



FY 2024 Executive Budget

January 13, 2023

Arizona Governor's Office of Strategic Planning and Budgeting

Overview

- The Economy and State Revenues
- FY 2024 Budget Overview
- FY 2024 Budget Priorities
 - Education
 - Health & Welfare
 - Government that Works
 - Culture & Natural Resources
 - Public Safety

The Economy and State Revenues

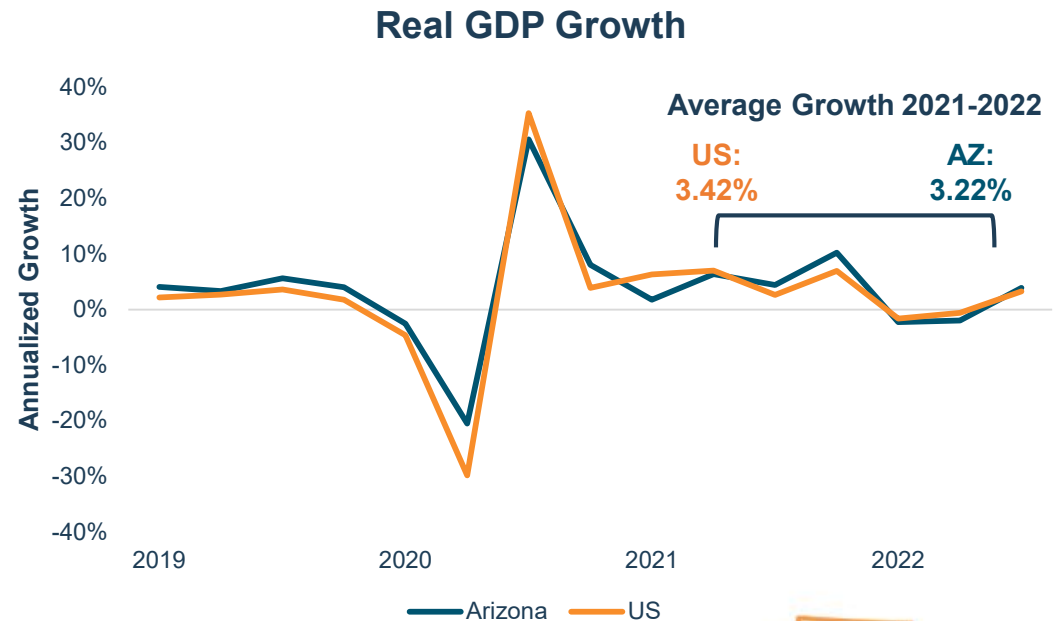
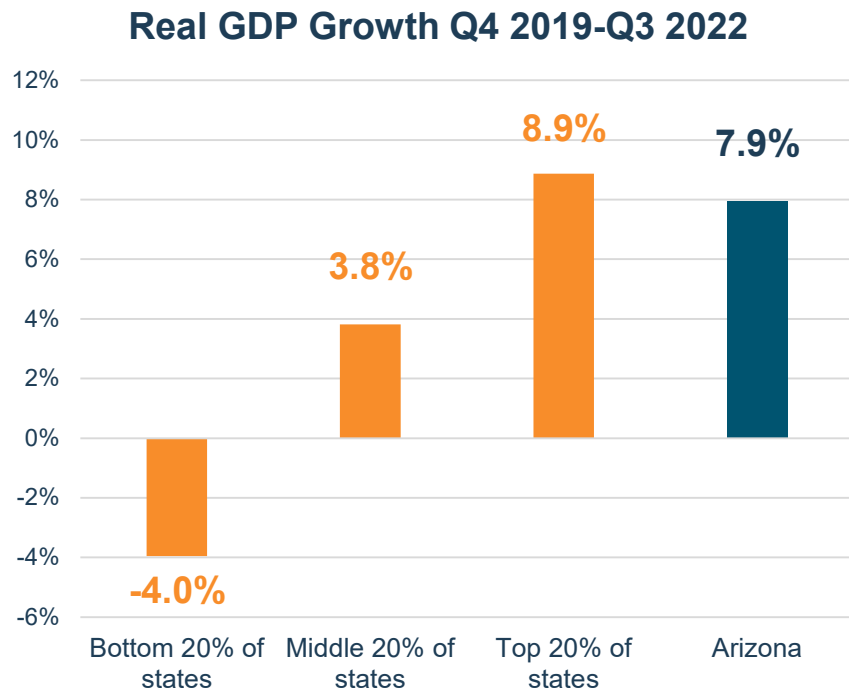
“Even as our state continues to be an incredible place to live and work, we can do more to help our fellow Arizonans get ahead.”

Governor Katie Hobbs



Arizona Growth Ranks 6th in the Nation

- Arizona has experienced similar GDP growth to the nation since 2021
- However, relative to pre-pandemic GDP levels, AZ growth nearly doubles that of U.S., and it ranks **6th among all states**



The Arizona Economy Is Strong

5th

In personal income
growth
2011-2021

7th

In job growth
above pre-
pandemic levels

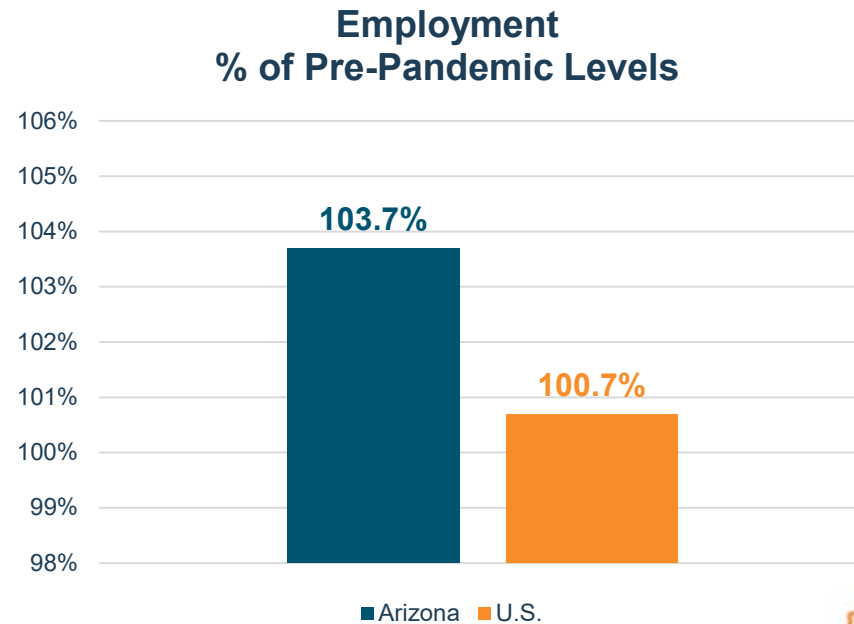
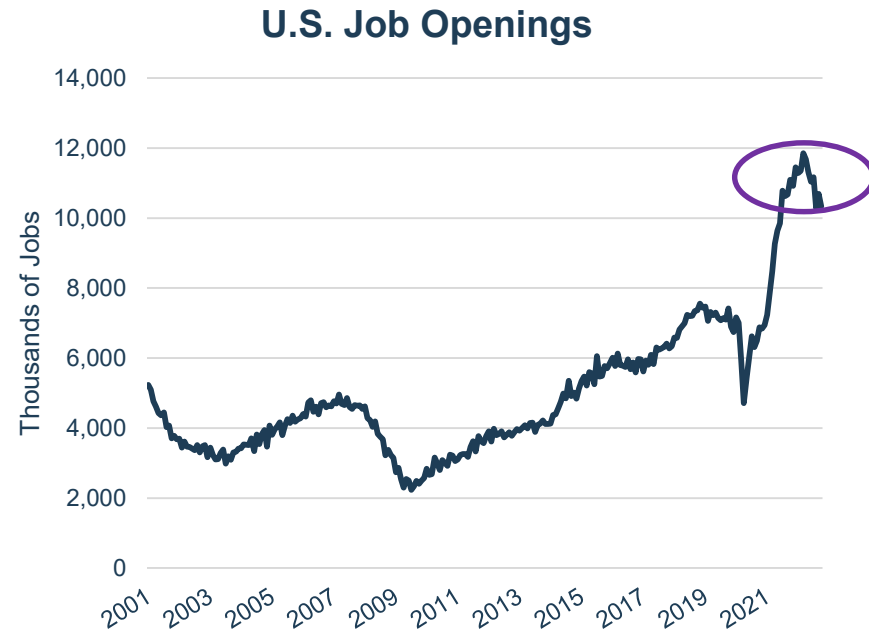
8th

