State of Arizona
The Executive Budget

SUMMARY

FISCAL YEAR 2016

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GOVERNOR

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The Budget Summary

The FY 2016 Executive Budget Recommendation lays the final groundwork for eliminating the State's structural deficit and achieving long-term fiscal stability.

After eight straight years of budget deficits or living on temporary revenues, the time has come to finish the work of resizing State Government to fit the post-Great Recession world. While the Brewer Administration made great strides toward completing this task, final steps remain. The temporary revenue that buoyed the State for a short time is gone, exhausted by a pervasive structural deficit that will be erased only by informed, focused and intentional action.

Without immediate remedial measures, the structural deficit, which has been masked by temporary revenue and carryover balances, will become an *actual* deficit that threatens State Government's current operations and long-term health. Further, Court decisions have limited State fiscal flexibility and have trapped the General Fund in to perpetual automatic spending increases that place at risk State Government's fiscal viability.

The Executive Budget Recommendation for FY 2016 restores the State's structural budget balance by FY 2017 and protects the General Fund's long-term health.

One of the major unanswered budget questions is the ultimate resolution of the K-12 funding controversy. While the Court has ordered the State to fund inflation, how that amount is to be calculated remains in doubt. The Executive Budget Recommendation assumes that the State's position is correct, fully funding the required inflation for FY 2016 and providing a $74 million catch-up payment.

FY 2015 Budget Recommendation

The Executive baseline projection forecasts a current fiscal year budget deficit of $159.6 million. To resolve that shortfall, the Executive proposes the following:

- Effective April 1, 2015, reduce Medicaid provider rates by 3%.
- Shift additional Disproportionate Share Hospital (DSH) federal funds to the General Fund.
- Eliminate funding for certain programs at the Department of Economic Security.
- Eliminate the Water Infrastructure Finance Authority Water Supply Development Fund.

To close the remaining deficit, the Executive recommends making withdrawals from the Budget Stabilization Fund, or "Rainy Day Fund." The Executive has also implemented a hiring freeze. The Department of Administration estimates that the freeze will save the General Fund $2.4 million in FY 2015 and $18.3 million in FY 2016.

FY 2016 Budget Recommendation

The FY 2016 Executive Budget Recommendation lays the final groundwork to close the structural imbalance and place the State in long-term fiscal stability. The Recommendation protects the State's key priorities, addresses its immediate operating needs, and recognizes that a legitimately balanced budget must contain funding to maintain and modernize the State's core infrastructure. This is reflected in additional investments in capital and information technology.

Public Safety. For several years, public safety funding has put pressure on local and state transportation needs and the General Fund. To stabilize both priorities, the Recommendation provides an independent funding stream for the Highway Patrol. The Budget Recommendation also recognizes the need to accommodate additional prison growth, addresses the prison healthcare settlement, and reforms the Department of Juvenile Corrections.

Education. After public safety, education is State Government's key function. A healthy, stable education system improves individual lives, promotes economic growth and enhances our society. The FY 2016 Budget Recommendation protects K-12 classroom spending and starts the process of defining the State's relationship with its universities and community colleges.

K-12. To foster the replication of Arizona's best schools, the Executive Recommendation provides for expanding access to high-performing schools for all of Arizona's K-12 students. The Recommendation also adds nearly $160 million in new K-12 funding, and the State and its school districts must use these funds to enhance the classroom experience. Any K-12 funding reductions as part of these final budget steps must be applied to non-classroom spending.

To that end, the Executive recommends a 5 percent reduction to non-classroom spending for traditional schools and a 3.5 percent reduction in additional assistance for charter schools.

Higher Education. Synergy among State Government and its institutions of higher learning is essential to a seamless, integrated system that will best serve Arizona. For the last several years, the State and its university and community college systems have struggled to define their relationship; that definition will be elusive until the parties reconcile the legitimate needs of the institutions with the General Fund's capacity to support them. The FY 2016 Executive Budget Recommendation takes an important step in that direction by redefining the General Fund support for Higher Education to a realistic level. Stabilizing Higher Education support will allow the State and its

Institutions to reform and formalize a long-term fiscal relationship.

Healthcare. The Executive Recommendation expands in FY 2016 the provider rate reductions that were implemented in recent years. Further, it begins the work of reforming our Medicaid system by consolidating the DHS Division of Behavioral Health with AHCCCS during FY 2017.

Good Government. The Recommendation provides additional protections of State revenues from fraud, expands the State's Transaction Privilege Tax collection resources, transforms temporary hiring freeze funding into permanent restructure savings, continues ongoing investment in information technology, and enhances the State's stewardship of capital assets.

Major General Fund Budget Solutions, FY 2015

- AHCCCS: DSH Raise the DSH Hardcap....$ (11.0 million)
- AHCCCS and DHS: 3% Provider Rate Reduction....(8.4 million)
- DES: Additional Federal Funding....(4.0 million)
- DES: New Programs....(1.1 million)
- WIFA: Water Supply Development Fund....(1.0 million)

Major General Fund Budget Issues, FY 2016

- K-12: Inflation Funding....$ 159.7 million
- Administration: Capital....10.0 million
- Corrections: Litigation Settlement....8.1 million
- Corrections: Inmate Healthcare....4.9 million
- Corrections: New Beds....5.3 million
- Administration: New Accounting System....1.9 million
- DEMA: Federal Funds Backfill....1.5 million
- DES: Adult Protective Services....1.2 million
- DES: Division of Developmental Disabilities Dental...1.1 million
- Attoney General: Federalism....1.0 million

Major New General Fund Budget Solutions, FY 2016

Public Safety

- DPS: Self Funding....$ (30.0 million)
- Juvenile Corrections Reform....(3.0 million)
- DEMA: Camp Navajo Fund....(1.0 million)

Education

- K-12 Administrative Reduction....$ (113.5 million)
- Universities: Reduction....(75.0 million)
- K-12: 1% Reform....(20.2 million)
- K-12: Charter Additional Assistance....(10.3 million)
- Community Colleges: Reduction....(8.8 million)
- K-12: District-Sponsored Charter Phase-Out....(0.4 million)
- K-12: Homeowner Rebate Cap....3.6 million

Health and Welfare

- AHCCCS: Restore Ambulance Rates....$ (6.0 million)
- Child Safety: Foster Care Recruitment....(2.0 million)
- AHCCCS: Fraud Prevention....(1.3 million)

Good Government

- Revenue: TPT Collectors....$ (32.6 million)
- Financial Institutions: Reform....(6.8 million)
- Revenue: Fraud Prevention....(5.7 million)
- Tourism Reduction....(4.5 million)
- Veterans: Fund Shift....(0.9 million)
- Insurance: Raise Fees....(0.5 million)

Local Government

- Juvenile Corrections Fee....$ (12.0 million)
- Direct Payments to Counties....(1.7 million)

Major New General Fund Budget Solutions, FY 2017

- Maintain HURF Shift....$ (30.0 million)
- Hiring Freeze/Restructure....(20.7 million)
- Land Department: Self-Funding....(12.5 million)

Projected Ending Balances

- FY 2016....$ 136.8 million
- FY 2017....148.9 million
- FY 2018....303.5 million

Sources and Uses of Funds

The General Fund's Sources and Uses of Funds statement that follows summarizes the Executive Budget Recommendation in tabular form. The statement presents the following:

- The *FY 2014 Preliminary Actual* column reflects currently known revenues and expenditures for FY 2014, from the State's Accounting and Financial Information System.
- The *FY 2015 Enacted* column reflects the enacted appropriations.
- The *FY 2015 Recommendation* shows Executive recommended changes to the enacted appropriations.
- The FY 2016 - FY 2018 *Baseline* columns reflect the Executive's revenue and expenditure projections based on updated caseload forecasts, without Governor's initiatives.
- The FY 2016 – FY 2018 *Baseline plus Gov. Initiatives* columns reflect the Executive's revenue projections and expenditure recommendations, based on the FY 2016 Executive Baseline plus Governor's Initiatives Recommendation.

Impacts on Local Government

The Executive budget impacts counties by eliminating a $550,000 direct payment to the three largest eligible counties and asking each county to cover 25 percent of the cost of youth committed to the Department of Juvenile Corrections. The Budget also recommends cities and counties cover costs of the Department of Revenue in proportion to the revenue generated for those entities.

Outcomes of the Executive Recommendation

The Executive Recommendation provides total General Fund expenditure levels of $9.09 billion in FY 2016, $9.30 billion in FY 2017, and $9.54 billion in FY 2018. FY 2018 ends with a $154.6 million structural balance and a $303.5 million ending balance.

Sources and Uses of the General Fund

($ in thousands)

	FY 14 Prelim Actual	FY 15 Enacted	FY 15 Recommendation	FY 16 Baseline	FY 16 Baseline + Gov	FY 17 Baseline	FY 17 Baseline + Gov	FY 2018 Baseline	FY 2018 Baseline + Gov
SOURCES OF FUNDS									
Balance Forward	895,475	595,521	579,150	1,000	1,000	(533,678)	136,769.76	(929,023)	148,877
Ongoing Revenues									
Base Revenues	8,890,210.0	9,362,304.7	9,123,674.3	9,475,438.6	9,475,438.6	9,888,511.5	9,888,511.5	10,322,855.0	10,322,855.0
Urban Revenue Sharing	(561,000.0)	(608,935.7)	(608,935.7)	(605,634.0)	(605,634.0)	(615,985.3)	(615,985.3)	(630,979.4)	(630,979.4)
Adjusted Base Revenues	8,329,210.0	8,753,369.0	8,514,738.6	8,869,804.6	8,869,804.6	9,272,526.2	9,272,526.2	9,691,875.6	9,691,875.6
Budget Fund Transfers - HITF	68,000.0	53,900.0	53,900.0	0.0	90,000.0	0.0	0.0	0.0	0.0
Budget Fund Transfers - SEIF	10,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional TPT Collectors	0.0	0.0	0.0	0.0	32,600.0	0.0	32,600.0	0.0	32,600.0
Fraud Detection	0.0	0.0	0.0	0.0	9,316.6	0.0	9,316.0	0.0	9,316.0
Increase the DSH Cap	0.0	0.0	11,000.0	0.0	16,500.0	0.0	8,614.7	0.0	0.0
Individual Income Inflation Indexing	0.0	0.0	0.0	0.0	0.0	0.0	(11,970.7)	0.0	(28,019.0)
Auto Projects Fund	(7,100.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DFI Restructure	0.0	0.0	0.0	0.0	3,739.3	0.0	(2,302.4)	0.0	(2,335.7)
AG Housing Settlement	50,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unexpended Lease Purchase Proceeds	7,500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reconciliation payments	18,613.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Newly enacted changes	0.0	(1,800.0)	(1,800.0)	(6,100.0)	(6,100.0)	0.0	0.0	0.0	0.0
Judiciary	6,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Other Funds	0.0	0.0	0.0	0.0	213,929.2	0.0	0.0	0.0	0.0
Subtotal Revenues	8,482,223.5	8,805,469.0	8,577,838.6	8,863,704.6	9,229,789.7	9,272,526.2	9,308,783.8	9,691,875.6	9,703,436.9
TOTAL SOURCES OF FUNDS	**9,377,698.5**	**9,400,989.6**	**9,156,988.9**	**8,864,704.6**	**9,230,789.7**	**8,738,848.7**	**9,445,553.6**	**8,762,852.6**	**9,852,314.2**
Operating Budget Appropriations	**8,700,719.1**	**9,133,057.3**	**9,109,201.8**	**9,304,193.6**	**8,990,668.2**	**9,569,503.2**	**9,210,697.7**	**9,807,207.3**	**9,472,262.2**
AHCCCS	1,261,493.8	1,274,403.2	1,268,340.6	1,232,725.0	1,201,302.4	1,288,084.0	1,255,138.8	1,344,598.0	1,311,652.6
Capital Outlay	32,500.0	24,200.0	24,200.0	0.0	10,000.0	0.0	10,000.0	0.0	10,000.0
County Funding	7,150.5	7,650.5	7,650.5	7,150.5	5,500.5	7,150.5	5,500.5	7,150.5	5,500.5
Unallocated Adjustment	524.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hiring Freeze/Restructure	0.0	0.0	0.0	0.0	0.0	0.0	(20,740.0)	0.0	(20,740.0)
Retirement Adjustments	0.0	0.0	0.0	400.0	400.0	400.0	400.0	400.0	400.0
Accounting System Operations	0.0	0.0	0.0	1,900.0	1,900.0	1,900.0	1,900.0	1,900.0	1,900.0
Automation Projects									
DOA - Automation	18,400.0	18,400.0	18,400.0	9,202.0	9,202.0	0.0	0.0	0.0	0.0
ADE - Student Longitudinal DS & AELAS	0.0	10,400.0	10,400.0	6,250.0	6,250.0	2,500.0	2,500.0	0.0	0.0
DOR - Income Tax Data Capture	0.0	1,700.0	1,700.0	0.0	0.0	0.0	0.0	0.0	0.0
DCS - CHILDS Costs	0.0	5,000.0	5,000.0	0.0	0.0	15,000.0	15,000.0	15,000.0	15,000.0
DES - IT Security	0.0	0.0	0.0	0.0	936.4	0.0	0.0	0.0	0.0
ADOA/DCS Transition	0.0	25,000.0	25,000.0	0.0	0.0	0.0	0.0	0.0	0.0
Woolsey Flood District	117.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HB 2608 - PSPRS Transfer	5,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Civic Center Payment	20,449.0	20,449.0	20,449.0	20,449.0	20,449.0	20,449.0	20,449.0	20,449.0	20,449.0
Sale/ Lease-Back Lease-Purchase Payment	84,119.8	84,123.7	84,123.7	84,094.5	84,094.5	84,097.3	84,097.3	84,095.0	84,095.0
Administrative Adjustments	96,513.4	51,480.7	85,600.0	70,000.0	70,000.0	70,000.0	70,000.0	70,000.0	70,000.0
Named Claimants	193.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revertments	(167,139.7)	(116,000.0)	(116,000.0)	(111,257.5)	(111,380.7)	(109,128.2)	(109,128.2)	(116,014.5)	(116,014.5)
TOTAL USES OF FUNDS	**8,798,548.2**	**9,271,461.2**	**9,281,725.0**	**9,398,382.1**	**9,094,019.9**	**9,667,871.8**	**9,296,676.3**	**9,896,187.3**	**9,548,852.2**
Transfer from Rainy Day Fund	**0.0**	**0.0**	**125,736.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
ENDING BALANCE	**579,150.3**	**129,528.4**	**1,000.0**	**(533,677.5)**	**136,769.8**	**(929,023.0)**	**148,877.3**	**(1,133,334.7)**	**303,462.0**

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Executive Budget General Fund Recommendations

($ in Thousands)

