the establishment of a new fund, to meet state match requirements to draw down funding from FEMA for the Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) Act grant cycle.

The funding includes \$200,000 per year for the next five years, for a total of \$1 million, to meet the 10% match requirement for the upcoming STORM Act grant cycle. This match will allow DEMA to request from FEMA a maximum of \$1.8 million per year for the next five years, for a total of \$9 million, for mitigation projects throughout Arizona. The \$10 million in total funding will be deposited in a new STORM Act Revolving Fund.

The STORM Act became law in 2021 and amended the Robert T. Stafford Disaster Relief and Emergency Assistance Act to authorize FEMA to provide capitalization grants to states, federally recognized tribes, Puerto Rico, and the District of Columbia. The grants establish revolving loan funds that provide

hazard mitigation assistance for local governments to reduce risks from natural hazards and disasters.

As a revolving loan fund, the money returned to the State for the projects originally funded under the first year of application (and subsequent four years) will allow the fund to be self-sufficient after federal funding is no longer available. The monies will also lose some federal restrictions, which will allow for more flexibility in how they are used.

GOVERNOR'S EMERGENCY FUND INCREASE

The Governor's Emergency Fund exists pursuant to A.R.S. § 35-192 and reserves \$4 million from the General Fund for emergency response and recovery each fiscal year.

When a state, territory, or federally recognized tribe seeks to qualify for and/or receive federal disaster assistance monies under the federal Public Assistance (PA) program, FEMA often requires additional documentation from the applicant to verify that, at the time of their application, they have invested in mitigation efforts before or immediately after the event for which they seek assistance. If active mitigation is not shown on behalf of the entity applying for federal assistance, federal funding may be denied.

The Executive Budget includes Legislative change language that raises, from \$4 million to \$5.3 million, the aggregate amount of liabilities cap incurred under a declaration of disaster. The Executive Budget also includes Legislative change language that includes mitigation as an eligible activity of the Governor's Emergency Fund.

Of the \$5.3 million, \$1.3 million may be used for mitigation activities that will eliminate or reduce disaster impacts and/or damage to public and private property. Any unobligated funds remaining at the end of the fiscal year will revert to the General Fund. The provision will provide proof to FEMA that Arizona has invested in mitigation efforts.

Other State Agencies Related to Public Safety

ATTORNEY GENERAL

Since 2018, the Attorney General (AG) has received one-time funding each year to support FTE positions in its Criminal Division. These positions include special agents, auditors, and support staff from the Special Investigation Section (SIS), and attorneys and support staff from the Fraud and Special Prosecution Section (FSP) and the Drug and Racketeering Enforcement Section (DRG).

SIS provides investigative expertise for crimes within the AG's jurisdiction and prosecution assistance. SIS partners with other law enforcement agencies at all levels of government to investigate crimes whose impacts range from local to international.

FSP prosecutes white-collar crime and fraud committed by individuals and organized criminal groups, while DRG combats drug trafficking and money laundering organizations.

The Executive Budget includes \$3 million to provide permanent funding for 18.5 FTE positions.

The Attorney General has been using funds from the National Mortgage Settlement (NMS) received in 2012 to support 13.0 FTE positions in the Consumer Protection and Advocacy Section (CPA), which enforces State and federal laws that protect consumers. NMS funds are expected to be depleted in FY 2024, and the Executive Budget includes \$1.7 million to backfill funding for these positions.

COURTS

Fiduciary Regulation. The Arizona Supreme Court licenses fiduciaries to help ensure that Arizona's elderly and vulnerable citizens' financial affairs, medical decisions, and other vital matters can be managed by licensed individuals or businesses. Fiduciary investigators scrutinize complaints and perform audits in seeking to ensure that private fiduciaries comply with regulatory authorities.

Due to a backlog of complaints, investigations are taking longer and staff have less time to conduct proactive audits. The Executive Budget includes \$102,100 for an additional Fiduciary Investigator to address high caseloads and reduce investigation times.

Superior Court Expansion. Yuma County received approval for an additional Superior Court division, including an additional Superior Court judge, to respond to high caseloads and population growth. The State pays for half of all Superior Court judge salaries and ERE, and the Executive Budget includes \$145,500 to support the new position.

Probation Funding. The Executive Budget includes \$6.7 million to cover the shortfall in the State portion of adult and juvenile probation funding.

Per A.R.S. §12-252, counties have the authority to set the salaries of probation officers. In FY 2023, counties set raises above the projected 2.5% included in the State budget. Because the State funds a portion of the salaries and ERE for adult probation and juvenile probation officers, the Executive Budget increases appropriations for Probation special line items to fully fund raises for the State funded positions.

The Executive Budget also includes \$7.6 million for the Probation Stabilization Fund for the State-funded probation raises as counties implement them.

DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS

The Executive Budget provides \$653,900 for initiatives intended to prevent, investigate and prosecute vehicle theft. Funding will be dispersed across three initiatives:

- increasing vertical prosecution grant funding for participating counties;
- supporting the ongoing costs of the Auto Crime Tracking Database; and
- covering the increased cost of fuel incurred by the public safety officers assigned to the Vehicle Theft Task Force.

DEPARTMENT OF LIQUOR LICENSES AND CONTROL

In FY 2023, the Department received funding for six additional special agents, one of which was assigned to northern Arizona.

The Executive Budget includes \$42,600 in funding for a new office in Flagstaff to provide sufficient space for the expanded team in northern Arizona, a more centralized location for operations in that region, and additional evidence storage space.

DEPARTMENT OF TRANSPORTATION

The Executive Budget includes \$3 million to establish a body-worn camera (BWC) program within the Enforcement and Compliance Division (ECD).

The establishment of a BWC program within ECD mirrors that of the Department of Public Safety's BWC program that was established in FY 2022. ECD consists of approximately 200 officers, and the BWC program enhances officer safety, improves agency efficiency, and promotes public transparency.

Of the funded amount, \$1.8 million is one-time and associated with body cameras and equipment for new personnel operating the program. The remaining \$1.2 million is ongoing and is associated with the new personnel and the software licenses.

SECRETARY OF STATE

The Executive Budget removes the fine associated with the Address Confidentiality Program (ACP), due to the financial burden often falling on the household of the victim.

Removal of the fine and reductions in federal funding will cause an ACP revenue shortfall.

The Executive Budget includes a General Fund increase of \$514,100 to backfill fine revenue and Victims of Crime Act (VOCA) grant funding, so that the ACP can continue to provide services to survivors of domestic violence, sexual assault, or stalking.

Fiscal Response to the COVID-19 Pandemic

Seven federal initiatives that provided pandemic relief funding for state and local governments returned more than \$85 billion to Arizona.

To help state governments deal with critical financial and service-delivery pressures associated with Covid-19, the federal government responded with an unprecedented level of resources, including nine measures that provided relief funding directly to states and their residents.

Arizona received federal pandemic relief funds totaling \$85.6 billion from the following sources:

March 2020

- \$39.9 billion: Coronavirus Aid, Relief, and Economic Security (CARES) Act
- \$3.1 billion: Families First Coronavirus Response Act
- \$20 million: Coronavirus Preparedness and Response Supplemental Appropriations Act (CPRSAA)

April 2020

- \$4.1 billion: Paycheck Protection Program and Health Care Enhancement Act

August 2020

- \$1 billion: Presidential Memorandum Authorizing the Other Needs Assistance Program

December 2020

- \$6.9 billion: Consolidated Appropriations Act (CAA)

March 2021

- \$22.7 billion: American Rescue Plan Act (ARPA)

November 2021

- \$7.9 billion: Infrastructure Investment and Jobs Act (IIJA)

Some of the key programs by each category include the following:

- **Eligibility Programs:** Economic Impact Payments (Individual/Families); Unemployment Benefits; Paycheck Protection Program
- **Direct State and Local Assistance:** CARES Act Coronavirus Relief Fund (CRF); ARPA State and Local Fiscal Recovery Fund
- **Education:** Elementary and Secondary School Emergency Relief (ESSER) Fund, Governor's Emergency Education Relief (GEER) Fund, Higher Education Emergency Relief Fund (HEERF)
- **Health Care Support:** Provider Relief Funds; Covid-19 Testing and Vaccination
- **Small Business Support:** Economic Injury Disaster Loans

- **Children and Family Support:** Child Care Stabilization; Head Start Programs
- **Public Safety:** Crisis Response
- **Community Support:** Emergency Connectivity

Coronavirus Relief Fund

The CARES Act established the \$150 billion Coronavirus Relief Fund (CRF), through which the U.S. Department of the Treasury made direct payments to states and eligible units of local government with populations that exceeded 500,000.

The CARES Act required that CRF payments be used only to cover expenses that were:

- necessary expenditures incurred due to the public health emergency with respect to Covid-19;
- not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the state or government; and
- incurred during the period that began on March 1, 2020, and ended on December 30, 2020 (extended to December 31, 2021, pursuant to the Coronavirus Response and Relief Supplemental Appropriations Act, 2021).

The amounts paid to states and eligible units of local government were based on population, with a state payment reduced by the aggregate amount of payments disbursed to eligible local governments within that state.

A total CRF allocation of \$2.86 billion came to Arizona: \$1.86 billion to the State and \$1 billion distributed among Maricopa County and Pima County and the cities of Phoenix, Tucson, and Mesa.

The Governor's Office established the following grant programs, funded from the State's \$1.86 billion in direct financial assistance:

- **AZ Cares Fund:** \$440.8 million for immediate relief to Arizona cities, towns, and counties that did not receive a direct CRF allocation. These dollars supported local public health and public safety payroll costs and provided flexibility to local entities to reallocate their own budget resources to other needs.
- **Enrollment Stabilization Grant Program:** \$366 million to help Arizona schools mitigate the pandemic's impact on the 2020-2021 school year.
- **Arizona Express Pay Program:** \$79 million to expedite relief funding via the FEMA Public Assistance program. This

funding provided assistance to local and county governments, private not-for-profit hospitals, school districts, and State agencies for the purchase of personal protective equipment (PPE), hospital staffing, and critical medical supplies, such as ventilators, disinfecting and sanitation supplies, and Covid-19 testing.

- AZ Vote Safe Program: \$5.5 million for Arizona counties to support safe election operations and promote voter participation during the coronavirus.
- AZ Stay Connected Program: \$785,000 for technology and other resources required by skilled nursing facilities to help Arizona families stay connected with loved ones confined to those facilities.

In coordination with the Arizona Department of Health Services, \$212 million was expended for PPE, coronavirus tests and testing supplies, and statewide hospital staffing needs.

Finally, State agencies were provided \$436.4 million for public health and public safety personnel along with employee-related expenses (EREs), and the three State universities received \$123.6 million to assist with distance learning, public health, coronavirus testing, and personnel expenses.

All Coronavirus Relief Fund monies have been expended and are in closeout.

Education Relief

As part of the federal CARES Act and CPRSAA, Arizona was awarded \$100.1 million: \$69.2 million for the Governor's Emergency Education Relief (GEER) I Fund and \$30.9 million for the GEER II Fund.

Those funds are flexible dollars that governors can use to make key investments to mitigate the impacts of Covid-19 for schools and students most in need. GEER funds may be awarded to institutions of higher education, state agencies, schools, and other education-related organizations.

Arizona's GEER plan was intended to accelerate academic achievement for students across the state, through the support of learning and remediation, summer learning programs, and expansion of tutoring opportunities. To date, the GEER funds have been allocated as follows:

- State agencies supporting education: \$50.5 million
- Other education-related organizations: \$42 million
- Institutions of higher education: \$7.5 million

EMERGENCY ASSISTANCE TO NON-PUBLIC SCHOOLS

As part of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and ARPA, the State was also awarded \$108.9 million from the Emergency Assistance to Non-Public Schools (EANS) program.

The purpose of these funds is to provide resources and assistance to eligible non-public schools to further mitigate any Covid-related disruptions.

Per the CRRSAA and ARPA, the Governor's Office applies for the funding, but the Arizona Department of Education (ADE) is responsible for programming and expenditures. The two agencies have collaborated to fulfill the mission of this funding.

ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF

As part of the CARES Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and ARPA, Arizona was allocated over \$4 billion for funding via the Elementary and Secondary School Emergency Relief (ESSER) Fund to address the impacts of the Covid-19 pandemic on elementary and secondary education across the state.

Of this funding, 90% has been provided directly to local education agencies (LEAs) for allocation and expenditure at their discretion, aligned with directives outlined in the three federal acts. The remaining 10% has been allocated for administration and discretionary use by the Arizona Department of Education.

Crisis Contingency and Safety Net Fund

In March 2020, the Governor's Office entered into a bipartisan State budget agreement that added \$50 million for Arizona's Covid-19 response, the Crisis Contingency and Safety Net Fund.

The Governor's Office allocated these resources to provide direct relief to communities and to aid small businesses, not-for-profit entities, health care providers, food banks, the homeless population, and Arizonans needing eviction assistance.

All Crisis Contingency and Safety Net Fund monies have been expended and are in closeout.

Coronavirus State and Local Fiscal Recovery Fund

ARPA established the \$350 billion Coronavirus State and Local Fiscal Recovery Fund (SLFRF), through which the Treasury Department made direct payments to state, metropolitan, city, and county governments. Additionally, state governments were provided \$19.5 billion to support their non-entitlement units (NEUs) of local government, which are local governments typically serving a population under 50,000.

Those payments had four funding objectives:

- support urgent Covid-19 response efforts to decrease spread of the virus and bring the pandemic under control;
- replace lost revenue for eligible state, local, territorial, and tribal governments to strengthen support for vital public services and help retain jobs;
- support immediate economic stabilization for households and businesses; and
- address systemic public health and economic challenges that contributed to the uneven impacts of the pandemic.

These payments are being distributed in two tranches, with the first starting in May 2021 and the second in June 2022.

Recipients must commit all funding by December 31, 2024, but have until December 31, 2026, to fully expend it.

The amounts paid directly to states were based on equal allocations of \$25.5 billion (each state received \$500 million), with the remaining amount allocated per the average estimated number of seasonally adjusted unemployed individuals between October 2020 and December 2020 for each state over the same data for all 50 states.

The Arizona Governor’s Office received \$4.18 billion. Additionally, it was provided approximately \$226.7 million to distribute to NEUs.

Seven allowable Expenditure Categories (ECs) are provided by the Treasury Department:

1. *Public Health*: Continue Covid-19 mitigation efforts.
2. *Negative Economic Impacts*: Address economic harms caused by the pandemic on individuals, families, small businesses, not-for-profits, and impacted industries.
3. *Public Sector Capacity*: Address the economic harms caused by the public health emergency on the public sector.
4. *Premium Pay*: Provide additional support for frontline, essential workers.
5. *Infrastructure*: Make water, sewer, and broadband investments.
6. *Revenue Replacement*: Address the reduction in revenue experienced by governments due to the pandemic.
7. *Administrative*: Accommodate administrative expenses and transfers to other units of government.