In population growth
Jul 2021 - Jul 2022

- Arizona continues to attract people and businesses alike, putting it in the top 10 in both population growth and net migration
- Movement and expansion of high-tech manufacturing firms in Arizona will continue to promote growth

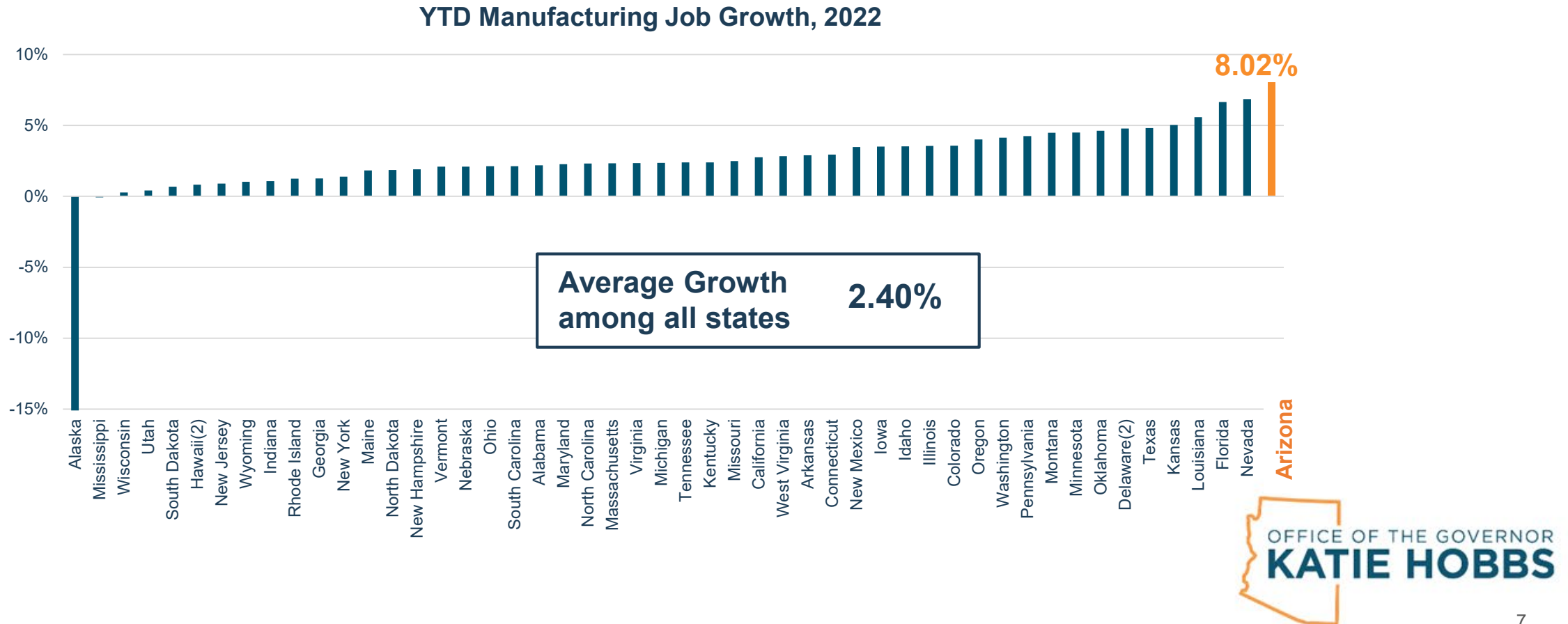
A Robust Labor Market

- U.S. job openings skyrocketed in 2021 and 2022, and remain near record highs
- **Arizona has been one of the fastest states in the nation to recover Covid-19 job losses**
- Unemployment in Arizona has ticked up; **remains below 2019 levels**



Arizona #1 In Manufacturing Job Growth

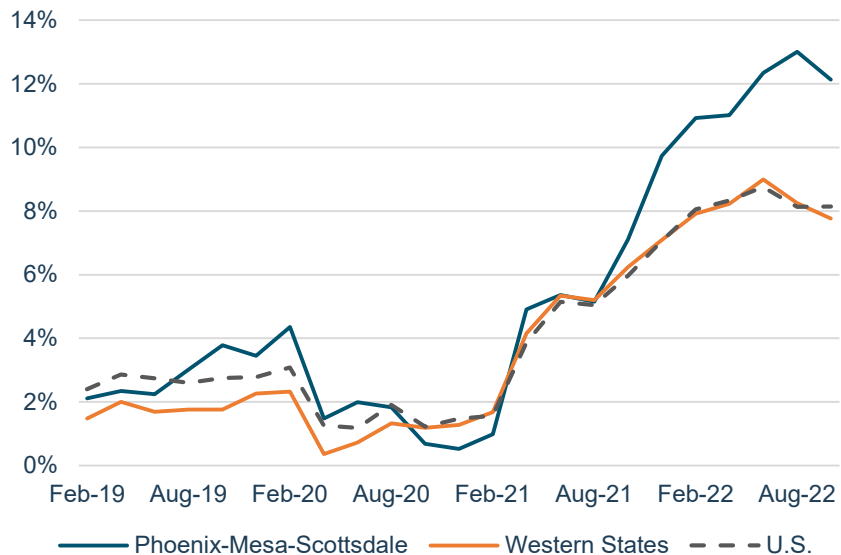
- Last year, Arizona led the nation in manufacturing job growth with **over 8.0% growth** from January to November of 2022



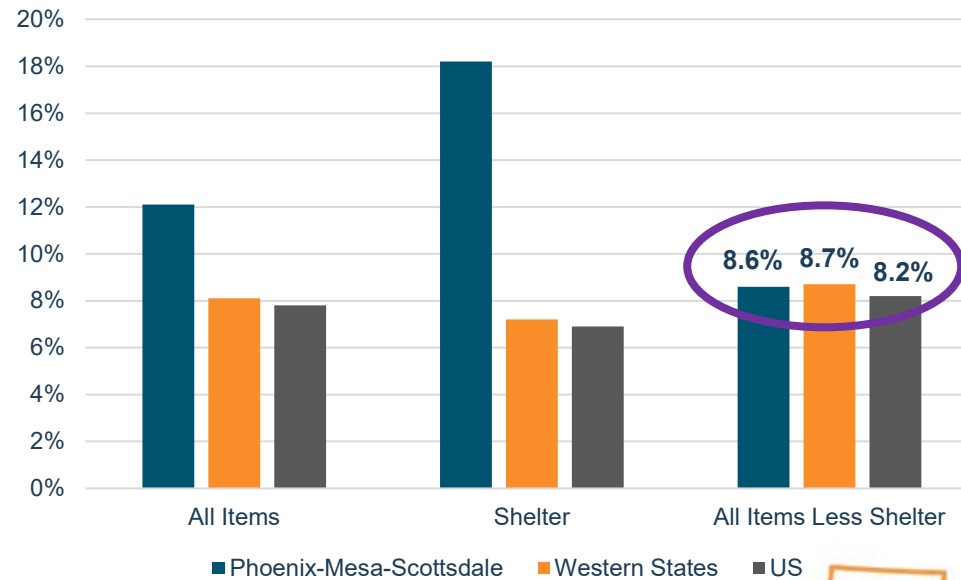
High Inflation Plagues U.S. And Arizona

- Inflation is still near 40-year highs despite moderating slightly at the end of 2022
- Arizona has experienced some of the highest inflation of all states, due to persistently high housing prices
- Excluding shelter and housing, inflation in Arizona is on par with the U.S.