		FY 15 Projected	FY 16 Projected	FY 2017 Projected	FY 2018 Projected
Balance Forward		579,150.3	1,000.0	136,769.8	148,877.3
Subtotal Revenues		8,566,838.6	8,863,704.6	9,272,526.2	9,691,875.6
TOTAL SOURCES OF FUNDS		9,145,988.9	8,864,704.6	9,409,296.0	9,840,752.9
Baseline Spending		9,305,612.6	9,398,382.1	9,667,871.8	9,896,187.3
Revenue Changes					
Agency	**Item**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
AHCCCS	Raise DSH Hardcap	11,000.0	16,500.0	8,614.7	0.0
Insurance	Raise Fees	0.0	516.6	516.0	516.0
Revenue	Fraud Prevention	0.0	8,800.0	8,800.0	8,800.0
Revenue	Additional TPT Collectors	0.0	32,600.0	32,600.0	32,600.0
New Tax Policy		0.0	0.0	(11,970.7)	(28,019.0)
DFI	Restructure	0.0	3,739.3	(2,302.4)	(2,335.7)
Total Revenue Changes		**11,000**	**62,155.9**	**36,257.6**	**11,561.3**
Spending Changes					
Agency	**Item**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Administration	Capital	0.0	10,000.0	10,000.0	10,000.0
Administration	Southwest Defense Alliance	0.0	(25.0)	(25.0)	(25.0)
Adminstrative Hearings	Caseload	0.0	140.0	140.0	140.0
AHCCCS	3% Provider Rate Reduction (excl. DD)	(6,062.6)	(24,066.6)	(24,066.6)	(24,066.6)
AHCCCS	Ambulance rate adjustment	0.0	(6,033.3)	(6,895.2)	(6,895.3)
AHCCCS	Fraud Prevention	0.0	(1,322.7)	(1,983.4)	(1,983.4)
Attorney General	Federalism	0.0	1,000.0	1,000.0	1,000.0
Child Safety	Foster Care Recruitment	0.0	(2,000.0)	(2,000.0)	(2,000.0)
Comm Colleges	Reductions to the top three	0.0	(8,788.1)	(8,788.1)	(8,788.1)
Corrections	Health Care Inflation	0.0	4,151.4	4,151.4	4,151.4
Corrections	Health Care For Max Buds	0.0	706.0	706.0	706.0
Corrections	Litigation Settlement	0.0	8,072.0	8,072.0	8,072.0
Corrections	New Beds	0.0	5,339.6	35,586.1	59,796.6
DEMA	Federal Funds Backfill	0.0	1,540.9	1,540.9	1,540.9
DEMA	Camp Navajo Fund expansion	0.0	(1,000.0)	(1,000.0)	(1,000.0)
Economic Security	Adult Protective Services	0.0	1,177.2	1,177.2	1,177.2
Economic Security	DD Dental	0.0	1,092.0	1,092.0	1,092.0
Economic Security	New federal funds and programs	(5,100.0)	(5,100.0)	(5,100.0)	(5,100.0)
Economic Security	IT Security	0.0	936.4	0.0	0.0
Finanacial Institutions	Funding restructure	0.0	(3,020.2)	(3,020.2)	(3,020.2)
Health Services	3% Provider Rate Reduction (excl. DD)	(2,309.0)	(9,123.0)	(9,123.0)	(9,123.0)
Insurance	Fraud Investigators	0.0	516.6	516.6	516.6
Juvenile Corrections	Charitable Fund	0.0	(901.4)	0.0	0.0
Juvenile Corrections	Eligiblity changes	0.0	(3,000.0)	(3,000.0)	(3,000.0)
K-12 Education	Administrative Reduction	0.0	(113,457.2)	(113,457.2)	(113,457.2)
K-12 Education	Charter Additional Assistance	0.0	(10,268.9)	(10,268.9)	(10,268.9)
K-12 Education	Phase Out District Sponsored Charters	0.0	(346.3)	(700.0)	(1,050.0)
K-12 Education	Homeowner Rebate Cap	0.0	3,600.0	(26,500.0)	(26,500.0)
K-12 Education	Reform implementation of the 1 percent cap	0.0	(20,219.7)	(20,219.7)	(20,219.7)
Land Department	Self Funding (FY 2017)	0.0	0.0	(12,541.9)	(12,541.9)
Local Government	Maintain FY 2016 HURF Shift	0.0	0.0	(30,000.0)	(30,000.0)
Local Government	Registration Fee	0.0	(30,000.0)	(30,000.0)	(30,000.0)
Local Government	Juvenile Corrections Fee (25%)	0.0	(12,000.0)	(12,000.0)	(12,000.0)
Local Government	Reduction in Direct Payments	0.0	(1,650.0)	(1,650.0)	(1,650.0)
Pioneers Home	State Charitable Fund	0.0	(1,603.4)	0.0	0.0

		FY 15 Projected	FY 16 Projected	FY 2017 Projected	FY 2018 Projected
Radiation Regulatory	Funding Restructure	0.0	0.0	(773.6)	(773.6)
Revenue	MSA Auditors	0.0	436.0	436.0	436.0
Revenue	Fraud Returns	0.0	3,150.0	3,150.0	3,150.0
Revenue	Local Government Funding	0.0	(14,077.0)	(14,077.0)	(14,077.0)
School Facilities Board	Reduction in debt costs	(9,416.0)	0.0	0.0	0.0
School Facilities Board	Access for All Fund	0.0	2,400.0	0.0	0.0
Tourism	Eliminate GF program funding	0.0	(4,500.0)	(4,500.0)	(4,500.0)
Universities	Reduction	0.0	(75,000.0)	(75,000.0)	(75,000.0)
Veterans	Cemetary Operatons funding	0.0	(929.4)	(1,221.0)	(1,221.0)
Water Infrastructure	Water Supply Funding	(1,000.0)	0.0	0.0	0.0
Weights and Measures	Funding source realignment	0.0	(64.9)	(112.9)	(112.9)
Hiring Freeze/Program Restructure		0.0	0.0	(20,740.0)	(20,740.0)
Other		0.0	(123.2)	0.0	0.0
Total Spending Changes		**(23,887.6)**	**(304,362.2)**	**(371,195.5)**	**(347,335.1)**
Temporary Measures					
	Fund Sweeps	0.0	303,929.2	0.0	0.0
	Rainy Day Fund Transfers	125,736.1	0.0	0.0	0.0
Total Temporary Measures		**125,736.1**	**303,929.2**	**0.0**	**0.0**
Ending Balance		1,000.0	136,769.8	148,877.3	303,462.0
Structual Balance			(183,951.0)	3,492.8	154,584.7

Public Safety

The Executive Budget Recommendation provides a reliable funding stream for Highway Patrol operations, accommodates prison population growth and inmate healthcare, and sets age-specific sentencing standards for youth offenders.

HIGHLIGHTS

- An independent funding stream for the Highway Patrol
- Requests for proposals for up to 3,000 male medium security prison beds
- $12.3 million for changes to the inmate healthcare contract
- Counties to pay 25% of the cost of sending a youth offender to a Department of Juvenile Corrections facility
- Sentencing to a DJC secure care facility should occur only when the youth offender is age 14 or older and committed a felony

Department of Public Safety

For the last several years, the Department of Public Safety (DPS) has been partially funded with transfers from the Highway User Revenue Fund (HURF). In FY 2014, DPS received $119 million from HURF to support Highway Patrol activities. In FY 2015, the transfer was reduced by $30 million and replaced with a General Fund appropriation. That funding change allowed cities and counties to receive additional transportation funds from HURF.

Funding the Highway Patrol via this method places a strain on local government transportation efforts and the General Fund – pressures that can be remedied in part by providing DPS with its own funding stream.

The Executive recommends dedicating the motor vehicle registration fee to DPS and authorizing the director of the Arizona Department of Transportation to determine the amount of the fee, such that total fee collections would cover 50% of the cost of highway law enforcement operations.

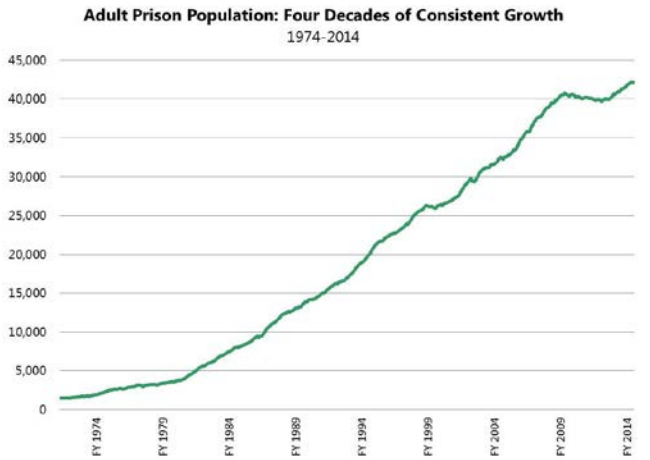
The funding restructure will provide approximately $65 million for the Highway Patrol in FY 2016, saving the General Fund $30 million and leaving the overall funding amount for DPS unchanged. All fee revenue, estimated at approximately $65 million, will be transferred to the Arizona Highway Patrol Fund. Thus, the amount of HURF used to fund DPS would be reduced by $35 million, to $54.3 million per year.

Current law provides a FY 2017 scheduled increase of $30 million General Fund monies to replace $30 million of HURF transfer. This new proposal takes the place of the transfer reduction, and the new funding structure would stay intact for FY 2017 and beyond.

Adult Corrections

After a 30-month period, from July 2012 through December 2014, in which the Arizona adult prison population growth was relatively flat, the State's inmate population grew by an average of 82 inmates per month, from 39,684 to 42,136. At the end of that period, the prison system's operating capacity (i.e., the sum of rated and temporary beds), was 42,961, with an overall vacancy rate of 1.9%. Operating capacity will increase by 500 medium-custody beds during January 2015, to 43,461.

The inmate population is projected to grow at an average rate of 80 inmates per month during FY 2015 and FY 2016. That projection is based on a 24-month average of inmate growth taken at the beginning of FY 2015. The inmate population is projected to be 43,693 at the end of FY 2016.



Bed Management

A vacancy rate of at least 5% within each custody level is recommended for safe management of the prison population. Since 2012, Male Medium has been the fastest-growing inmate classification, and Male Medium will be the custody level with the lowest vacancy rate. The Executive recommends authorizing the Department of Corrections (DOC) to issue requests for proposals for up to 3,000 male medium-security beds to accommodate the rapidly growing Male Medium population.

DOC Vacancy Rates by Custody Level

	Projected January 31, 2015	Projected June 30, 2017
Male Minimum	2.2%	-2.0%
Male Medium	0.8%	-5.2%
Male Close	0.1%	-0.7%
Male Maximum	16.4%	12.7%
Female	7.8%	7.8%

Inmate Health Care

In FY 2014, DOC and its contracted health care provider, Corizon Health, agreed to three changes in scope to the original contract. The first two changes modified practices for dispensing prescriptions to inmates and provided additional psychiatric care personnel. The third provided additional personnel to open new inpatient-care beds in Tucson. The Executive funded these issues in its baseline budget. Additionally, the Executive recommends $4.2 million to fund a contract inflation adjustment.

For FY 2016, the Executive also recommends $8.1 million to fund two additional changes to the contract. The first provides additional personnel to staff the new maximum security beds at ASPC-Lewis, and the second provides additional personnel to comply with new performance measures, pursuant to the 2014 settlement in the *Parsons v. Ryan* lawsuit.

Juvenile Corrections

County Service Contribution

The State's juvenile justice system is operated almost entirely by the counties, which have their own treatment programs for delinquent youth. To supplement that system, the Department of Juvenile Corrections (DJC) operates a full-time secure facility that provides longer-term rehabilitation, education and treatment services for youth offenders. Counties may refer youth to the State facility when they deem it appropriate.

The Executive recommends that, when a county sends a youth offender to the DJC facility, that county pay 25% of the average cost of a juvenile in DJC custody. This reform will incentivize counties to set priorities and send to DJC only those youth who are most in need of State services.

Criteria for Admitted Youth

Youth offenders, regardless of how young, can be sentenced by a county juvenile court to DJC's secure care facility for a variety of reasons or offenses. The Executive recommends that sentencing to a DJC secure care facility should occur only when the youth offender:

- is age 14 or older (offenders younger than 14 should be sentenced only to a county facility), and
- has committed a felony offense.

The limit to felony offenses should have two exceptions: if the juvenile has a prior felony offense or a serious mental illness. ■

Education

The Executive Recommendation strives to replicate high-performing schools, protects K-12 classroom spending, and starts the process of rebalancing the State's relationship with its universities and community colleges.

K-12 Education

Replicating High-Performing Schools

For too long, Arizona's public education system has been burdened with an unwarranted reputation for mediocrity. Blurred by the negative rhetoric is the fact that Arizona has a rich inventory of high-quality, results-oriented public schools. Parents know of their existence, as evidenced by long waiting lists of students eager to attend those schools.

As we look to systemic reform, we know that we must replicate the best of the best – both in district and charter schools – en route to elevating public education throughout Arizona. Our best schools may differ in educational approach, curriculum and philosophy, but their common qualities are rigorous instruction and high expectations for student achievement.

The Executive recommends the creation of the Arizona Public School Achievement District to expand the impact of our best schools. Accordingly, the Budget Recommendation establishes the Access Our Best Public Schools Fund and transfers to the new fund $23.9 million from the existing Student Success Fund. The School Facilities Board will administer the Access Our Best Public Schools Fund, which will be one option for high-quality program expansion for both charter schools and district schools accepted into the Arizona Public School Achievement District.

For high-performing charters, the Access Our Best Public Schools Fund may be used to expand existing facilities or construct new ones. Participating schools must demonstrate, through specific academic indicators to the Achievement District that their instructional strategies and curriculum result in high academic progress. These schools must also show verifiable enrollment demand. Fifty percent of the approved projects for the Access Our Best Public School Fund shall be in low-income communities.

The main purpose of these ongoing funds will be to guarantee debt financing. That will allow established, high-performing schools to issue bonds at investment grades and substantially reduce borrowing costs allowing more dollars to flow into the classroom. As part of this recommendation, participants in the Arizona Public School Achievement District may request technical assistance from the School Facilities Board and any other applicable State agency related to school construction and debt issuance assistance.

HIGHLIGHTS

- $23.9 million to expand student access to high-performing schools statewide
- Nearly $160 million in new K-12 system-wide funding
- A 5% reduction in non-classroom spending for district schools and a 3.5% reduction in additional assistance for charter schools
- Additional staff to monitor charter schools' academic performance and contract compliance
- Capping the Homeowner's Rebate at 44% of the Qualifying Tax Rate
- Limiting to $1 million per county the State's share of the 1% cap on net assessed value
- A $75 million funding reduction for the University system, allocated to each campus by student enrollment

Expanding K-12 Funding

In addition to providing specific resources to expand excelling programs, the Executive Recommendation provides nearly $160 million in new system-wide funding. The recommended funding meets the requirements of Proposition 301 and, if properly allocated, will assist districts and charters in adding seats to excelling programs.

Focus on Classroom Spending

To provide the greatest benefit to students, inflation-related funding increases must be dedicated to Arizona classrooms.

The Executive recommends a 5% reduction in non-classroom spending for district schools and a 3.5% reduction to charter additional assistance. Non-classroom spending for districts includes administration, plant operations, food service, transportation, student support and instruction support.

The goals of the reductions are to:

- reduce the size of school administration, and
- re-focus the schools on students and teachers.

To help districts ensure that the reduction will not impact classrooms, the Executive recommends requiring the superin-

tendent (or chief executive officer) and the school finance officer to certify that the reductions will not affect the classroom.

Charter School Renewals

As the importance of charter schools to Arizona's K-12 system grows, so does the need to support their evaluation and accountability. The Executive recommends two Academic Program Manager positions to assist in monitoring charter schools' academic performance, investigating complaints, and ensuring that charters are compliant with all laws, administrative rules, and the terms of their contract.

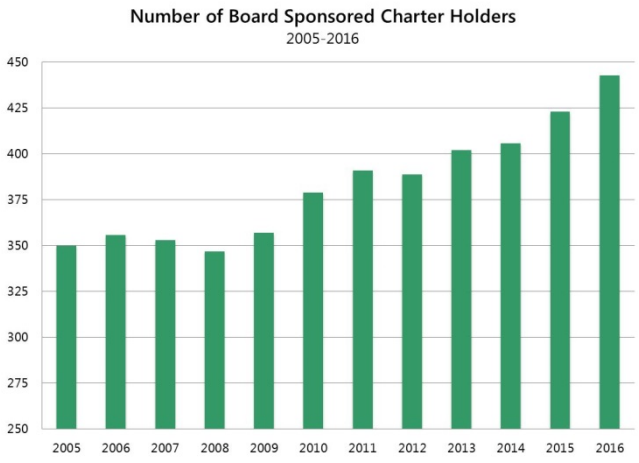
In FY 2010, the Board began implementing the statutorily required renewal of charter school contracts. The Board evaluates and processes renewal applications at least 18 months prior to the expiration of the 15-year contracts. Included in the evaluations are academic, fiscal and contractual compliance. Renewal of a charter contract results in a 20-year extension.

Charters that do not meet the academic or financial expectations set forth in the Board's performance framework are assigned a performance management plan. The Board's oversight of performance management plans is resource intensive. Further, the review of a renewal application for a charter that is on a performance management plan requires up to five times as many hours as a charter that is meeting the Board's expectations at the time of renewal.