As of October 31, 2022, \$2.14 billion had been expended as based on the above ECs.

Coronavirus Capital Projects Fund

ARPA established the \$10 billion Coronavirus Capital Projects Fund. With this Fund, the Treasury makes direct payments to eligible governments (states, territories, and tribes) for approved projects that directly enable work, education, and health monitoring in response to Covid-19.

Each state received a \$100 million allocation. An additional \$4.6 billion was based on the following allocation methodology:

- 50% (\$2.3 billion) allocated among the states, based on each state’s percent of the *total* population of all states;
- 25% (\$1.15 billion) allocated among the states, based on each state’s percent of the *rural* population of all states; and
- 25% (\$1.15 billion) allocated among the states, based on the proportion that the number of individuals with a household income below 150% of the poverty line applicable to a family of the size involved in each state bears to the number of such individuals in all states.

Based on the above, the Governor’s Office was allocated \$190.2 million. At the time of this writing, it has submitted applications for this funding that are under review by the Treasury Department.

Infrastructure Investment and Jobs Act (IIJA)

The IIJA became law in November 2021, with Arizona receiving an allocation of \$7.9 billion. The State is also eligible for numerous competitive grant programs.

Figure 6

\$77.8 Billion to Arizonans

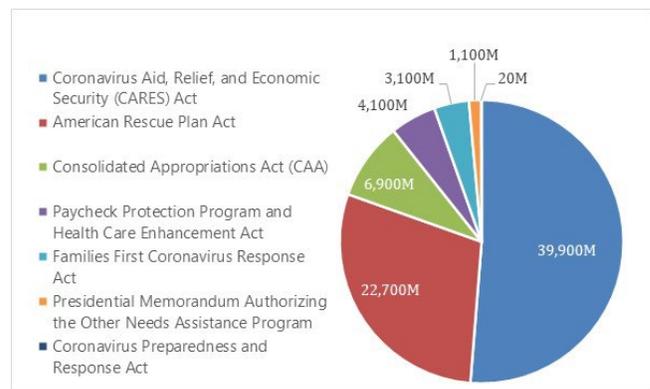


Figure 7

American Rescue Plan Act by Expenditure Category

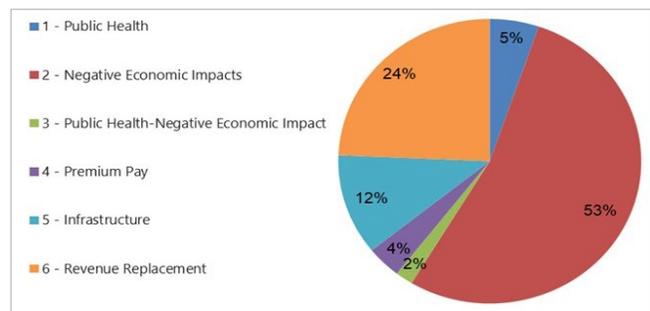
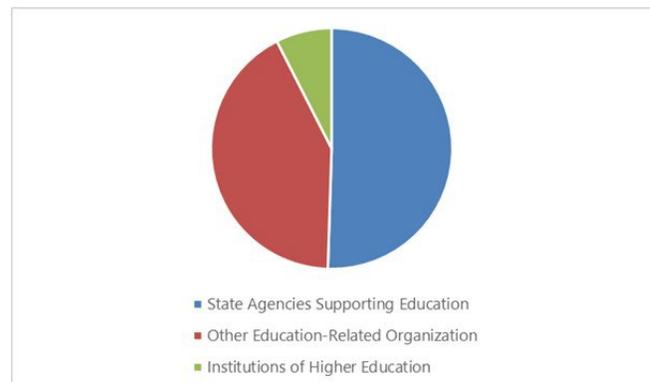


Figure 8

Governor’s Emergency Education Relief (GEER)



The Economy

While the U.S. continues its strong recovery out of the 2020 economic downturn, mixed signals suggest that choppy waters lay ahead.

“Even as our state continues to be an incredible place to live and work, we can do more to help our fellow Arizonans get ahead.”

Gov. Katie Hobbs

While record lows in unemployment and highs in job openings support an optimistic outlook for the future, high inflation, slowing of Gross Domestic Product (GDP) growth, and stagnant real incomes warrant caution moving into 2023.

Although Covid-19 had mostly faded from the broader economic picture by the end of 2021, it was quickly replaced by another obstacle: inflation. The combination of a decade of expansionary monetary policy, pent-up savings accumulated during the pandemic, international unrest, and unprecedented fiscal stimulus initiatives in 2020 and 2021 led to levels of inflation not seen in over four decades.

Inflationary pressures were exacerbated by disruptions in the production and distribution of goods, including clogged supply chains, continued Covid shutdowns in Asia, soaring energy costs, and shortages in such fundamental components as semi-conductors. Wage inflation also contributed to the overall increase in prices, as many “Covid separated” workers remained hesitant to return to work without substantial pay increases. Amid this massive domestic labor shortage, the pace of legal immigration slowed to a trickle, exacerbating the situation.

Unfortunately, actions taken to counter inflation often have their own negative side effects. Although the Federal Reserve was initially slow to act, over the last 12 months it has embarked on a plan, focused on dramatically higher interest rates, to slow the pace of demand.

While higher interest rates are expected to help ease inflationary pressures, they are also likely to dampen economic growth, as businesses and consumers find it more costly to borrow money to fund expansion and purchase big-ticket items.

Markets reacted negatively to the Fed’s moves, with the S&P 500 falling drastically from the record highs achieved at the end of 2021 before partially rebounding in the fourth quarter. Also, high mortgage rates adversely affected the real estate market and depressed housing prices.

Despite the Fed’s actions, by late 2022 inflation had yet to subside enough. As of this writing, year-over-year growth in the overall Consumer Price Index (CPI) – the standard measure of inflation – declined in July through November but remained at an

elevated 7.1%. CPI measurements that exclude volatile energy and food prices are not declining as fast as other items.

In the face of soaring prices, employment and consumer spending have remained strong; however, how this year’s rising interest rates play out in 2023 and beyond remains to be seen.

THE NATION

As this forecast was prepared, the nation’s economy was on track to finish 2022 with GDP growth only slightly above 0%. The first two quarters of the year saw negative growth in GDP, followed by a more promising third quarter, which posted annualized growth of 2.9%

In contrast, the U.S. labor market has proven to be extraordinarily resilient, with unemployment rates at near-record lows, helping to soothe many economists’ concerns over sluggish GDP growth. In every recession in recent memory, the unemployment rate has exceeded 5%, suggesting that the negative GDP growth at the beginning of 2022 was more of an economic aberration than an indicator of recession.

Over the next 18 months, the pace of growth in the overall U.S. economy will be dictated in large part by the length of the Federal Reserve’s battle against inflation. Many economists and forecasters warn of an inflation-induced recession in 2023, despite the continued strength in consumer spending and employment. However, the strength in both of these metrics is likely to subside – particularly in consumer spending – before the Fed successfully slows inflation to its 2% target.

ARIZONA

Arizona’s employment growth surged in comparison with many states through 2021 but has moderated more recently compared to other states. Some of this is because many competitor states remained mostly closed in 2021, so growth today represents their reopening. However, Texas and Florida, whose growth rates usually track similar to Arizona’s, are both in the top 3 for job growth, while Arizona ranks number 21 based on figures through October 2022.

The bright spots for the state in 2022 are in manufacturing, health services, and professional and technical services, while retail, construction, and real estate have slowed significantly in terms of job creation over the last several months.

A particular bright spot for the state last year was the performance of its manufacturing sector. Arizona’s 7.6% manufacturing employment growth, through October 2022, outperformed all other states. That performance bodes well for

the future of Arizona’s economy and State income tax revenues, as manufacturing jobs tend to pay more than average.

The movement of high-paying tech companies to Arizona encourages in-migration. According to the most recent population data from the U.S. Census Bureau, only Florida and Texas surpassed Arizona in total net migration in the 12-month period that ended July 2021. Additionally, the Arizona Department of Transportation’s more timely data on new credentials for individuals age 18 and older – a proxy for new residents to the state – shows this migration growth accelerating in 2022, with the average monthly issuances in the year exceeding the 2021 average by 21% and more than doubling the average from 2019 to 2020.

Housing prices in Arizona rose by nearly 33% in 2021 and continued to rise, by an additional 12%, through June of 2022 before falling slightly. The Phoenix area remains one of the nation’s hottest housing markets. While this phenomenon benefits current Arizona homeowners, persistently high housing prices risk future economic growth by pricing potential Arizona newcomers out of the market.

Inflation figures for Arizona remain among the highest in the nation; in October, the Phoenix area posted a 12.1% increase in prices year-over-year – 50% higher than the 7.8% increase experienced by the nation as a whole.

Much of this divergence can be explained by Arizona’s extraordinarily strong housing market. Excluding the shelter category of the consumer price index (CPI), inflation in Arizona falls to 8.6%, compared to 8.2% and 8.7% for, respectively, the nation as a whole and for all western states.

National Outlook

Growth projections for 2023 remain bleak. The Blue Chip Consensus projects a 1% to 1.4% decline in growth, coinciding with an economic downturn as a result of the battle against inflation. Many of the indicators that have historically preceded a recession have been observed, further suggesting a downturn in the near future.

The pace of growth going forward will be dictated largely by inflation. If the Fed engages in a prolonged campaign against inflation, 2023 will see significant headwinds, slow GDP growth, and rising unemployment. The duration and depth of any resulting recession will depend largely on how long the Fed’s battle persists. A resurgence of any pandemic-related slowdowns, in the U.S. or abroad, could extend the supply-chain disruptions responsible for much of the inflation challenge and deepen any resulting recession. Additionally, escalation of geopolitical crises involving Russia-Ukraine, the Middle East, or China could lead to further slowing of the national economy.

INFLATION

Last year at this time, the hope was that inflation would be transitory, slowing as the global economy emerged from the cloud of the pandemic. These hopes were dashed by the reality of 2022.

The Federal Reserve’s tool to combat the problem is demand destruction, and the Fed will continue to raise interest rates until there are definitive signs that consumption is slowing and price pressures are easing. What is uncertain is how much pain the real economy will have to endure before the problem is solved.

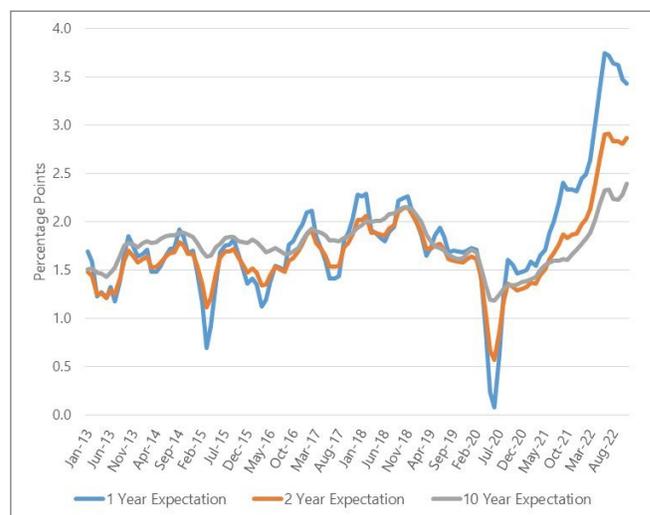
A key battle for policymakers will be tempering expectations about future inflation. If consumers and businesses expect inflation to be high in the future, they may make their purchases sooner, when prices are lower, further boosting demand in the present and putting upward pressure on inflation today. Additionally, workers who expect higher prices tomorrow will push for higher wages today, increasing business costs and resulting in further increases in prices – i.e., inflation.

This phenomenon can lead to a self-fulfilling prophesy whereby expectations about higher inflation in the future drive inflation higher at the present, which in turn fuels expectations about higher inflation in the future, and so on. As seen in the figure below, expectations for average inflation over the next two years rest just below 3%, which is above the Fed’s target rate of 2% but considerably below the current rate.

The Fed anticipates a return to more normal rates of inflation by the end of 2023, with Blue Chip forecasters predicting a reduction of inflation to 2.9% by the fourth quarter.

Figure 9

Inflation Expectations



EMPLOYMENT

In sharp contrast to inflation, the labor market has proven to be a bright spot in the nation’s economy. Employment growth over the last 12 months has averaged over 400,000 jobs per

month, although growth in recent months has been closer to a more normal 250,000.

Growth of this magnitude is to be expected after the drastic declines experienced in 2020, as steep employment declines typically result in strong jobs growth as the economy recovers what it had lost. Despite the strong jobs numbers, it took until August 2022 – a full 28 months – for the U.S. just to recover all of the jobs lost during March and April of 2020.

The overall growth in demand for labor has been met with relatively low supply. At the same time that job openings were peaking at about 12 million in March 2022 (the highest value in the history of the Job Openings and Labor Turnover Survey), the labor participation rate remained near lows not seen since the 1970s. The combined effect has helped to lift average hourly earnings in the U.S. by nearly 10% since the beginning of 2021, as businesses clamored to find workers to fill their open positions and amid inflation concerns.

The Blue Chip panel forecasts unemployment rates to remain below 5% through 2023, despite sluggish GDP growth. There remains a pent-up demand for workers, lackluster labor force participation rates, and a legal immigration process that does not deliver the help from a pool of productive potential workers that has been available in the past.

In all recessions in the post-World War II period, unemployment rates have increased beyond 5%. While it is certainly possible, a move from today's rates in the mid-3% range to over 5% would have to be sharp and dramatic, and without labor market deterioration the recession would be short lived or might not occur at all.

If labor markets stay strong, the Fed may increase its resolve in scouring out inflation, leaving those sectors of the economy that are the most interest rate sensitive to bear the brunt of the demand destruction policy. The recent employment growth at the national level may slow, as more businesses come to terms with rising interest rates and the likelihood of less demand.

The result is that unemployment may remain lower than what would be expected in a typical recession, as the currently high levels of job openings act as a buffer to employment losses.

CONSUMER SPENDING

Consumer spending will need to remain strong if the U.S. is to avoid or mitigate a recession in 2023, as this category represents the vast majority of GDP. Unfortunately, as discussed above, the Fed's inflation battle will likely slow consumer spending.

Data on personal savings reinforces the notion that a slowing in consumption may be on the horizon. Inflation-adjusted total saving levels, and saving as a percent of overall personal income, are both significantly down from their 2021 highs and are near their lowest levels since 2000, suggesting that consumers have had to tap into their dwindling savings in order to sustain current consumption levels.

However, consumer saving rates surged during the pandemic, and estimates suggest that only about 25% of the extra Covid savings have been spent to date.

INTEREST RATES

Prior to the pandemic, interest rates remained historically very low for years, which fueled consumption, home buying, and business borrowing and led to significant appreciation of equity prices. However, the Fed's recent actions aimed at curbing inflation have, for now, brought an end to the ultra-low-rate environment.