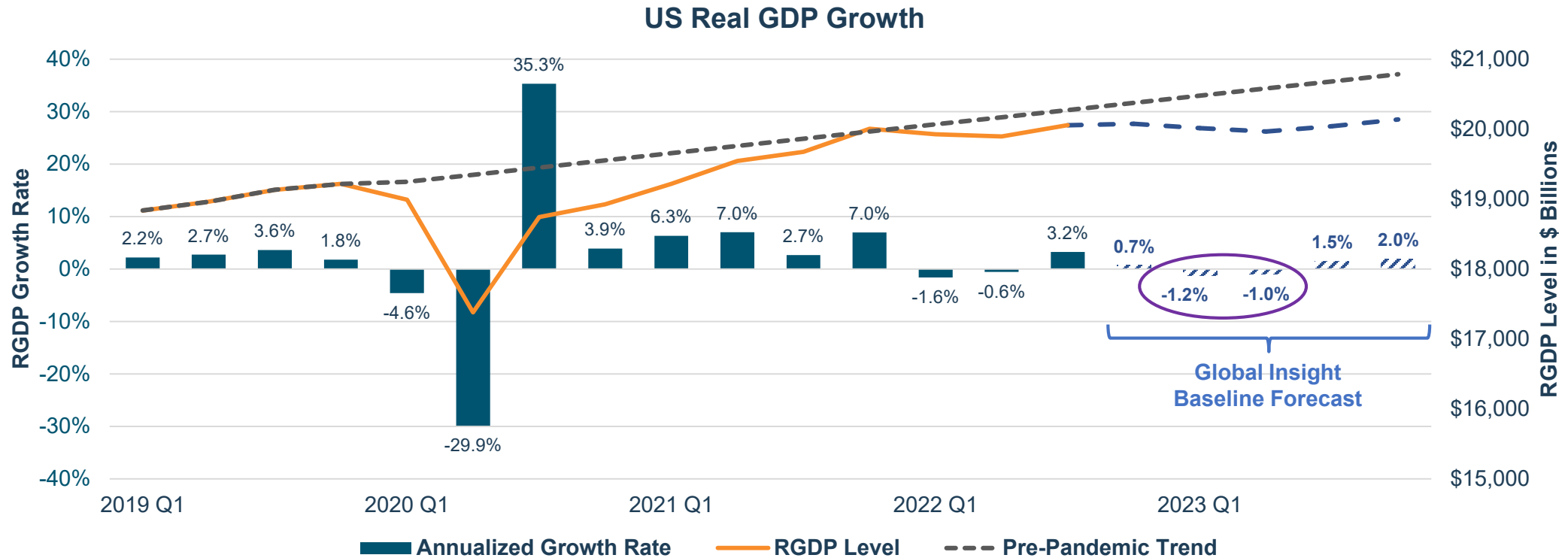
CPI All Items



CPI (October)



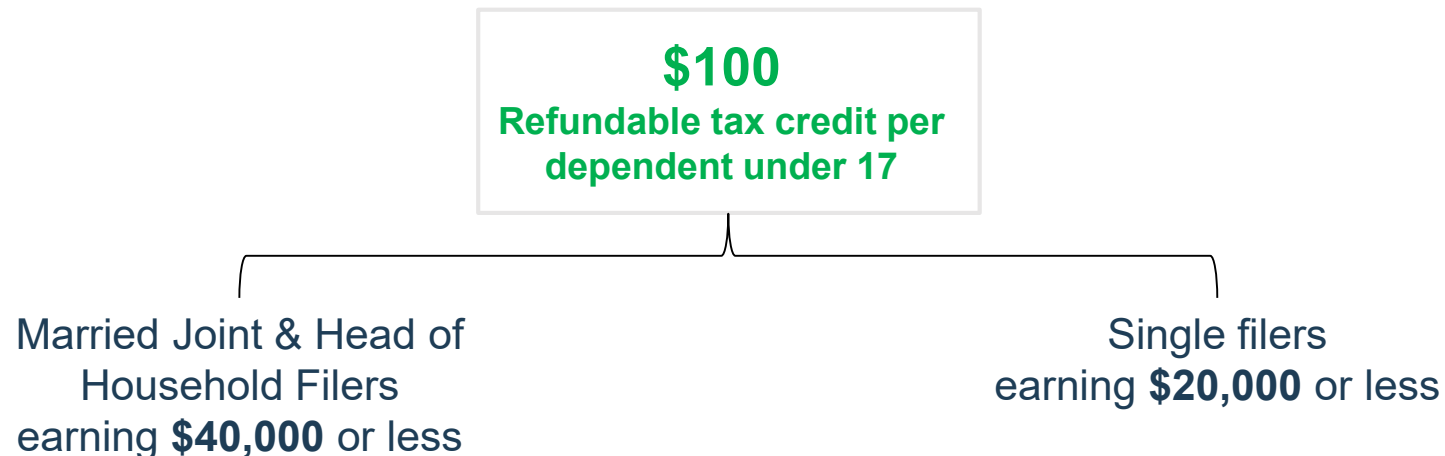
Economic Slowing On The Horizon



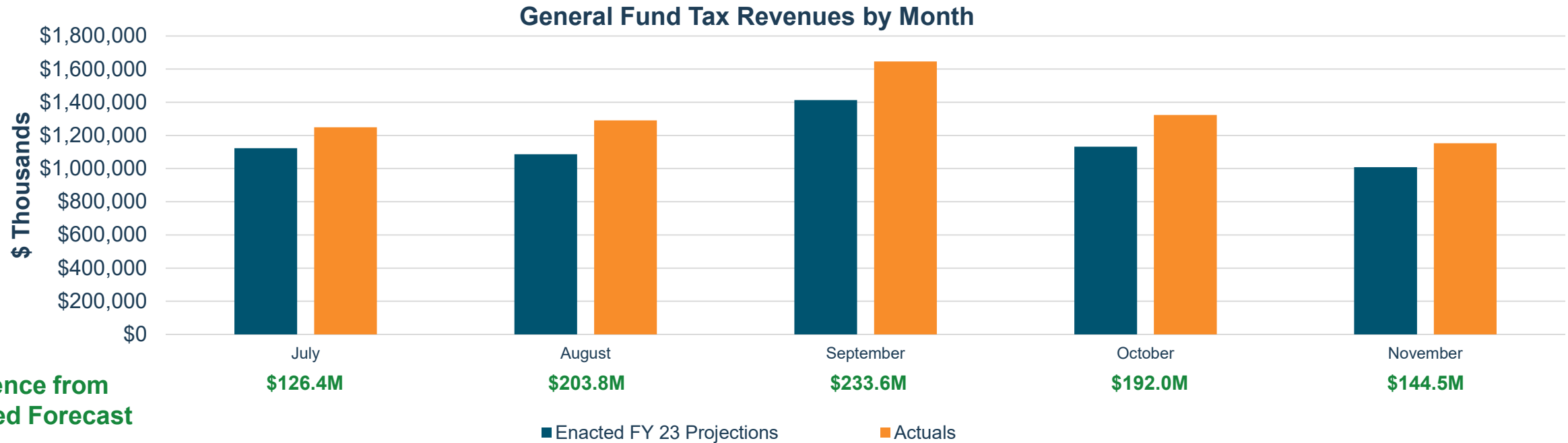
- After returning to the pre-pandemic trend in 2021, U.S. growth fell in 2022
- Economic slowing and/or a recession is expected in 2023

Affordability And Tax Reforms

- Two new transaction privilege tax (TPT) exemptions
 - Children's diapers - estimated **\$(16.0M)** ongoing
 - Feminine hygiene products – estimated **\$(24.0M)** ongoing
- New state-level child tax credit beginning tax year 2023
 - Estimated **\$(50.0M)** ongoing