Limited resources and increased responsibilities have prevented the Board from meeting its statutory obligations in a timely, efficient and adequate manner. The Executive recommends authorization of a renewal application fee, and charters that are under a performance management plan at the time of the renewal application should pay higher fees than schools that do not have a performance management plan requirement. The revenue from this fee will provide for the administrative expense associated with renewing contracts in future years.

Stabilizing K-12 Funding

One Percent Cap. Article 9, Section 18 of the Arizona Constitution limits primary resident property taxes to 1% of the property's net assessed value. Through the Homeowner's Rebate the State pays for any portion of a homeowner's primary property taxes, for all taxing jurisdictions (not just schools), that exceeds 1% of the full cash value of their home.



While the Arizona Constitution limits primary resident property taxes to 1% of the net assessed value, the Constitution does not specify what action the State should take if taxes exceed 1%. Twenty-seven school districts are in taxing jurisdiction where the total rate exceeds the 1% cap, at a cost to the State of $23.7 million. As those jurisdictions are already over the 1% cap, the residential portion of any further increases to their primary tax rate will be paid entirely from the General Fund. This results in local governments' decisions disrupting statewide K-12 funding.

The Executive proposes capping the State's share of the 1% cap at $1 million per county. Any increases over $1 million would be prorated among the remaining levying jurisdictions in that county, according to their share of the total levy.

Homeowner's Rebate Cap. Through the Homeowner's Rebate, the State pays a portion of each homeowner's school district primary property taxes, up to a maximum of $600 per parcel.

Beginning in 2014, the State changed the rebate from a fixed amount of 40% to a floating rate that is calculated by the Department of Revenue. As a result, the cost to the General Fund has grown as the calculated rate has increased from 40% to 43.6%. The reimbursement rate is projected to continue to rise, costing the General Fund over $15 million per year. The Executive recommends capping the Homeowner's Rebate at 44% of the Qualifying Tax Rate, eliminating this ongoing General Fund risk.

Higher Education

Synergy among State Government and its institutions of higher learning is essential to a seamless, integrated system that will best serve Arizona. For the last several years, the State and its university and community college systems have struggled to define their relationship; that definition will be elusive until the parties reconcile the legitimate needs of the institutions with the General Fund's capacity to support them.

Universities

Funding of Arizona's university system is in a state of flux, with the fulfillment of parity funding, elimination of the 22-to-1 formula and, to date, an inability to settle on a new performance-based funding system.

In the long term, the universities' success will depend in large part on providing fiscal certainty while allowing flexibility for proper business management. Before the State can ultimately determine its relationship with the University system, the State must find its own fiscal stability and define the resources available to provide higher education support. To deal with the current budget deficit and put the State on a balanced long-term financial path, the Executive recommends a General Fund reduction of ($75 million) to the University system, allocated to each campus by student enrollment.

The Recommendation reflects the philosophy that diminishing General Fund support for the universities should be coupled with reduced administrative burdens and statutory changes that

can improve operations. The State should eliminate the State remittance process of tuition revenues and work with the Board of Regents to determine additional reforms.

Community Colleges

Similar to the University system, the State's relationship with the Community Colleges is critical to maintaining a seamless continuity among our educational institutions. Further, with the continued overexposure of the General Fund, the relationship must be reexamined and adjusted to ensure long-term fiscal stability.

Community college districts are funded primarily through local property tax levies and student tuition. For a subset of the community college districts, the General Fund plays a very minor role in total funding. In fact, for the Maricopa, Pima and Pinal community college districts, General Fund appropriations make up less than five percent of total revenue. For those three systems, the Executive recommends a 50% reduction in all State Aid formulas. ■

Health and Welfare

The Executive Recommendation emphasizes protection of vulnerable children and adults and makes necessary and targeted changes.

The Health and Welfare area of State Government includes the Arizona Health Care Cost Containment System (AHCCCS), Department of Health Services (DHS), Department of Economic Security (DES) and the newly created Department of Child Safety (DCS). As those four agencies account for almost 30% of baseline General Fund expenditures for FY 2015, reducing their appropriations continues to be an important variable in balancing the State's budget.

However, as a consequence of recent efforts to shrink the State's persistent structural deficit, the remaining General Fund shortfall must be addressed with fewer options than have been available to policymakers in the past.

The Executive Budget Recommendation in Health and Welfare contains a series of targeted cuts, along with specific steps to preserve program integrity.

HIGHLIGHTS

- $4 million for Preventive Services at the Department of Child Safety
- 3% increase in foster bed availability and use
- $1.2 million for additional staffing for caseload growth at Adult Protective Services
- $1.1 million to reinstate the ALTCS adult preventive dental benefit for the developmentally disabled
- $1.1 million savings from the elimination of specific programs at DES
- $4.0 million savings from additional federal funding at DES
- Consolidation of the Division of Behavioral Health Services into AHCCCS
- $33 million savings from 3% provider rate cut

Department of Child Safety

The Department of Child Safety (DCS) came into being July 1, 2014, in the wake of two years of severe increases in the rate of reported child neglect and abuse, which had overwhelmed the investigative and case management capacity of the former DES Division of Children Youth and Families.

As a stand-alone cabinet-level agency, DCS operates with greater accountability and mission focus than its predecessor. DCS was provided with an influx of resources to address the backlog of uninvestigated cases, improve caseworker retention, and develop internal quality control capacity.

Midway through its first year, DCS has made significant progress. The original backlog of cases has been fully activated, and DCS continues to implement process reforms designed to increase its capacity and improve outcomes.

As expected, financial adjustments will be required in FY 2016 as the Department matures, its ongoing backlog is further reduced, and its mission-critical needs become clearer.

Child Abuse Prevention

Preventive Services are supports, such as counseling, drug rehabilitation, parent aides, etc., provided to families in which children are deemed safe but risk factors are apparent. The intent is to safely reduce the number of instances in which children must be removed from their homes, which promotes family continuity, better overall outcomes for vulnerable children, and cost savings to the State as the need for out-of-home support services and placements is mitigated.

Preventive Services can be rendered along three channels:

- DCS partners with non-profits and community-integrated organizations, connecting families in need with relevant services and educational opportunities. DCS's reach and impact can be extended through targeted and matching grant-giving and by providing coordination support within high-need communities.
- DCS can offer services to families that are brought to its attention directly through calls to the Department's hotline, but whose particular situations do not warrant an investigation, despite the presence of risk factors.
- DCS can intervene directly when a case is opened but the children can safely remain with their families, contingent upon support services being received and certain progress shown.

The Executive recommends $4 million to fund Preventive Services at DCS. This represents a shift for the Department, as the new expenditure will be entirely offset by cost savings from a reduced backlog of cases. The transition from backlog to prevention reflects the Department's growing stability and fortifies the State's commitment to pursue long-term solutions for Arizona's children.

Better Placements for Children

The Executive recommends an initiative to increase foster bed availability and use by 3%. This will allow approximately 210

additional children to be placed in foster homes instead of congregate care, which achieves significant cost savings for the State and better outcomes for children.

As part of this effort, the Executive recommends increasing the stipend to foster families caring for children who are 12-18 years old. Children in this age range are the most difficult to place, as evidenced by statistics that show they represent fewer than 20% of foster care placements and over 76% of congregate care placements. The Executive recommends returning the stipend received for children in this age range to the levels set prior to the 20% stipend reduction implemented in 2009. This represents an average increase, per month per child, from $653 to $816. The cost of this stipend increase will be offset by the savings incurred from reducing the emergency and residential care caseloads, for which current average monthly per-child costs are, respectively, $2,477 and $3,198.

To the extent possible, foster bed availability should be increased by improving the retention rate of foster families. The recruitment, training and licensing of foster families is a cost-intensive process, and foster family turnover contributes to the stress and trauma experienced by children in the Department's care. The foster family exit rate, excluding exits related to guardianship and adoption, averaged approximately 26% in the last three years. The Executive expects that approximately 12% of exiting families will be retained, leading to a 3% overall increase in the foster care caseload.

The 3% foster care caseload increase achieved through retention and the increased stipend represent a total new cost burden to the General Fund of approximately $3.1 million ($2.7 million for stipends and $400,000 for support services to foster families). This cost is offset by the savings resulting from the commensurate congregate care caseload decrease, representing approximately $5.1 million in General Fund savings. The net effect of this initiative is a $2 million savings to the General Fund.

Department of Economic Security

Adult Protective Services Caseload Growth

Adult Protective Services (APS) evaluates reports of abuse, neglect and exploitation of vulnerable and incapacitated adults and offers appropriate services. In FY 2012 and FY 2013, the number of new APS reports increased by, respectively, 28% and 27%. In FY 2014, the growth rate for new reports slowed to approximately 4%.

Growth in reports to APS is expected to continue at approximately 4% per year in FY 2015 and FY 2016. At this rate, new cases should increase to 12,100 in FY 2015 and 12,600 in FY 2016. Without additional funding, caseloads will likely remain above manageable levels, at over 100 cases per investigator. This caseload compares unfavorably with the National Adult Protective Services Association (NAPSA) recommended caseload of 35 to 40 cases per investigator.

Moreover, the APS telephone hotline handles 16,900 incoming calls and online reports annually. At current staffing levels, callers are frequently experiencing hold times of up to 40 minutes.

The Executive recommends $1.2 million from the General Fund for eight caseworkers (six investigators and two case aides), one supervisor, one hotline supervisor and one administrative staff. The recommended funding is expected to allow the agency to start closing more cases than are being added, thereby reducing the per-worker caseloads.

Arizona Long Term Care System Preventive Dental

Individuals with disabilities are at greater risks for oral diseases, which can further jeopardize their health. Moreover, without proper dental care, developmentally disabled clients experiencing dental pain may exhibit behavioral problems that result in inappropriate behavioral intervention.

After the Division of Developmental Disabilities implemented a dental pilot program in FY 2007, AHCCCS expanded preventive dental services to all Arizona Long Term Care System (ALTCS) adults up to an annual limit of $1,000 per member beginning in FY 2008. However, this service has been eliminated.

Due to the importance of providing quality care to Arizona's most vulnerable residents, the Executive recommends $1.1 million from the General Fund to reinstate the ALTCS adult preventive dental benefit for the developmentally disabled.

Reducing Program Expansion

In FY 2015, three new programs were created within the Department: Autism Parenting Skills - Rural Areas, Long Term Care Assisted Living, and the Homeless Capital Grant. However, the State's current fiscal environment is not conducive to expanding government programs. Therefore, the Executive recommends a General Fund reduction of ($1.1 million) to eliminate funding for these new programs.

Moreover, in the current fiscal year the Department will receive, and expects to receive in subsequent years, an increase in federal Child Care Development Fund (CCDF) funding, part of which will support the Child Care Subsidy Program. This increase will allow the Department to maintain the levels of service without reduced General Fund assistance. As a result of the CCDF increase, the Executive recommends a ($4 million) General Fund decrease in support to the Child Care Subsidy Program for both FY 2015 and FY 2016.

AHCCCS

Division of Behavioral Health Services Consolidation

For several years, in an effort to improve coordination of healthcare, the State has sought to integrate the management of health services.

For example, the Children's Rehabilitative Services (CRS) program, which provides care to children with chronic and disabling conditions, previously enrolled children in at least three (and sometimes as many as five) separate systems of care. Effective October 1, 2013, CRS was moved to AHCCCS, which provides care under a single integrated health contractor that

delivers, manages and pays for multiple services for those chronically ill children.

Additionally, after October 1, 2015, all services for the Seriously Mentally Ill (SMI) will be provided in an integrated model, with both acute care and behavioral health services for each member provided by one Regional Behavioral Health Authority (RBHA). There will be an integrated RBHA for Maricopa County, another for Northern Arizona, and a third for Southern Arizona. Behavioral health services funding for these SMI members is contained in the Department of Health Services (DHS) budget, while funding for their acute care is appropriated in the AHCCCS budget.

As the next step in integrating management of care for Medicaid patients, the Executive recommends transferring to AHCCCS both the management and the budget for the DHS Division of Behavioral Health Services. The transfer would include Title XIX General Mental Health and Substance Abuse Services, as well as the integrated RBHAs providing care to SMIs. To give the agencies time to prepare, the Executive proposes that the transfer be made effective July 1, 2016.

Provider Rate Reduction

As part of the effort to address the structural budget deficit, the Executive recommends that AHCCCS implement a 3% provider rate reduction on April 1, 2015. The Executive recommends excluding from the reduction providers in the Developmentally Disabled program. Between DHS and AHCCCS, in FY 2016 this cut is anticipated to save the General Fund $33.2 million.

Ambulance Rate Reduction. Several times since the beginning of the recession that began in 2007, it has been necessary to cut the rates paid to AHCCCS providers. Ambulance providers are reimbursed by AHCCCS plans at a percentage of the reimbursement rates established by DHS. That percentage is scheduled to increase from 68.59% in FY 2014 to 80% in FY 2016.

As State revenues have not met expectations, some further downsizing of State government is necessary. As part of that effort, the Executive recommends returning ambulance reimbursement rates in FY 2016 to the 68.59% of DHS rates that the ambulances received in FY 2014. The Executive estimates that this action will save the General Fund $6.0 million in FY 2016.

DSH "Hard Cap." The Disproportionate Share Hospital (DSH) program draws federal funds to reimburse hospitals that serve an unusually large number of Medicaid patients or have an unusually high amount of uncompensated care. States that own, or whose political subdivisions own, hospitals can deposit the federal DSH match in their General Fund. The amount of federal funds that hospitals can obtain is determined by federal government formulas based on the amount of uncompensated care that hospitals provide to Medicaid patients and the uninsured (referred to as the "OBRA limit"). Each state receives a federal DSH allotment determined by the federal appropriations process.

Arizona has two government hospitals: the Arizona State Hospital (ASH), which is run by the Department of Health Services, and the Maricopa Medical Center, which is managed by the Maricopa Integrated Health System (MIHS) under the Maricopa County Special Heath Care District.

In FY 2015 the amount of MIHS DSH is capped by session law at $89.9 million, which is referred to as the "hard cap." MIHS keeps $4.2 million for its operating expenses, and the rest of the federal match for MIHS DSH is deposited in the General Fund. Any federal allotment above the $89.9 million cap is made available to other hospitals through Pool 5, a portion of the DSH program for hospitals for which a local government will provide the State match.

The Executive recommends raising the hard cap for MIHS DSH in both FY 2015 and FY 2016. Under this proposal, AHCCCS will draw an additional $11 million in federal DSH funds for deposit into the General Fund in FY 2015, and $16.5 million in FY 2016. AHCCCS will continue to send to MIHS the $4.2 million that it currently receives. Federal allotment amounts over the hard cap will continue to be available to Pool 5 hospitals. ■

Natural Resources

The Executive Recommendation focuses on a new funding source for the Land Department and more resources for protecting Arizona's water supply.

During a time of fiscal scarcity, the State's natural resource agencies have maintained a sharp mission focus, finding innovative ways to provide important services despite diminishing resources. Much of their work has been accomplished through strategic partnerships and implementing more efficient models of operation.

The Executive seeks to continue along that path and recommends several measures to ensure that residents, visitors, businesses and communities continue to enjoy and benefit from Arizona's natural resources for generations to come.

Department of Water Resources

The need to protect Arizona's water rights and supply is becoming increasingly vital as the federal government and states on the Lower Colorado River Basin negotiate drought-contingency allotments.

To adequately represent Arizona in water negotiations and plan for the state's future, the Department of Water Resources (DWR) requires increased resources and the flexibility to utilize existing resources effectively. The Executive Budget Recommendation provides a two-fold funding strategy:

- Expand the special line appropriation for Colorado River litigation expenses, to allow DWR to use this existing appropriation for all expenses relating to the Colorado River supply.
- Use a portion of groundwater withdrawal fees, which are deposited into the Arizona Water Banking Fund, to support DWR's work on critical issues that affect the entire state's future water supply. These additional resources will allow the Department to hire key staff to achieve the goals of future water supply stability.