Home mortgage rates are at their highest levels in 15 years, leaving many potential buyers trying to recalibrate affordability, especially at today's still lofty real estate prices. Higher mortgage rates have dampened the real estate market, causing declines in prices and a slowing in sales activity.

While lower prices may be a welcome sight for buyers, the decline in value may carry implications for capital gains income, cutting into income tax revenues at both the federal and state levels.

Purchasing of other big-ticket items, such as automobiles, furniture, and appliances, may also be influenced by higher interest rates, although durable goods consumption remained strong through 2022. This could change, however, as consumer savings and real earnings continue to decline amid increasing financing costs and inflation.

Moving forward, the Blue Chip panel projects mortgage rates to average 6.5% in 2023. While rates in that range are moderate by historical standards, many buyers have never experienced normal interest rates, which could further dampen economic activity.

BUSINESS SPENDING

The pace of business spending in 2022 failed to keep pace with the robust growth achieved in 2021. The primary drag on the sector at mid-year has been a significant decline in structure investment related to the spike in interest rates. Overall investment is likely dampened by concerns about an impending recession, and those concerns, along with high labor costs and lingering supply chain congestion, will serve as headwinds.

The bright spot in the sector comes from the increasing emphasis on domestic production, as the U.S. continues to back away from globalization by drafting policies that promote onshoring investments.

The recent federal legislation in support of semiconductors, in concert with ongoing private investment initiatives, will likely boost manufacturing and related research investment. However, those initiatives will take several years to implement.

The recently passed infrastructure initiatives will provide additional support for ongoing business investment over the next several years. Also, much of the recently enacted federal spending will support environmentally friendly initiatives in both

production processes and products (e.g., electric vehicles and charging stations). Businesses that complement those activities, and the regions that embrace them, will likely see the most benefit from the targeted investment opportunities.

Arizona Outlook

Arizona has been one of the nation's growth leaders for most of the past 75 years, with exceptions generally tied to downturns in the real estate cycle or the Great Recession. Coming into 2022, the state's growth trajectory was steep, with Arizona a popular target in company relocations.

On average, the state's economy suffered smaller losses from the pandemic and recovered more rapidly than many states.

Today, the state enjoys a strong economy and is well positioned to weather a mild national recession.

However, despite Arizona's economic diversification in recent years, real estate remains a prominent sector due to the state's population growth. If high mortgage rates produce a housing slump, the impact on Arizona's real estate market could adversely affect other sectors of the state's economy.

EMPLOYMENT

For the five years leading up to the pandemic, Arizona was among the nation's leaders in job creation. That momentum helped the state's job market weather the pandemic and recover lost jobs relatively quickly.

Looking ahead to 2023, the pace of job growth in the state will be heavily influenced by, first, whether the Federal Reserve can achieve its "soft landing" objectives and, second, the depth of a slowdown in the housing sector.

Arizona's housing shortage should work to the housing sector's advantage, but tighter monetary policy is likely to suppress new-home prices and sales volume, which would dampen employment prospects in residential construction and related sectors.

MANUFACTURING

Arizona has prospered in attracting manufacturers looking to relocate.

In 2022, growth in manufacturing jobs exploded, as the state was on pace to add about 15,000 manufacturing jobs – the highest growth in decades.

The health of manufacturing in Arizona is important for overall job growth, because of manufacturing's distinctive ability to sustain a net flow of income into the state and provide residual benefits to other businesses and sectors.

Since the turn of the century, one of the most important growth drivers for Arizona has been its strength in aerospace and electronics manufacturing. In recent years, the manufacturing sector has seen both a resurgence in traditional segments and diversification with a blossoming automobile sector.

Looking ahead, the national political climate and recently passed federal legislation, which includes a focus on green energy initiatives and domestic semiconductor production, aligns well with Arizona's business climate and should continue to drive capital investment in 2023 and beyond.

At the same time, competition for new facilities incorporating advanced manufacturing capabilities will require a knowledge-based workforce equipped with analytical skills required to operate and maintain complex production operations. States that are successful in this competition will have workforces trained and ready to meet this challenge.

CONSTRUCTION

In 2023, the pace of construction job growth will be greatly influenced by how the overall housing sector responds to the Fed's fiscal moves, relatively high mortgage rates, rising labor costs, and implementation of the federal Infrastructure and Jobs Act.

In contrast to 2019, when the state's 12,000 new construction jobs ranked Arizona among the top five states, job growth fell in 2022 to about 6,000 on a year-over-year basis. That is a significant shortfall from expectations at the start of the year, when many economists and industry leaders predicted that the housing sector and the injection of infrastructure investments would underpin the sector.

The bright picture that the sector projected just a year ago has dimmed, and construction job creation for 2023 is likely to continue to fall short of recent expectations.

PERSONAL INCOME

Historically, nominal personal income growth has been a reliable barometer of overall economic growth in the state, as it encompasses both overall employment and income growth. Arizona has regularly been among the nation's leaders in this measurement.

However, 2020 and 2021 were unusual years. Large federal transfer payments in the second quarter of 2020 and the first quarter of 2021 led to personal-income surges despite relatively high unemployment rates. With the loss of this injection in 2022, overall personal income growth slowed to about 3%, even though wages and salaries alone surged by nearly 10%. Consequently, overall personal income will be less of a reliable measure of economic performance until later in 2023 and beyond.

In assessing the overall income figure, the volatility of both capital gains income and income from the real estate sector merits consideration. Current estimates suggest that Arizona capital gains realizations in 2021 surged to more than \$33 billion, by far the highest on record and over \$15 billion higher than average gains realizations in the years leading up to the pandemic.

Moreover, the 2021 real estate boom buoyed incomes for individuals and businesses that rely on real estate-related sales. The likely decline in capital gains income and income from real estate transactions will adversely affect overall income in Arizona throughout 2023.

IN-MIGRATION

Arizona has historically been a people magnet for both domestic and international immigrants, and, according to decades-long IRS data, the state continues to rank among the nation’s leaders in domestic in-migration.

More recent census data suggests that Arizona ranked third in net domestic migration in 2021 and has been among the top five for much of the past decade. Among major metropolitan areas, the Phoenix area has held the top position for five of the past six years.

Since the middle of the 20th century, Arizona’s consistent attraction has stemmed from plentiful job opportunities, affordable housing, pleasant weather, beautiful scenery, and the opportunity to enjoy a Southwest lifestyle. While many of these attributes remain in place, income growth is not keeping pace with the cost of housing.

Nonetheless, recent statistics suggest that the state and, in particular, metro Phoenix remain top destinations for all categories of new residents, including young adults.

RISKS

In contrast to late 2021, when the economic picture looked very bright, 2023 is ushered in by concerns and uncertainties ranging from recessionary prospects at home to global energy strains stemming from Russia’s invasion of Ukraine.

As a result, considerable caution influences Arizona’s economic outlook. There are also some reasons to be optimistic.

Pessimistic economists point to Arizona’s historical tendency to do well in the upswing in the real estate cycle and to struggle through the downswing. Fed tightening has taken mortgage rates from 3% to 7%, and it appears resolved to eliminate inflation even if it requires higher rates. More aggressive action on inflation will most likely lead to more slowing in the real estate sector and delayed plans for business expansion.

While potential impacts of drought and climate change are both short term and long term in nature, any increase in the threats of these factors will dampen prospects for growth, as with many other states.

On a more positive note, Arizona is well positioned for business expansion, with its attractiveness as an in-migration destination for movers and the continued interest in Arizona by relocating businesses. Maintaining a stable, predictable business climate that is attractive to young and innovative workers can help sustain growth for years to come.

The Revenue Outlook

While forecasting the State’s General Fund revenue is never a sure thing, the current cycle offers a particular set of uncertainties.

First, the future trajectory of the economy is debatable. There is a high probability – though not a certainty – of recession. The strength of the Arizona economy heading into any recession may help buffer some of the negative consequences, but the degree to which sales tax collections and other revenues were inflated by atypical consumption patterns during the pandemic, inflationary increases, and the 2021 surge in real estate transactions, is still unclear.

Similarly, data now suggest that FY 2022 revenues were significantly boosted by record levels of capital gains and the unprecedented federal stimulus, which make it difficult, prior to any downturn considerations, to determine the true nature of the State’s revenue base.

Finally, State tax cuts enacted in calendar years 2021 and 2022 have further reductions slated for 2023, which will further erode revenues. The State is likely to see significant slowing in personal income tax revenue collections in the spring of 2023 and continuing through the calendar year, with implications for FY 2023 and FY 2024. The speed and magnitude of a post-recessionary rebound in FY 2024 and beyond will depend on the strength and duration of a possible economic downturn and the pace at which inflation rates decline.

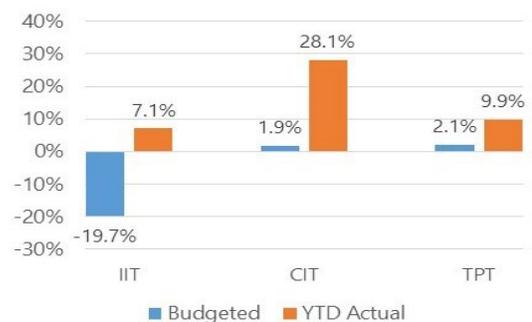
FORECAST

A major challenge with the development of a forecast scenario is to determine when the economy will slow and when the impacts of the tax rate reductions will occur.

While the pace of collections over the first five months of FY 2023 was at or above historic rates, the real estate slowdown has yet to have a revenue impact, inflation rates remain high, and extension payments reflect record capital gains realizations in calendar 2021. Moreover, withholding collections are based on old tax schedules that are over 20% above levels that would align with the new tax code. This will lead to higher refunds in the spring of 2023.

Figure 10

Year-to-Date Revenue Performance: FY 2023



The forecasts in Figure 11 account for the strong start but also call for a very slow spring, as payments begin to align with the realities of the economy, slowing inflation, dramatically lower capital gains realizations, and a tax code that delivers up to a 40+% tax cut to high-income taxpayers.

Table 5

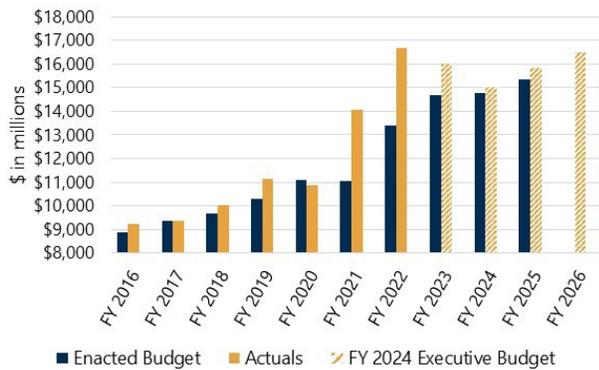
Historical and Projected Revenue Growth

	8-Year Avg.	FY 2022 ¹	FY 2023
TPT	7.8%	15.4%	6.7%
IIT	10.3%	26.9%	(18.2)%
CIT	13.3%	37.4%	27.2%

¹ Adjusted for the deferral of approximately \$600 million in individual income tax payments into FY 2021 from FY 2020.

Figure 11

Forecast of Ongoing Revenue



LOOKING AHEAD

The bright revenue picture that was presented less than a year ago is considerably cloudier today, and it is prudent to predict that the pace of revenue collections will slow. The slowing will reflect several likely factors:

- Consumption preferences will revert back toward services, which will induce headwinds for taxable retail sales growth.
- The pace of federal government injections will decline. While infrastructure investments will benefit Arizona, the federal investments may not be as significant as they have been in the past two years.
- Conversion from the current individual income tax rate structure to a flatter rate structure will take average tax rates from approximately 3.6% in 2021 to a rate of 2.5% over the next year. Eliminating progressivity from the IIT rate schedule will invariably dampen the rate of future growth of IIT collections, while the rate cuts will reduce liabilities by over \$2 billion per annum at full phase-in.
- Corporate collections and capital gains income historically exhibit cyclical behavior, and both may be in line for slowing. Unfortunately, both sources of revenue are

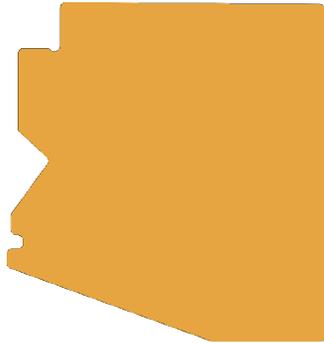
historically tied to the real estate cycle; thus, on the downturn of the cycle, it is expected that capital gains realizations will decline, as will collections from corporate income taxpayers.

TAX REFORM

The FY 2024 Executive Budget includes several tax-reform items aimed at increasing affordability for Arizonans in a high-inflation environment. These items include:

- a permanent TPT exemption for infant diapers, saving Arizonans an estimated \$16 million annually;
- a permanent TPT exemption for feminine hygiene products, saving Arizonans an estimated \$24 million annually; and
- a \$50 million General Fund set-aside for a refundable child tax credit beginning tax year 2023.

