

## FY 2020 BUDGET RECONCILIATION BILL PROVISIONS

The Baseline includes the enactment of statutory changes associated with its funding amount. The following provisions would be grouped by subject into Budget Reconciliation Bills (BRBs). New provisions in the Baseline are noted with an asterisk (\*).

### Statewide

1. As session law, continue to set the FY 2020 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA) at \$16.08/square foot for rentable office space and \$5.79/square foot for rentable storage space.
2. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.

### Arizona Department of Administration

3. \* As permanent law, require ADOA to report on the proposed Risk Management agency premiums by March 1 every year.
4. \* As permanent law, eliminate the JLBC review requirement for the AFIS transaction fee.
5. \* As permanent law, add a statutory due date of October 1 for an existing requirement that ADOA annually report on newly established, modified, or cancelled state funds.

### Department of Agriculture

6. As session law, continue fee changing authority and an exemption relating to establishing fees for the Arizona Department of Agriculture in FY 2020. The bill continues an intent clause that limits additional revenues to \$357,000.

### AHCCCS

#### *Rates and Services*

7. As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels.

#### *Counties*

8. As session law, set the FY 2020 county Arizona Long Term Care System (ALTCs) contributions at \$280,648,000.
9. As session law, set the County Acute Care contribution at \$46,161,700. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.
10. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.
11. As session law, continue to require AHCCCS to transfer any excess monies back to the counties by December 31, 2020 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.

#### *Hospitals*

12. As session law, continue to establish FY 2020 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District (MIHS), the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Keep the MIHS distribution of \$113,818,500 in FY 2020.
13. As session law, continue to require AHCCCS to give priority to rural hospitals in Pool 5 distribution, and allow MIHS to be eligible for Pool 5 allocations. Permit local jurisdictions to provide additional local match for Pool 5 distributions.

#### *Available Funding*

14. As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

#### *Reports*

15. As permanent law, continue to require AHCCCS and the Department of Health Services (DHS) to submit a joint report to the Legislature and the Governor by January 2 of each year on hospital costs and charges. This provision had previously been authorized as session law.

16. As permanent law, continue to require AHCCCS to report to JLBC on or before January 2 of each year on the availability of inpatient psychiatric treatment and "psychiatric boarding" in emergency rooms for children and adults enrolled in Arizona's Regional Behavioral Health Authorities. This provision had previously been authorized as session law.

#### **Department of Child Safety**

17. As permanent law, continue to require the department to report to the JLBC on or before February 1 of each year with the Early Childhood Development and Health Board on collaborative efforts on child welfare issues. This provision had previously been authorized as session law.

#### **Community Colleges**

18. As session law, continue to suspend the Operating State Aid funding formula in FY 2019 for Maricopa and Pima Counties.
19. As session law, continue to suspend Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2020 and specify the funding in the General Appropriation Act, which for Pinal would again equal \$96,500.

#### **State Department of Corrections**

20. As session law, continue to require the department to report actual FY 2019, estimated FY 2020, and requested FY 2021 expenditures as delineated in the prior year when the department submits its FY 2021 budget request pursuant to A.R.S. § 35-113.

#### **Counties and Cities & Towns**

21. As session law, continue to allow counties with a population below 250,000 in the 2010 decennial census to use any source of county revenue to meet a county fiscal obligation for FY 2020, up to \$1,250,000 of county revenue for each county. Requires counties using this authority to report to the Director of JLBC on the intended amount and sources of funds by October 1, 2019.

#### **Office of Economic Opportunity**

22. \* As permanent law, require the Arizona Industrial Development Authority to report on its annual revenues, expenditures, and program activity by October 1 annually.

#### **Department of Economic Security**

23. As session law, continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable cause to believe that the recipient uses illegal drugs.
24. As permanent law, continue to permit DES to reduce income eligibility levels for all child care programs. Require DES to report to the JLBC within 15 days of any change in levels. This provision had previously been authorized as session law.
25. As permanent law, continue to allow the Special Administration Fund to be used for purposes other than administration of unemployment benefits. This provision had previously been authorized as session law.
26. \* As session law, notwithstanding the requirement in A.R.S. § 36-2960B to provide an inflation adjustment to the appropriation for DD Cost Effectiveness Study client services.

#### **Department of Education**

##### *Formula Requirements*

27. As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation.
28. As permanent law, increase the base level by an additional amount to be determined in spring 2019 to incorporate into Basic State Aid \$164,700,000 for teacher salary increases already appropriated for FY 2020 by Section 136 of the FY 2019 General Appropriation Act.