Land Department

With over 90% of State Trust Land acreage designated for the benefit of public education, increasing the State's returns from this immense asset has the potential to transform the way Arizona invests in and prepares for the future.

The Executive Recommendation calls for a 2016 statewide ballot measure that would permit the Land Department to use a small portion of proceeds from the sale of Trust Land for managing the Land Trust. Passage of this measure would provide the Department with a more predictable funding source and more opportunities to maximize returns, rather than relying on unstable General Fund support for critical needs that include program management and staffing. With operations tied to returns, the Trust will have the stability needed to flourish and create greater yields for its beneficiaries.

Game and Fish Department

The Executive Recommendation recognizes the importance of planned expenses and deliberate one-time investments to ensure that the Game and Fish Department can meet established goals. Balancing both approaches, the recommendation calls for:

- new parking structures to shield State watercraft from the elements;
- refurbishment and replacement of several of the Department's oldest boats and trucks;
- mobile decontamination units to halt the spread of aquatic invasive species that can clog water intake structures and cause costly damage; and
- law enforcement body armor for officer safety.

In addition, the recommendation recognizes the value of Arizona's sport fishing industry. Maintaining quality and quantity of marine life in Arizona's lakes and rivers requires constant care and upkeep. One-time resources are needed to engage in habitat mapping and subsequent improvements.

Finally, the Executive Recommendation seeks to provide the Department with measured flexibility by restoring the $1 million special line appropriation for Law Enforcement Boating Safety Grants to the Department's operating lump-sum. ■

Good Government

The Recommendation provides additional protections of State revenues from fraud, strengthens Transaction Privilege Tax (TPT) collections, reaffirms investment in information technology, and steps up stewardship of the State's capital assets.

Protection of State Revenues

TPT Revenue Collections

Between fiscal years 2008 and 2014, outstanding Transaction Privilege Tax obligations increased by more than $100 million. In total, almost $300 million remains outstanding. These are taxes the Department of Revenue (DOR) has already determined are due but has not yet collected. While DOR continues to actively collect on TPT cases, it has not had adequate resources to significantly decrease TPT inventory, as the number of employees in the Collections Division decreased by 18% during the period referenced above.

The Executive Budget Recommendation for FY 2016 provides a $2 million ongoing appropriation to a newly created Collections Fund. This new fund will be subject to Legislative appropriation and will fund 30 additional collections staff (not auditors). The appropriation will come from base TPT revenues, before revenue sharing, as the State and local governments will benefit from the additional collections efforts.

With the additional 30 staff, the expected additional revenue will be $54 million, for an estimated net gain to the General Fund of $32.6 million.

Fraudulent Tax Refund Prevention

Fraudulent claims for refunds of individual income taxes are a growing concern for federal and state governments. In 2013, the federal government issued a report stating that, in the previous year, the Internal Revenue Service issued about $4 billion worth of fraudulent refunds to people using stolen identities.

In FY 2014, DOR vigilance in issuing income tax refunds saved almost $74 million – a total that could be improved in future years. A test conducted for DOR in 2013 found that, in a sample of apparently legitimate returns, at least 0.7% of expected refunds were potentially fraudulent. Applying that percentage to the $1.26 billion in refunds that DOR is expected to issue in FY 2016 suggests that, with additional resources, the State could prevent an additional $8.8 million in fraud.

The Executive recommends $3.2 million to obtain fraud detection services and to pay for three additional staff to complete Taxpayer Accounting System programming required to detect and investigate potentially fraudulent refunds. Of the recommended amount, $2.7 million is a fixed annual fee; if fraudulent refunds caught are less than the total fee, the State would pay only up to the amount of fraud prevented.

HIGHLIGHTS

- $2 million for additional TPT collections staff
- $3.2 million to detect fraudulent requests for tax refunds
- Restructuring the Department of Financial Institutions
- Full funding of retirement for public safety employees
- $10 million for capital funding for urgent projects in the ADOA building system
- $1.2 billion for transportation infrastructure
- $29 million for automation projects, including IT security at DES, DEQ e-licensing system, and replacement of AFIS, the ADE data system, the DOC AIMS system, and the DCS CHILDS system
- $9.5 million for ASET statewide infrastructure projects

AHCCCS Fraud Prevention

The Arizona Health Care Cost Containment System (AHCCCS) Office of the Inspector General (OIG) is responsible for conducting criminal investigations and investigative audits for all AHCCCS programs involving State or federal tax dollars. OIG is a designated criminal justice agency and works closely with federal, State and local law enforcement on cases in which providers, subcontractors, members and employees may be involved in fraudulent activity.

Recent history shows that savings from avoided fraudulent activity averages about $2 million per OIG Fraud Unit staff member per year. In addition to the financial savings, OIG fraud prevention ensures continued confidence in the integrity of the Medicaid program. To continue to advance this goal, the Executive Recommendation provides an additional 6.0 FTE positions and $439,800 in total fund appropriation.

As AHCCCS receives a 50% federal match for these administrative functions, the Recommendation includes $219,900 from federal funds and $219,900 from the General Fund. The costs are anticipated to be offset by program cost recoveries for a net savings of more than $1.3 million.

Changes at the Department of Financial Institutions

Fund Restructuring

In an effort to better serve Arizona's financial industry, increase fee transparency, improve operational efficiency, utilize more reliable funding resources, and transfer Department operations away from the General Fund, the Executive recommends a restructuring of funds at the Department of Financial Institutions (DFI).

Currently, DFI's operating expenditures for regulation and supervision are made from three separate funds: General Fund, Financial Services Fund, and Banking Department Revolving Fund.

The recommended fund restructure would align operating expenditures for regulation and supervision under one fund: the Financial Institutions Fund. The consolidation will allow DFI to pool its workforce and seize more opportunities for operational efficiency, as well as allow the Department to shift operating expenditures away from unstable and unreliable civil penalty revenue.

Revenue Reallocation

In addition to a restructuring of funds, the Executive recommends a reallocation of Department revenues. Under the recommended change, 80% of DFI revenues will go to the Department, and the remaining 20% will be deposited into the General Fund. Fund balance caps of $1 million and $2 million would also be placed on, respectively, the Financial Institutions Fund and the Receivership Fund, with surplus revenues deposited into the General Fund at the end of the fiscal year.

State Board of Appraisal Consolidation

To further increase operational efficiency, the Executive recommends consolidating the State Board of Appraisal under the Department of Financial Institutions. Due to a shrinking population of licensed appraisers, revenues to the Board of Appraisal have steadily decreased, threatening the ability of the Board to fulfill its statutory obligations. Consolidating the Board of Appraisal under the Department of Financial Institutions would assist in further streamlining appraisal licensing and investigation, as well as reducing administrative costs.

Hiring Freeze

The Executive has ordered a hiring freeze that will remain in effect for as long as the State faces a budget risk. The Department of Administration estimates that the freeze will save $2.4 million in FY 2015 and $18.3 million in FY 2016.

Until the specific savings related to the freeze are realized, the Executive is not proposing specific agency reductions. However, the Executive has proposed some agency consolidation and anticipates making additional proposals as efficiencies are identified. Through these agency restructures, the Executive plans to convert the temporary savings produced by the hiring freeze in FY 2015 and 2016 into permanent savings by FY 2017.

Public Safety Retirement

In April 2011, the Legislature and Governor enacted Chapter 357, which made several reforms in the Public Safety Personnel Retirement System (PSPRS), Corrections Officer Retirement Plan (CORP) and Elected Officials' Retirement Plan (EORP).

One reform made by Chapter 357 was to replace the Permanent Benefit Increase (PBI) mechanism for all members of PSPRS, CORP and EORP, both retired and active. This provision was challenged, and the Arizona Supreme Court, in *Fields v. EORP*, ruled that changing the PBI mechanism for retirees was unconstitutional. There were three fiscal years (2012, 2013 and 2014) in which PBIs were not provided to retirees under the previous PBI mechanism. They must now be paid by employers.

Recognizing the liability of unpaid PBIs from the *Fields* decision will begin with the FY 2016 employer contribution rates. The PSPRS Board of Trustees voted to allow employers within PSPRS and CORP to elect whether to accept the entire rate increase in FY 2016 or to gradually move up to the full rate over a three-year period. The Executive recommends accepting the entire rate increase in FY 2016.

Stewardship of Capital Assets

Despite budget shortfalls, the State must continue to invest in modernizing infrastructure that will yield long-term savings and efficiencies.

ADOA Building System. The Executive's capital outlay plan for FY 2016 emphasizes investing in the Department of Administration (DOA) building systems to address critical and emergency repairs and essential projects at capital facilities. The ADOA building system has extensive building renewal and capital needs, of which the capital outlay plan especially emphasizes fire and life safety projects. Other crucial projects include mechanical problems, such as HVAC and plumbing, and roofs in need of repair or replacement.

Implementation of the Executive's capital outlay plan is designed to improve the operation and safety of State facilities, increase the efficiency of State operations, and help avoid expensive emergency repairs.

To fund the more urgent capital needs in the DOA building system, the Executive recommends a $10 million General Fund capital appropriation. It is recommended that the funding go toward statewide repair, replacement and upgrade of fire alarms, roofs, building assets (walls, doors, windows, etc.), and major building systems (HVAC, electrical, plumbing, etc.).

This General Fund appropriation will be in addition to the recommended $9 million from the Capital Outlay Stabilization Fund (COSF) for general building renewal. Building renewal needs are estimated based on a statutory formula; the State has not fully funded the formula since FY 1999, and the system has a building renewal need of over $121 million. As so many of the State's building components and structural systems have exceeded their useful life, this building renewal money is an important investment in the State's infrastructure.

In addition to funding for the DOA System, the Executive recommends:

- $530,000 from the Game & Fish Fund for cyclical maintenance for replacing or renovating major building system components of the Department's 280-plus structures, and
- $1.5 million from the State Parks Revenue Fund for building renewal and preventive maintenance of the Parks system. The following projects are to be completed: $700,000 for DEQ Consent Order improvements; $300,000 for fire alarm system upgrades at multiple parks; and $475,000 to electrify existing campsites at Catalina Park.

National Guard Facilities Maintenance. Navajo Camp Fund monies may be used only for the operation, maintenance, capital improvement and personal services at the Camp Navajo training site and storage facility in Bellemont.

The Executive recommends expanding the use of Fund monies to include facilities maintenance at all Army National Guard training sites, which would replace $1 million in General Fund monies that are used for that purpose.

ADOT Building System. The ADOT system includes an inventory of 1,224 buildings and structures with a total area of 3.2 million square feet and a replacement value estimated at $716 million. For FY 2016, the Executive recommends, from the State Highway Fund, $5.2 million for new capital projects and $4.2 million for building renewal needs.

ADOT Building Construction. ADOT has 35 de-icer storage buildings and 15 vehicle wash stations, and the Department plans to build 15 more de-icer storage buildings in the next three years to comply with environmental standards. By 2019, ADOT plans to build 34 vehicle wash systems in remote locations where commercial options are unavailable. This plan will prevent the premature deterioration of ADOT's highway maintenance vehicles and equipment.

For FY 2016, the $5.2 million recommended above will fund the construction of five de-icer storage buildings ($2.3 million) and six vehicle wash systems ($2.9 million).

ADOT Building Renewal. The Executive recommends $4.2 million from the State Highway Fund and $219,766 from the State Aviation Fund for building renewal needs.

Highway Construction. The Recommendation supports a $1.2 billion transportation infrastructure program in FY 2016. The recommended funding would provide $171 million for highway construction and $172 million for pavement preservation. The FY 2016 debt service on existing ADOT construction bonds is $338.5 million. In accordance with State law, actual expenditure levels are determined within the scope of the Five-Year Highway Construction Program approved by the State Transportation Board.

Highway Construction Projects Beginning in FY 2016 and Debt Service Payments

Construction	$ 171,397,000
Urban Controlled Access[1]	475,785,000
Pavement Preservation Maintenance	171,799,000
Other[2]	58,733,000
Debt Service[3]	338,530,000
	$ 1,216,244,000

Improving Efficiency through Technology

To support the continued delivery of high quality and efficient services, over the last several years State Government has made significant investment in information technology (IT) infrastructure, systems and processes. Considering the rapid rate of change in technological advances and opportunities, optimizing the State's major IT systems must continue to be a major strategic focus and a hallmark of good government.

The State is engaged in a number of projects to centralize and enhance the technology that supports its service delivery mechanisms. The Executive Recommendation continues moving IT projects from previous years toward completion, invests in new critical projects, and expands the IT security and support infrastructure upon which State services depend.

Automation Projects Fund

In FY 2014, a statewide IT management plan specified that certain IT projects be consolidated with centralized oversight and project management provided by the Department of Administration's Arizona Strategic Enterprise Technology (ASET) Division. The plan also stipulated that funding for several new and continuing technology projects come though the Automation Projects Fund.

In FY 2015, this plan included:

- replacement of the Arizona Financial Information System (AFIS),
- replacement of the Arizona Department of Education (ADE) data system,
- replacement of the Department of Corrections' Adult Inmate Management System (AIMS),
- replacement of the Department of Child Safety's CHILDS system, and
- development of the Department of Environmental Quality's e-licensing system.

The Executive recommends that these projects be continued into FY 2016. FY 2015 also included two Department of Revenue projects: income tax data capture and the tobacco tax system. Additional funding is not needed to complete these projects.

[1] Includes expenditures from HURF for controlled access, Maricopa Regional Area Road Fund and Pima Association of Governments (PAG) Regional Transportation Authority.

[2] Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

[3] Comprised of $145,983,000 for HURF bonds; $135,644,000 for Maricopa Regional Area Road Fund Bonds; and $56,903,000 for Grant Anticipation Notes as of June 30, 2013.

The Executive recommends a new project for the Department of Economic Security (DES). Recent events surrounding IT system breaches at the local and national levels have highlighted the need for greater IT security. Moreover, DES is required by State and federal law to assess and mitigate any vulnerability within its IT infrastructure. DES has identified specific areas that must be addressed and upgraded.

In total, the Executive recommends that $29 million in appropriated funds be administered from the Automation Projects Fund and managed by ADOA for new and continuing IT projects.

Statewide Infrastructure Projects

In addition to overseeing the automation projects of State agencies, ASET provides the centralized IT infrastructure used by all agencies, such as internal access, the State Data Center, migrating State agency applications to a cloud-based platform, training State information technology professionals, and security for the State's IT systems.

In past years, these projects have been funded through the Automation Projects Fund, a process that has involved, first, transferring money from ASET funds to the Automation Projects Fund and, second, appropriating Automation Projects Fund monies to ASET for the projects.

To improve ASET's ability to quickly and efficiently respond to State information technology needs, especially security issues, the Executive recommends making direct appropriations to DOA for ASET infrastructure projects instead of looping the money through the Automation Projects Fund.

In FY 2016, the Executive recommends appropriating $3.8 million from the State Web Portal Fund and $5.7 million from the Automation Operations Fund for statewide infrastructure projects, for a total appropriation of $9.5 million. ■

The Economy

The State's revenues should be enhanced by a strengthening economy boosted by growing consumer confidence, low energy costs and low interest rates.

The following economic report was prepared in December 2014 by the Seidman Research Institute at Arizona State University for the Governor's Office of Strategic Planning and Budgeting.

The U.S. economy is growing at near normal rates, with third-quarter GDP growth reaching an unexpected 5% and consumer confidence having returned to pre-recession levels. Consumers and businesses show signs of renewed confidence that the expansion will continue, and for many this sentiment is buoyed by falling energy prices that have provided a significant boost to disposable incomes. Headwinds remain in the form of federal trade and regulatory policies, challenging demographics, the need for retirement saving, lack of clarity on immigration, and concerns about the future.

There is increasing evidence that the U.S. economy will steam ahead in 2015, lifted by consumers and by new job opportunities for workers who have been challenged to find gainful employment opportunities over the past five years. Those opportunities will come as consumers and businesses continue to boost spending.

Threats to the improved economy come from abroad, as Europe and developing countries elsewhere have struggled to achieve the pace of growth exhibited in the U.S.