Executive Budget In-A-Flash



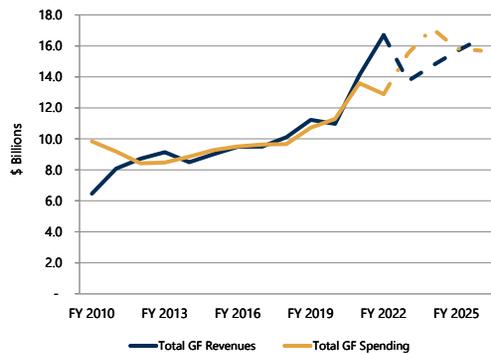
GENERAL FUND CASH FLOW

	Prelim Actual FY 2022	Executive Budget FY 2023	Executive Budget FY 2024	Executive Budget FY 2025	Executive Budget FY 2026	YOY % growth
Beginning Balance	\$ 894,636,000	\$ 4,709,445,955	\$ 2,933,878,911	\$ 273,010,209	\$ 96,390,651	
Adj. Base Revenues	\$ 16,684,285,855	\$ 16,007,358,056	\$ 15,155,998,887	\$ 15,748,471,720	\$ 16,574,788,028	
Revenue Changes	-	-	(40,470,200)	(40,470,200)	(40,470,200)	
One-time Revenues	\$ 20,000,000	(2,270,989,600)	(394,795,220)	(50,000,000)	(50,000,000)	
Total Sources of Funds	\$ 17,598,921,855	\$ 18,445,814,411	\$ 17,654,612,378	\$ 15,931,011,729	\$ 16,580,708,480	
Enacted Spending	\$ 12,889,475,900	\$ 15,755,281,100	\$ 15,755,281,100	\$ 17,131,602,169	\$ 15,834,621,078	
Baseline Changes	-	(251,709,800)	37,120,969	(1,317,759,991)	(140,147,121)	
Net New Initiatives	-	8,364,200	1,339,200,100	20,778,900	4,545,900	
Total Uses of Funds	\$ 12,889,475,900	\$ 15,511,935,500	\$ 17,131,602,169	\$ 15,834,621,078	\$ 15,699,019,857	
BSF Deposit	-	0	250,000,000	0	0	
Ending Balance	\$ 4,709,445,955	\$ 2,933,878,911	\$ 273,010,209	\$ 96,390,651	\$ 881,688,623	-0.9%

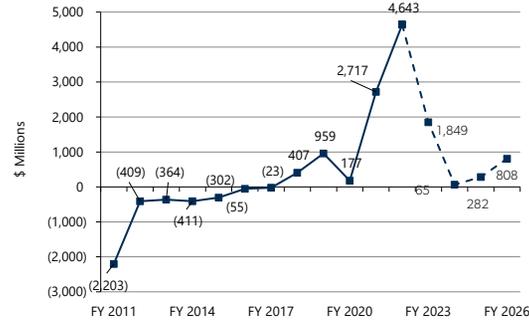
GENERAL FUND STRUCTURAL BALANCE

	Prelim Actual FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	YOY % growth
Ongoing Revenues	\$ 16,684,285,855	\$ 16,007,358,056	\$ 15,065,528,687	\$ 15,658,001,520	\$ 16,484,317,828	5.3%
Ongoing Spending	12,041,346,700	14,158,683,200	15,000,372,359	15,376,152,078	15,676,725,257	2.0%
Structural Balance	\$ 4,642,939,155	\$ 1,848,674,856	\$ 65,156,328	\$ 281,849,442	\$ 807,592,571	

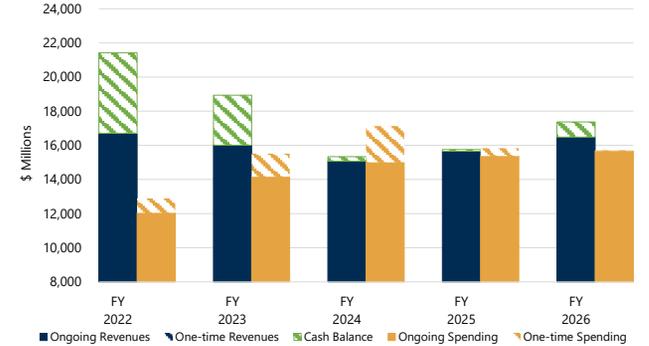
HISTORICAL REVENUES TO SPENDING



GENERAL FUND STRUCTURAL BALANCE



COMPARISON OF REVENUES TO SPENDING



Building an Arizona for Everyone

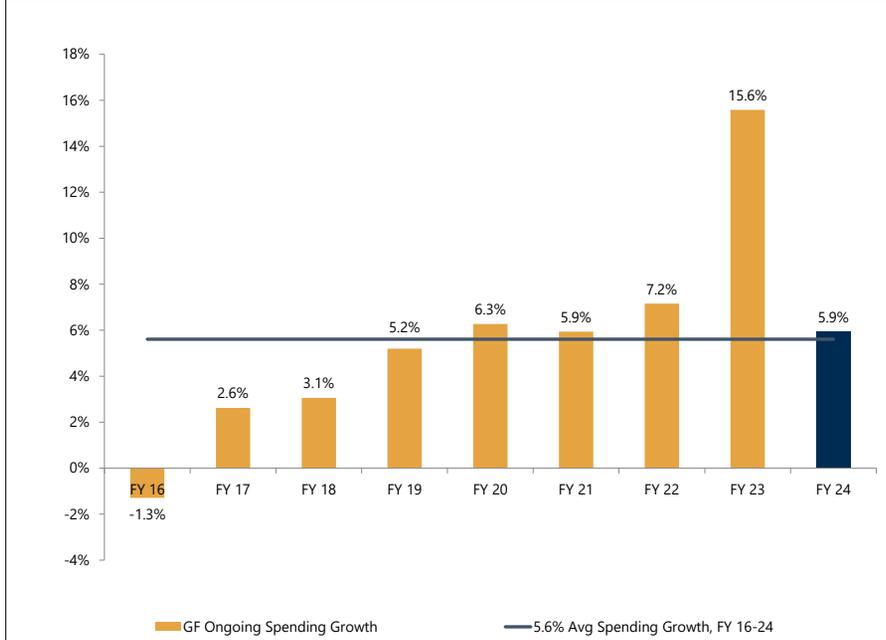
GENERAL FUND SPENDING

New FY 2022 Spending: \$ (243,345,600)
New FY 2023 Spending: \$ 1,376,321,069

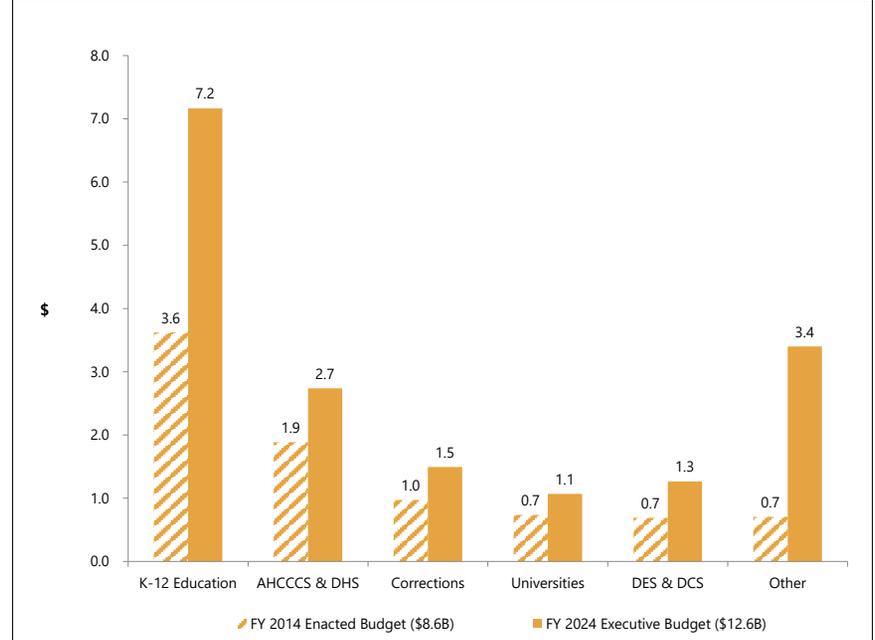
	Prelim Actual	Executive Budget	Baseline Adjustments	New Initiatives ²	Executive Budget	YOY % growth
	FY 2022	FY 2023	FY 2024	FY 2024	FY 2024	
Education	5,910,547	6,968,468	219,347	22,028	7,165,270	2.8%
AHCCCS	1,915,630	2,321,040	243,213	23,017	2,587,269	11.5%
Corrections	1,284,302	1,437,963	(2,387)	59,430	1,495,006	4.0%
Economic Security	850,053	1,079,053	145,346	17,777	1,242,177	15.1%
Administration	18,255	68,951	(59,600)	0	9,351	-86.4%
Child Safety	405,729	472,867	9,768	22,427	505,063	6.8%
ASU - Tempe	385,262	465,045	(53,738)	0	411,307	-11.6%
School Facilities Board	383,927	324,672	208,456	1,000	534,128	64.5%
U of A	250,739	299,423	(6,221)	0	293,202	-2.1%
Capital Projects	92,633	326,257	(321,257)	248,054	248,054	-24.0%
Other ¹	1,392,399	1,748,197	(345,806)	945,467	2,640,776	51.1%
Total	\$ 12,889,475.90	\$ 15,511,936	\$ 37,121	\$ 1,339,200	\$ 17,131,602	10.4%

¹ Other spending includes one-time spending offsets or other savings that do not reduce Budgeted levels.

GENERAL FUND BUDGETED SPENDING GROWTH RATES, FY 2016 to FY 2024



GENERAL FUND SPENDING DISTRIBUTION, FY 2014 to FY 2024 (billions)



² School Facilities Board spending in FY 2023 and beyond is reflected in the Department of Administration budget

GENERAL FUND SPENDING BREAKDOWN

KEY HIGHLIGHTS

- Bolsters the State's Rainy Day Fund with a \$250 million deposit
- \$200 million for State employee retention
- \$332 million for K-12 building renewal - the largest investment in State history

K-12 AND HIGHER EDUCATION

DEPARTMENT OF EDUCATION

\$219.3M FY 2024 Baseline

\$178M	Inflation Adjustment
\$109.2M	Enrollment Growth
\$46.4M	Student Weight Adjustment (Advanced Appropriations)
\$8.8M	Federal Funding Offset
(\$16.1M)	Increased Permanent Fund Distributions
(\$20.6M)	Property Taxes From New Construction
(\$86.3M)	Remove One-Time FY 2023 Appropriations

\$22M FY 2024 Initiatives

\$198.6M	Educator Support
\$20.5M	Dual Enrollment Assistance
\$10.9M	District Additional Assistance 2% Inflation Adjustment
\$5M	E-Rate Broadband Infusion
(\$68.6M)	Results Based Funding Reallocation
(\$144.4M)	Empowerment Scholarship Account - Basic State Aid Adjust

SCHOOL FACILITIES BOARD (NOW WITHIN ADOA)

\$208.5M FY 2024 Baseline

\$332.2M	School Facilities Building Renewal Grants
\$140.9M	New School Facilities-Approvals
\$31.8M	New School Facilities-In Progress
(\$296.4M)	Remove One-Time FY 2023 Appropriations

\$1.0M FY 2024 Initiatives

\$1M	School Facilities Inspections
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UNIVERSITIES

(\$107M) FY 2024 Baseline

\$31.3M	New Economy Initiatives
\$15M	Arizona Teacher's Academy Funding Shortfall
\$0.6M	2017 University Capital Infrastructure Financing
\$0M	2003 Research Infrastructure Refinancing
(\$132.5M)	Remove One-Time FY 2023 Appropriations

\$80M FY 2024 Initiatives

\$40M	Promise for Dreamers Program
\$40M	Expanding the Arizona Promise Program
(\$0M)	Reallocate SCETL Funding
(\$0M)	Reallocate EPI Funding
(\$0M)	Reallocate CPF Funding

COMMUNITY COLLEGES

(\$21.5M) FY 2024 Baseline

\$3.2M	Equalization Aid
\$1M	Operating State Aid
(\$0.5M)	STEM and Workforce Aid
(\$25.3M)	Remove One-Time FY 2023 Appropriations

\$14M FY 2024 Initiatives

\$14M	Rural Aid
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HEALTH AND WELFARE

ECONOMIC SECURITY

\$145.3M FY 2024 Baseline

\$145.8M	DDD Caseload and Capitation Growth
\$4.4M	Arizona Early Intervention Program Rate Increase
(\$4.9M)	Remove One-Time FY 2023 Appropriations

\$17.8M FY 2024 Initiatives

\$14.6M	Adult Protective Services
\$1.6M	IT Security and Architecture
\$1.3M	Nursing Compensation Strategy
\$0.3M	Long-Term Care Ombudsman - Biannual Visitations

AHCCCS

\$243.2M FY 2024 Baseline

\$228.2M	Traditional Formula Adjustments
\$17.9M	Arizona Long Term Care System (ALTCs) Formula Adjustments
\$10M	Secure Behavioral Health Residential Facility Provider Rate Increase
\$7.7M	Proposition 204 Formula Adjustments
\$1.9M	Affordable Care Act (ACA) Newly Eligible Adults Formula Adjuster
\$1M	Department of Child Safety (DCS) Comprehensive Health Plan (CHF)
\$0.8M	Chiropractic Care
\$0.7M	MES Modernization - Next Steps
\$0.5M	KidsCare Formula Adjustments
\$0.2M	Newborn Screening
(\$25.7M)	Remove One-Time FY 2023 Appropriations

\$23M FY 2024 Initiatives

\$20M	KidsCare Eligibility Expansion
\$2M	MES Modernization - Systems Integrator Ongoing Funding
\$1M	Nursing Compensation Strategy

DEPARTMENT OF CHILD SAFETY

\$9.8M FY 2024 Baseline

\$11.5M	Continuing to Support Adoption Services
\$10.9M	Federal Reimbursement Reductions in Congregate Care
\$10M	Federal Match Assistance Percentage Adjustment
\$2.5M	Continuing Healthy Families Expansion
(\$25.1M)	Remove One-Time FY 2023 Appropriation

\$22.4M FY 2024 Initiatives

\$17M	Select Compensation Adjustments
\$2.3M	DCS Fleet Vehicle Replacement
\$3.1M	Attorney General Salary Increase

PUBLIC SAFETY

DEPARTMENT OF PUBLIC SAFETY

(\$30.2M) FY 2024 Baseline

\$7M	Major Incident Division Continuation
(\$0M)	AZPOST FTE Positions
(\$37.2M)	Remove One-Time FY 2023 Appropriations

\$18.3M FY 2024 Initiatives

\$11.7M	Replacement Vehicles
\$3.7M	Motor Vehicle Fuel Inflation Adjustment
\$3M	Master Site Upgrade
\$0.7M	Uniform Allowance Increase
\$0.3M	Motor Vehicle Liability Insurance Enforcement Fund Adjustment
(\$0M)	Repurpose the Border Strike Force
(\$0M)	Shift DPS Cadet Housing Funding from AZPOST to DPS
(\$1M)	Remove Commercial Vehicle Enforcement Task Force

CORRECTIONS

(\$2.4M) FY 2024 Baseline

\$7.1M	Private Prison Salary Increase Adjustment
(\$9.5M)	Remove One-Time FY 2023 Appropriations

\$59.4M FY 2024 Initiatives

\$41.9M	Florence Closure Funding Deficit
\$9.1M	Increased Food Costs Placeholder
\$8.5M	Private Prison Contract Increases
(\$0M)	Health Care Litigation Placeholder

OTHER CHANGES

(\$628M) FY 2024 Net Baseline

\$333M	Long-Term Water Augmentation Fund Deposit
\$15M	Arizona Nurse Education Investment Pilot Program
\$11.8M	DOR - Integrated Tax System Modernization Project Fund Transfer
\$7M	Major Incident Division Continuation
\$2.9M	Judge Salary Increase Annualization
\$2.3M	Annualize Judge Salary Increase
(\$1000M)	All Other, Net Baseline

\$1081.2M FY 2024 Net Initiatives

\$200M	Employee Retention Initiative
\$188.5M	HITF Employer Premium Increase
\$150M	Housing Trust Fund Deposit
\$66.8M	Corrections - HVAC Replacement Projects Year 2
\$48.7M	Corrections - Fire & Life Safety Projects
\$25M	SMART Fund Deposit
\$15M	Rural Wells Grant Program
\$388.3M	All Other Initiatives

