FY 2012 - FY 2013
Budget and Other Stuff

ATRA Outlook Conference
November 18, 2011
FY 2007 vs FY 2012 Budgets

**FY 2007**
- Education: 41%
- Medicaid: 17%
- Universities: 10%
- Corrections: 8%
- Debt Service: 1%
- Other: 23%

**FY 2012**
- Education: 42%
- Medicaid: 25%
- Universities: 8%
- Corrections: 11%
- Debt Service: 3%
- Other: 11%

Total General Fund Budget $9.6 Billion
Total General Fund Budget $8.3 Billion

General Fund budget reduced 13.5% between FY 2007 and FY 2012
SNAP Enrollment

Economy
Economy

Arizona
Job Loss Non-Farm Seasonally Adjusted

Peak employment
August 2007 2,680,000 jobs

National

Lowpoint
Sept 2010 (320,100)

Current Sept 2011 up 57,700 from Lowpoint

Per cent Change from Peak Employment

Number of Months After Peak Employment

Arizona Job Loss Non-Farm Seasonally Adjusted
Economy – Job Growth

2011 Arizona Job Growth
First Three Quarters - 40,000 Jobs Created
Quarterly revenue growth (year-over-year)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FAC Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 - FY2011</td>
<td>3.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 - FY2011</td>
<td>9.4%</td>
<td></td>
<td></td>
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<tr>
<td>Q3 - FY2011</td>
<td>9.8%</td>
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<tr>
<td>Q4 - FY2011</td>
<td>16.5%</td>
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<tr>
<td>Q1 - FY2012</td>
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<td>7.6%</td>
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<tr>
<td>Q2 - FY2012</td>
<td>2.7%</td>
<td></td>
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</tr>
<tr>
<td>Q3 - FY2012</td>
<td>2.7%</td>
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<tr>
<td>Q4 - FY2012</td>
<td>2.1%</td>
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</tbody>
</table>

Red bars represent actuals, and blue bars represent projected values.
Retail Sales Tax Collections Quarterly Growth

<table>
<thead>
<tr>
<th></th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>FY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>-6.9%</td>
<td>3.1%</td>
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<tr>
<td>Q2</td>
<td>-12.2%</td>
<td>-2.7%</td>
<td>11.8%</td>
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<tr>
<td>Q3</td>
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</tr>
<tr>
<td>Q4</td>
<td>-0.7%</td>
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<td>9.2%</td>
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Quarterly Individual Income Tax Growth

FY 2010
FY 2011
FY 2012

TOTAL IIT
Enrollment Growth
FY 2001 to FY 2011

<table>
<thead>
<tr>
<th>Category</th>
<th>2001</th>
<th>2011</th>
<th>Growth</th>
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<tbody>
<tr>
<td>Total Pop</td>
<td>1,124,651</td>
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<td>133.4%</td>
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<tr>
<td>Corrections</td>
<td>13,409</td>
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<td>50.1%</td>
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<td>K-12</td>
<td>209,664</td>
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<td>24.7%</td>
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<td>Universities</td>
<td>37,164</td>
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<td>40.1%</td>
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<tr>
<td>Medicaid</td>
<td>778,724</td>
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<td>17.2%</td>
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<tr>
<td>Revenue</td>
<td>$1,060 M</td>
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<td>0.0%</td>
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</tbody>
</table>
FY 2014 Impacts

• Revenue Loss
  The temporary one-cent sales tax ends June 1, 2013 creating a FY 2014 $945 million loss of revenue.

• Federal Healthcare Reform
  Federal HealthCare reform kicks in January 1, 2014 restoring and expanding the Prop. 204 population.
Healthcare Reform

Arizona Medicaid Income Eligibility

Proposition 204 sets minimum eligibility at 100% of FPL

1/ Excluding ALTCS
2/ Previously covered under a state-only program up to 48% of FPL
3/ Previously covered under a state-only program and "federalized" at the same time as the Proposition 204 waiver.
AHCCCS TXIX Capitation Member Months
Actuals and Forecasts

- Actuals
- Executive Baseline
- Executive with 204 Freeze
- Exec with 204 Freeze and PPACA
Budget Picture

General Fund Ongoing Expenditures and Revenues

On-going Revenues
Total Expenditures
Principles

- Focus on end-of-term structurally balanced budget
- Maintain new budget baseline – funding increases based on need, not restoration
- Keep faith with the Prop. 100 voters – support K-12, public safety, and health care
- Use temporary resources for long-term state fiscal health (infrastructure, systems and equipment refresh; debt/rollover retirement, budget balances)
Agency and Other Funding Requests

- Debt reduction
- Rollover retirement
- Systems refresh
- Equipment refresh
- K-12 equipment refresh
- K-12 capital (building renewal)
- K-12 inflation
- State personnel system
- State capital (building renewal)
- Federal fund backfills
- Behavioral health
- Medicaid inflation
- Local Government
- University funding
- Prison expansion
Long-Term Medicaid Impact

State and Local Operating Balance Measure as a Percentage of GDP

US GAO, State and Local Fiscal Outlook April 2011
Long-Term Medicaid Impact

Health and Non-Health Expenditures of State and Local Governments as a Percentage of GDP

- Non-Health Care Expenditures
- Health Care Expenditures