Against this backdrop the Federal Reserve is poised to begin a tightening cycle; however, most economists believe that the Fed will act at a measured pace to ensure that the interest rate trajectory will not cause the recovery to stall.

National Outlook

The most recent consensus outlook suggests real GDP growth of just below 3% through 2015. The case for faster growth would hinge on impetus from increasing wealth in equities, a steadily improving labor market, and a boost in disposable incomes provided by oil price declines.

Pessimists cite negative factors such as government regulation, the burdensome impact of healthcare obligations and an archaic tax code, along with the fiscal drag from sequester and a lackluster housing market. Slow growth in the rest of the world or fallout from a geopolitical shock would also be dampening.

Employment

Job growth improved in 2014, with national levels eclipsing the pre-recession peak and prospects brighter for 2015. Baseline consensus projections suggest job creation at better than 200,000 per month for all of 2015-2016. Still, productivity growth fueled by automation will impede opportunities for those in positions that require repetitive tasks. Thus, even if the nation experiences a manufacturing resurgence, that resurgence would not necessarily be accompanied by significant manufacturing job creation. Workers with specialized skills will find the most opportunity and see the most wage appreciation.

Most economists predict that employment growth will be about 2% nationally and that the national unemployment rate will be between 5% and 6% during 2015 and into 2016, with job creation rates slowing slightly in 2016.

Consumer Spending

Consumer confidence has improved dramatically at the national level and has been sharply boosted by the recent decline in energy prices. The most likely scenario suggests that national consumer confidence maintains near normal levels over the next three years.

Consumers' actual buying patterns have been somewhat more positive than the outlooks they express in surveys. Consumer activity has improved at a rate faster than overall income growth – suggesting that it is being fueled by increases in household wealth and a very favorable interest rate environment – and a savings rate that has fallen slightly from the levels of the past few years. With improved labor market conditions over the next several years, this positive consumer sentiment will help sustain the economic expansion.

Interest Rates

To the surprise of many economists, interest rates declined in 2014, despite the first moves by the Fed toward a tightening cycle. The year started with a slow, weather-induced growth quarter, and commodity price erosion dampened inflation. This put downward pressure on interest rates that persisted through the year.

While most economists see little inflationary pressure going forward, the continued improvement in the economy and more aggressive tightening by the Fed in 2015 will likely place modest upward pressure on interest rates. However, the mortgage interest rate is projected to remain below 5% throughout much of the next two years. Inflation, or lack thereof, will be a significant story in 2015, with low oil prices taking inflation rates below 1% in much of the first half of the year. This will pressure all commodity prices but be welcome relief for most of the country, with the exception of energy-intensive states.

Business Spending

At the national level, corporate profit growth in 2015 will be solid, with slight slowing thereafter. Business investment will accelerate as businesses perceive that demand for products and services improve and, for most enterprises, balance sheet conditions will support the expansion. Some economists believe that the technology refresh cycle will be quite strong as businesses look to upgrade.

Value of the Dollar

In 2014, the dollar appreciated against a basket of foreign currencies, with upward pressure coming from improving economic conditions in the U.S., especially in comparison with other countries. As has been the case for several years, few economists predict a deterioration in the value of the dollar in 2015. A slow but steady increase in the value of the dollar would be consistent with an improving U.S. economy, slowly rising interest rates and modest inflation rates.

Current Events and Risks

Many indicators of the U.S. economy are pointing to the continued steady growth scenario. Sentiment is bolstered by low inflation rates, a steadily improving job market picture, and a consumer who appears to be less hindered by the pressures of de-leveraging and debt reduction and is now positioned to increase purchases.

As the pace of baby boomer retirements picks up, there will be more opportunities for younger workers to fill slots, and confidence will continue to grow. Downside risk exists in the form of possible unforeseen shocks, either man-made or otherwise, and slower growth outside the U.S. However, many economists point to pent-up demand, cash on the sidelines, a boost from lower fuel costs, and record corporate profits as opportunities for the economy to accelerate to the upside.

The overall consensus is that, barring any unforeseen shocks, growth will be steady nationally. However, there remain significant risks to the national economy, which still bears the psychological imprints of the Great Recession. Further, Washington politics are not conducive to any significant form of government bailout, although the Fed would likely revert to a more accommodative position should storm clouds appear.

However, a few quarters of greater-than-expected growth might have an extremely therapeutic impact on consumer confidence and simply build on itself.

The sharp dichotomy that prevails with these two disparate outcomes makes economic forecasting challenging as always. But with each passing quarter, prospects brighten for the nation as a whole.

Arizona Outlook

The Arizona economy is displaying growth at a slightly faster pace than the nation, despite the magnitude of the recession-related job losses and a stalled construction sector. Impediments to growth in 2014 included the lack of significant domestic in-migration, a sluggish electronics manufacturing sector, and the binding impacts of sequester on Arizona's aerospace and defense (A&D) manufacturing activities. Bright spots are largely confined to the service sector, with health care and financial services doing well.

Though Arizona is experiencing faster growth than the nation, it remains slow by state historical standards, especially at this point in the business cycle. It is also slow by comparisons with some neighboring states, though there is evidence of acceleration in recent quarters, and consensus forecasts for 2015-2016 call for steady, improved, growth.

Evidence from federal procurement files suggest that sequester reductions over the past 12 to 18 months led to reductions in the A&D sector. Assuming that the cuts level off, A&D employment should stabilize, albeit at lower levels than prior to sequester. Moreover, the state's electronic manufacturing base is quiet and will likely remain so without a catalyst, such as an acceleration of the desktop/server computer refresh cycle.

Construction – especially single-family housing – continues to lag. Many potential home buyers' tastes have turned toward renting and leasing, and others remain locked out of the loan market with lingering credit issues.

The advantages of moving to and living in Arizona remain the same as for the better part of the last 50 years. With the high cost of living in California, the recent robust growth observed in Utah and Colorado, and the resolution of homebuyer credit issues in the one to two years, it is likely that neighboring states' population growth will spill over into Arizona.

Employment

Job creation continues to improve, with a slightly faster pace in the latter stages of 2014. For 2015, most economists see rates of growth in the 2.5-2.7% range. Healthcare remains a strong sector, and the service sector will continue to add jobs, with positions in specialized and professional services paying above-median salaries. The hospitality and food service industries will continue to flourish as Arizona enjoys what is setting up to be a strong year for tourism.

Personal Income

Arizona's 2014 aggregate personal income growth as reported by the U.S. Bureau of Economic Analysis was positive, with the latest data placing Arizona's growth rate behind only Texas. Prospects for acceleration of growth exist as the employment picture continues to improve. As growth in overall income returns, it is likely that consumer confidence will also continue to accelerate.

A dampening factor over the past several years has been low inflation rates. Any resurgence in inflation will bolster this personal income growth scenario, but that is unlikely given the recent energy price declines. Still, the energy price erosion will free up disposable personal income for many households, which will help to bolster consumer confidence.

In-Migration

For decades, the pace of domestic in-migration has held the key to Arizona's growth. Although most direct metrics, such as housing starts and electrical hookups, do not show much activity, the pace of movement into the state compares favorably with that of the nation.

The difference is that fewer people are moving today than has been the case historically. The historical attraction for Arizona has been jobs, affordable housing, and an attractive climate. Those attractions have been mitigated by the overall economy, the inability to sell homes in key sourcing states, and the massive loss of wealth that many potential movers incurred in the Great Recession.

Yet many of the attributes that have sustained Arizona's people magnetism for decades remain in place today, and it is likely that in-migration rates will improve in 2015 and beyond. It is the pace of that resurgence that will be important for Arizona's growth trajectory. Demographics suggest that Arizona will see significant growth in retiree populations as the economy, incomes and credit histories improve.

Risks

The risks to Arizona's economy remain but are lower today than in the last several years. Perhaps the most serious risk to Arizona comes from a scenario where the nation falls back into recession due to external shocks.

The role of federal government actions is now very clear, with the implementation of the Affordable Care Act and the dramatic reduction in defense spending that has occurred in the state.

A national recession would significantly delay recovery in Arizona since it will damage cyclically sensitive sectors while impeding the in-migration flow that has been responsible for considerable growth historically. Catalysts for a national downturn include another financial episode triggered by a debt crisis or a geopolitical or natural shock. Geopolitical shocks could threaten the hospitality and travel industry that is positioned to grow from very low current levels.

Upside Potential

As many economists have noted, the key assets that attracted many to Arizona remain in place today. Those assets include the newly lowered corporate tax rate. Surrounding states are now growing at a reasonably robust clip, and even California is now registering a consumer confidence reading that has eclipsed pre-recession levels. In prior cycles these factors proved to be a catalyst for growth in Arizona.

Most recently, fuel prices have plummeted, freeing up significant amounts of disposable income to allocate elsewhere. Assuming prices stay at lower levels and household economic conditions continue to improve, consumers will likely make purchases on any number of items. This activity will be a positive for the state's retailers and potentially the construction sector, buoying the State's revenues.

Achieving the FY 2015 Baseline Revenue Forecast

The Big 3 revenue categories – Transaction Privilege Tax (TPT), Individual Income Tax, and Corporate Income Tax – are running behind the FY 2015 budget forecast. Specifically, results through December show General Fund revenues at approximately 4.5% below that forecast, with misses in most of the preceding six months. The Executive Recommendation recognizes this shortfall and reforecasts accordingly.

The year-to-date pace of TPT collections is on pace with the revised 2015 forecast, while running approximately 3% behind the budget forecast. Further, a comparison against last spring suggests that spring growth rates should continue to accelerate. Improved consumer confidence, with lower energy prices and a robust tourist season, will help bolster TPT flows, as will some institutional factors that pertain to use taxes.

Individual Income Tax collections have been disappointing. Against the budget forecast, receipts are down by more than 9%, and flows are running slightly behind even the Executive's revised estimates. However, preliminary performance in December has exceeded expectations. Individual income taxes fueled by the projected robust pace of capital gains and increased liability of Arizona's high-income earners are still expected to grow by 3.5% over FY 2014. The faster rate in 2015 will result from acceleration in capital gains realizations and the diminished impact of the 2012 income acceleration. Continued strength in state income and employment indicators should allow revenues to overcome weakness in the first half of 2015.

The **Corporate Income Tax** is now on pace for robust collections well above prediction, despite the first year of scheduled tax rate reductions. Year-to-date receipts have surpassed the Executive's revised estimate by 29%. Even against the budget forecast, receipts are up by more than 21%.

Historically, corporate filers have been more attuned to federal taxes and act to resolve State liabilities in due course over several years. Thus, the recent robust flows may understate the impact of recent rate reductions and lead to higher refunds in future years. However, conditional on this downside risk, initial evidence suggests that the overall impact of the corporate tax cuts on FY 2015 revenues may be smaller than anticipated, perhaps due to increased economic activity. Corporate income tax collections have recovered substantially in the past few months, and this has been accompanied by dramatically lower refunds. Though corporate receipts are volatile, the picture is much brighter than it was at this point last year.

In general, through December, the State is on target to achieve the new fiscal 2015 baseline forecast of approximately 2.6% General Fund growth.

Achieving the FY 2016 Baseline Revenue Forecast

For FY 2016, the Executive projects a more optimistic General Fund growth rate of over 3.9%. Meeting this projection will require a continuation of favorable current economic trends and a slight acceleration of growth in key indicators. Recent trends in consumer confidence point to continued robust growth in the

retail and contracting sectors, which will likely result in the realization of the baseline TPT forecast in 2016 and beyond.

Continued increases in equities, coupled with overall economic improvements, will allow capital gains realizations to outpace dwindling "loss carry forward" accounts, as capital investors contribute to growing Individual Income Tax receipts. As the overall economy improves, so too will the pace of average tax liabilities associated with normal incomes. All of these factors will contribute to the realization of the baseline Individual Income Tax forecasts.

Corporate collections will be pressured over time, as rate reductions take effect and the reduction in rates, expanding credits and persistent refunds offset any improvements in the overall corporate tax base. This is now fully reflected in the baseline forecast for 2016 and beyond. ■

General Fund Revenue Summary

(in thousands)

TAXES	Actual FY 2014	Estimate FY 2015	Estimate FY 2016	Estimate FY 2017	Estimate FY 2018
Individual Income	3,462,380.0	3,566,251.4	3,741,467.2	3,977,615.2	4,224,540.2
Corporate Income	575,180.0	540,317.1	465,062.1	425,200.8	385,912.8
Sales and Use	3,985,880.0	4,125,385.8	4,343,889.3	4,530,709.0	4,743,757.0
Property Taxes	25,610.0	22,500.0	20,500.0	20,900.0	20,840.0
Luxury Taxes	58,710.0	62,200.0	64,260.0	66,130.0	67,700.0
Insurance Premium Taxes	411,760.0	446,880.0	477,000.0	500,800.0	525,000.0
Estate Taxes	-	-	-	-	-
Other Taxes	5,880.0	4,000.0	4,770.0	4,870.0	4,320.0
TOTAL TAXES	8,525,400.0	8,767,534.3	9,116,948.6	9,526,225.1	9,972,070.1
OTHER REVENUES					
Licenses, Fees & Permits/Misc.	142,618.4	155,610.0	156,220.0	155,080.0	158,300.0
Interest Earnings	13,820.0	10,000.0	10,300.0	10,610.0	10,920.0
Lottery	74,280.0	82,730.0	87,550.0	92,490.0	94,600.0
Transfers & Reimbursements	58,720.0	30,980.0	27,050.0	26,390.0	25,610.0
Disproportionate Share	75,370.0	76,820.0	77,370.0	77,716.4	61,354.9
TOTAL OTHER REVENUES	364,808.4	356,140.0	358,490.0	362,286.4	350,784.9
TOTAL REVENUES	8,890,208.4	9,123,674.3	9,475,438.6	9,888,511.5	10,322,855.0
ADJUSTMENTS					
Urban Revenue Sharing	(561,000.0)	(608,935.7)	(605,634.0)	(615,985.3)	(630,979.4)
GRAND TOTAL REVENUES	8,329,208.4	8,514,738.6	8,869,804.6	9,272,526.2	9,691,875.6

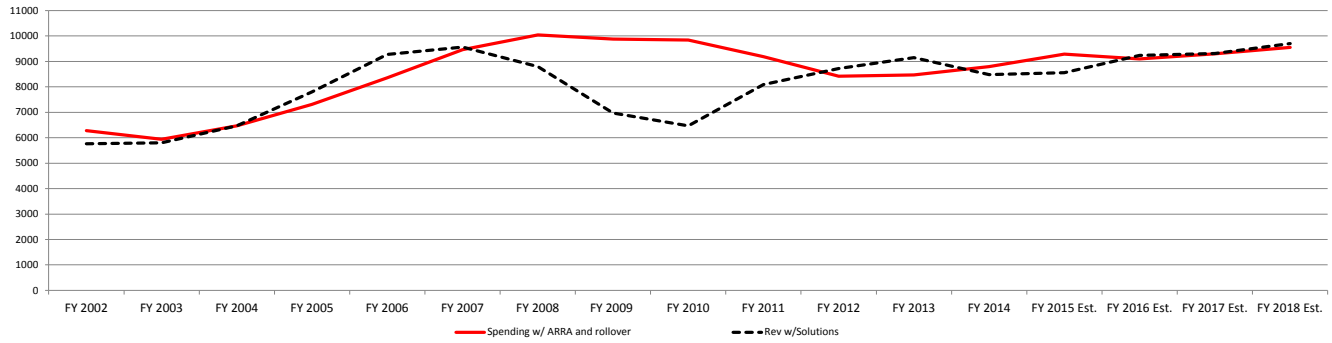
Note: Projected impacts from tax law changes are included in the forecast.