OVERALL SPENDING

\$37.1M FY 2021 Net Baseline

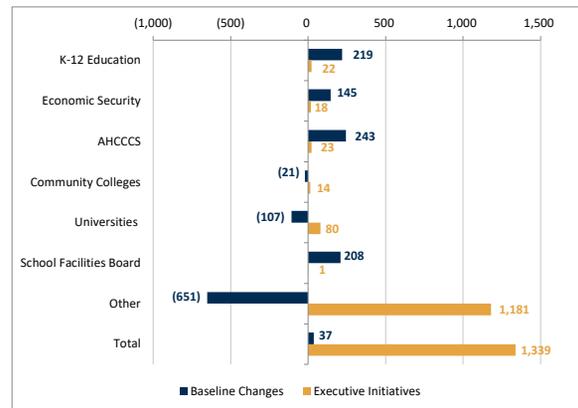
\$1095.5M	Baseline Increases
(\$1058.3M)	Baseline Decreases

\$1339.2M FY 2024 Net Initiatives

\$1349.6M	Initiative Increases
(\$10.4M)	Initiative Decreases

\$1376.3M Total New Spending

NEW GENERAL FUND SPENDING PROFILE FY 2024



General Fund Sources and Uses

\$ in thousands

	FY 22	FY 23	FY 23	FY 23	FY 24	FY 24	FY 25	FY 25	FY 26	FY 26
	Prelim Actual	Enacted Base	Net Changes	Executive Budget	Net Changes	Executive Budget	Net Changes	Executive Budget	Net Changes	Executive Budget
SOURCES OF FUNDS										
Beginning Balance	894,636	4,709,446		4,709,446		2,933,879		273,010		96,391
Ongoing Revenues										
Base Revenues	17,440,674	15,771,331		17,114,317		16,720,825		17,123,072		17,766,961
<i>Urban Revenue Sharing</i>	<i>(756,388)</i>	<i>(1,106,959)</i>		<i>(1,106,959)</i>		<i>(1,564,826)</i>		<i>(1,374,600)</i>		<i>(1,192,173)</i>
Adjusted Base Revenues	16,684,286	14,664,372		16,007,358		15,155,999		15,748,472		16,574,788
Transfers & Newly Enacted Changes	20,000	(2,340,990)		(2,270,990)		(435,265)		(90,470)		(90,470)
Water Infrastructure Repayment	20,000	0		0		0		0		0
TPT Diversions	0	(2,287,490)		(2,287,490)		0		0		0
Newly Enacted Tax Reductions	0	(50,000)		(50,000)		0		0		0
Other One-Time Revenue Changes	0	(3,500)		(3,500)		0		0		0
AG Settlement Transfer	0	0		70,000		0		0		0
2.5% Flat Tax Acceleration	0	0		0		(344,795)		0		0
TPT Exemption - Diapers	0	0		0		(16,000)		(16,000)		(16,000)
TPT Exemption - Feminine Hygiene	0	0		0		(24,000)		(24,000)		(24,000)
Treasurer - Statewide Accounting Manager	0	0		0		(135)		(135)		(135)
Treasurer - Investment Analyst	0	0		0		(122)		(122)		(122)
Treasurer - Chief Procurement Officer	0	0		0		(98)		(98)		(98)
Treasurer - Administrative Services Officer	0	0		0		(73)		(73)		(73)
Liquor - Flagstaff Office Rent	0	0		0		(43)		(43)		(43)
Child Tax Credit	0	0		0		(50,000)		(50,000)		(50,000)
New Fund Transfers	0	0		0		0		0		0
Revenue Transfer to the Rural Transportation (SMA)	0	0		0		0		0		0
Subtotal Revenues	16,704,286	12,323,382		13,736,368		14,720,733		15,658,002		16,484,318
TOTAL SOURCES OF FUNDS	17,598,922	17,032,828		18,445,814		17,654,612		15,931,012		16,580,708
USES OF FUNDS										
Operating Budget Appropriations	12,816,172	15,734,111	52,937	15,787,049	1,107,524	16,894,572	(861,960)	16,032,612	(135,601)	15,897,011
Other Expenses/(Revenues)	73,304	21,170	(296,283)	(275,113)	512,143	237,030	(435,021)	(197,991)	0	(197,991)
Arts Commission	0	5,000	0	5,000	15,000	20,000	(20,000)	0	0	0
Homeland Security Funding	0	12,000	0	12,000	(2,000)	10,000	(10,000)	0	0	0
Ombudsman-Citizens Aide Office	0	1,516	0	1,516	0	1,516	0	1,516	0	1,516
Arizona State Parks Board	9,000	6,500	0	6,500	3,500	10,000	(10,000)	0	0	0
Employee Retention Initiative	0	0	0	0	200,000	200,000	(200,000)	0	0	0
Phoenix Convention Center Payment	24,499	24,999	0	24,999	499	25,499	500	25,999	0	25,999
Rio Nuevo District	16,000	16,000	0	16,000	0	16,000	0	16,000	0	16,000
Prior Year One-time Supplementals	93,566	0	0	0	0	0	0	0	0	0
HITF Employer Premium Increase	0	0	0	0	85,317	85,317	(188,517)	(103,200)	0	(103,200)
Unallocated FY 2022 Risk & AFIS Adjustments	11	0	0	0	0	0	0	0	0	0
Unallocated FY 2023 HRIS Fee Adjustments	0	2	0	2	0	2	0	2	0	2
Unallocated FY 2023 Salary Adjustments	0	154	0	154	0	154	0	154	0	154
Unallocated FY 2023 Rent Adjustment	0	(1)	0	(1)	0	(1)	0	(1)	0	(1)
FY 2024 Statewide Adjustments - ERE	0	0	0	0	7,546	7,546	0	7,546	0	7,546
FY 2024 Statewide Adjustments - Fleet	0	0	0	0	8,195	8,195	0	8,195	0	8,195
FY 2024 Statewide Adjustments - AFIS	0	0	0	0	115	115	(5)	110	0	110
FY 2024 Statewide Adjustments - HRIS	0	0	0	0	0	0	(7,000)	(7,000)	0	(7,000)
FY 2024 Statewide Adjustments - Rent	0	0	0	0	(558)	(558)	0	(558)	0	(558)
FY 2024 Statewide Adjustments - Risk	0	0	0	0	(154)	(154)	0	(154)	0	(154)
FY 2024 Statewide Adjustments - Retirement	0	0	0	0	(101,600)	(101,600)	0	(101,600)	0	(101,600)
27th Pay Period Universities	20,052	0	0	0	0	0	0	0	0	0
Debt Payoff	93,500	0	0	0	0	0	0	0	0	0
Pension Payoff	1,139,086	0	0	0	0	0	0	0	0	0
Medicaid Federal Match Reversion	(285,844)	0	(442,400)	(442,400)	442,400	0	0	0	0	0
ADE Enrollment Reversion	(389,100)	0	0	0	0	0	0	0	0	0
Federal Funds Offset	(635,000)	0	0	0	0	0	0	0	0	0
Debt Defeasance Revertment	0	0	(5,000)	(5,000)	5,000	0	0	0	0	0
Administrative Adjustments	160,000	170,000	151,117	321,117	(151,117)	170,000	0	170,000	0	170,000
Revertments	(172,466)	(215,000)	0	(215,000)	0	(215,000)	0	(215,000)	0	(215,000)
TOTAL USES OF FUNDS	12,889,476	15,755,281	(243,346)	15,511,936	1,619,667	17,131,602	(1,296,981)	15,834,621	(135,601)	15,699,020
Transfer to Rainy Day Fund	0	0	0	0	250,000	250,000	(250,000)	0	0	0
ENDING BALANCE	4,709,446	1,277,547		2,933,879		273,010		96,391		881,689
Ongoing Revenues	16,684,286	14,664,372		16,007,358		15,065,529		15,658,002		16,484,318
Ongoing Expenditures	12,041,347	14,158,683		14,158,683		15,000,372		15,376,152		15,676,725
STRUCTURAL BALANCE	4,642,939	505,689		1,848,675		65,156		281,849		807,593

Note: FY 2023 to FY 2026 Net Changes columns include baseline and initiative issues.

General Fund Revenue Summary

	Actual	Estimate	Estimate	Estimate	Estimate
TAXES	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Individual Income	7,530,010.7	6,156,367.7	5,662,276.1	5,811,295.6	6,117,629.3
Corporate Income	1,163,468.9	1,480,300.0	1,305,700.0	1,254,082.0	1,169,132.8
Sales and Use	7,207,720.0	7,689,000.0	7,943,356.8	8,380,241.4	8,807,633.7
Property Taxes	26,787.4	21,490.0	22,430.0	18,010.0	19,030.0
Luxury Taxes	64,650.6	59,479.0	64,662.0	65,463.0	66,264.0
Insurance Premium Taxes	707,654.0	751,568.0	789,601.0	826,905.8	864,120.4
Estate Taxes	-	-	-	-	-
Other Taxes	16,301.4	16,604.0	17,028.0	17,413.0	17,761.0
TOTAL TAXES	16,716,593.0	16,174,808.7	15,805,053.9	16,373,410.8	17,061,571.1
OTHER REVENUES					
Licenses, Fees & Permits/Misc.	225,907.2	223,943.0	237,939.0	248,976.7	258,140.4
Interest Earnings	46,383.0	300,000.0	250,000.0 #	140,000.0 #	80,000.0
Lottery	183,680.2	175,812.0	187,773.0 #	177,503.0 #	181,509.0
Gaming Revenue Transfers	10,437.0	44,730.9	28,455.3 #	29,024.4 #	29,750.0
Transfers & Reimbursements	169,840.2	115,220.0	134,990.0 #	77,760.0 #	79,531.0
Disproportionate Share	87,833.5	79,802.0	76,614.0	76,397.0	76,459.0
TOTAL OTHER REVENUES	724,081.2	939,507.9	915,771.3	749,661.1	705,389.4
TOTAL REVENUES	17,440,674.2	17,114,316.6	16,720,825.2	17,123,071.9	17,766,960.6
ADJUSTMENTS					
Urban Revenue Sharing	(756,388.3)	(1,106,958.6)	(1,564,826.3)	(1,374,600.2)	(1,192,172.6)
Water Infrastructure Repayment	20,000.0	-	-	-	-
TPT Diversions	-	(2,287,489.6)	-	-	-
Newly Enacted Tax Reductions	-	(50,000.0)	-	-	-
Other One-Time Revenue Changes	-	(3,500.0)	-	-	-
AG Settlement Transfer	-	70,000.0	-	-	-
2.5% Flat Tax Acceleration	-	-	(344,795.2)	-	-
Child Tax Credit	-	-	(50,000.0)	(50,000.0)	(50,000.0)
Recommended Revenue Changes	-	-	(40,470.2)	(40,470.2)	(40,470.2)
GRAND TOTAL REVENUES	16,704,285.9	13,736,368.5	14,720,733.5	15,658,001.5	16,484,317.8

Note: Projected impacts from previously enacted tax law changes are included in the forecast.

Other Fund Revenue Summary

	(in thousands)		
	Actual	Estimate	Estimate
	FY 2022	FY 2023	FY 2024
TAXES			
Motor Vehicle Fuel Tax	691,121.6	787,221.1	798,591.9
Property Taxes	12,656.0	12,667.1	12,667.1
Sales and Use	880,802.7	1,004,506.6	992,540.0
Luxury Taxes	305,013.9	303,669.5	303,364.0
Insurance Premium Taxes	43,626.5	42,438.8	44,260.8
Motor Carrier Tax	23,106.0	25,754.7	27,408.8
Vehicle License Tax	494,841.7	508,167.7	533,272.1
Other Taxes	1,935,811.1	1,317,980.5	1,355,020.7
TOTAL TAXES	4,386,979.4	4,002,406.0	4,067,125.4
OTHER REVENUES			
Licenses, Fees & Permits/Misc.	8,279,990.8	8,614,641.2	8,891,942.7
Interest Earnings	431,424.6	446,317.3	492,740.3
Lottery	2,308,760.9	2,349,142.9	2,349,142.9
Charges for Services	2,720,447.7	2,736,580.5	2,689,638.4
Miscellaneous Revenues	1,832,152.9	1,907,361.6	1,925,964.7
TOTAL OTHER REVENUES	15,572,776.9	16,054,043.5	16,349,429.0
TOTAL REVENUES	19,959,756.3	20,056,449.5	20,416,554.4
OTHER FINANCING SOURCES			
Transfers & Reimbursements	2,241,037,685.7	35,375,238.2	34,502,237.1
GRAND TOTAL REVENUES	2,260,997,442.0	55,431,687.7	54,918,791.5

*Other Appropriated Funds Revenues include all revenues for funds which may only be partially subject to statutory or legislative appropriation. The expenditures shown in the "Other Funds Budget Summary" are for the appropriated portion of these funds only and may represent only a small portion of the funds' total expenditures. There are several funds where a General Fund appropriation is deposited into an "Other Appropriated Fund" and these deposits are reflected in the figures above; as such General and Other Fund Revenues may not sum to total State revenue.

FY 2024 Executive Budget

(Dollars in Thousands)

Link to the Executive Budget State Agency Budgets Book	General Fund	Other	Non-	All Funds
		Appropriated	Appropriated	Total
Board of Accountancy	0.0	2,236.6	0.0	2,236.6
Acupuncture Board of Examiners	0.0	194.3	0.0	194.3
Department of Administration	543,479.0	224,960.4	1,488,376.4	2,256,815.8
Office of Administrative Hearings	998.9	0.0	848.0	1,846.9
African-American Affairs	146.6	0.0	0.0	146.6
Department of Agriculture	16,154.2	1,878.3	33,448.8	51,481.3
Arizona Health Care Cost Containment System	2,587,269.4	383,113.1	20,943,362.5	23,913,745.0
Statewide and Large Automation Projects	0.0	151,581.7	0.0	151,581.7
Commission on the Arts	20,000.0	0.0	21,402.9	41,402.9
Board of Athletic Training	0.0	150.0	0.0	150.0
Attorney General - Department of Law	31,211.6	62,695.0	77,502.3	171,408.9
Barbering and Cosmetology Board	0.0	2,715.5	0.0	2,715.5
Board of Behavioral Health Examiners	0.0	2,123.0	0.0	2,123.0
Board for Charter Schools	2,939.2	0.0	71.0	3,010.2
Department of Child Safety	505,062.6	870,192.5	0.0	1,375,255.1
Board of Chiropractic Examiners	0.0	537.2	0.0	537.2
Citizens' Clean Elections Commission	0.0	0.0	2,267.5	2,267.5
Commerce Authority	68,550.0	0.0	103,205.9	171,755.9
Community Colleges	107,298.1	0.0	0.0	107,298.1
Constable Ethics Standards & Training Board	0.0	0.0	509.4	509.4
Registrar of Contractors	0.0	13,754.6	4,666.8	18,421.4
Corporation Commission	807.2	30,278.3	3,287.9	34,373.4
Department of Corrections	1,495,005.9	55,898.5	84,724.8	1,635,629.2
Criminal Justice Commission	4,600.0	7,280.4	16,078.8	27,959.2
Schools for the Deaf and the Blind	27,997.1	35,468.7	5,482.9	68,948.7
Commission for the Deaf and the Hard of Hearing	0.0	4,836.0	0.0	4,836.0
Board of Dental Examiners	0.0	1,903.3	0.0	1,903.3
Early Childhood Development and Health Board	0.0	0.0	177,734.8	177,734.8
Department of Economic Security	1,242,176.7	287,251.9	5,222,032.5	6,751,461.1
State Board of Education	3,369.7	0.0	0.0	3,369.7
Department of Education	7,165,269.8	355,301.4	3,785,310.6	11,305,881.8
Department of Emergency and Military Affairs	19,462.3	1,987.4	108,521.6	129,971.3
Department of Environmental Quality	21,500.0	88,768.0	91,057.2	201,325.2
Office of Economic Opportunity	525.8	0.0	16,670.2	17,196.0
Governor's Office for Equal Opportunity	0.0	211.4	0.0	211.4
Board of Equalization	737.9	0.0	0.0	737.9
Board of Executive Clemency	1,426.3	0.0	24.4	1,450.7
Exposition & State Fair	0.0	16,056.8	1,925.0	17,981.8
Board of Fingerprinting	0.0	0.0	748.7	748.7
Department of Forestry and Fire Management	49,375.1	0.0	101,622.6	150,997.7
Board of Funeral Directors & Embalmers	0.0	476.8	0.0	476.8
Game and Fish Department	0.0	51,149.6	99,078.1	150,227.7
Department of Gaming	6,559.6	22,050.0	3,715.0	32,324.6
Office of the Governor	11,276.1	0.0	1,199,837.1	1,211,113.2
Governor's Office of Strategic Planning and Budgeting	2,961.4	0.0	6,433.9	9,395.3
Department of Health Services	150,493.4	58,378.4	674,955.8	883,827.6
Governor's Office of Highway Safety	0.0	0.0	12,008.3	12,008.3