##### *Aggregate Expenditure Limit*

29. \* As session law, authorize school districts to exceed the Aggregate Expenditure Limit (AEL) in the State Constitution in FY 2020 to ensure that they can spend monies appropriated for additional teacher pay

raises and additional assistance restorations for FY 2020. The Legislature can address this issue in either the 2019 or 2020 Legislative Session.

#### *Results-Based Funding*

- 30. \* As session law, allocate Results-Based Funding using the same formula that was used in FY 2019, but based on AzMERIT test results from spring 2018 rather than spring 2017. Under permanent law, the Results-Based Funding instead would be distributed to schools with a letter grade A under the A-F performance rating developed by the State Board of Education.
- 31. As session law, continue to allow the department to transfer up to \$1,600,000 from the state General Fund appropriation for Basic State Aid for FY 2019 to the Results-Based Funding program for FY 2019 without review by the JLBC to address a formula shortfall for Results-Based Funding, if any, for FY 2019. Continue to require any amount transferred that exceeds the shortfall amount to revert to the state General Fund on June 30, 2019.

#### *Other*

- 32. As session law, continue stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.
- 33. \* As permanent law, make the American Civics Education Fund a non-appropriated fund to eliminate the need for the Legislature to appropriate monies both into and out of it.
- 34. \* As permanent law, delete the definition of "base level" for FY 2017 and prior years from A.R.S. § 15-901B2, as they are no longer needed. (A new definition of "base level" is added to A.R.S. § 15-901B2 each year for the upcoming fiscal year.)
- 35. \* As permanent law, replace obsolete references to the Homeowners Rebate percentage in A.R.S. § 15-972B with the current rebate percentage of 47.19% that was established by DOR for FY 2017 and subsequent years pursuant to Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1, Section 127.
- 36. \* As permanent law, update the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2020 under it.
- 37. \* As permanent law, amend A.R.S. § 15-249.06F to make the annual report on the College Credit by Examination Incentive Program not subject to JLBC review.

#### **Department of Environmental Quality**

- 38. As session law, continue to allow the department to utilize up to \$6,531,000 from the Underground Storage Tank (UST) Fund in FY 2020 for department administrative expenses and for sewage remediation.
- 39. As session law, continue to suspend the requirement to appropriate \$15,000,000 from the state General Fund to the Water Quality Assurance Revolving Fund (WQARF). In FY 2020, appropriate \$6,500,000 from the Vehicle Emissions Inspection Fund, \$5,000,000 from the Air Quality Fund, and \$2,052,000 from the Recycling Fund to WQARF, for a total of \$13,552,000. With \$2,000,000 of non-appropriated funds, total WQARF funding would be \$15,552,000.
- 40. As session law, continue the FY 2019 level of vehicle emissions inspection fees in FY 2020 (FY 2019 fees are \$3 less than FY 2016 in Area A, which includes Maricopa County and portions of Pinal and Yavapai Counties.)
- 41. As session law, continue to include a legislative intent statement that the WQARF appropriations are being supplemented by \$2,000,000 of non-appropriated monies directly deposited into WQARF, which consists of other revenue generated from various license and registration fees.

#### **Department of Gaming**

- 42. As session law, continue to set the Racing Wagering Assessment at 0.5% in FY 2020 only.

#### **Department of Health Services**

- 43. As permanent law, continue to require all cities and counties to pay 100% of cost of Restoration to Competency treatment. Allow counties to use any source of county revenue to make the transfers. This provision had previously been authorized as session law.
- 44. As permanent law, continue to notwithstanding A.R.S. § 36-773 to permit DHS to use Tobacco Tax and Health Care Fund - Health Research Account for Alzheimer's disease research. This provision had previously been authorized as session law.
- 45. As session law, continue to notwithstanding A.R.S. § 5-572 and A.R.S. § 36-108.01 to allow the Health Services Lottery monies to be used for homeless pregnant women services.

- 46. As session law, continue fee raising authority and an exemption relating to establishing fees for the Bureau of Radiation Control in FY 2020 and continue an intent clause that limits additional revenues to \$561,000.
- 47. As permanent law, continue to allow DHS to use the Disease Control Research Fund for AIDS reporting and surveillance. This provision had previously been authorized as session law.

#### **Department of Insurance**

- 48. As session law, continue to suspend the requirement that fees collected by the department be between 95% and 110% of the department's appropriation.

#### **Department of Juvenile Corrections**

- 49. As session law, continue to state that it is the intent of the Legislature that each county pays an assessed amount determined by the county's proportional share by population of \$11,260,000.

#### **Arizona Navigable Stream Adjudication Commission**

- 50. As session law, continue to allow use of the Water Banking Fund for the commission's legal obligations.