Budget in a Flash

General Fund Sources and Uses FY 2015-FY 2018

	FY 2015	FY 2016	FY 2017	FY 2018
Beginning Balance	$579,150,300	$999,960	$136,769,760	$148,877,330
Revenue Estimate	$8,577,838,560	$9,229,789,700	$9,308,783,831	$9,703,436,900
TOTAL SOURCES	$9,156,988,860	$9,230,789,660	$9,445,553,591	$9,852,314,230
Agency Operating Budgets	$9,109,201,800	$8,990,668,200	$9,210,697,700	$9,472,262,240
Other Expenditures	$172,523,200	$103,351,700	$85,978,561	$76,590,000
TOTAL EXPENDITURES	$9,281,725,000	$9,094,019,900	$9,296,676,261	$9,548,852,240
Transfer from Rainy Day Fund	$125,736,100			
Ending Balance	**$999,960**	**$136,769,760**	**$148,877,330**	**$303,461,990**

Arizona General Fund Ongoing Revenue and Expenditures (FY 2002-FY 2018) (millions)



Agency Operating Budgets

	FY 2015	FY 2015 Change	FY 2016
Department of Education	3,808,392,700	(23,903,800)	3,784,488,900
AHCCCS	1,268,340,600	(67,038,200)	1,201,302,400
Department of Corrections	996,845,600	52,486,000	1,049,331,600
Universities	768,421,900	(77,521,200)	690,900,700
Department of Economic Security	488,190,300	14,079,000	502,269,300
Department of Health Services	611,053,100	(4,249,100)	606,804,000
School Facilities Board	179,942,400	34,690,800	214,633,200
Judiciary	110,495,600	0	110,495,600
Community Colleges	71,906,400	(10,122,800)	61,783,600
Department of Public Safety	89,324,900	(15,913,300)	73,411,600
Department of Revenue	48,139,400	(10,491,000)	37,648,400
Department of Administration	11,193,000	(25,000)	11,168,000
All Other Operating Budgets	656,955,900	(10,525,000)	646,430,900
TOTAL OPERATING BUDGETS	**9,109,201,800**	(118,533,600)	**8,990,668,200**

FY 2015 Supplemental Recommendations (millions)

DES-Child Care Subsidy Savings	($4.0)	Land-CAP Water Rights Fees	$0.03
DES-Elimination of New Programs	($1.1)	SFB-New Construction Lease-to-Own Debt Service	($9.4)
AHCCCS-Provider Rate Reduction	($6.1)	**Total FY 2015 Supplemental Appropriations**	**($20.6)**

Major Highlights of FY 2016 (millions)

$10.0 - Capital Projects
$8.1 - Inmate Healthcare Lawsuit Settlement Scope Change
$5.3 - Authorization for up to 3,000 New Prison Beds
$4.0 - Preventive Services
$3.6 - Homeowner's Rebate Cap
$1.2 - Adult Protective Services
$1.1 - Reinstate ALTCS Adult Preventive Dental Benefit
($2.0) - Foster Care Recruitment
($3.2) - Fraud Detection
($4.0) - Child Care Subsidy Savings
($8.8) - Community Colleges Reduction in State Aid
($10.7) - Reduce DCS Backlog Funding
($12.0) - Juvenile Corrections Fee
($20.2) - One Percent Cap
($30.0) - Create New DPS Revenue Stream
($33.2) - AHCCCS and DHS Provider Rate Adjustment
($75.0) - Funding Reduction for the Universities
($113.5) - District Non-Classroom Spending Reduction

FY 2016 Executive Recommendations by Agency

	General Fund	Other Appropriated	Non-Appropriated	All Funds
Board of Accountancy	0.0	1,936.8	0.0	1,936.8
Acupuncture Board of Examiners	0.0	157.7	0.0	157.7
Department of Administration	118,830.6	229,229.6	1,079,602.2	1,427,662.4
Office of Administrative Hearings	1,002.5	12.3	873.4	1,888.2
African-American Affairs	125.0	0.0	0.0	125.0
Department of Agriculture	8,323.0	0.0	16,341.4	24,664.4
Arizona Health Care Cost Containment System	1,201,302.4	142,218.5	10,108,127.7	11,451,648.6
Board of Appraisal	0.0	821.8	0.0	821.8
Commission on the Arts	0.0	0.0	2,231.8	2,231.8
Board of Athletic Training	0.0	118.2	0.0	118.2
Attorney General - Department of Law	24,465.1	43,358.9	48,381.2	116,205.2
Automobile Theft Authority	0.0	5,297.8	0.0	5,297.8
Board of Barbers	0.0	333.9	0.0	333.9
Board of Behavioral Health Examiners	0.0	1,758.6	0.0	1,758.6
Board for Charter Schools	990.2	0.0	316.7	1,306.9
Department of Child Safety	365,724.3	160,667.2	333,960.8	860,352.3
Board of Chiropractic Examiners	0.0	450.6	0.0	450.6
Citizens' Clean Elections Commission	0.0	0.0	10,041.6	10,041.6
Commerce Authority	0.0	0.0	53,450.2	53,450.2
Community Colleges	61,783.6	0.0	0.0	61,783.6
Constable Ethics Standards & Training Board	0.0	0.0	318.6	318.6
Registrar of Contractors	0.0	12,196.7	4,666.8	16,863.5
Corporation Commission	609.9	26,474.0	700.0	27,783.9
Department of Corrections	1,049,331.6	47,418.7	68,491.5	1,165,241.8
Board of Cosmetology	0.0	1,806.9	210.4	2,017.3
Criminal Justice Commission	0.0	5,955.1	11,738.3	17,693.4
Schools for the Deaf and the Blind	21,802.1	11,577.2	19,702.2	53,081.5
Commission for the Deaf and the Hard of Hearing	0.0	4,312.2	0.0	4,312.2
Board of Dental Examiners	0.0	1,215.1	0.0	1,215.1
Early Childhood Development and Health Board	0.0	0.0	143,303.1	143,303.1
Department of Economic Security	502,269.3	302,942.4	3,518,074.3	4,323,286.0
Department of Education	3,784,488.9	56,336.1	1,684,692.1	5,525,517.1
Department of Emergency and Military Affairs	11,085.3	132.7	55,384.5	66,602.5
Department of Environmental Quality	7,000.0	71,041.8	53,026.2	131,068.0
Governor's Office for Equal Opportunity	188.6	0.0	0.0	188.6
Board of Equalization	641.8	0.0	0.0	641.8
Board of Executive Clemency	958.6	0.0	0.0	958.6
Exposition & State Fair	0.0	11,620.8	0.0	11,620.8
Department of Financial Institutions	0.0	5,814.9	716.5	6,531.4
Board of Fingerprinting	0.0	0.0	571.9	571.9
Department of Fire, Building and Life Safety	2,205.3	0.0	710.0	2,915.3
State Forester	8,946.8	0.0	27,121.8	36,068.6
Board of Funeral Directors & Embalmers	0.0	353.7	0.0	353.7
Game & Fish Department	0.0	41,910.4	66,730.6	108,641.0
Department of Gaming	0.0	13,115.8	0.0	13,115.8
Geological Survey	941.7	0.0	1,688.6	2,630.3
Office of the Governor	6,920.1	0.0	26,546.2	33,466.3

FY 2016 Executive Recommendations by Agency

	General Fund	Other Appropriated	Non-Appropriated	All Funds
Governor's Office of Strategic Planning and Budgeting	1,994.0	0.0	0.0	1,994.0
Department of Health Services	606,804.0	88,159.3	2,139,221.0	2,834,184.3
Governor's Office of Highway Safety	0.0	0.0	6,871.9	6,871.9
Arizona Historical Society	3,156.0	0.0	1,166.0	4,322.0
Prescott Historical Society of Arizona	826.3	0.0	550.1	1,376.4
Department of Homeland Security	0.0	0.0	12,983.0	12,983.0
Board of Homeopathic Medical Examiners	0.0	102.1	0.0	102.1
Department of Housing	0.0	314.6	92,886.8	93,201.4
Independent Redistricting Commission	1,115.3	0.0	0.0	1,115.3
Commission of Indian Affairs	56.9	0.0	22.4	79.3
Department of Insurance	5,883.3	0.0	22,244.0	28,127.3
Industrial Commission of Arizona	0.0	19,994.8	5,840.7	25,835.5
Judiciary	110,495.6	41,107.4	31,106.4	182,709.4
Department of Juvenile Corrections	28,264.5	4,844.3	13,954.0	47,062.8
Land Department	12,541.9	4,522.5	1,026.6	18,091.0
Auditor General	18,246.4	0.0	1,744.9	19,991.3
House of Representatives	13,372.2	0.0	0.0	13,372.2
Joint Legislative Budget Committee	2,493.0	0.0	0.0	2,493.0
Legislative Council	8,248.9	0.0	0.0	8,248.9
Senate	8,283.8	0.0	0.0	8,283.8
Department of Liquor Licenses and Control	0.0	3,369.3	974.5	4,343.8
Lottery Commission	0.0	107,394.4	1,189,715.8	1,297,110.2
Massage Therapy	0.0	453.7	0.0	453.7
Medical Board	0.0	6,424.7	10.0	6,434.7
Mine Inspector	1,215.6	112.5	339.0	1,667.1
Naturopathic Physicians Board of Medical Examiners	0.0	177.6	0.0	177.6
Navigable Stream Adjudication Commission	129.2	200.0	0.0	329.2
Board of Nursing	0.0	4,808.8	414.7	5,223.5
Nursing Care Ins. Admin. Examiners	0.0	420.3	0.0	420.3
Board of Occupational Therapy Examiners	0.0	172.6	0.0	172.6
Board of Dispensing Opticians	0.0	135.8	0.0	135.8
Board of Optometry	0.0	229.9	0.0	229.9
OSHA Review Board	11.6	0.0	0.0	11.6
Board of Osteopathic Examiners	0.0	801.7	0.0	801.7
Parks Board	0.0	13,524.7	13,569.1	27,093.8
Personnel Board	0.0	375.0	0.0	375.0
Office of Pest Management	0.0	1,700.5	113.5	1,814.0
Board of Pharmacy	0.0	2,017.6	689.8	2,707.4
Board of Physical Therapy Examiners	0.0	481.6	0.0	481.6
Pioneers' Home	0.0	6,261.5	32.3	6,293.8
Board of Podiatry Examiners	0.0	147.3	0.0	147.3
Commission for Postsecondary Education	1,396.8	1,535.4	785.6	3,717.8
Power Authority	0.0	0.0	34,823.5	34,823.5
Board for Private Postsecondary Education	0.0	995.7	136.6	1,132.3
Board of Psychologist Examiners	0.0	448.2	0.0	448.2
Department of Public Safety	73,411.6	186,814.2	61,232.3	321,458.1
Public Safety Personnel Retirement System	0.0	0.0	170,488.0	170,488.0

FY 2016 Executive Recommendations by Agency

	General Fund	Other Appropriated	Non-Appropriated	All Funds
Department of Racing	2,029.5	2,900.7	90.0	5,020.2
Radiation Regulatory Agency	1,468.9	1,626.8	994.7	4,090.4
Department of Real Estate	2,989.7	0.0	230.1	3,219.8
Residential Utility Consumer Office	0.0	1,337.8	0.0	1,337.8
Board of Respiratory Care Examiners	0.0	297.2	0.0	297.2
Arizona State Retirement System	0.0	28,040.4	286,930.0	314,970.4
Department of Revenue	37,648.4	42,821.3	117,981.3	198,451.0
School Facilities Board	214,633.2	0.0	306,221.0	520,854.2
Department of State - Secretary of State	15,027.8	3,682.4	5,100.6	23,810.8
State Boards Office	0.0	231.1	0.0	231.1
Board of Tax Appeals	265.6	0.0	0.0	265.6
Board of Technical Registration	0.0	2,124.6	22.9	2,147.5
Office of Tourism	2,603.7	0.0	16,183.9	18,787.6
Department of Transportation	50.4	368,400.7	2,745,524.0	3,113,975.1
Treasurer	1,205.1	5,005.7	0.0	6,210.8
Uniform State Laws	0.0	0.0	0.0	0.0
Board of Regents	16,928.4	0.0	165,050.8	181,979.2
ASU - Tempe	255,672.7	516,830.5	1,327,427.0	2,099,930.2
ASU - Polytechnic	23,293.5	31,509.5	57,206.0	112,009.0
ASU - West	30,157.3	42,575.5	68,045.0	140,777.8
Northern Arizona University	106,264.2	132,857.5	324,458.9	563,580.6
University of Arizona - Main Campus	189,379.1	301,560.3	1,277,500.6	1,768,440.0
University of Arizona - Health Sciences Center	69,205.5	43,434.9	337,379.6	450,020.0
Department of Veterans' Services	5,162.7	32,001.6	11,199.7	48,364.0
Veterinary Medical Examining Board	0.0	546.8	0.0	546.8
Water Infrastructure Finance Authority	0.0	0.0	147,042.2	147,042.2
Department of Water Resources	13,330.3	1,616.6	9,375.0	24,321.9
Department of Weights and Measures	1,342.8	2,138.2	0.0	3,481.0
	9,066,542.4	3,260,174.5	28,344,626.4	40,671,343.3

General Fund Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
Department of Administration	166,098.9	127,467.2	127,467.2	118,830.6	(8,636.6)
Office of Administrative Hearings	862.2	862.5	862.5	1,002.5	140.0
African-American Affairs	0.0	125.0	125.0	125.0	0.0
Department of Agriculture	8,316.9	8,323.0	8,323.0	8,323.0	0.0
Arizona Health Care Cost Containment System	1,170,548.2	1,274,403.2	1,268,340.6	1,201,302.4	(73,100.8)
Attorney General - Department of Law	22,296.3	23,465.1	23,465.1	24,465.1	1,000.0
Board for Charter Schools	786.9	994.7	994.7	990.2	(4.5)
Department of Child Safety	0.0	347,005.4	347,005.4	365,724.3	18,718.9
Community Colleges	69,508.7	71,906.4	71,906.4	61,783.6	(10,122.8)
Corporation Commission	511.0	610.5	610.5	609.9	(0.6)
Department of Corrections	969,874.6	996,845.6	996,845.6	1,049,331.6	52,486.0
Schools for the Deaf and the Blind	22,418.5	22,497.9	22,497.9	21,802.1	(695.8)
Department of Economic Security	700,120.3	493,290.3	488,190.3	502,269.3	8,979.0
Department of Education	3,677,573.9	3,808,392.7	3,808,392.7	3,784,488.9	(23,903.8)
Department of Emergency and Military Affairs	9,656.0	13,044.4	13,044.4	11,085.3	(1,959.1)
Department of Environmental Quality	7,000.0	7,000.0	7,000.0	7,000.0	0.0
Governor's Office for Equal Opportunity	188.4	188.6	188.6	188.6	0.0
Board of Equalization	520.4	641.8	641.8	641.8	0.0
Board of Executive Clemency	824.7	958.6	958.6	958.6	0.0
Department of Financial Institutions	3,011.2	3,020.2	3,020.2	0.0	(3,020.2)
Department of Fire, Building and Life Safety	1,945.2	2,205.3	2,205.3	2,205.3	0.0
State Forester	7,179.6	9,103.8	9,103.8	8,946.8	(157.0)
Geological Survey	941.4	941.7	941.7	941.7	0.0
Office of the Governor	4,673.0	6,920.1	6,920.1	6,920.1	0.0
Governor's Office of Strategic Planning and Budgeting	1,919.9	1,994.0	1,994.0	1,994.0	0.0
Department of Health Services	562,482.2	613,362.1	611,053.1	606,804.0	(6,558.1)
Arizona Historical Society	3,155.0	3,156.0	3,156.0	3,156.0	0.0
Prescott Historical Society of Arizona	751.8	826.3	826.3	826.3	0.0
Independent Redistricting Commission	1,394.3	1,115.3	1,115.3	1,115.3	0.0
Commission of Indian Affairs	54.0	56.9	56.9	56.9	0.0
Department of Insurance	5,334.5	5,366.7	5,366.7	5,883.3	516.6
Judiciary	109,495.2	110,495.6	110,495.6	110,495.6	0.0
Department of Juvenile Corrections	39,647.8	44,165.9	44,165.9	28,264.5	(15,901.4)
Land Department	12,424.6	12,509.8	12,541.9	12,541.9	32.1
Auditor General	17,814.9	18,246.4	18,246.4	18,246.4	0.0
House of Representatives	12,376.5	13,372.2	13,372.2	13,372.2	0.0
Joint Legislative Budget Committee	2,025.7	2,493.0	2,493.0	2,493.0	0.0
Legislative Council	4,869.4	8,248.9	8,248.9	8,248.9	0.0
Senate	8,254.2	8,283.8	8,283.8	8,283.8	0.0
Mine Inspector	1,192.5	1,215.6	1,215.6	1,215.6	0.0
Navigable Stream Adjudication Commission	206.4	129.2	129.2	129.2	0.0
Board of Nursing	150.0	150.0	150.0	0.0	(150.0)
OSHA Review Board	2.2	11.6	11.6	11.6	0.0