FY 2024 Executive Budget

(Dollars in Thousands)

Link to the Executive Budget State Agency Budgets Book	General Fund	Other	Non-	All Funds
		Appropriated	Appropriated	Total
Arizona Historical Society	3,214.7	0.0	1,518.2	4,732.9
Prescott Historical Society of Arizona	1,016.1	0.0	1,050.3	2,066.4
Department of Homeland Security	10,000.0	11,325.3	26,474.6	47,799.9
Board of Homeopathic Medical Examiners	0.0	51.9	0.0	51.9
Department of Housing	150,000.0	367.4	190,070.4	340,437.8
Independent Redistricting Commission	1,506.3	0.0	0.0	1,506.3
Industrial Commission of Arizona	84.6	21,976.7	24,920.0	46,981.3
Department of Insurance and Financial Institutions	8,213.0	12,411.8	4,141.7	24,766.5
Court of Appeals	24,612.9	0.0	0.0	24,612.9
Superior Court	127,096.8	12,014.0	3,551.0	142,661.8
Supreme Court	28,721.0	33,267.5	36,742.4	98,730.9
Department of Juvenile Corrections	38,756.7	15,070.0	1,018.8	54,845.5
Land Department	13,159.3	11,789.4	1,202.9	26,151.6
Auditor General	26,991.6	0.0	1,497.4	28,489.0
House of Representatives	27,020.3	0.0	0.0	27,020.3
Joint Legislative Budget Committee	3,144.5	0.0	0.0	3,144.5
Legislative Council	9,546.5	0.0	410.0	9,956.5
Senate	23,385.3	0.0	0.0	23,385.3
Department of Liquor Licenses and Control	0.0	6,555.2	1,234.0	7,789.2
Local Government	17,650.7	0.0	0.0	17,650.7
Lottery Commission	0.0	187,256.4	1,983,052.5	2,170,308.9
Massage Therapy	0.0	595.9	0.0	595.9
Medical Board	0.0	8,189.2	0.0	8,189.2
Mine Inspector	2,322.9	112.9	473.5	2,909.3
Naturopathic Physicians Board of Medical Examiners	0.0	215.2	0.0	215.2
Navigable Stream Adjudication Commission	144.2	200.0	0.0	344.2
Board of Nursing	0.0	6,391.0	414.5	6,805.5
Nursing Care Ins. Admin. Examiners	0.0	595.6	0.0	595.6
Board of Occupational Therapy Examiners	0.0	243.2	0.0	243.2
Board of Dispensing Opticians	0.0	186.9	0.0	186.9
Board of Optometry	0.0	291.3	0.0	291.3
Board of Osteopathic Examiners	0.0	1,394.6	0.0	1,394.6
Arizona State Parks	10,000.0	19,672.5	37,968.1	67,640.6
Personnel Board	0.0	345.0	0.0	345.0
Board of Pharmacy	0.0	3,435.0	0.0	3,435.0
Board of Physical Therapy Examiners	0.0	587.5	0.0	587.5
Pioneers' Home	0.0	8,610.6	0.0	8,610.6
Board of Podiatry Examiners	0.0	193.2	0.0	193.2
Power Authority	0.0	0.0	19,207.7	19,207.7
Board for Private Postsecondary Education	0.0	451.3	270.5	721.8
Board of Psychologist Examiners	0.0	635.3	0.0	635.3
Department of Public Safety	352,317.4	82,194.0	84,794.7	519,306.1
Public Safety Personnel Retirement System	6,000.0	0.0	30,381.1	36,381.1
Department of Real Estate	3,221.0	0.0	206.5	3,427.5
Residential Utility Consumer Office	0.0	1,578.9	0.0	1,578.9
Board of Respiratory Care Examiners	0.0	414.7	0.0	414.7
Arizona State Retirement System	0.0	28,893.4	147,442.6	176,336.0

FY 2024 Executive Budget

(Dollars in Thousands)

Link to the Executive Budget State Agency Budgets Book	General Fund	Other	Non-	All Funds
		Appropriated	Appropriated	Total
Department of Revenue	63,966.4	26,120.4	1,831.5	91,918.3
Department of State - Secretary of State	31,809.6	3,723.3	7,027.6	42,560.5
Board of Tax Appeals	317.7	0.0	0.0	317.7
Board of Technical Registration	0.0	2,620.6	0.0	2,620.6
Office of Tourism	8,552.6	0.0	49,410.5	57,963.1
Department of Transportation	25,000.0	572,010.0	36,299.2	633,309.2
Treasurer	4,660.8	6,148.9	9,058.9	19,868.6
Governor's Office on Tribal Relations	69.9	0.0	8.5	78.4
Board of Regents	149,138.0	0.0	391,037.8	540,175.8
Arizona State University	411,306.5	707,199.4	3,200,794.4	4,319,300.3
Northern Arizona University	138,249.8	134,964.5	524,713.9	797,928.2
University of Arizona - Main Campus	293,202.0	382,811.3	1,708,024.4	2,384,037.7
University of Arizona - Health Sciences Center	76,897.7	66,675.3	568,105.1	711,678.1
Department of Veterans' Services	13,965.7	46,605.1	3,785.9	64,356.7
Veterinary Medical Examining Board	0.0	769.0	0.0	769.0
Water Infrastructure Finance Authority	333,000.0	0.0	288,247.0	621,247.0
Department of Water Resources	45,014.5	2,017.7	22,772.9	69,805.1
	16,569,930.9	5,162,607.4	43,696,072.7	65,428,611.0

The total amount listed reflects agency operating expenditures and appropriations, but does not include expenditures and appropriations for capital projects or other selected statewide items, such as retirement contribution adjustments.

General Fund Operating Budgets Summary

Link to the Executive Budget State Agency Budgets Book	(Dollars in Thousands)				
	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
Department of Administration	377,345.1	393,623.1	393,623.1	543,479.0	149,855.9
Office of Administrative Hearings	891.8	998.9	998.9	998.9	0.0
African-American Affairs	126.6	146.6	146.6	146.6	0.0
Department of Agriculture	13,683.4	24,954.6	24,954.6	16,154.2	(8,800.4)
Arizona Health Care Cost Containment System	1,840,931.9	2,321,039.9	2,321,039.9	2,587,269.4	266,229.5
Commission on the Arts	0.0	5,000.0	5,000.0	20,000.0	15,000.0
Attorney General - Department of Law	23,769.3	29,522.9	29,522.9	31,211.6	1,688.7
Board for Charter Schools	1,988.9	3,328.2	3,328.2	2,939.2	(389.0)
Department of Child Safety	392,082.3	472,867.2	472,867.2	505,062.6	32,195.4
Commerce Authority	78,925.0	41,050.0	41,050.0	68,550.0	27,500.0
Community Colleges	108,904.7	114,781.4	114,781.4	107,298.1	(7,483.3)
Corporation Commission	623.1	807.2	807.2	807.2	0.0
Department of Corrections	545,086.6	1,437,963.2	1,437,963.2	1,495,005.9	57,042.7
Criminal Justice Commission	0.0	14,600.0	14,600.0	4,600.0	(10,000.0)
Schools for the Deaf and the Blind	22,743.3	26,677.9	26,677.9	27,997.1	1,319.2
Department of Economic Security	748,605.7	1,079,053.0	1,079,053.0	1,242,176.7	163,123.7
State Board of Education	1,979.8	3,407.6	3,407.6	3,369.7	(37.9)
Department of Education	5,443,552.0	6,923,894.3	6,968,467.5	7,165,269.8	241,375.5
Department of Emergency and Military Affairs	10,299.3	29,607.2	29,607.2	19,462.3	(10,144.9)
Department of Environmental Quality	0.0	22,900.0	22,900.0	21,500.0	(1,400.0)
Office of Economic Opportunity	459.2	525.8	525.8	525.8	0.0
Board of Equalization	666.2	787.9	787.9	737.9	(50.0)
Board of Executive Clemency	1,152.4	1,336.8	1,336.8	1,426.3	89.5
Exposition & State Fair	1,073.2	0.0	0.0	0.0	0.0
Department of Forestry and Fire Management	10,318.2	129,473.4	129,473.4	49,375.1	(80,098.3)
Department of Gaming	15,759.5	16,956.5	16,956.5	6,559.6	(10,396.9)
Office of the Governor	12,009.9	9,276.1	9,276.1	11,276.1	2,000.0
Governor's Office of Strategic Planning and Budgeting	1,387.3	2,961.4	2,961.4	2,961.4	0.0
Department of Health Services	92,783.3	194,834.3	194,834.3	150,493.4	(44,340.9)
Arizona Historical Society	2,867.6	3,214.7	3,214.7	3,214.7	0.0
Prescott Historical Society of Arizona	848.8	1,016.1	1,016.1	1,016.1	0.0
Department of Homeland Security	0.0	12,000.0	12,000.0	10,000.0	(2,000.0)
Department of Housing	0.0	70,000.0	70,000.0	150,000.0	80,000.0
Independent Redistricting Commission	5,918.4	0.0	0.0	1,506.3	1,506.3
Industrial Commission of Arizona	95.0	84.6	84.6	84.6	0.0
Department of Insurance and Financial Institutions	7,352.8	8,213.0	8,213.0	8,213.0	0.0
Court of Appeals	16,644.4	22,523.2	22,523.2	24,612.9	2,089.7
Superior Court	105,627.6	110,359.7	110,359.7	127,096.8	16,737.1
Supreme Court	21,692.9	29,047.4	29,047.4	28,721.0	(326.4)
Department of Juvenile Corrections	29,527.6	38,607.7	38,607.7	38,756.7	149.0
Land Department	12,436.9	14,659.3	14,659.3	13,159.3	(1,500.0)
Auditor General	18,962.9	26,991.6	26,991.6	26,991.6	0.0
House of Representatives	16,069.3	27,020.3	27,020.3	27,020.3	0.0

General Fund Operating Budgets Summary

Link to the Executive Budget State Agency Budgets Book	(Dollars in Thousands)				
	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
Joint Legislative Budget Committee	0.4	3,144.5	3,144.5	3,144.5	0.0
Legislative Council	10,090.4	9,546.5	9,546.5	9,546.5	0.0
Senate	11,450.7	23,385.3	23,385.3	23,385.3	0.0
Local Government	20,650.7	17,650.7	17,650.7	17,650.7	0.0
Mine Inspector	1,180.8	2,819.0	2,819.0	2,322.9	(496.1)
Navigable Stream Adjudication Commission	120.4	144.2	144.2	144.2	0.0
Arizona State Parks	9,000.0	6,500.0	6,500.0	10,000.0	3,500.0
Department of Public Safety	288,985.0	364,162.5	367,526.7	352,317.4	(11,845.1)
Public Safety Personnel Retirement System	1,160,086.4	66,000.0	66,000.0	6,000.0	(60,000.0)
Department of Real Estate	2,372.7	3,221.0	3,221.0	3,221.0	0.0
Department of Revenue	24,132.5	59,863.3	59,863.3	63,966.4	4,103.1
Department of State - Secretary of State	12,516.6	22,237.1	22,237.1	31,809.6	9,572.5
Board of Tax Appeals	274.6	317.7	317.7	317.7	0.0
Office of Tourism	8,143.2	10,302.6	10,302.6	8,552.6	(1,750.0)
Department of Transportation	57,544.9	0.0	0.0	25,000.0	25,000.0
Treasurer	2,933.7	8,560.8	8,560.8	4,660.8	(3,900.0)
Governor's Office on Tribal Relations	59.9	69.9	69.9	69.9	0.0
Board of Regents	29,722.5	90,238.0	90,238.0	149,138.0	58,900.0
Arizona State University	377,649.6	465,044.7	465,044.7	411,306.5	(53,738.2)
Northern Arizona University	112,267.4	164,151.5	164,151.5	138,249.8	(25,901.7)
University of Arizona - Main Campus	253,875.7	299,423.0	299,423.0	293,202.0	(6,221.0)
University of Arizona - Health Sciences Center	76,897.7	76,897.7	76,897.7	76,897.7	0.0
Department of Veterans' Services	7,420.5	12,449.2	12,449.2	13,965.7	1,516.5
Water Infrastructure Finance Authority	290.0	10,000.0	10,000.0	333,000.0	323,000.0
Department of Water Resources	17,831.2	25,364.5	25,364.5	45,014.5	19,650.0
General Fund Operating Total	12,470,689.8	15,407,606.7	15,455,544.1	16,569,930.9	1,162,324.2

The total amount listed reflects agency operating expenditures and appropriations, but does not include expenditures and appropriations for capital projects or other selected statewide items, such as retirement contribution adjustments.