FY 2023 Revenues Remain Strong – May Overstate True Revenue Performance



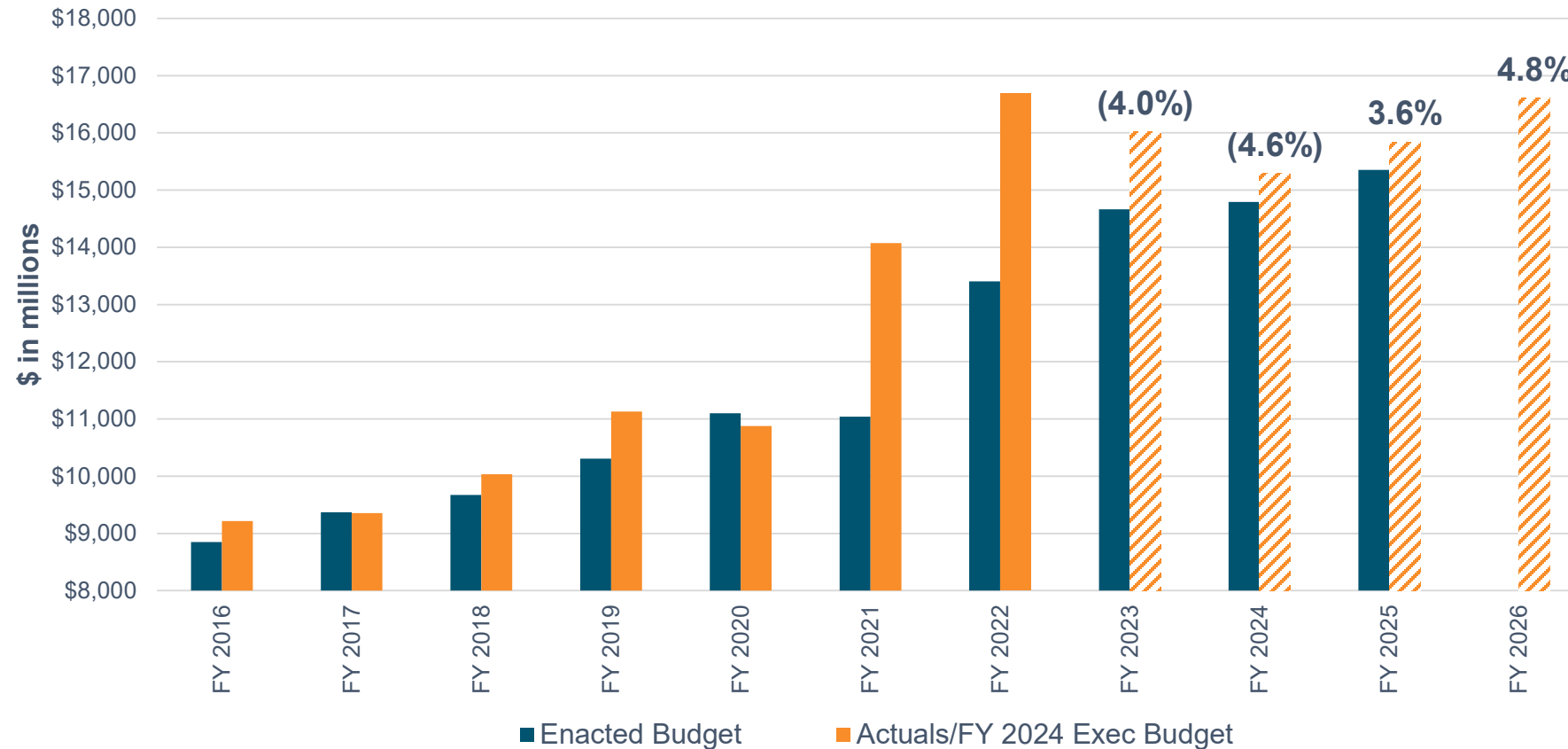
Difference from Enacted Forecast

- FY 2023 will be the first fiscal year with reduced individual income tax rates according to the new law
- Taxpayers may not have adjusted to the new, lower tax rates, meaning current performance may be overstated; **this may result in a higher level of refunds during tax season**



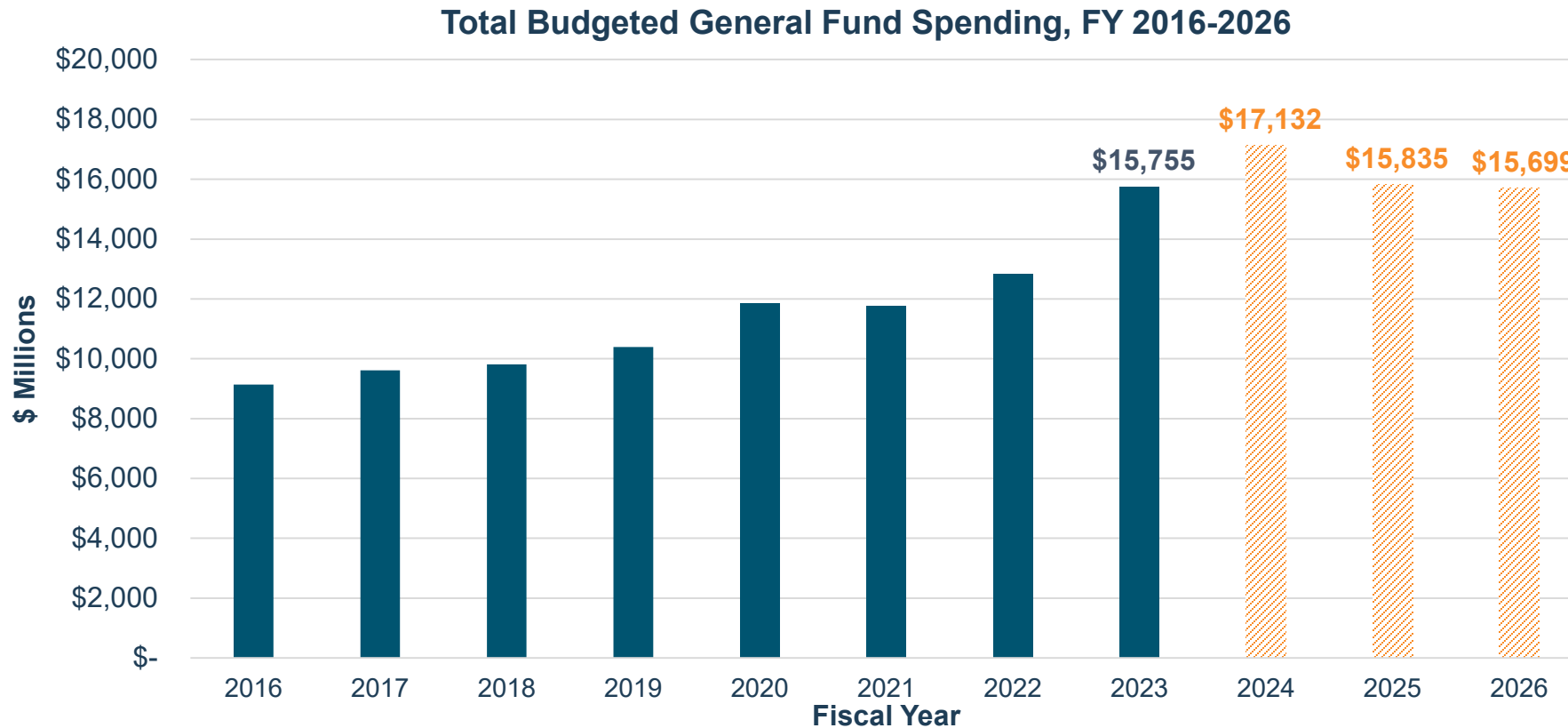
Executive Ongoing Revenue Forecast

- The FY 2024 Executive Budget contemplates revenue declines through 2024 due to prior enacted income tax cuts
- Modest growth forecasted for FY 2025 and beyond



Executive Total Spending Forecast

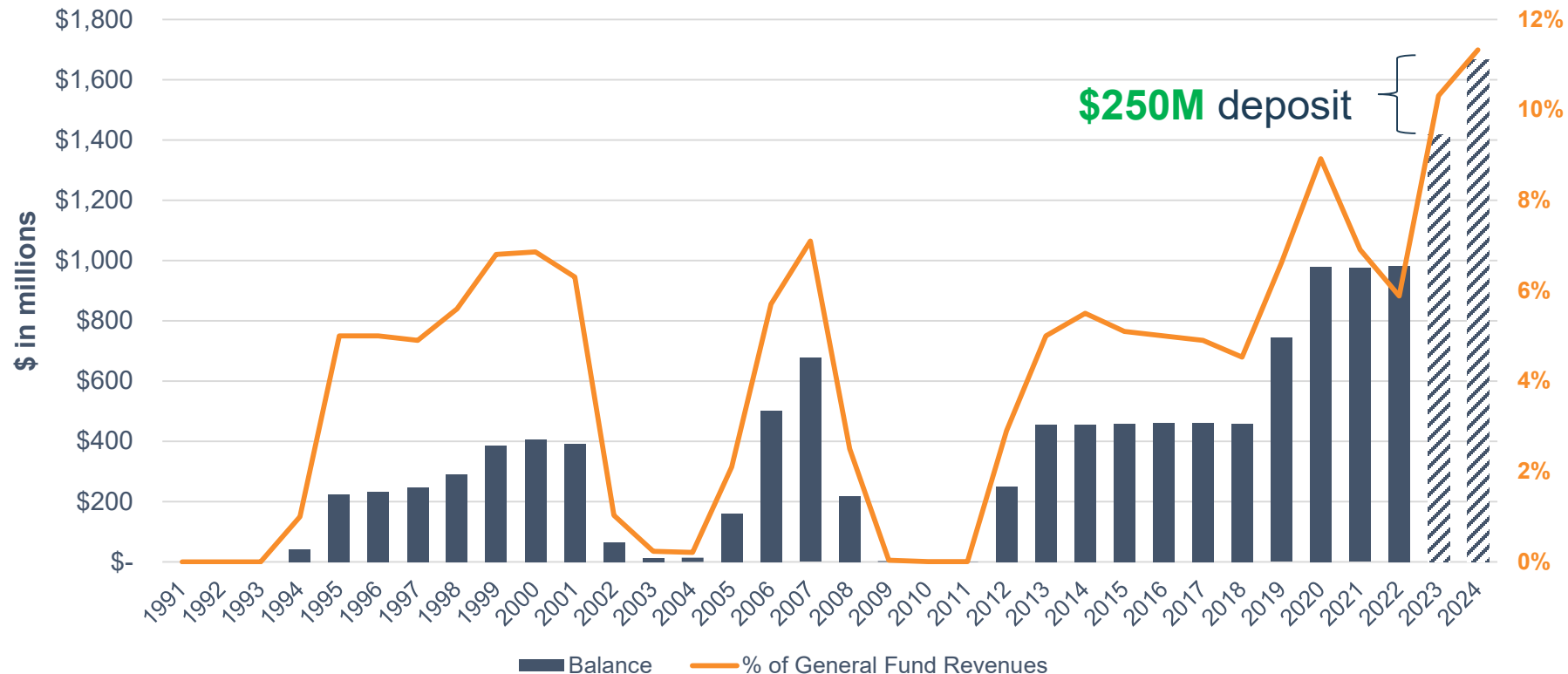
- Of the **\$17.1B** in total spending in FY 2024, **\$2.1B** is one-time
- Spending levels moderate in FY 2025 and 2026