General Fund Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
Parks Board	0.0	500.0	500.0	0.0	(500.0)
Pioneers' Home	1,600.8	1,603.4	1,603.4	0.0	(1,603.4)
Commission for Postsecondary Education	1,396.8	1,396.8	1,396.8	1,396.8	0.0
Department of Public Safety	50,802.1	89,324.9	89,324.9	73,411.6	(15,913.3)
Department of Racing	2,029.5	2,029.5	2,029.5	2,029.5	0.0
Radiation Regulatory Agency	1,467.8	1,468.9	1,468.9	1,468.9	0.0
Department of Real Estate	2,608.3	2,989.7	2,989.7	2,989.7	0.0
Department of Revenue	46,052.3	48,139.4	48,139.4	37,648.4	(10,491.0)
School Facilities Board	191,658.6	189,358.4	179,942.4	214,633.2	25,274.8
Department of State - Secretary of State	11,459.2	15,027.8	15,027.8	15,027.8	0.0
Board of Tax Appeals	262.8	265.6	265.6	265.6	0.0
Office of Tourism	7,102.6	9,103.7	9,103.7	2,603.7	(6,500.0)
Department of Transportation	4.1	50.4	50.4	50.4	0.0
Treasurer	1,205.1	1,205.1	1,205.1	1,205.1	0.0
Board of Regents	16,902.6	16,928.4	16,928.4	16,928.4	0.0
ASU - Tempe	272,575.6	292,453.1	292,453.1	255,672.7	(36,780.4)
ASU - Polytechnic	22,869.5	26,018.7	26,018.7	23,293.5	(2,725.2)
ASU - West	33,519.0	33,519.0	33,519.0	30,157.3	(3,361.7)
Northern Arizona University	110,335.0	119,371.2	119,371.2	106,264.2	(13,107.0)
University of Arizona - Main Campus	209,706.0	210,546.2	210,546.2	189,379.1	(21,167.1)
University of Arizona - Health Sciences Center	69,585.3	69,585.3	69,585.3	69,205.5	(379.8)
Department of Veterans' Services	5,485.6	5,438.3	5,438.3	5,162.7	(275.6)
Water Infrastructure Finance Authority	0.0	1,000.0	0.0	0.0	(1,000.0)
Department of Water Resources	11,964.7	13,330.3	13,330.3	13,330.3	0.0
Department of Weights and Measures	1,281.6	1,475.7	1,475.7	1,342.8	(132.9)
General Fund Operating Total	**8,700,282.1**	**9,217,543.1**	**9,193,687.6**	**9,066,542.4**	**(151,000.7)**

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
Board of Accountancy					
Accountancy Board Fund	1,522.8	1,936.8	1,936.8	1,936.8	0.0
Acupuncture Board of Examiners					
Acupuncture Board of Examiners Fund	143.1	154.7	154.7	157.7	3.0
Department of Administration					
Personnel Division Fund	12,502.5	12,914.0	12,914.0	12,914.0	0.0
Capital Outlay Stabilization Fund	16,372.1	18,080.4	18,080.4	18,080.4	0.0
DEQ Emissions Inspection Fund	0.0	0.0	0.0	5,000.0	5,000.0
Corrections Fund	413.9	574.1	574.1	574.1	0.0
Information Technology Fund	2,770.2	3,238.1	3,238.1	2,945.3	(292.8)
Air Quality Fund	732.4	927.1	927.1	927.1	0.0
Inmate Store Proceeds Fund	0.0	0.0	0.0	1,000.0	1,000.0
State Web Portal Fund	1,725.8	4,250.0	4,250.0	8,317.8	4,067.8
Automation Projects Fund	34,331.3	70,034.7	70,034.7	29,388.4	(40,646.3)
Special Employee Health Fund	4,149.4	5,267.4	5,267.4	5,267.4	0.0
Penitentiary Land Earnings Fund	0.0	0.0	0.0	2,000.0	2,000.0
State Charitable, Penal & Reformatory Land Earnings Fund	0.0	0.0	0.0	3,000.0	3,000.0
DOC Special Services Fund	0.0	0.0	0.0	2,000.0	2,000.0
Motor Pool Revolving Fund	8,890.1	10,156.1	10,156.1	10,156.1	0.0
State Surplus Property Fund	2,776.0	2,399.8	2,399.8	2,399.8	0.0
Admin - Surplus Property/Federal Fund	54.2	464.1	464.1	464.1	0.0
Risk Management Fund	74,500.2	91,995.4	127,394.0	93,212.3	1,216.9
Automation Operations Fund	17,456.4	19,120.7	19,120.7	29,727.8	10,607.1
Telecommunications Fund	1,806.7	1,855.0	1,855.0	1,855.0	0.0
Agency Total	178,481.2	241,276.9	276,675.5	229,229.6	(12,047.3)
Office of Administrative Hearings					
Healthcare Group Fund	12.3	12.3	12.3	12.3	0.0
Arizona Health Care Cost Containment System					
Tobacco Tax and Health Care Fund	32,864.7	34,178.8	34,178.8	34,186.8	8.0
Tobacco Products Tax Fund	18,535.5	18,202.4	18,202.4	18,313.2	110.8
Children's Health Insurance Program Fund	46,468.8	6,649.8	6,649.8	5,830.4	(819.4)
Budget Neutrality Compliance Fund	3,303.9	3,384.4	3,384.4	3,443.6	59.2
Healthcare Group Fund	849.9	0.0	0.0	0.0	0.0
Prescription Drug Rebate Fund	94,941.2	79,035.0	79,035.0	80,444.5	1,409.5
Agency Total	196,964.0	141,450.4	141,450.4	142,218.5	768.1
Board of Appraisal					
Board of Appraisal Fund	777.1	861.8	861.8	821.8	(40.0)
Board of Athletic Training					
Athletic Training Fund	118.2	118.2	118.2	118.2	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
Attorney General - Department of Law					
Consumer Protection/Fraud Revolving Fund	3,981.1	5,306.8	5,306.8	5,306.8	0.0
Attorney General Antitrust Revolving Fund	25.9	244.3	244.3	244.3	0.0
Attorney General Collection Enforcement Fund	5,379.7	6,888.2	6,888.2	6,888.2	0.0
State Aid to Indigent Defense Fund	488.1	800.1	800.1	800.1	0.0
Interagency Service Agreements	12,788.9	14,830.3	14,830.3	14,830.3	0.0
Victims Rights Fund	3,971.7	3,758.6	3,758.6	3,758.6	0.0
Risk Management Fund	8,805.9	9,443.0	9,443.0	9,443.0	0.0
Attorney General Legal Services Cost Allocation Fund	2,086.8	2,087.6	2,087.6	2,087.6	0.0
Agency Total	37,528.1	43,358.9	43,358.9	43,358.9	0.0
Automobile Theft Authority					
Automobile Theft Authority Fund	5,112.7	5,297.8	5,297.8	5,297.8	0.0
Board of Barbers					
Board of Barbers Fund	316.1	333.9	333.9	333.9	0.0
Board of Behavioral Health Examiners					
Behavioral Health Examiners Fund	1,446.9	1,758.6	1,758.6	1,758.6	0.0
Department of Child Safety					
Temporary Assistance for Needy Families (TANF) Fund	0.0	132,000.4	132,000.4	132,000.4	0.0
Child Care and Development Fund	0.0	27,000.0	27,000.0	27,000.0	0.0
Child Abuse Prevention Fund	0.0	1,459.1	1,459.1	1,459.1	0.0
Children and Family Services Training Program Fund	0.0	207.7	207.7	207.7	0.0
Agency Total	0.0	160,667.2	160,667.2	160,667.2	0.0
Board of Chiropractic Examiners					
Chiropractic Examiners Board Fund	362.7	450.6	450.6	450.6	0.0
Registrar of Contractors					
Registrar of Contractors Fund	10,615.6	12,196.7	12,196.7	12,196.7	0.0
Corporation Commission					
Utility Regulation Revolving Fund	13,599.2	14,221.8	14,221.8	14,221.8	0.0
Security Regulatory and Enforcement Fund	4,660.9	5,569.2	5,569.2	4,919.2	(650.0)
Public Access Fund	5,987.7	6,622.2	6,622.2	6,567.2	(55.0)
Securities Investment Management Fund	714.3	715.7	715.7	715.7	0.0
Arizona Arts Trust Fund	24.1	0.0	0.0	0.0	0.0
Arizona Arts Trust Fund	25.3	50.1	50.1	50.1	0.0
Agency Total	25,011.5	27,179.0	27,179.0	26,474.0	(705.0)

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
Department of Corrections					
Corrections Fund	28,188.0	30,017.6	30,017.6	30,017.6	0.0
State Education Fund for Correctional Education Fund	491.5	516.3	516.3	523.1	6.8
DOC - Alcohol Abuse Treatment Fund	295.3	554.4	554.4	554.4	0.0
Transition Program Fund	2,462.1	1,300.0	1,300.0	1,300.0	0.0
Prison Construction and Operations Fund	12,372.1	13,684.4	13,684.4	13,684.4	0.0
Penitentiary Land Earnings Fund	892.3	979.2	979.2	979.2	0.0
State Charitable, Penal & Reformatory Land Earnings Fund	359.9	360.0	360.0	360.0	0.0
Agency Total	45,061.1	47,411.9	47,411.9	47,418.7	6.8
Board of Cosmetology					
Cosmetology Board Fund	1,701.3	1,785.0	1,785.0	1,806.9	21.9
Criminal Justice Commission					
Criminal Justice Enhancement Fund	499.9	650.1	650.1	650.1	0.0
Victim Compensation and Assistance Fund	3,479.0	4,092.5	4,092.5	4,092.5	0.0
Drug and Gang Prevention Resource Center Fund	176.2	238.9	238.9	238.9	0.0
State Aid to County Attorneys Fund	973.6	973.6	973.6	973.6	0.0
State Aid to Indigent Defense Fund	500.0	0.0	0.0	0.0	0.0
Agency Total	5,628.7	5,955.1	5,955.1	5,955.1	0.0
Schools for the Deaf and the Blind					
Schools for the Deaf and Blind Fund	12,266.9	12,590.2	12,590.2	11,577.2	(1,013.0)
Commission for the Deaf and the Hard of Hearing					
Telecom for the Deaf Fund	3,463.0	4,021.2	4,276.7	4,312.2	291.0
Board of Dental Examiners					
Dental Board Fund	1,114.8	1,215.1	1,215.1	1,215.1	0.0
Department of Economic Security					
Indirect Cost Recovery Fund - A	0.0	1,000.0	1,000.0	1,000.0	0.0
Workforce Investment Grant Fund	41,535.8	56,060.8	56,060.8	56,060.8	0.0
Temporary Assistance for Needy Families (TANF) Fund	220,124.1	86,727.7	86,727.7	86,727.7	0.0
Child Care and Development Fund	109,338.1	103,773.6	103,773.6	103,773.6	0.0
DCYF Expenditure Authority	238,853.9	0.0	0.0	0.0	0.0
Special Administration Fund	2,829.9	2,830.6	2,830.6	2,830.6	0.0
Child Support Enforcement Administration Fund	9,032.2	16,802.2	16,802.2	16,802.2	0.0
Domestic Violence Shelter Fund	2,220.0	2,220.0	2,220.0	2,220.0	0.0
Child Abuse Prevention Fund	1,459.1	0.0	0.0	0.0	0.0
Children and Family Services Training Program Fund	71.6	0.0	0.0	0.0	0.0
Public Assistance Collections Fund	103.6	427.2	427.2	427.2	0.0
Department Long-Term Care System Fund	86,912.6	31,225.4	31,225.4	31,225.4	0.0
Spinal and Head Injuries Trust Fund	1,865.5	1,874.9	1,874.9	1,874.9	0.0
Agency Total	714,346.4	302,942.4	302,942.4	302,942.4	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
Department of Education					
School Accountability Fund Prop 301 Fund	371.1	7,000.0	7,000.0	7,000.0	0.0
Teacher Certification Fund	2,119.4	2,360.5	2,360.5	2,360.5	0.0
Empowerment Scholarship Account Fund	200.0	200.1	200.1	200.1	0.0
Student Success Fund	0.0	21,500.0	21,500.0	0.0	(21,500.0)
Technology Based Language Development Fund	0.0	300.0	300.0	300.0	0.0
Public Institution Permanent School Earnings Fund	46,475.5	46,475.5	46,475.5	46,475.5	0.0
Agency Total	49,166.0	77,836.1	77,836.1	56,336.1	(21,500.0)
Department of Emergency and Military Affairs					
Emergency And Disaster Fund	1,761.1	0.0	0.0	0.0	0.0
Emergency Response Fund	112.5	132.7	132.7	132.7	0.0
Agency Total	1,873.6	132.7	132.7	132.7	0.0
Department of Environmental Quality					
DEQ Emissions Inspection Fund	24,768.9	28,392.9	28,392.9	30,192.9	1,800.0
Hazardous Waste Management Fund	1,249.9	1,743.0	1,743.0	1,743.0	0.0
Air Quality Fund	3,708.1	5,377.2	5,377.2	5,377.2	0.0
Underground Storage Tank Revolving Fund	0.0	22.0	22.0	22.0	0.0
Recycling Fund	1,091.2	1,359.7	1,359.7	1,359.7	0.0
Permit Administration Fund	5,574.2	7,145.3	7,145.3	7,145.3	0.0
Solid Waste Fee Fund	824.2	1,243.0	1,243.0	1,243.0	0.0
Water Quality Fee Fund	6,439.3	10,548.6	10,548.6	10,548.6	0.0
Indirect Cost Fund	12,182.4	13,410.1	13,410.1	13,410.1	0.0
Agency Total	55,838.0	69,241.8	69,241.8	71,041.8	1,800.0
Exposition & State Fair					
Arizona Exposition and State Fair Fund	11,551.8	11,620.8	11,620.8	11,620.8	0.0
Department of Financial Institutions					
Financial Services Fund	882.5	1,247.4	1,247.4	0.0	(1,247.4)
Financial Institutions Fund	0.0	0.0	0.0	5,814.9	5,814.9
Agency Total	882.5	1,247.4	1,247.4	5,814.9	4,567.5
Board of Funeral Directors & Embalmers					
Funeral Directors and Embalmers Fund	339.2	353.7	353.7	353.7	0.0
Game & Fish Department					
Game and Fish Fund	28,412.5	34,545.9	34,545.9	35,419.6	873.7
Watercraft Licensing Fund	3,339.0	4,565.8	4,565.8	5,128.3	562.5
Game/Non-game Fund	154.2	346.8	346.8	346.8	0.0
Capital Improvement Fund	1,326.9	999.7	999.7	999.7	0.0
Waterfowl Conservation Fund	26.4	0.0	0.0	0.0	0.0
Wildlife Endowment Fund	0.0	16.0	16.0	16.0	0.0
Agency Total	33,259.0	40,474.2	40,474.2	41,910.4	1,436.2