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

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	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
<u>Board of Accountancy</u>					
Accountancy Board Fund	1,623.3	2,236.6	2,236.6	2,236.6	0.0
<u>Acupuncture Board of Examiners</u>					
Acupuncture Board of Examiners Fund	176.2	196.8	196.8	194.3	(2.5)
<u>Department of Administration</u>					
Capital Outlay Stabilization Fund	14,865.6	19,200.2	19,200.2	19,200.2	0.0
Personnel Division Fund	11,641.2	13,779.5	13,779.5	13,779.5	0.0
Information Technology Fund	8,183.9	2,292.0	2,292.0	2,292.0	0.0
Air Quality Fund	195.8	928.0	928.0	928.0	0.0
Statewide Monument and Memorial Repair Fund	6.9	0.0	0.0	0.0	0.0
State Web Portal Fund	5,982.4	6,798.4	6,798.4	8,465.7	1,667.3
Special Employee Health Fund	4,510.8	5,719.9	5,719.9	5,719.9	0.0
Capitol Mall Consolidation Fund	157.3	0.0	0.0	0.0	0.0
Admin - Special Services Fund	619.2	1,257.3	1,257.3	1,257.3	0.0
State Surplus Materials Revolving Fund	1,882.0	3,064.6	3,064.6	3,064.6	0.0
Federal Surplus Materials Revolving Fund	0.0	468.5	468.5	468.5	0.0
Risk Management Fund	66,205.2	93,500.7	96,608.4	99,955.8	6,455.1
Cybersecurity Risk Management Fund	0.0	21,587.2	21,587.2	23,037.2	1,450.0
Arizona Financial Information System Collections Fund	8,476.8	13,385.1	13,385.1	14,442.1	1,057.0
Automation Operations Fund	25,221.8	31,568.3	31,568.3	29,901.0	(1,667.3)
Telecommunications Fund	1,571.5	1,814.0	1,814.0	1,814.0	0.0
Corrections Fund	559.4	634.6	634.6	634.6	0.0
Agency Total	150,079.8	215,998.3	219,106.0	224,960.4	8,962.1
<u>Department of Agriculture</u>					
Nuclear Emergency Management Fund	280.5	280.5	280.5	280.5	0.0
Air Quality Fund	1,433.5	1,597.8	1,597.8	1,597.8	0.0
Agency Total	1,714.0	1,878.3	1,878.3	1,878.3	0.0
<u>Arizona Health Care Cost Containment System</u>					
Tobacco Products Tax Fund	17,921.6	17,448.3	17,448.3	17,448.3	0.0
Tobacco Tax and Health Care Fund MNA	66,990.7	67,179.7	67,179.7	67,179.7	0.0
Substance Abuse Services Fund	2,250.2	2,250.2	2,250.2	2,250.2	0.0
Children's Health Insurance Program Fund	145,521.6	123,622.9	123,622.9	126,553.7	2,930.8
Budget Neutrality Compliance Fund	4,076.2	4,303.1	4,303.1	4,303.1	0.0
Prescription Drug Rebate Fund	(2,900.5)	165,160.8	165,160.8	165,160.8	0.0
Seriously Mentally Ill Housing Trust Fund	0.0	217.3	217.3	217.3	0.0
Agency Total	233,859.8	380,182.3	380,182.3	383,113.1	2,930.8
<u>Board of Athletic Training</u>					
Athletic Training Fund	109.8	157.3	157.3	150.0	(7.3)

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

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	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
<u>Attorney General - Department of Law</u>					
Consumer Restitution and Remediation Revolving Fund - Remediation Subaccount	0.0	5,000.0	5,000.0	0.0	(5,000.0)
Interagency Service Agreements Fund	14,731.2	18,199.3	18,199.3	18,199.3	0.0
Collection Enforcement Revolving Fund - Operating	10,730.6	7,599.3	7,599.3	7,599.3	0.0
Internet Crimes Against Children Enforcement Fund	0.0	900.0	900.0	900.0	0.0
Risk Management Fund	9,420.3	13,308.1	13,308.1	13,197.6	(110.5)
Attorney General Legal Services Cost Allocation Fund	1,572.5	2,326.2	2,326.2	2,326.2	0.0
Consumer Protection - Consumer Fraud Revolving Fund	12,192.9	24,474.5	24,474.5	16,498.5	(7,976.0)
Antitrust Enforcement Revolving Fund	781.1	161.4	161.4	161.4	0.0
Victims Rights Fund	1,920.6	3,812.7	3,812.7	3,812.7	0.0
Agency Total	51,349.3	75,781.5	75,781.5	62,695.0	(13,086.5)
<u>Board of Barbers</u>					
Board of Barbers Fund	1,116.8	0.0	0.0	0.0	0.0
<u>Barbering and Cosmetology Board</u>					
Barbering and Cosmetology Board Fund	0.0	2,864.8	2,864.8	2,715.5	(149.3)
<u>Board of Behavioral Health Examiners</u>					
Behavioral Health Examiner Fund	1,766.2	2,179.7	2,179.7	2,123.0	(56.7)
<u>Board for Charter Schools</u>					
Charter School Board Online Platform Fund	82.8	0.0	0.0	0.0	0.0
<u>Department of Child Safety</u>					
Temporary Assistance for Needy Families (TANF) Fund	157,468.1	161,082.2	161,082.2	161,082.2	0.0
Child Care and Development Fund	130,916.0	40,516.0	40,516.0	40,516.0	0.0
DCS Expenditure Authority Fund	356,874.1	411,959.9	432,448.1	429,306.8	17,346.9
Comprehensive Health Plan Expenditure Authority Fund	226,913.0	236,124.6	236,124.6	236,599.4	474.8
Child Abuse Prevention Fund	931.4	1,459.3	1,459.3	1,459.3	0.0
Children and Family Services Training Program Fund	0.0	208.0	208.0	208.0	0.0
Child Welfare Licensing Fee Fund	297.7	1,020.8	1,020.8	1,020.8	0.0
Agency Total	873,400.3	852,370.8	872,859.0	870,192.5	17,821.7
<u>Board of Chiropractic Examiners</u>					
Chiropractic Examiners Board Fund	409.4	488.7	488.7	537.2	48.5
<u>Commerce Authority</u>					
State Web Portal Fund	0.0	5,000.0	5,000.0	0.0	(5,000.0)
<u>Registrar of Contractors</u>					
Registrar of Contractors Fund	10,635.9	13,754.6	13,754.6	13,754.6	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

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	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
<u>Corporation Commission</u>					
Utility Regulation Revolving	12,497.2	16,236.1	16,236.1	16,236.1	0.0
Securities Regulatory & Enforcement	4,819.6	5,706.9	5,706.9	5,706.9	0.0
Public Access Fund	5,989.7	7,464.5	7,464.5	7,464.5	0.0
Securities Investment Management Fund	660.1	812.0	812.0	812.0	0.0
Arizona Arts Trust Fund	51.2	58.8	58.8	58.8	0.0
Agency Total	24,017.8	30,278.3	30,278.3	30,278.3	0.0
<u>Department of Corrections</u>					
Corrections Fund	30,312.4	30,967.8	30,967.8	31,312.5	344.7
State Education Fund for Correctional Education Fund	579.5	738.9	738.9	738.9	0.0
DOC - Alcohol Abuse Treatment Fund	15.0	555.8	555.8	555.8	0.0
Transition Program Fund	481.4	2,400.3	2,400.3	2,400.3	0.0
Prison Construction and Operations Fund	340.7	12,500.1	12,500.1	14,106.8	1,606.7
Inmate Store Proceeds Fund	954.1	5,544.2	5,544.2	1,341.5	(4,202.7)
DOC Building Renewal & Preventive Maintenance Fund	1,108.7	0.0	0.0	0.0	0.0
Penitentiary Land Earnings Fund	2,748.9	2,777.6	2,777.6	2,777.6	0.0
State Charitable, Penal & Reformatory Land Earnings Fund	2,665.6	2,665.1	2,665.1	2,665.1	0.0
Agency Total	39,206.3	58,149.8	58,149.8	55,898.5	(2,251.3)
<u>Board of Cosmetology</u>					
Board of Cosmetology Fund	16,462.0	0.0	0.0	0.0	0.0
<u>Criminal Justice Commission</u>					
Criminal Justice Enhancement Fund	485.6	708.9	708.9	708.9	0.0
Victim Compensation and Assistance Fund	1,776.4	4,250.7	4,250.7	4,250.7	0.0
Resource Center Fund	558.0	647.1	647.1	647.1	0.0
State Aid to County Attorneys Fund	695.3	973.7	973.7	973.7	0.0
State Aid to Indigent Defense Fund	693.4	700.0	700.0	700.0	0.0
Agency Total	4,208.7	7,280.4	7,280.4	7,280.4	0.0
<u>Schools for the Deaf and the Blind</u>					
Schools for the Deaf and the Blind Fund	13,296.6	15,342.7	15,342.7	15,342.8	0.1
Cooperative Services Fund	14,409.3	20,125.9	20,125.9	20,125.9	0.0
Agency Total	27,705.9	35,468.6	35,468.6	35,468.7	0.1
<u>Commission for the Deaf and the Hard of Hearing</u>					
Telecommunication for the Deaf Fund	3,415.0	4,966.0	4,966.0	4,836.0	(130.0)
<u>Board of Dental Examiners</u>					
Dental Board Fund	1,751.7	1,937.5	1,937.5	1,903.3	(34.2)

Other Appropriated Funds Operating Budgets Summary

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	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
<u>Department of Economic Security</u>					
Statewide Cost Allocation Plan Fund	0.0	1,000.0	1,000.0	1,000.0	0.0
Temporary Assistance for Needy Families (TANF) Fund	65,405.8	66,591.2	66,591.2	66,591.2	0.0
Child Care and Development Fund	1,230,052.8	200,010.2	200,010.2	200,010.2	0.0
Workforce Investment Grant Fund	79,849.7	56,293.5	56,293.5	56,293.5	0.0
Special Administration Fund	4,512.6	4,643.2	4,643.2	4,643.2	0.0
Child Support Enforcement Administration Fund	11,646.1	17,683.3	17,683.3	17,683.3	0.0
Domestic Violence Services Fund	2,191.3	4,000.3	4,000.3	4,000.3	0.0
Sexual Violence Service Fund	544.6	0.0	0.0	0.0	0.0
Public Assistance Collections Fund	0.0	430.4	430.4	430.4	0.0
Department Long-Term Care System Fund	27,537.0	33,289.5	33,289.5	(65,788.4)	(99,077.9)
Spinal and Head Injuries Trust Fund	1,580.0	2,388.2	2,388.2	2,388.2	0.0
Federal Pandemic Emergency Assistance Fund	14,470.8	0.0	0.0	0.0	0.0
Agency Total	1,437,790.7	386,329.8	386,329.8	287,251.9	(99,077.9)
<u>Department of Education</u>					
School Accountability Fund - 6/10th Sales Tax	0.0	7,000.0	7,000.0	7,000.0	0.0
Teacher Certification Fund	1,211.4	2,527.9	2,527.9	2,619.5	91.6
Empowerment Scholarship Account Fund	221.2	357.9	357.9	365.8	7.9
Tribal College Dual Enrollment Program Fund	124.5	325.0	325.0	325.0	0.0
Permanent State School Fund	309,482.5	328,895.6	328,895.6	344,991.1	16,095.5
Agency Total	311,039.6	339,106.4	339,106.4	355,301.4	16,195.0
<u>Department of Emergency and Military Affairs</u>					
Nuclear Emergency Management Fund	1,825.5	1,987.4	1,987.4	1,987.4	0.0
Emergency Management Assistance Compact Revolving Fund	1,030.1	0.0	0.0	0.0	0.0
Agency Total	2,855.6	1,987.4	1,987.4	1,987.4	0.0
<u>Department of Environmental Quality</u>					
DEQ Emissions Inspection Fund	25,606.8	30,484.4	30,484.4	30,484.4	0.0
Hazardous Waste Management Fund	1,725.2	1,946.6	1,946.6	1,946.6	0.0
Air Quality Fund	4,547.3	5,830.9	5,830.9	5,830.9	0.0
Recycling Fund	1,490.6	2,522.4	2,522.4	1,522.4	(1,000.0)
Permit Administration Fund	4,382.9	7,285.6	7,285.6	7,285.6	0.0
Voluntary Vehicle Repair & Retrofit Program Fund	532.1	0.0	0.0	0.0	0.0
Emergency Response Fund	127.2	528.3	528.3	132.8	(395.5)
Solid Waste Fee Fund	1,715.6	2,674.6	2,674.6	2,589.6	(85.0)
Water Quality Fee Fund	8,162.3	18,348.2	18,348.2	18,348.2	0.0
Safe Drinking Water Program Fund	2,063.4	1,998.5	1,998.5	1,998.5	0.0
Indirect Cost Recovery Fund	13,982.3	18,629.0	18,629.0	18,629.0	0.0
Agency Total	64,335.7	90,248.5	90,248.5	88,768.0	(1,480.5)
<u>Governor's Office for Equal Opportunity</u>					
Personnel Division Fund	141.3	211.4	211.4	211.4	0.0
<u>Exposition & State Fair</u>					
Arizona Exposition and State Fair Fund	8,513.3	19,056.8	19,056.8	16,056.8	(3,000.0)

Other Appropriated Funds Operating Budgets Summary

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	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
<u>Board of Funeral Directors & Embalmers</u>					
Funeral Directors & Embalmers Fund	332.6	494.8	494.8	476.8	(18.0)
<u>Game and Fish Department</u>					
Game and Fish Fund	39,472.5	45,353.6	45,353.6	44,516.2	(837.4)
Watercraft Licensing Fund	3,731.8	5,226.8	5,226.8	5,226.8	0.0
Game, Non-Game, Fish and Endangered Species Fund	287.6	389.2	389.2	389.2	0.0
Capital Improvement Fund	1,001.2	1,001.2	1,001.2	1,001.2	0.0
Wildlife Endowment Fund	0.0	16.2	16.2	16.2	0.0
Agency Total	44,493.1	51,987.0	51,987.0	51,149.6	(837.4)
<u>Department of Gaming</u>					
State Lottery Fund	300.0	300.0	300.0	300.0	0.0
Fantasy Sports Contest Fund	145.0	150.1	150.1	150.1	0.0
Permanent Tribal-State Compact Fund	1,933.5	2,308.7	2,308.7	2,308.7	0.0
Arizona Benefits Fund	9,567.4	16,610.0	16,610.0	16,610.0	0.0
Racing Regulation Fund	1,794.8	2,576.6	2,576.6	2,576.6	0.0
Racing Regulaions Fund - Unarmed Combat Subaccount	83.6	104.6	104.6	104.6	0.0
Agency Total	13,824.3	22,050.0	22,050.0	22,050.0	0.0
<u>Office of the Governor</u>					
Crisis Contingency and Safety Net Fund	197.0	0.0	0.0	0.0	0.0
<u>Department of Health Services</u>					
Tobacco Tax Hlth Care Fund MNMI Account	696.6	700.0	700.0	700.0	0.0
Health Services Licenses Fund	15,570.6	16,960.5	16,960.5	16,960.5	0.0
Child Care and Development Fund	1,683.7	998.6	998.6	998.6	0.0
Disease Control Research Fund	932.3	1,000.0	1,000.0	1,000.0	0.0
Emergency Medical Operating Services Fund	3,124.3	4,167.9	4,167.9	4,167.9	0.0
Newborn Screening Program Fund	5,897.2	12,821.3	12,821.3	12,821.3	0.0
Nursing Care Institution Resident Protection Revolving Fund	25.0	238.2	238.2	238.2	0.0
Prescription Drug Rebate Fund	2,500.0	0.0	0.0	0.0	0.0
Environmental Laboratory Licensure Revolving Fund	531.4	1,001.7	1,001.7	1,001.7	0.0
Child Fatality Review Fund	181.8	196.5	196.5	196.5	0.0
Vital Records Electronic Systems Fund	3,398.7	3,862.3	3,862.3	3,862.3	0.0
The Arizona State Hospital Fund	5,769.7	3,145.8	3,145.8	3,145.8	0.0
DHS State Hospital Land Earnings Fund	2,698.2	650.0	650.0	650.0	0.0
Health Services Lottery Fund	249.1	200.0	200.0	200.0	0.0
Indirect Cost Fund	10,938.3	12,298.7	12,298.7	12,435.6	136.9
Agency Total	54,196.9	58,241.5	58,241.5	58,378.4	136.9
<u>Department of Homeland Security</u>					
Information Technology Fund	21.6	11,930.3	11,930.3	11,325.3	(605.0)
<u>Board of Homeopathic Medical Examiners</u>					
Homeopathic Medical Examiners Fund	45.4	51.9	51.9	51.9	0.0
<u>Department of Housing</u>					
Housing Trust Fund	322.7	367.4	367.4	367.4	0.0