Prioritizing Fiscal Responsibility

- The FY 2024 Executive Budget includes a **\$250.0M** deposit into the “rainy day fund”
- Balance is projected to exceed **\$1.6B** in 2024 - the highest balance in state history

Arizona's Rainy Day Fund



FY 2024 Budget Overview

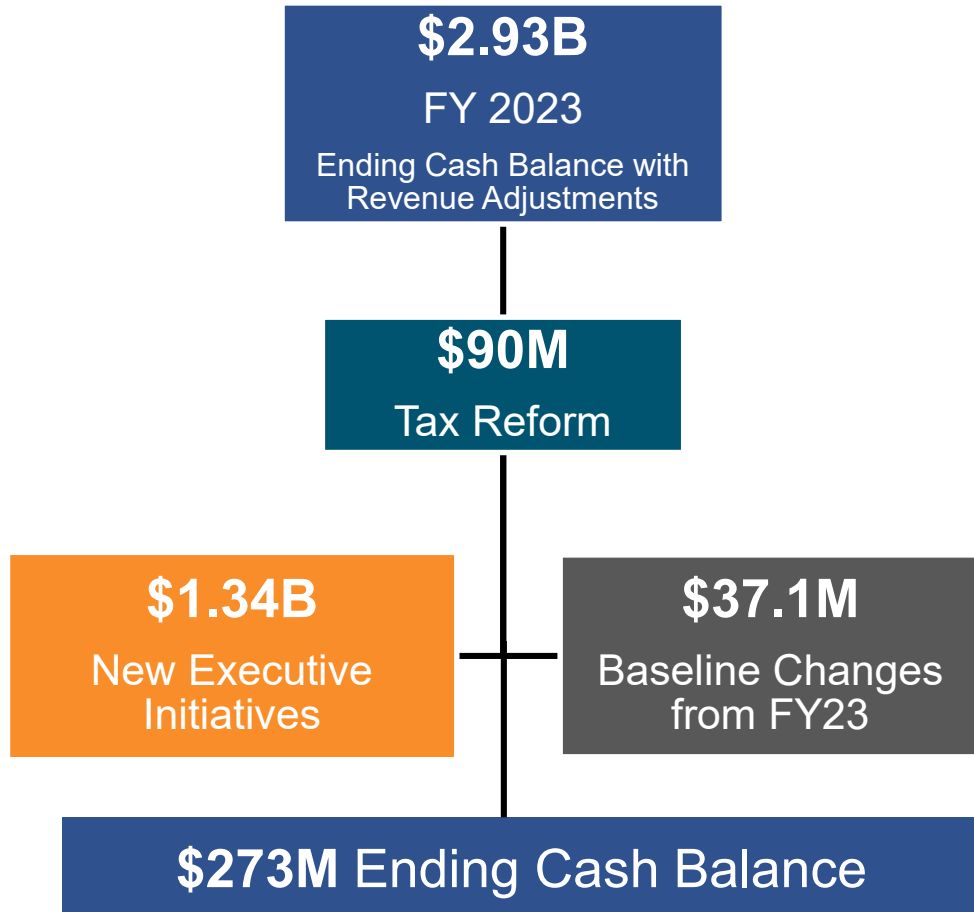
General Fund Sources and Uses

General Fund Sources and Uses (\$ in thousands)

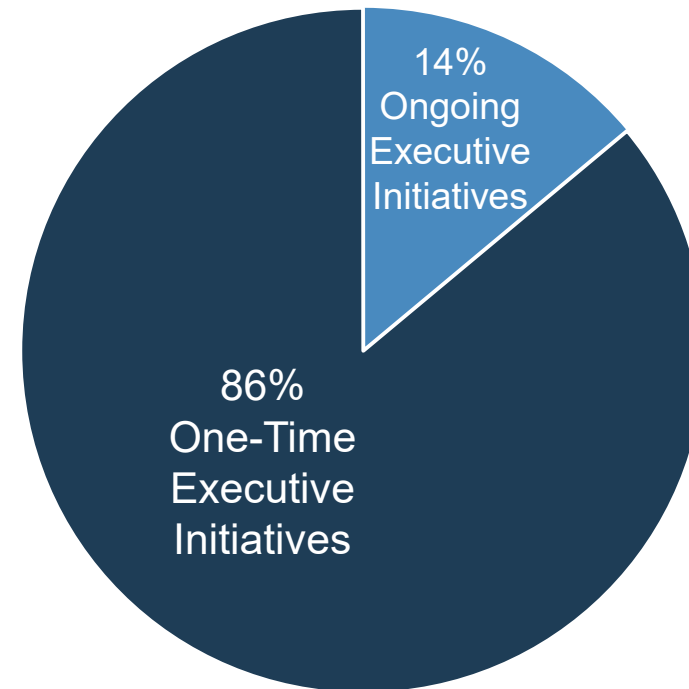
	FY 2023	FY 2024	FY 2025	FY 2026
Beginning Balance	\$ 4,709,446.0	\$ 2,933,878.9	\$ 273,010.2	\$ 96,390.7
Revenues	\$ 13,736,368.5	\$ 14,720,733.5	\$ 15,658,001.5	\$ 16,484,317.8
Total Available	\$ 18,445,814.5	\$ 17,654,612.4	\$ 15,931,011.7	\$ 16,580,708.5
Total Uses	\$ 15,511,935.5	\$ 17,131,602.2	\$ 15,834,621.1	\$ 15,699,019.9
Rainy Day Fund	\$ -	\$ 250,000.0	\$ -	\$ -
Ending Cash Balance	\$ 2,933,879.0	\$ 273,010.2	\$ 96,390.6	\$ 881,688.6
Ending Structural Balance	\$ 1,848,674.9	\$ 65,156.3	\$ 281,849.4	\$ 807,592.6

FY 2024 Executive Funding

The \$1.34B New Executive Initiatives are primarily composed of one-time items. The Executive Budget results in an ending cash balance of \$273M.