#### **Arizona State Parks Board**

- 51. As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.

#### **Department of Public Safety**

- 52. As session law, continue to require the Department of Public Safety (DPS) to receive JLBC review of the expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount FY 2020 appropriation prior to its expenditure.
- 53. As session law, continue to allow the use of the Concealed Weapons Permit Fund and the State Aid to Indigent Defense Fund for DPS operating expenses.
- 54. As session law, continue to allow DPS to utilize \$144,900 from the FY 2020 GIITEM Subaccount appropriation for costs related to an increase in the PSPRS employer contribution rate.
- 55. As session law, continue to allocate \$400,000 from the GIITEM General Fund distribution to the Pima County Sheriff's Office.
- 56. As permanent law, continue to allow DPS to use the Arizona Drug and Gang Resource Center Fund for Pharmaceutical Diversion and Drug Theft Task Force. This provision had previously been authorized as session law.
- 57. \* As permanent law, eliminate the statutory authorization to use up to \$10 million from the Highway User Revenue Fund (HURF) DPS Highway Patrol costs.
- 58. \* As session law, amend Laws 2018, Chapter 312 to change the requirement for the DPS purchase of virtual training simulators. Chapter 312 specified that the Yuma County Sheriff's Office would receive one of the simulators, but since the Sheriff's Office has declined because they already have one, DPS would instead choose the recipient.
- 59. \* As permanent law, eliminate the deposit of certain Insurance Premium Tax revenues into the Highway Patrol Fund, and instead deposit those monies into the General Fund.

#### **Department of Revenue**

- 60. \* As permanent law, continue to allow the Liability Setoff Program Revolving Fund to be used for general operating expenditures of the department. This provision had previously been authorized as session law.
- 61. As session law, continue legislative intent statement that local fees to fund the Department of Revenue (DOR) are not to exceed \$20,755,835 and are to be allocated between cities and towns, counties, the Maricopa Association of Governments and the Pima Association of Governments based on the prorated share of all revenues distributed to them (excluding Highway User Revenue Fund money).

#### **Secretary of State**

- 62. As session law, continue to allow the Records Services Fund and Data Processing Acquisition Fund to fund election services.
- 63. \* As permanent law, create a fund for county contributions to the operational costs for the state's voter registration system.

64. \* As session law, notwithstanding the requirement of A.R.S. § 16-250 that counties receive a reimbursement rate of \$1.25 for each active registered voter for Presidential Preference Election costs. This would allow the Legislature to determine the level of reimbursement for the 2020 Presidential Preference Election.

#### **School Facilities Board**

65. \* As permanent law, require SFB to report to JLBC within 30 days of making a transfer into the Emergency Deficiencies Corrections Fund.

#### **Transportation**

66. \* As permanent law, modify existing statute to provide greater legislative oversight of ADOT's expenditure of state funds for its authorized third-party electronic service partner.

#### **Universities**

67. As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into Arizona Financial Aid Trust (AFAT).

#### **Department of Water Resources**

68. As session law, continue to allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2020.
69. As session law, continue to allow the department non-municipality special fee authority, including an intent clause that limits additional revenue up to \$100,200, and exempt the department from rulemaking for this purpose.

#### **Revenues**

70. As session law, continue to notwithstanding the requirements for any deposit to or any withdrawals from the Budget Stabilization Fund through FY 2022.
71. \* As permanent law, eliminate the deposit of certain Insurance Premium Tax revenues into the Highway Patrol Fund, and instead deposit those monies into the General Fund.

## **FY 2020 GENERAL APPROPRIATION ACT PROVISIONS**

The Baseline includes the following provisions in the General Appropriation Act. These provisions are in addition to the individual agency appropriations, but exclude supplemental appropriations, ex-appropriations, and fund transfers. New provisions in the Baseline are noted with an asterisk (\*).

#### **Arizona Commerce Authority**

72. As session law, in accordance with statute (A.R.S. § 43-409), allocate \$15,500,000 of General Fund withholding tax revenue to the Authority in FY 2020.

#### **Counties and Cities & Towns**

73. As session law, continue to appropriate \$550,050 to all counties with populations under 900,000 people according to the 2010 Census. As session law, continue to appropriate additional \$500,000 to Graham County.
74. As session law, in accordance with A.R.S. § 9-601, appropriate \$23,499,950 from the General Fund in FY 2020 for the Phoenix Convention Center.
75. As session law, in accordance with A.R.S. § 42-5031, continue to provide sales tax revenues, estimated at \$14,000,000 in FY 2020, to the Rio Nuevo Multipurpose Facility District.