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
Department of Gaming					
Lottery Fund	300.0	300.0	300.0	300.0	0.0
Permanent Tribal-State Compact Fund	1,938.7	2,104.9	2,104.9	2,104.9	0.0
Arizona Benefits Fund	9,635.3	11,111.3	11,111.3	10,710.9	(400.4)
Agency Total	11,874.0	13,516.2	13,516.2	13,115.8	(400.4)
Department of Health Services					
Tobacco Tax and Health Care Fund	27.7	0.0	0.0	0.0	0.0
Tobacco Tax Hlth Care Fund MNMI Account Fund	35,147.8	35,467.0	35,467.0	35,475.3	8.3
Capital Outlay Stabilization Fund	1,559.8	1,559.8	1,559.8	1,559.8	0.0
Health Services Licenses Fund	8,616.1	9,275.1	9,275.1	9,275.1	0.0
Child Care and Development Fund	830.4	879.4	879.4	879.4	0.0
Health Research Fund	1,000.0	3,000.0	3,000.0	3,000.0	0.0
Emergency Medical Services Operating Fund	4,257.1	5,122.4	5,122.4	5,372.4	250.0
Newborn Screening Program Fund	6,008.3	6,739.6	6,739.6	6,739.6	0.0
Substance Abuse Services Fund	2,250.0	2,250.0	2,250.0	2,250.0	0.0
Nursing Care Institution Protection Fund	59.0	88.2	88.2	138.2	50.0
Environmental Lab License Revolving Fund	668.5	927.1	927.1	927.1	0.0
Child Fatality Review Fund	69.4	94.8	94.8	94.8	0.0
Vital Records Electronic Systems Fund	2,429.3	3,635.5	3,635.5	3,635.5	0.0
The Arizona State Hospital Fund	9,385.4	9,588.6	9,588.6	9,588.6	0.0
DHS State Hospital Land Earnings Fund	1,021.3	650.0	650.0	650.0	0.0
DHS - Indirect Cost Fund	8,833.1	8,573.5	8,573.5	8,573.5	0.0
Agency Total	82,163.3	87,851.0	87,851.0	88,159.3	308.3
Board of Homeopathic Medical Examiners					
Homeopathic Medical Examiners Fund	81.0	102.1	102.1	102.1	0.0
Department of Housing					
Housing Trust Fund	313.8	314.6	314.6	314.6	0.0
Industrial Commission of Arizona					
Industrial Commission Admin Fund	19,562.9	19,994.8	19,994.8	19,994.8	0.0
Judiciary					
Supreme Court CJEF Disbursements Fund	7,150.3	10,007.0	10,007.0	10,007.0	0.0
Judicial Collection - Enhancement Fund	17,252.1	20,031.6	20,031.6	20,031.6	0.0
Defensive Driving Fund	3,498.4	4,194.7	4,194.7	4,194.7	0.0
Court Appointed Special Advocate Fund	2,550.7	2,941.1	2,941.1	2,941.1	0.0
Confidential Intermediary Fund	320.6	488.2	488.2	488.2	0.0
Drug Treatment and Education Fund	500.0	500.2	500.2	500.2	0.0
State Aid to Courts Fund	2,338.1	2,944.6	2,944.6	2,944.6	0.0
Agency Total	33,610.2	41,107.4	41,107.4	41,107.4	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
Department of Juvenile Corrections					
Juvenile Corrections CJEF Dist Fund	332.3	530.6	530.6	530.6	0.0
State Education Fund for Committed Youth Fund	2,036.0	2,313.7	2,313.7	2,313.7	0.0
State Charitable, Penal and Reformatory Land Fund	1,098.6	1,098.6	1,098.6	2,000.0	901.4
Agency Total	3,466.9	3,942.9	3,942.9	4,844.3	901.4
Land Department					
Environmental Special Plate Fund	173.7	260.0	260.0	260.0	0.0
Due Diligence Fund	10.9	500.0	500.0	500.0	0.0
Trust Land Management Fund	1,154.5	4,862.5	4,862.5	3,762.5	(1,100.0)
Agency Total	1,339.1	5,622.5	5,622.5	4,522.5	(1,100.0)
Department of Liquor Licenses and Control					
Liquor Licenses Fund	2,932.2	3,589.2	3,589.2	3,369.3	(219.9)
Lottery Commission					
Lottery Fund	93,020.5	104,042.8	104,042.8	107,394.4	3,351.6
Massage Therapy					
Massage Therapy Board Fund	451.2	438.7	438.7	453.7	15.0
Medical Board					
Medical Examiners Board Fund	5,740.9	5,740.3	5,740.3	6,424.7	684.4
Mine Inspector					
Aggregate Mining Reclamation Fund	30.2	112.5	112.5	112.5	0.0
Naturopathic Physicians Board of Medical Examiners					
Naturopathic Board Fund	152.4	177.6	177.6	177.6	0.0
Navigable Stream Adjudication Commission					
Risk Management Fund	0.0	0.0	359.3	200.0	200.0
Board of Nursing					
Nursing Board Fund	4,269.7	4,272.1	4,272.1	4,808.8	536.7
Nursing Care Ins. Admin. Examiners					
Nursing Care Institution Admin/ACHMC Fund	345.6	420.3	420.3	420.3	0.0
Board of Occupational Therapy Examiners					
Occupational Therapy Fund	172.4	184.2	184.2	172.6	(11.6)
Board of Dispensing Opticians					
Dispensing Opticians Board Fund	131.5	135.8	135.8	135.8	0.0
Board of Optometry					
Board of Optometry Fund	199.4	206.1	206.1	229.9	23.8
Board of Osteopathic Examiners					
Osteopathic Examiners Board Fund	744.2	801.7	801.7	801.7	0.0
Parks Board					
State Parks Revenue Fund	12,388.9	12,842.1	12,842.1	13,524.7	682.6
Personnel Board					
Personnel Division Fund	314.5	375.0	375.0	375.0	0.0
Office of Pest Management					
Pest Management Fund	1,264.7	1,700.5	1,700.5	1,700.5	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
Board of Pharmacy					
Pharmacy Board Fund	1,901.5	2,053.9	2,053.9	2,017.6	(36.3)
Board of Physical Therapy Examiners					
Physical Therapy Fund	409.0	408.0	408.0	481.6	73.6
Pioneers' Home					
Pioneers' Home State Charitable Earnings Fund	2,509.9	2,578.0	2,578.0	4,181.4	1,603.4
Pioneers' Home Miners' Hospital Fund	1,884.3	2,080.1	2,080.1	2,080.1	0.0
Agency Total	4,394.2	4,658.1	4,658.1	6,261.5	1,603.4
Board of Podiatry Examiners					
Podiatry Examiners Board Fund	125.2	147.3	147.3	147.3	0.0
Commission for Postsecondary Education					
Postsecondary Education Fund	1,282.6	1,535.4	1,535.4	1,535.4	0.0
Board for Private Postsecondary Education					
Private Postsecondary Education Fund	616.4	395.7	395.7	995.7	600.0
Board of Psychologist Examiners					
Psychologist Examiners Board Fund	359.9	413.6	413.6	448.2	34.6
Department of Public Safety					
State Highway Fund	6,743.8	6,743.9	6,743.9	6,743.9	0.0
Arizona Highway Patrol Fund	19,608.2	19,024.3	19,024.3	85,184.0	66,159.7
Safety Enforcement and Transportation Infrastructure Fund	1,566.3	1,566.3	1,566.3	1,566.3	0.0
Crime Laboratory Assessment Fund	870.6	871.3	871.3	937.6	66.3
Auto Fingerprint Identification Fund	2,359.8	2,909.7	2,909.7	2,910.5	0.8
DNA Identification System Fund	5,423.8	6,323.2	6,323.2	6,323.2	0.0
Public Safety Equipment Fund	3,209.8	2,890.0	2,890.0	2,890.0	0.0
Crime Laboratory Operations Fund	14,277.2	14,723.8	14,723.8	14,723.8	0.0
Gang and Immigration Intelligence Team Enforcement Mission Fund	4,406.4	2,390.0	2,390.0	2,390.0	0.0
State Aid to Indigent Defense Fund	0.0	700.0	700.0	700.0	0.0
Motorcycle Safety Fund	205.0	205.0	205.0	205.0	0.0
Parity Compensation Fund	1,885.3	1,950.1	1,950.1	2,166.4	216.3
Concealed Weapons Permit Fund	0.0	1,276.4	1,276.4	1,283.0	6.6
Highway User Revenue Fund	119,247.1	89,255.0	89,255.0	54,255.0	(35,000.0)
DPS Criminal Justice Enhancement Fund	2,871.2	2,873.4	2,873.4	2,890.8	17.4
Risk Management Fund	1,199.9	1,233.7	1,233.7	1,348.5	114.8
Automation Operations Fund	295.8	296.2	296.2	296.2	0.0
Agency Total	184,170.2	155,232.3	155,232.3	186,814.2	31,581.9
Department of Racing					
Racing Regulation Fund	2,815.9	2,900.7	2,900.7	2,900.7	0.0
Radiation Regulatory Agency					
State Radiologic Technologist Certification Fund	236.0	273.4	273.4	273.4	0.0
Radiation Regulatory Fee Fund	583.7	579.8	579.8	1,353.4	773.6
Agency Total	819.7	853.2	853.2	1,626.8	773.6

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
Residential Utility Consumer Office					
Residential Utility Consumer Office Revolving Fund	1,032.0	1,337.8	1,337.8	1,337.8	0.0
Board of Respiratory Care Examiners					
Board of Respiratory Care Examiners Fund	294.9	297.2	297.2	297.2	0.0
Arizona State Retirement System					
Retirement System Appropriated Fund	23,429.5	26,494.7	26,494.7	25,240.4	(1,254.3)
LTD Trust Fund	2,532.4	2,800.0	2,800.0	2,800.0	0.0
Agency Total	25,961.9	29,294.7	29,294.7	28,040.4	(1,254.3)
Department of Revenue					
Tobacco Tax and Health Care Fund	574.8	679.5	679.5	679.5	0.0
Department of Revenue Administrative Fund	24,687.6	24,436.8	24,436.8	39,744.5	15,307.7
DOR Liability Setoff Fund	701.2	397.3	397.3	397.3	0.0
DOR Collections Fund	0.0	0.0	0.0	2,000.0	2,000.0
Agency Total	25,963.6	25,513.6	25,513.6	42,821.3	17,307.7
Department of State - Secretary of State					
Election Systems Improvement Fund	2,697.9	2,941.1	2,941.1	2,941.1	0.0
Records Services Fund	741.0	741.3	741.3	741.3	0.0
Agency Total	3,438.9	3,682.4	3,682.4	3,682.4	0.0
State Boards Office					
Special Services Fund	228.8	231.1	231.1	231.1	0.0
Board of Technical Registration					
Technical Registration Board Fund	1,774.7	2,124.6	2,124.6	2,124.6	0.0
Department of Transportation					
State Aviation Fund	1,606.8	1,624.9	1,624.9	1,624.9	0.0
State Highway Fund	333,998.1	340,869.9	340,869.9	342,955.9	2,086.0
Transportation Department Equipment Fund	17,112.5	18,507.0	18,507.0	18,507.0	0.0
Safety Enforcement and Transportation Infrastructure Fund	1,878.2	1,881.0	1,881.0	1,881.0	0.0
Air Quality Fund	34.7	74.5	74.5	74.5	0.0
Vehicle Inspection and Title Enforcement Fund	1,458.5	1,464.6	1,464.6	1,464.6	0.0
Motor Vehicle Liability Insurance Enforcement Fund	1,080.1	1,087.1	1,087.1	1,087.1	0.0
Driving Under Influence Abatement Fund	153.8	153.9	153.9	153.9	0.0
Highway User Revenue Fund	650.7	651.8	651.8	651.8	0.0
Agency Total	357,973.3	366,314.7	366,314.7	368,400.7	2,086.0
Treasurer					
Boating Safety Fund	1,931.6	2,183.8	2,183.8	2,183.8	0.0
Treasurer Empowerment Scholarship Account Fund	40.0	40.0	40.0	40.0	0.0
State Treasurer's Operating Fund	2,483.4	2,584.3	2,584.3	2,584.3	0.0
State Treasurer's Management Fund	198.9	197.6	197.6	197.6	0.0
Agency Total	4,653.8	5,005.7	5,005.7	5,005.7	0.0

Other Appropriated Funds Operating Budgets Summary

(Dollars in Thousands)

	FY 2014 Expenditures	FY 2015 Appropriation	FY 2015 Executive Budget	FY 2016 Executive Budget	FY 2016 Changes and Adjustments
ASU - Tempe					
ASU Collections - Appropriated Fund	453,505.9	516,830.5	516,830.5	516,830.5	0.0
ASU - Polytechnic					
ASU Collections - Appropriated Fund	35,701.3	29,509.5	29,509.5	29,509.5	0.0
Technology and Research Initiative Fund	2,000.0	2,000.0	2,000.0	2,000.0	0.0
Agency Total	37,701.3	31,509.5	31,509.5	31,509.5	0.0
ASU - West					
ASU Collections - Appropriated Fund	40,950.8	40,975.5	40,975.5	40,975.5	0.0
Technology and Research Initiative Fund	1,600.0	1,600.0	1,600.0	1,600.0	0.0
Agency Total	42,550.8	42,575.5	42,575.5	42,575.5	0.0
Northern Arizona University					
NAU Collections - Appropriated Fund	120,281.1	132,857.5	132,857.5	132,857.5	0.0
University of Arizona - Main Campus					
U of A Main Campus - Collections - Appropriated Fund	259,587.2	301,560.3	301,560.3	301,560.3	0.0
University of Arizona - Health Sciences Center					
U of A Main Campus - Collections - Appropriated Fund	44,503.3	43,434.9	43,434.9	43,434.9	0.0
Department of Veterans' Services					
Veterans' Conservatorship Fund	526.7	906.6	906.6	906.6	0.0
State Home for Veterans Trust Fund	29,315.7	31,095.0	31,095.0	31,095.0	0.0
Agency Total	29,842.4	32,001.6	32,001.6	32,001.6	0.0
Veterinary Medical Examining Board					
Veterinary Medical Examiners Board Fund	435.8	577.3	577.3	546.8	(30.5)
Department of Water Resources					
Arizona Water Banking Fund	0.0	0.0	0.0	709.7	709.7
Water Resources Fund	83.8	640.4	640.4	640.4	0.0
Assured and Adequate Water Supply Administration Fund	5.1	266.5	266.5	266.5	0.0
Agency Total	88.9	906.9	906.9	1,616.6	709.7
Department of Weights and Measures					
Air Quality Fund	1,424.9	1,443.2	1,443.2	1,443.2	0.0
Motor Vehicle Liability Insurance Enforcement Fund	330.0	330.1	330.1	695.0	364.9
Agency Total	1,754.9	1,773.3	1,773.3	2,138.2	364.9
Other Appropriated Funds Operating Total	**3,277,942.0**	**3,227,799.1**	**3,263,812.5**	**3,260,174.5**	**32,375.4**

Resources

Visit the Governor's Office of Strategic Planning and Budgeting at www.azospb.gov

Budget

FY 2016 Executive Budget – Summary

FY 2016 Executive Budget – State Agency Budgets

FY 2016 Executive Budget – Sources and Uses of State Funds and Appendix

Statement of Federal Funds for Fiscal Years 2014 through 2016

Calculation of the Appropriation Limit for Fiscal Years 2013 and 2014

Strategic Planning

Five-Year Strategic Plans for State Agencies and the Master List of State Government Programs includes:

- Expenditures for each function or program of state government
- Goals and performance measures for Fiscal Years 2014 through 2016
- Agencies' strategic issues and strategies for addressing them for the next five years
- Agencies' resource needs for the next five years

Historical Perspective

Revenue and Expenditure Data

Executive Budgets and Strategic Planning Documents from Previous Years

Monthly Updates

Year-to-Date General Fund Revenue Collections

Monthly Budget Reports, including (a) Agencies' Statements of Year-to-Date Revenues and Expenditures for Every Fund, and Projections for the Remainder of the Fiscal, Year and (b) Agencies' Statements of Year-to-Date Expenditures from Appropriations, and Projections for the Remainder of the Fiscal Year.

http://www.azospb.gov/index.html

State Agency Technical Resources

Agency Budget Development Software and Training Resources

Managing for Results, Arizona's Strategic Planning Handbook (recognized by the Council of State Governments as an Exemplary State Management Program)

Other Helpful Links

Arizona's Official Website

Governor's Website

The Arizona Experience Website

State Agencies' Websites

Searchable database of the State accounting system (Openbooks)

Arizona Employment Statistics

Arizona Population Statistics

FY 2015 Appropriations Report

Acknowledgement

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