Composition of New Executive Initiatives



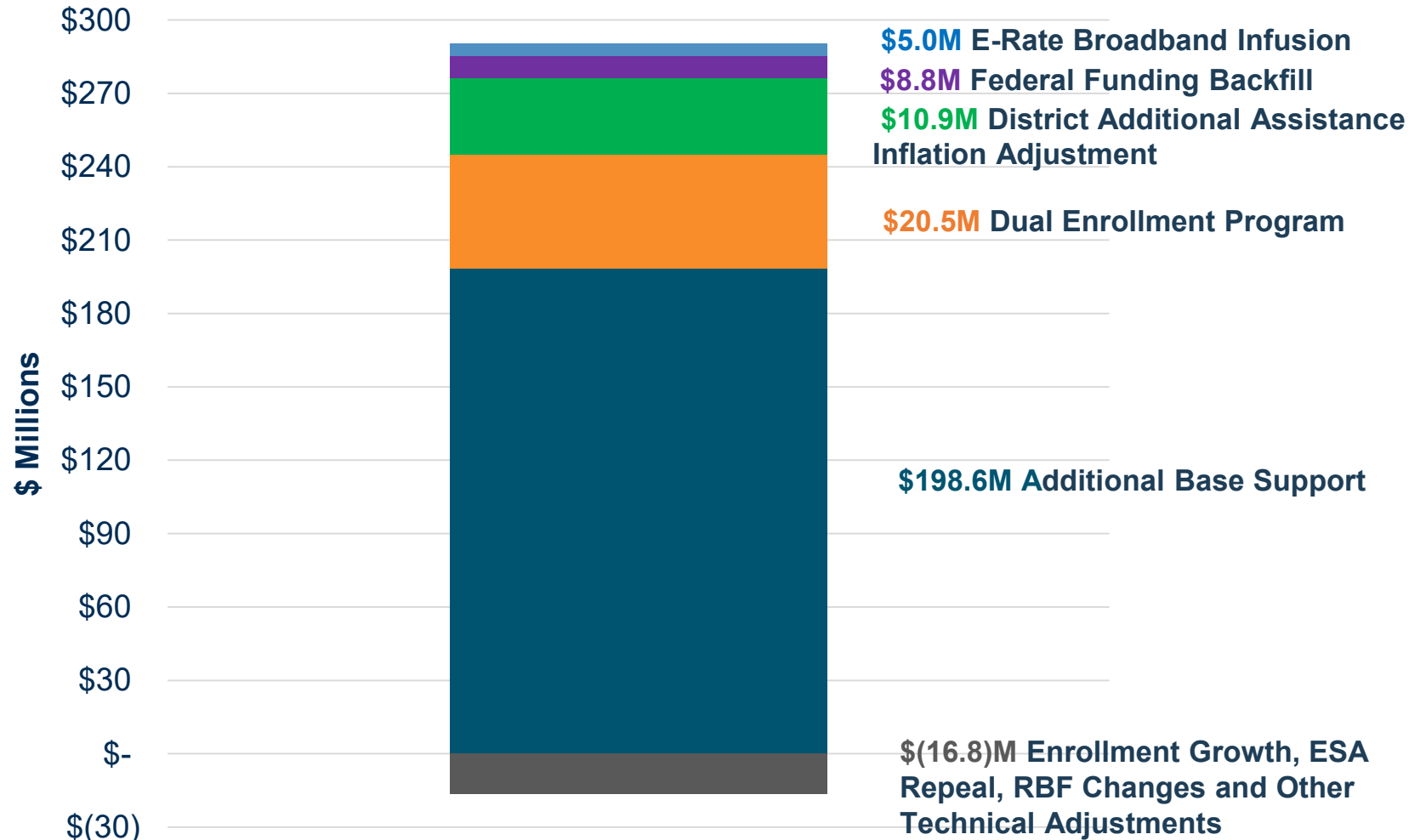
Education

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

Governor Katie Hobbs

Repealing Universal ESAs & Funding All Arizona Schools

\$273.7M in new K-12 Investments, \$9.0B in Total Funding



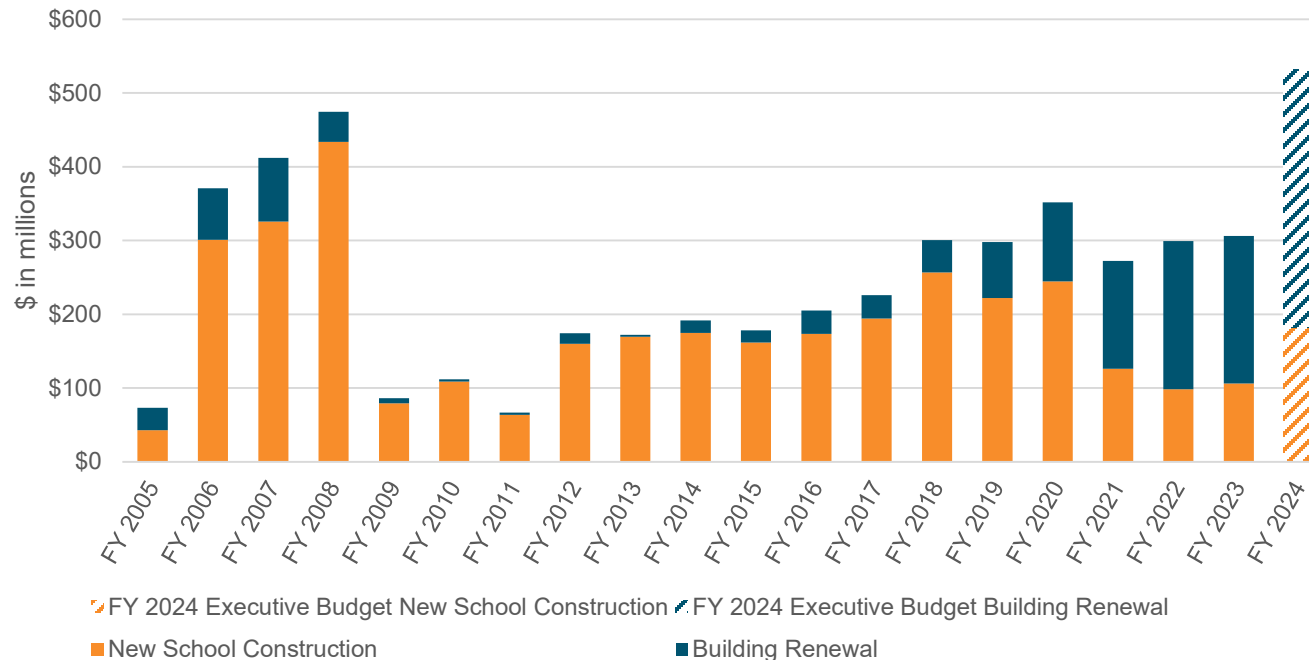
\$8,250
State
Funding
Per-Pupil



Funding School Facilities

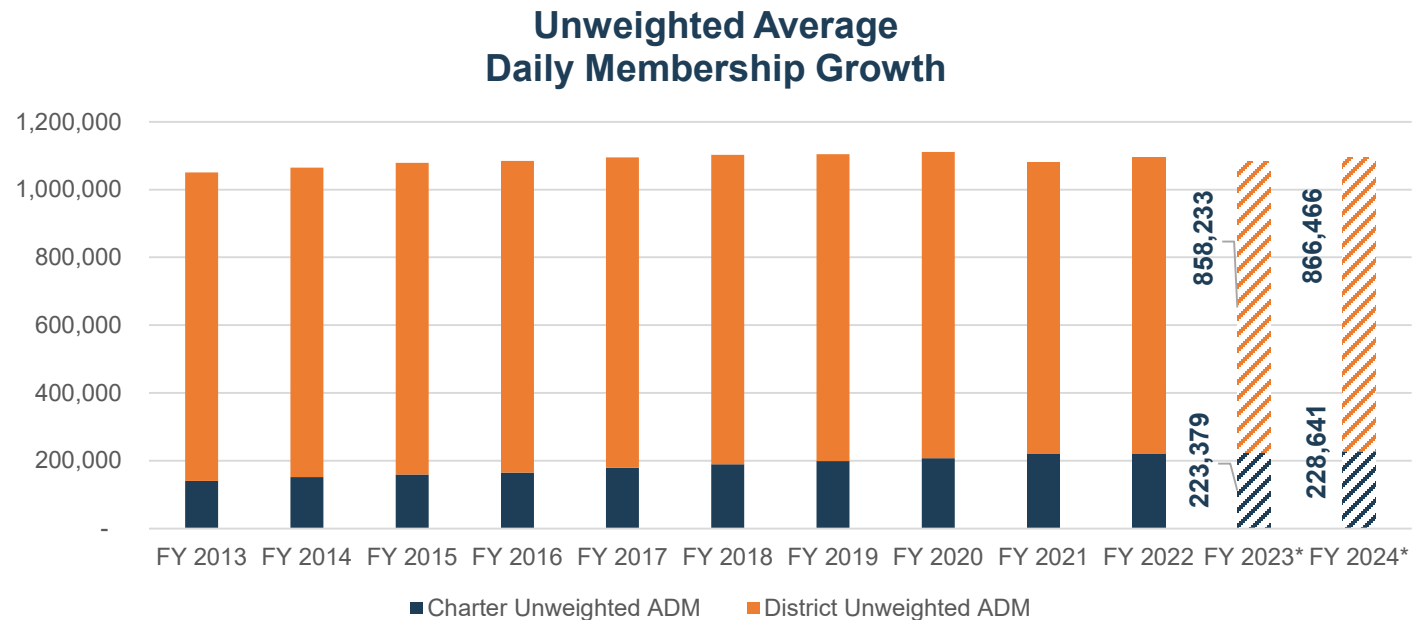
The FY 2024 Executive Budget includes a historic investment in school facilities; the largest investment in at least 20 years

