Where We Were – FY 2010

General Fund Ongoing Revenue and Expenditures before Solutions

Office of Governor Janice K. Brewer
FY 11 Budget Solution with Federal Health Care Reform Impact

General Fund Ongoing Revenue and Expenditures Adopted Budget

Office of Governor Janice K. Brewer
Budget Shortfall

- FY 2011 $763 million
- FY 2012 $1.15 billion
AHCCCS added approximately 149,000 members in FY 2010. OSPB projects they will add 36,600 in FY 2011.

Office of Governor Janice K. Brewer
Economy – Job Growth

Arizona Job Loss Non-Farm Seasonally Adjusted

- 1948
- 1953
- 1974
- 1981
- 1991
- 2001
- 2007

Percent Change from Peak Employment

Number of Months After Peak Employment

Lowpoint Sept 2009 (236,000)

Current Nov 2013 up 36,500 from Lowpoint

Office of Governor Janice K. Brewer
Revenues

GF Revenues

Base Revenue  Temporary Sales Tax

Office of Governor Janice K. Brewer
## 6 Major Activities Account For FY 2011 On-Going General Fund Spending

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>(Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education (K-12)</td>
<td>$3,491.2</td>
</tr>
<tr>
<td>Medicaid</td>
<td>2,649.0</td>
</tr>
<tr>
<td>Universities</td>
<td>855.6</td>
</tr>
<tr>
<td>Prisons</td>
<td>938.7</td>
</tr>
<tr>
<td>Debt Service</td>
<td>223.4</td>
</tr>
<tr>
<td>Other</td>
<td>1,128.1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$9,286.0</strong></td>
</tr>
</tbody>
</table>

K-12 amount is based on the appropriation
Universities does not include capital funds
Medicaid numbers assume regular FMAP
Expenditure Changes FY 2007-FY 2011

FY 2007-FY 2011 Percentage Change

<table>
<thead>
<tr>
<th>On-Going General Fund Expenditures</th>
<th>FY 2007</th>
<th>FY 2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$4,156.0</td>
<td>$3,491.2</td>
<td>-16.0%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>$1,605.8</td>
<td>$2,649.0</td>
<td>65.0%</td>
</tr>
<tr>
<td>Universities</td>
<td>$952.5</td>
<td>$855.6</td>
<td>-10.2%</td>
</tr>
<tr>
<td>Corrections</td>
<td>$815.0</td>
<td>$938.7</td>
<td>15.2%</td>
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<tr>
<td>Debt Service</td>
<td>$112.3</td>
<td>$223.4</td>
<td>98.9%</td>
</tr>
<tr>
<td>Other</td>
<td>$1,782.8</td>
<td>$1,128.1</td>
<td>-36.7%</td>
</tr>
<tr>
<td>Total</td>
<td>$9,424.4</td>
<td>$9,286.0</td>
<td>-1.5%</td>
</tr>
<tr>
<td>SFB New Construction</td>
<td>$250.0</td>
<td>$0.0</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$9,674.4</td>
<td>$9,286.0</td>
<td>-4.0%</td>
</tr>
</tbody>
</table>

Medicaid Assumes regular FMAP
Reductions in Other include funding shifts to both other funds and debt. Major examples include DPS to SHF ($100).
Sums exclude SFB New Construction which contracted naturally. The remaining program is now supported by debt.
Enacted Budget Solutions

In response to the State’s fiscal crisis, Arizona has taken the following steps:

- Reduced personnel expenditures by 19 percent
- Reduced K-12 per pupil support by 18 percent
- Reduced University per pupil funding by 25 percent
- Reduced child care enrollees by 37 percent (18,000 children)
Enacted Budget Solutions (ctd)

- Reduced the number of families on cash assistance by 48 percent (19,000 families)
- Reduced state benefits for the SMI population
- Provided no inflation for health care providers for the last three years – no capitation growth for the last two
- Eliminated most non federally mandated Medicaid services
- Reduced number of kids on KidsCare by 22,900
In addition to spending reductions, Arizona has also:

- Borrowed $2.1 billion
- Deferred $1.5 billion in current year payments
- Raised taxes by 14.5 percent ($900 million)
Facts About Medicaid

- Total Medicaid spending in Arizona’s is $10 billion
  - Of this amount, the federal portion is $7.3 billion (which equates to 3.2% of the state’s personal income)
- Medicaid represents between 3% and 64% of individual hospital revenues (depending on the hospital)
- Medicaid is on average 61% of nursing home revenues.
- Medicaid provides health insurance for 1.3 million Arizonans
Arizona’s Medicaid Expansion

- Proposition 204 expanded Arizona’s Medicaid population to include all residents with incomes below 100% FPL, including populations not previously federally mandated.
- In FY 2012, the expansion population is estimated to be approximately 400,000 people.
- The FY 2012 GF cost of the expansion is estimated at $810 million.
- There are six other states that cover this population – Delaware, Hawaii, Massachusetts, Maine, New York, and Vermont.
Prior to Federal Health Care Reform, Arizona was not required to cover the expansion population to qualify for Medicaid matching funds.

Federal Health Care Reform locked the population in place through maintenance of effort requirements.

All states will be required to cover this population – and more – in FY 2014.
Federal Assistance

Arizona has two potential mechanisms for relief from covering the expansion population

1. Have Congress pass a law change that would provide a two year (FY 12 and 13) exemption for Arizona to roll back the expansion population. The exemption would likely have to be narrow, limited to expansion populations and triggered on fiscal circumstances.

2. Ask for and receive a waiver of the maintenance of effort from CMS for the same time period.