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	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
<u>Industrial Commission of Arizona</u>					
Industrial Commission Administration Fund	18,268.1	21,976.7	21,976.7	21,976.7	0.0
<u>Department of Insurance and Financial Institutions</u>					
Financial Services Fund	3,999.2	5,971.6	5,971.6	5,547.9	(423.7)
Automobile Theft Authority Fund	5,954.2	6,159.7	6,159.7	6,813.6	653.9
Banking Department Revolving Fund	50.3	50.3	50.3	50.3	0.0
Agency Total	10,003.7	12,181.6	12,181.6	12,411.8	230.2
<u>Superior Court</u>					
Supreme Court CJEF Disbursements Fund	1,479.3	5,494.4	5,494.4	5,494.4	0.0
Judicial Collection Enhancement Fund	3,949.2	6,015.4	6,015.4	6,015.4	0.0
Drug Treatment and Education Fund	500.2	504.2	504.2	504.2	0.0
Agency Total	5,928.7	12,014.0	12,014.0	12,014.0	0.0
<u>Supreme Court</u>					
Supreme Court CJEF Disbursements Fund	2,682.8	4,722.8	4,722.8	4,722.8	0.0
Judicial Collection Enhancement Fund	8,274.2	15,191.4	15,191.4	15,191.4	0.0
Defensive Driving Fund	2,171.8	4,487.7	4,487.7	4,487.7	0.0
Court Appointed Special Advocate Fund	3,869.6	5,416.0	5,416.0	5,233.0	(183.0)
Confidential Intermediary and Fiduciary Fund	333.2	546.5	546.5	686.1	139.6
State Aid to Courts Fund	1,694.4	2,946.5	2,946.5	2,946.5	0.0
Agency Total	19,026.0	33,310.9	33,310.9	33,267.5	(43.4)
<u>Department of Juvenile Corrections</u>					
Juvenile Corrections CJEF Distribution Fund	520.0	538.5	538.5	538.5	0.0
Juvenile Education Fund	606.8	1,955.2	1,955.2	1,955.2	0.0
Local Cost Sharing Fund	8,392.4	8,450.9	8,450.9	8,450.9	0.0
State Charitable, Penal and Reformatory Land Fund	1,565.2	4,125.4	4,125.4	4,125.4	0.0
Agency Total	11,084.4	15,070.0	15,070.0	15,070.0	0.0
<u>Land Department</u>					
Environmental Special Plate Fund	177.5	260.6	260.6	260.6	0.0
Due Diligence Fund	4.0	5,000.0	5,000.0	5,000.0	0.0
Trust Land Management Fund	5,881.7	8,028.8	8,028.8	6,528.8	(1,500.0)
Agency Total	6,063.2	13,289.4	13,289.4	11,789.4	(1,500.0)
<u>Department of Liquor Licenses and Control</u>					
Liquor Licenses Fund	4,254.7	7,112.5	7,112.5	6,555.2	(557.3)
<u>Lottery Commission</u>					
Lottery Fund	155,438.6	170,261.9	170,261.9	187,256.4	16,994.5
<u>Massage Therapy</u>					
Massage Therapy Board Fund	468.6	603.8	603.8	595.9	(7.9)
<u>Medical Board</u>					
Arizona Medical Board Fund	7,277.1	8,291.7	8,291.7	8,189.2	(102.5)
<u>Mine Inspector</u>					
Aggregate Mining Reclamation Fund	37.3	112.9	112.9	112.9	0.0
<u>Naturopathic Physicians Board of Medical Examiners</u>					
Naturopathic Board Fund	181.9	212.0	212.0	215.2	3.2
<u>Navigable Stream Adjudication Commission</u>					
Arizona Water Banking Fund	0.0	200.0	200.0	200.0	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

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	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
<u>Board of Nursing</u>					
Nursing Board Fund	5,077.2	5,885.0	5,885.0	6,391.0	506.0
<u>Nursing Care Ins. Admin. Examiners</u>					
Nursing Care Institution Administrators/ACHMC Fund	518.1	627.4	627.4	595.6	(31.8)
<u>Board of Occupational Therapy Examiners</u>					
Occupational Therapy Fund	181.2	266.4	266.4	243.2	(23.2)
<u>Board of Dispensing Opticians</u>					
Dispensing Opticians Board Fund	151.1	193.1	193.1	186.9	(6.2)
<u>Board of Optometry</u>					
Board of Optometry Fund	231.1	298.8	298.8	291.3	(7.5)
<u>Board of Osteopathic Examiners</u>					
Osteopathic Examiners Board Fund	1,060.2	1,384.5	1,384.5	1,394.6	10.1
<u>Arizona State Parks</u>					
State Parks Revenue Fund	19,636.4	18,519.4	18,519.4	18,644.5	125.1
Off-Highway Vehicle Recreation Fund	16.7	16.7	16.7	16.7	0.0
State Parks Store Fund	975.7	1,011.3	1,011.3	1,011.3	0.0
Agency Total	20,628.8	19,547.4	19,547.4	19,672.5	125.1
<u>Personnel Board</u>					
Personnel Division Fund	128.0	345.0	345.0	345.0	0.0
<u>Board of Pharmacy</u>					
Pharmacy Board Fund	3,605.9	3,537.0	3,537.0	3,435.0	(102.0)
<u>Board of Physical Therapy Examiners</u>					
Physical Therapy Fund	445.8	630.9	630.9	587.5	(43.4)
<u>Pioneers' Home</u>					
Pioneers' Home State Charitable Earnings Fund	4,938.6	6,024.7	6,024.7	6,292.0	267.3
Pioneers' Home Miners' Hospital Fund	1,903.1	2,318.6	2,318.6	2,318.6	0.0
Agency Total	6,841.7	8,343.3	8,343.3	8,610.6	267.3
<u>Board of Podiatry Examiners</u>					
Podiatry Examiners Board Fund	167.6	185.8	185.8	193.2	7.4
<u>Board for Private Postsecondary Education</u>					
Private Postsecondary Education Fund	295.2	453.8	453.8	451.3	(2.5)
<u>Board of Psychologist Examiners</u>					
Psychologist Examiners Board Fund	543.3	650.5	650.5	635.3	(15.2)

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

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	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
<u>Department of Public Safety</u>					
State Highway Fund	8,167.0	8,166.7	8,166.7	8,166.7	0.0
Arizona Highway Patrol Fund	36,037.7	31,293.3	31,293.3	31,293.3	0.0
Motor Vehicle Liability Insurance Enforcement Fund	1,254.1	1,282.0	1,282.0	1,032.0	(250.0)
DPS Forensics Fund	16,756.7	22,985.3	22,985.3	22,985.3	0.0
Public Safety Equipment Fund	215.5	2,894.0	2,894.0	2,894.0	0.0
Gang and Immigration Intelligence Team Enforcement Mission Fund	2,797.0	2,396.4	2,396.4	2,396.4	0.0
Fingerprint Clearance Card Fund	1,469.5	1,581.1	1,581.1	1,581.1	0.0
Motorcycle Safety Fund	198.9	198.9	198.9	198.9	0.0
Parity Compensation Fund	4,000.3	4,088.1	4,088.1	4,088.1	0.0
Concealed Weapons Permit Fund	2,444.4	3,172.2	3,172.2	3,172.2	0.0
DPS Criminal Justice Enhancement Fund	2,232.2	2,989.1	2,989.1	2,989.1	0.0
Risk Management Revolving Fund	1,351.0	1,396.9	1,396.9	1,396.9	0.0
Agency Total	76,924.3	82,444.0	82,444.0	82,194.0	(250.0)
<u>Residential Utility Consumer Office</u>					
Residential Utility Consumer Office Revolving Fund	1,257.3	1,578.9	1,578.9	1,578.9	0.0
<u>Board of Respiratory Care Examiners</u>					
Board of Respiratory Care Examiners Fund	324.1	406.8	406.8	414.7	7.9
<u>Arizona State Retirement System</u>					
Arizona State Retirement System Appropriated Fund	20,887.6	26,335.6	26,335.6	27,093.4	757.8
LTD Trust Fund	1,286.3	1,800.0	1,800.0	1,800.0	0.0
Agency Total	22,173.9	28,135.6	28,135.6	28,893.4	757.8
<u>Department of Revenue</u>					
Tobacco Tax and Health Care Fund	665.8	727.9	727.9	727.9	0.0
DOR Liability Setoff Fund	686.2	892.5	892.5	892.5	0.0
Department of Revenue Administrative Fund	24,095.5	28,603.1	28,603.1	24,500.0	(4,103.1)
Agency Total	25,447.5	30,223.5	30,223.5	26,120.4	(4,103.1)
<u>Department of State - Secretary of State</u>					
Election Systems Improvement Fund	192.5	483.5	483.5	2,388.4	1,904.9
Records Services Fund	1,186.1	1,334.9	1,334.9	1,334.9	0.0
Agency Total	1,378.6	1,818.4	1,818.4	3,723.3	1,904.9
<u>Board of Technical Registration</u>					
Technical Registration Board Fund	2,142.0	2,641.0	2,641.0	2,620.6	(20.4)

Other Appropriated Funds Operating Budgets Summary

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	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
<u>Department of Transportation</u>					
State Aviation Fund	1,875.4	2,163.6	2,163.6	2,276.9	113.3
State Highway Fund	372,537.2	516,951.3	516,951.3	485,161.0	(31,790.3)
Highway Damage Recovery Account Fund	7,672.0	8,000.6	8,000.6	8,000.6	0.0
ADOT Fleet Operations Fund	18,189.4	27,110.5	27,110.5	25,391.9	(1,718.6)
Ignition Interlock Device Fund	339.4	363.6	363.6	363.6	0.0
Air Quality Fund	296.5	326.6	326.6	1,128.1	801.5
Vehicle Inspection and Certificate of Title Enforcement Fund	1,923.6	2,246.6	2,246.6	1,646.6	(600.0)
Motor Vehicle Liability Insurance Enforcement Fund	1,743.3	5,383.6	5,383.6	1,651.7	(3,731.9)
Highway Expansion & Extension Loan Program Fund	1,220.8	0.0	0.0	0.0	0.0
Motor Vehicle Dealer Enforcement Fund	84.0	0.0	0.0	0.0	0.0
Highway User Revenue Fund	664.3	906.5	906.5	935.2	28.7
State Fleet Operations Fund	13,682.7	25,267.1	25,267.1	30,454.4	5,187.3
State Fleet Vehicle Replacement Fund	1,598.5	10,715.8	10,715.8	15,000.0	4,284.2
Agency Total	421,827.1	599,435.8	599,435.8	572,010.0	(27,425.8)
<u>Treasurer</u>					
Arizona Highway Patrol Fund	2,500.0	0.0	0.0	0.0	0.0
Boating Safety Fund	2,183.8	2,183.8	2,183.8	2,183.8	0.0
Treasurer Empowerment Scholarship Account Fund	2,751.1	0.0	0.0	0.0	0.0
School Safety Interoperability Fund	1,500.0	0.0	0.0	0.0	0.0
State Treasurer's Operating Fund	3,381.3	3,965.1	3,965.1	3,965.1	0.0
Agency Total	12,316.2	6,148.9	6,148.9	6,148.9	0.0
<u>Arizona State University</u>					
ASU Collections Fund Tuition and Fees	595,660.0	706,031.8	706,031.8	707,199.4	1,167.6
<u>Northern Arizona University</u>					
NAU Collections - Appropriated Fund	134,983.3	134,964.5	134,964.5	134,964.5	0.0
<u>University of Arizona - Main Campus</u>					
U of A Main Campus - Collections - Appropriated Fund	387,259.3	382,811.3	382,811.3	382,811.3	0.0
<u>University of Arizona - Health Sciences Center</u>					
U of A Main Campus - Collections - Appropriated Fund	64,224.5	66,675.3	66,675.3	66,675.3	0.0
<u>Department of Veterans' Services</u>					
State Home for Veterans Trust Fund	23,883.4	60,559.5	54,914.0	46,605.1	(13,954.4)
<u>Veterinary Medical Examining Board</u>					
Veterinary Medical Examiners Board Fund	519.0	770.5	770.5	769.0	(1.5)
<u>Department of Water Resources</u>					
Arizona Water Banking Fund	1,158.6	0.0	0.0	0.0	0.0
Water Resources Fund	530.9	1,726.5	1,726.5	1,726.5	0.0
Assured and Adequate Water Supply Administration Fund	276.7	291.2	291.2	291.2	0.0
Agency Total	1,966.2	2,017.7	2,017.7	2,017.7	0.0

Other Appropriated Funds Operating Budgets Summary

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	FY 2022 Expenditures	FY 2023 Appropriation	FY 2023 Executive Budget	FY 2024 Executive Budget	FY 2024 Changes and Adjustments
Other Appropriated Funds Operating Total	5,431,394.9	5,116,883.3	5,134,833.7	5,011,025.7	(105,857.6)

The total amount listed reflects agency operating expenditures and appropriations, but does not include expenditures and appropriations for capital projects or other selected statewide items, such as retirement contribution adjustments.

Resources

Governor's Office of Strategic Planning and Budgeting

[Website](#)

[Executive Budgets for FY 2023 and Previous](#)

[Master List of State Government Programs](#)

[Constitutional Appropriation Limit Calculation](#)

State Agency Technical Resources

[Agency Budget Development Software and Training Resources](#)

[Strategic Planning for Continuous Improvement](#), Arizona's Strategic Planning Handbook

Other Helpful Links

[Arizona's Official Website](#)

[Governor's Website](#)

[State Agencies' Websites](#)

[Openbooks](#), a searchable database of the State Accounting System

[Arizona Labor Market Statistics](#)

[Arizona Population Statistics](#)

[FY 2023 Appropriations Report](#)

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