- **\$172.7M** one-time to complete three new schools already under construction and start construction on new projects
- **\$348.9M** one-time for building renewal projects at school facilities
 - **\$1M** to develop and implement a plan to conduct in-person inspections of school facilities



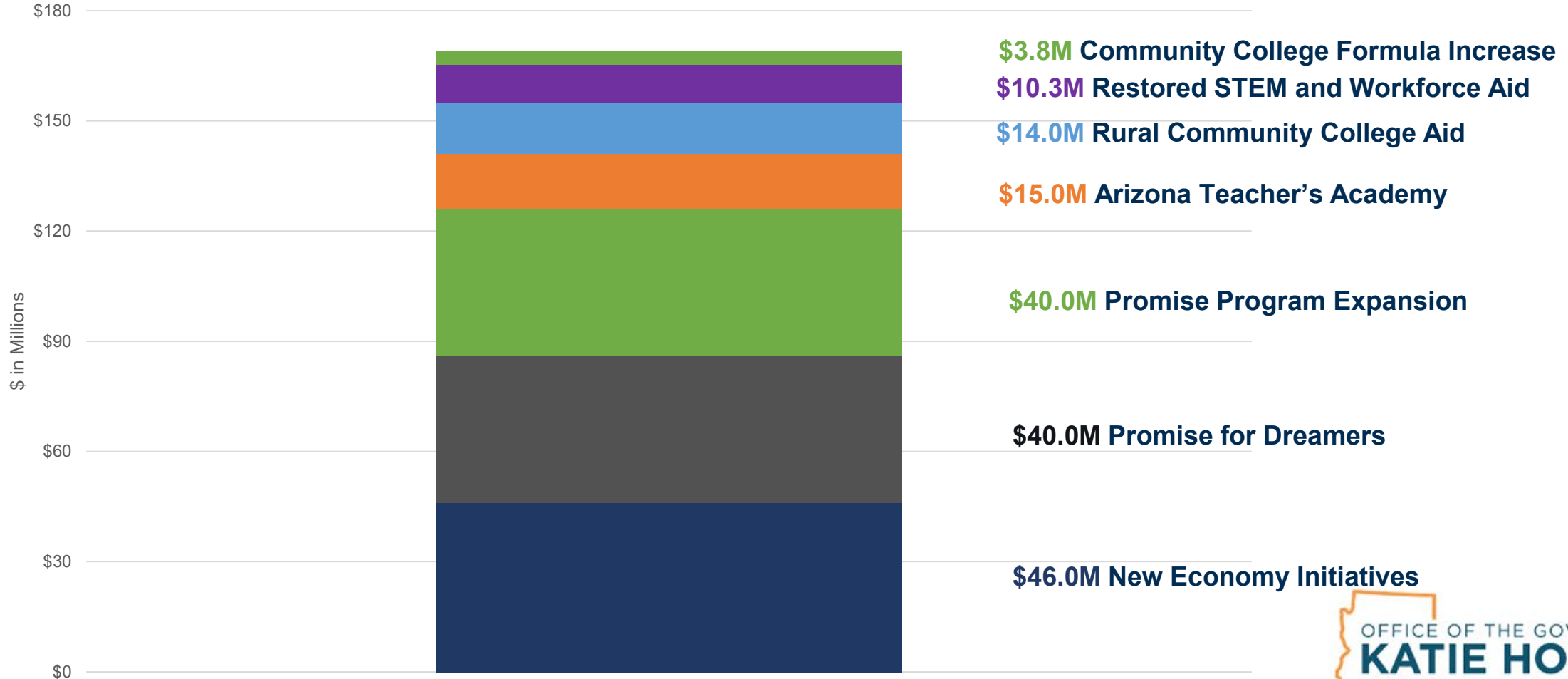
Enrollment Trends

- **\$109.2M** for a 1.25% enrollment increase
 - FY 2023 saw enrollment declines due to the passage of Universal Empowerment Scholarship Accounts expansion. With a repeal in FY 2024, the Executive forecasts an anticipated increase in student enrollment.



\$169.1M in Higher Education Investments

\$2.4B in Total Funding



Health & Welfare

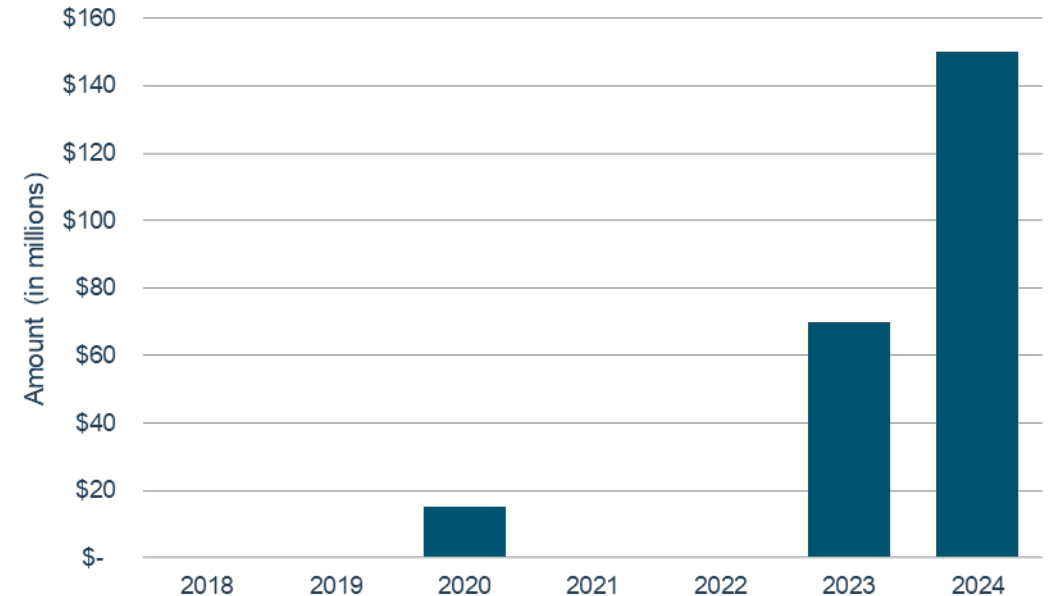
“One of the things I learned as a social worker is the power of prosperity - when families are doing well, so many other things start going the same way.”

Governor Katie Hobbs

Housing Investment

- **\$150.0M** deposit into the Housing Trust Fund to support those at risk of becoming unhoused in Arizona through:
 - Utility assistance
 - Emergency rental assistance
 - Legal aid for families facing eviction
 - Home repair grant program for seniors
 - And other eligible Housing Trust Fund uses

Housing Trust Fund Deposits



Supporting Vulnerable Arizonans through DES

- **\$145.8M** General Fund for Developmental Disability Caseload growth and reduction in Federal Medical Assistance Percentage (FMAP) matching dollars
- **\$115.8M** Expenditure Authority to maximize available federal dollars for Home and Community Based Services (HCBS) through the American Rescue Plan Act (ARPA) directly distributed to DES
- **\$14.6M** for Adult Protective Services (APS) for additional caseworkers and to backfill Victims of Crime Act (VOCA) grant funding
- **\$4.4M** for the Arizona Early Intervention Program to backfill provider rate increases supported by ARPA funding
- **\$1.5M** for IT security expansion to protect critical, sensitive data

Department of Child Safety

- **Addressing Caseload**
 - **Foster Care** - \$10.8M to backfill a loss in federal funding
 - **Adoption Services** – \$11.5M to fund caseload increase, backfill adoption incentive award reduction, and addition of prevention program
- **Initiatives**
 - **Visitation Aide Expansion** – 80.0 additional FTE positions to address visitation backlog
 - **Continuing Arizona Healthy Families Expansion** - \$2.5M to expand the program to an additional 300 families
- **Vehicle Replacement**
 - \$2.3M to replace 50 aging vehicles at DCS

AHCCCS Caseload & Health Initiatives

- **\$463.5M** Expenditure Authority to maximize available federal dollars for Home and Community Based Services (HCBS) through ARPA directly distributed to AHCCCS
- **\$257.0M** For program caseload growth and to backfill the phase out of federal FMAP dollars provided
- **\$20M** to expand the income eligibility cutoff for the KidsCare program from 200 percent of the federal poverty level to 300 percent of the federal poverty level
- **\$6.1M** to establish a grant program to expand family planning services to low-income individuals doubling the amount currently provided through federal Title X dollars
- **\$2.7M** to start the multiyear replacement of AHCCCS's 30 year old Medicaid enterprise system
- **\$200,000** moving from the Homeless Pregnant Women Services SLI to the Department of Health Services' operating budget for pregnancy services that are inclusive of all options and support personal choice

Government that Works

“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.”