#### **Department of Education**

76. As session law, continue to defer \$930,727,700 in Basic State Aid payments for FY 2020 until FY 2021. Appropriate \$930,727,700 in FY 2021 for these deferred Basic State Aid payments. Continue to exempt

school districts with less than 600 students from the K-12 rollover. Allow ADE to make the rollover payment no later than July 12, 2020.

77. As session law, continue to require school districts to include in the FY 2020 revenue estimates that they use for computing their FY 2020 tax rates the rollover monies that they will receive for FY 2020 in July 2020.

#### **Debt Service**

78. As session law, continue to appropriate \$84,108,500 from the General Fund to the Arizona Department of Administration in FY 2020 for a debt service payment on the 2010 sale and leaseback of state buildings. The dollar amount consists of 2 separate appropriations of \$60,098,700 and \$24,009,800.

#### **Department of Public Safety**

79. \* As session law, transfer \$16,736,900 from the 10% "Excess" Highway Safety Fee in the Highway Patrol Fund to the State Highway Fund in FY 2020.
80. \* As session law, transfer \$24,219,700 of Vehicle License Tax monies in the State Highway Fund to the General Fund in FY 2020.

#### **Revenues**

81. As session law, continue to specify revenue and expenditure estimates for FY 2019, FY 2020, FY 2021, and FY 2022.
82. As session law, continue to require the Executive Branch to provide JLBC preliminary estimates of FY 2019 ending balances by September 15, 2019. Require JLBC Staff to report to JLBC by October 15, 2019 as to whether FY 2020 revenues and ending balance are expected to change by more than \$50,000,000 from budgeted projections.

#### **Statewide**

83. As session law, continue to state legislative intent that all budget units receiving appropriations continue to report actual, estimated and requested expenditures in a format similar to prior years.
84. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in FY 2020 in all agencies and provide it to the JLBC Director by October 1, 2020. The Universities are exempt from the report but are required to report separately.
85. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2019 on the number of filled appropriated and non-appropriated FTE Positions by fund source as of September 1, 2019.
86. As session law, continue to require ADOA to report monthly to the JLBC Director on agency transfers of spending authority from one expenditure class to another or between programs.

#### **General**

87. As session law, continue to define "\*" as designating an appropriation exempt from lapsing.
88. As session law, continue to define "expenditure authority" as continuously appropriated monies included in individual line items of appropriations.
89. As session law, continue to define "review by the Joint Legislative Budget Committee" as a review by a vote of a majority of a quorum of the members.

## **FY 2020 MAJOR FOOTNOTE CHANGES**

The Baseline includes the following major additions, deletions or modifications of footnotes. This list does not include footnotes pertaining to one-time reports or appropriations or footnote changes conforming to enacted policy.

#### **Arizona Department of Administration**

90. Modifies footnote requiring the department to report the status of all capital projects and expenditures rather than just building renewal projects semiannually. (Capital)

**Department of Corrections**

- 91. Modifies footnote establishing annual bed capacity report to require ADC to provide rationale for closing permanent beds prior to temporary beds or opening new beds.
- 92. Modifies footnote requiring the department to report the status of all capital projects and expenditures rather than just building renewal projects semiannually. (Capital)

**Department of Education**

- 93. Modifies footnote to include the Special Education Fund line item as another potential source of, and recipient of, monies in FY 2020 to resolve FY 2019 formula funding shortfalls.

**Game and Fish Department**

- 94. Modifies footnote requiring the department to report the status of all capital projects and expenditures rather than just building renewal projects semiannually. (Capital)

**Judiciary**

- 95. Modifies footnote regarding county probation officer spending to delete duplicative provision.

**Arizona State Parks Board**

- 96. Adds footnote requiring the Arizona State Parks Board to report the status of all capital projects and expenditures semiannually. (Capital)

**Department of Public Safety**

- 97. Adds footnote requiring the department to submit an expenditure plan for the Peace Officer Training Equipment to JLBC for review prior to any expenditures in FY 2020.

**School Facilities Board**

- 98. Adds footnote requiring SFB to submit to JCCR by August 15, 2019 a report on the Board's criteria for evaluating if a school has outlived its useful life pursuant to A.R.S. § 15-2041G.

**Department of Transportation**

- 99. Modifies footnote to eliminate clause appropriating ADOT any State Aviation Fund balances and collections over the Airport Planning and Development appropriation. (Capital)
- 100. Adds footnote requiring ADOT to report to JLBC Staff by October 1, 2019 on the status of all Aviation Grant awards and distributions. (Capital)
- 101. Modifies footnote to require ADOT semiannual building renewal status update to also include all non-highway construction capital projects. (Capital)