



WHAT'S IN THE GOVERNOR'S BUDGET PROPOSAL AND WHAT'S MISSING

(General Fund Dollars in Millions)

| | FY 16 | FY 17 | FY 18 |
|---|---------|---------|---------|
| Beginning Balance | 311.6 | 484.0 | 620.8 |
| Ongoing Revenues | 9,238.1 | 9,516.8 | 9,869.4 |
| Other Revenues | 235.2 | 100.0 | 2.6 |
| Ongoing Expenditures | 9,262.3 | 9,343.5 | 9,636.2 |
| Other Expenditures | 38.7 | 136.5* | 0 |
| Ending Balance | 484.0 | 620.8 | 856.6 |
| Structural Balance (ongoing revenues – ongoing expenditures) | -24.2 | 173.3 | 233.2 |

*Includes \$10 million deposit into the Rainy Day Fund

BIG PICTURE

In addition to a structural surplus and a rainy day fund balance of \$470 million at the end of fiscal year 2017, the Governor projects a cash balance of over \$600 million. He leaves this funding unallocated without dedicating it in any way to build opportunity or strengthen Arizona's economy. While protecting the structural balance, one-time balances and temporary revenue can be dedicated to:

- ✓ update technology, curriculum and textbooks in public school classrooms
- ✓ repair school facilities
- ✓ upgrade technology for the Department of Child Safety and other state agencies
- ✓ invest in proven prevention strategies, like Healthy Families, to slow the future growth of foster care costs
- ✓ repay state debt, reducing future costs
- ✓ reverse the accounting gimmicks in the state budget, like the "K-12 rollover"

Governor Ducey has promised to enact additional tax cuts every year. But his proposed tax cut remains a mystery. His budget doesn't mention it – no dollar amount, no identification of which tax to cut, no way to predict what budget cuts will be required as a result. Any tax cut is a permanent loss to ongoing revenues that will eat into the structural balance. Neither lawmakers nor voters can fairly evaluate the budget by looking at only one side of the ledger.

Future expenditures include no new investments: no investments in public school teachers or classroom textbooks or technology, no investments in university education or workforce development, no shifts in strategy to slow the growth in prison costs or children needing foster care.

EDUCATION

Proposed Lower funding for 149 school districts with declining enrollments based on a formula change adopted during 2015 known as "current year funding." This cut could wipe out any funding additions from Prop 123 for these districts. (-\$40 million)

- Cuts to Joint Technical Education Districts (JTEDS) that provide career and technical education based on formula changes adopted during 2015. These cuts would force some programs to close. (-\$30 million)
- Student growth and inflationary funding for the basic state funding formula for school districts and charters (\$151.7 million) (\$172 million more in inflation funding will be provided by withdrawals from the State Land Trust if Prop 123 is adopted by voters). The Governor's budget also includes \$224 million in FY 16 supplemental funding, (\$52 million general fund; \$172 million Land Trust), assuming Prop 123 passes.
- Enhance the Arizona Education Learning and Accountability System which maintains student-level data for all public school students (\$10.5 million)
- One-time funding for grants for maintenance and repair of school buildings (\$15 million)
- Cost of administering AzMerit and other mandated assessments (\$4.6 million)
- New Governor's Office for Education that will oversee the following programs: (\$500,000 new administrative costs)
 - Arizona Public School Credit Enhancement Program - \$24 million to back loans for capital projects in high performing schools.
 - Competitive Career and Technical Education grants for JTEDs that partner with local industries (\$10 million each year for 3 years)
 - Two-year Pilot program that will provide funds for advanced placement tests and International Baccalaureate and Cambridge programs (\$6 million)
 - Executive Leadership Academy (\$100,000)

What's Missing

- Long-term plan to replace acceleration of State Land Trust distributions and Prop 301 sales tax when they expire in 2025 and 2021, respectively. Together, these two funding sources are estimated to provide approximately \$870 million per year.
- Funding to improve teacher recruitment and retention; funding to address classroom crowding.
- Early childhood education and full day kindergarten (\$237 million)
- Ongoing building renewal funding for school building maintenance and repair (\$260 million)
- Full funding for technology, textbooks and other classroom equipment and supplies (\$371 million general fund plus an additional \$29 million in local funding). District schools receive only \$64 million out of the \$445 million the funding formula requires; charter schools receive \$291 million out of the \$310 million required.)
- The Joint Legislative Budget Committee staff believe the Governor's budget proposal under counts the number of students in public schools and the funding costs per student by \$38 million.