Governor Katie Hobbs



Infrastructure Improvements

Capital & Fleet

- **\$205.0M** towards capital outlay projects for various state agencies housed within the ADOA building system
- **\$10.1M** to replace 206 vehicles located at 26 agencies within the State Fleet

Broadband

- **\$50.0M** deposit into the newly established Rural Broadband Accelerated Match (RBAM) Fund
- **\$16.0M** to enhance broadband infrastructure at State facilities

Transportation

- **\$25.0M** deposit into the State Match Advantage for Rural Transportation (SMART) Fund
- **\$7.5M** to be leveraged for federal support and funding in an effort to restore interstate passenger rail service to Phoenix
- **\$3.1M** provide monthly litter-removal services on select interstate highways and highly visible routes throughout the state that currently do not receive regular litter removal

Advanced fuel & electric vehicles

- **\$15.0M** to install electric vehicle charging and advanced-fuel infrastructure for the state fleet
- **\$7.5M** to install the needed electric charging and advanced fuel infrastructure for vehicles at state facilities for public use

Ensuring Fair and Secure Elections

\$5.9M for the 2024 Presidential Preference Election

\$1.5M to support the Independent Redistricting Commission's voter protected duties

\$2.4M to continue leveraging Help America Vote Act (HAVA) funding

- **\$1.9M** appropriation to provide county subgrants, maintain election security, update infrastructure and equipment, and improve voter education by utilizing the State's HAVA Election Security Grant award
- **\$477,500** for the Access Voter Information Database (AVID) for maintenance and operations

\$11.0M is moved from the Treasurer's Office to the Secretary of State to address the objectives outlined by the Governor's Bipartisan Elections Task Force and enhance the accessibility, accuracy, and security of elections

Attorney General Initiatives

- **\$3.9M** for a 15% salary raise for the Child and Family Protection Division
- **\$3.0M** to support 18.5 FTE positions within the Criminal Division of the Attorney General's Office
- **\$1.8M** in funding for 13.0 FTE positions which make up 27% of the Consumer Protection and Advocacy Section at the Attorney General's Office to backfill settlement money that funded these positions
- **\$674,200** for 3.0 additional FTE positions and salary raises in the Civil Rights Section

Funding Initiatives for Courts

Superior Court

- **\$7.6M** for a Probation Stabilization Fund to support future raises for probation officers

Supreme Court

- **\$3.3M** to replace the Probation Case Management System (CMS)
 - The existing system was written over 20 years ago and is outdated. The new system will have additional features such as remote access.
- **\$1.3M** to cover a shortfall in the Courts' automation funding
 - The automation funding supports technology infrastructure and systems such as electronic portals for e-filing, management of court documents, and background checks

Investing in State Employees

\$200.0M is provided to the Department of Administration to improve retention of State employees in FY 2024

\$54.3M to increase salaries of targeted positions with high vacancy rates and difficulty recruiting, as well as to address compression and equity issues

FY 2024 Salary Increases by Agency		
Agency	Description	Funding Increase
AHCCCS	Nursing Positions	\$996,100
Board of Nursing	Nursing Positions	\$205,100
Economic Security	Nursing Positions	\$1,306,700
Health Services	Nursing Positions and all ASH Staff	\$3,925,600
Juvenile Corrections	Nursing Positions	\$149,000
Pioneers' Home	Nursing Positions	\$299,300
Veterans' Services	Nursing Positions	\$2,541,500
Attorney General	Child and Family Protection and Criminal Divisions	\$4,145,700
Child Safety	Caseworkers, Case Aides, Program Specialists, and Program Supervisors	\$23,676,000
Courts	Probation Officers and Justices	\$9,929,200
Transportation	Addresses compression and equity issues	\$7,100,000
TOTAL FY 2024 INVESTMENT		\$54,274,200



Culture & Natural Resources

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

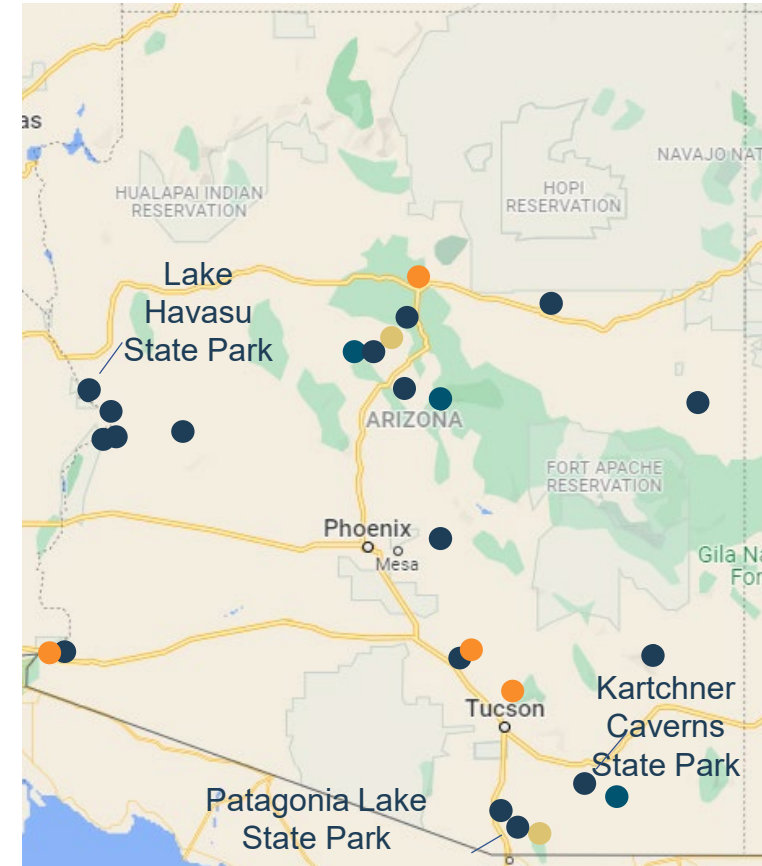
Governor Katie Hobbs

Protecting & Investing in Water Resources

- **\$333.0M** deposit into the Long-Term Water Augmentation Fund for FY 2024 (second of three equal installments)
- **\$15.0M** is for a grant program for rural Arizonans and Latino and Indigenous communities – grants will be made to eligible communities to secure a certified well driller to dig permitted wells to provide safe drinking water
- **\$9.3M** to support an enterprise approach to increase the water resiliency of State facilities and property
- **\$5.0M** is for statewide water resource planning – this funding will allow the Department of Water Resources to identify groundwater shortages, assist with local water resource planning, and set up active management areas
- **\$5.0M** for treating groundwater for PFAS

Investing in Parks & Art

- **\$20.0M** deposit into the Arizona Arts Trust Fund
- **\$19.1M** to continue the investment into the State's park system
- **\$10.0M** deposit into the State Parks Heritage Fund to provide grants to local and regional entities for park development, historic preservation, non-motorized trails, and outdoor education



Legend

- American Rescue Plan Act
- FY 2023 Appropriation
- FY 2024 Adv. Appropriation
- FY 2025 Adv. Appropriation



Public Safety

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

Governor Katie Hobbs

Supporting Prison Operations

- **\$181.1M** to address infrastructure needs across DOC to ensure safety and reduce future State costs
- **\$69.2M** is provided to support continued operations at Arizona State prisons
- **\$2.0M** is provided to conduct a systems assessment of the Arizona Department of Corrections. The study is intended to examine contracts, staffing levels, and retention issues, and identify opportunities for improvement and reform

Safe Communities

- **\$12.2M** reallocation from the Border Strike Force fund to a Local Border Support SLI, of which \$11.0 million is one-time, to provide grants to law enforcement in border communities to conduct border-related activities
- **\$7.0M** and 83.0 FTE positions to continue the implementation of the Major Incident Division
 - MID will conduct independent investigations of critical force incidents
 - Upon request, MID will investigate a criminal allegation against a peace officer
- **\$3.7M** to equip officers within ADOT with body cameras and necessary support staff for video and IT management
- **\$514,100** to continue providing crucial services to survivors of domestic violence, sexual assault, and stalking through the Address Confidentiality Program (ACP)

Acknowledgements

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