CHILD SAFETY

Proposed

- Reduction to in-home social work services that can keep children safety at home and slow the growth in foster care. (-\$17.3 million)
- Costs for foster families and group homes for a growing number of children in foster care. (\$56.4 million)
- Flexible funding for the Department of Child Safety to improve response times to reports of child abuse and neglect and to address the backlog of cases with overtime, increased case aides, or strategic pay. (\$4 million)
- Central operations for administrative purposes. (\$11 million)
- Funding to pay adoptive parents and permanent guardians for the ongoing special needs of children. (\$8.8 million)
- Continued replacement of the CHILDS data base system (\$4.6 million)
- Increased legal costs to respond to lawsuits. (\$1.9 million plus \$2.9 million in supplemental funding for FY 16).
- Reduce General Fund costs by \$25 million: shift \$11 million from DES from the TANF block grant; shift \$5 million from DPS from the Victims of Crime Administration funds; draw down \$9 million more in federal matching funds for foster care)
- Additional staff in the Attorney General's Office to decrease caseloads for the attorneys handling dependency cases for the Department of Child Safety. (\$6.3 million plus a \$408,300 supplemental for FY 2016; appropriated to the Attorney General's Office)
- Additional judges and staff to increase the courts' ability to reduce dependency case backlogs. (\$3 million one-time, nonlapsing appropriation to the Courts)

What's Missing

- Strategies or funding to prevent family crisis and slow the growth of foster care: no increase in children participating in child care assistance; continued draining of TANF block grant funds for foster care rather than family support; no increase in Healthy Families parent mentoring.
- Funding or strategies to reduce caseloads or improve staff engagement with families to prevent repeat reports.

ECONOMIC SECURITY

Proposed

- Caseload growth and increased client costs in the Division of Developmental Disabilities (DDD) (\$30 million)
- Restore preventative dental services for adults in the developmental disabilities program (\$1.2 million)
- Additional Adult Protective Services case workers (\$3 million)

- Increase child care provider rates to the 50th percentile of the 2004 market rate (\$6.4 million)
- Reduce the waiting list in the vocational rehabilitation program (\$4.7 million General Fund plus an additional \$450,000 in other funds)
- Eliminate the duplicative Finger Imaging Requirement for SNAP participation (\$856,200 savings)
- Transfer TANF block grant funds to the Department of Child Safety to replace General Fund dollars for foster care. (\$11 million in FY 17; \$13.6 million in FY 16)

What's Missing

- Reversal of the 12-month lifetime limit for TANF cash assistance recipients. Although originally intended to save the state \$9 million per year, estimates are that the savings will be only \$4 million.
- Funding to increase the number of qualified children who can participate in child care assistance while their parents go to work. Currently nearly 3,900 children are on the waiting list.
- Rate adjustments for Arizona Early Intervention Program providers (\$2.2 million)

AHCCCS

Proposed

- Transfer Behavioral Health Services from the Department of Health Services (\$511 million which includes \$607,500 in administrative savings) plus \$24 million for caseload growth.
- Higher number of AHCCCS participants and increased medical costs (\$6.7 million General Fund/\$39.6 total funds)
- Restore limited preventive dental services for the individuals enrolled in the long-term care program (\$1.3 million).

What's Missing

- Restoration of KidsCare affordable health coverage for children in low-income working families (no cost to the general fund - 100% federally funded)
- The Joint Legislative Budget Committee staff believe the Governor's proposal underestimates the cost of AHCCCS participants by \$48 million.

CORRECTIONS

Proposed

- Partial year funding to operate the 1,000 new prison beds coming on line in fiscal year 2017. (\$17.6 million)
- Increased costs for contracted inmate health care (\$9.8 million)

- Establish a community corrections center in Maricopa County that would provide community supervision, intervention, and reentry programs. (\$1.6 million General Fund plus \$200,000 in other funds)
- Additional sergeant positions in maximum security (\$2.3 million)
- The third year of replacing the inmate management data system (\$8 million non-General Fund)
- Replace radio equipment (\$2.8 million General Fund plus \$900,000 other funds)
- Fund adjustments to the Correctional Officers Retirement Plan (\$1 million)
- Authority to proceed to contract for 2,000 additional private prison beds to be brought on line in July 2017 and July 2018.

What's Missing

- Substance abuse treatment for individuals in prison and under community supervision (\$665,100)
- Safe use of early release policies to reduce the growth in the inmate population and prevent the need for additional prison beds.

UNIVERSITIES

Proposed

- Increased general fund support from 34% of the cost per resident student to 34.6% (\$8 million)

What's Missing

- Restoration of the \$99 million cut made in fiscal year 2016.
- Facility maintenance and operation (\$19.2 million)

COMMUNITY COLLEGES

Proposed

- Adjustments to formula funding which result in net reduction (-\$277 million)

What's Missing

- Restoration of funding to the Maricopa and Pima community college districts which were defunded last year (\$15 million)

HEALTH SERVICES

Proposed

- State Hospital staffing, operations and contract funding to correct deficiencies (\$7.2 million General Fund plus \$230,100 other funds)
- Transfer the Division of Behavioral Health Services to AHCCCS (-\$517 million).

- Newborn Screening program contract (\$400,000 Newborn Screening Fund)

What's Missing

- Funding for the loan repayment program for primary care providers in medically underserved areas. This program was expanded during the 2015 legislative session but, due to the lack of funding, the agency is not accepting applications.

JUVENILE CORRECTIONS

Proposed

- Upgrades and repairs to several buildings and operating equipment (\$1.1 million in non-General Fund dollars)
- Reduction in operating costs due to fewer youth sentenced to the department (-\$1.9 million)

What's Missing

- Updates to the funding shift that requires counties to pay for \$12 million of the cost of the state juvenile corrections facility.

DEPARTMENT OF PUBLIC SAFETY

Proposed

- Expand the Border Strike Force Task Force (\$31.5 million)
- Clear the backlog of sexual assault kits (\$500,000)

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