

## STATE LEGISLATIVE UPDATE

**Monday, June 12, 2023**

The Arizona House and Senate return to the Capitol today, after being on “recess” since they passed a budget in mid-May. A recess at this stage of session is rare, as the Legislature usually has one or two marathon style floor sessions following the budget passing. This is so they can work through the remaining bills, and then adjourn ‘sine die’ for the year (unless called back into special session by the Governor.)

This year however, Republican leadership in the House and Senate opted to take a recess because several members were out on vacation, as well as there being legislative vacancies that needed to be filled for Republicans to hold their narrow majority. That said, the prevailing rumor going into today is that the legislature will work Monday and Tuesday this week and then suspend the session again until August. President Petersen would like to keep the session open until October or November, but Speaker Toma does not support that idea at this point. The effective date for legislation passed this session is 90-days after adjournment, so by pushing the “sine die” date means any new legislation passed will be delayed.

**Budget Highlights.** Republicans and Democrats found things to love and hate in the approved budget. The \$17.8 billion package funds state government and allocates the state’s surplus funding to a long list of one-time investments that reflect legislators’ priorities for their districts.

The budget package also includes two measures that are usually part of the budget: A bill to continue AHCCCS and other health oversight entities and a resolution to waive the state’s aggregate expenditure limit for the next school year. It overrides the spending cap on schools until June 30, 2024, and avoids a potential budget cut for schools next year.

Core funding items included in the budget package are highlighted below.

### Child Safety

- The budget provides funding for vehicles for the Department of Child Safety and more emergency shelter group and transitional housing for those in foster care.
- It creates an extended foster care comprehensive service model and a Positive Parenting Program for Post Permanency Placements.

### Courts

- The budget adds funding for a private fiduciary investigator within the Arizona Supreme Court and adds a new judge for superior courts in Yavapai County and Yuma County.

## Economic Development

- The budget provides one-time economic transition resources through non-profits on tribal lands, funds micro business loans, pays for a Rural Development Advisory Council, and creates a strategic framework for economic development.

## Education

- The budget increases the annual inflation adjustment for school funding from 2% to 2.9% and increases additional assistance payments to school districts. (This increase is funded by an elimination of the results-based funding model established under former Governor Ducey. Governor Hobbs believes the system did not benefit all schools.)
- It provides \$300 million for schools to use this year.
- It boosts one-time funding for alternative K-12 transportation, early literacy programs, school facilities, dual enrollment programs, and broadband access. It also provides one-time dollars for a wide range of specific school projects around the state.
- It establishes new reporting requirements on ESA enrollment and allocations. In addition, the House announced it would create a bipartisan committee that will meet this summer to examine the administration of ESAs.

## Elections & Secretary of State

- The budget provides funding for internal legal costs at the Secretary of State's office and backfills cuts to programs for address confidentiality and the talking book library.
- It allocates funding for administration and costs associated with administering the primary election next year.

## Emergency Management

- The budget allocates resources for emergency mitigation activities, hazard mitigation, and National Guard equipment.

## Gaming

- The proposal eliminates racetrack purse, maintenance, and operations funding, but provides one-time resources for racetrack capital projects.

## Health & Human Services

- The proposal expands KidsCare to include families who make up to 225% of the federal poverty level. (Currently, enrollment is limited to those who earn up to 200% of the FPL).
- It provides a one-time investment for AHCCCS's critical access hospitals, boosts resources for the AHCCCS Advisory Council on Indian Health Care, and funds ob-gyn on-call services in rural and underserved areas.
- It allocates funding to area agencies on aging and creates a rapid whole genome sequencing pilot project in AHCCCS.
- It provides more resources for Alzheimer's research, planning, and awareness.
- It funds psilocybin clinical research grants, the Produce Incentive Program, health crisis review centers, a nurse-family partnership program, a trauma recovery center pilot program, and fentanyl testing strips.
- It backfills shortfalls in operations and security at the Arizona State Hospital.

- It enhances healthcare workforce training programs – including nurse anesthetists' clinical rotations, primary care residency programs, and medical student loan assistance.

#### Higher Education

- The proposal provides some one-time funding for rural community colleges, increases funding for the Arizona Teachers Academy, and provides resources for specific programs in the state's universities. It reduces funding for university operations.
- It adds funding for the Promise Scholarship Program and the Law Enforcement Families Scholarship Program.

#### Housing & Homelessness

- The budget includes a one-time \$150 million deposit in the Housing Trust Fund and directs more resources to a new Homeless Shelter and Services Fund, the Mobile Home Relocation Fund, and the Military Transitional Housing Fund.
- It provides funding for housing for homeless veterans and those who are leaving state prisons, and increases housing assistance for seniors.

#### Law Enforcement & Criminal Justice

- The budget authorizes the Department of Public Safety (DPS) to hire new officers, provides funding for DPS priorities and programs, and allocates some funding for county sheriff search and rescue operations.
- It covers an already-approved salary increase at private prisons, continues plans to close the state prison in Florence, pays for infrastructure needs and technology in state prisons, and starts a new inmate dog training program.
- It provides new resources for the Crime Victim Notification Fund, the Governor's Missing & Murdered Indigenous People Task Force, the Anti-Human Trafficking Grant Fund, and the Non-Profit Security Grant Program Fund.

#### Legislature

- The budget includes a total of \$6 million in one-time operating funds for the House, Senate, and Auditor General's office.

#### Natural Resources

- The budget adds staff to the Department of Water Resources and provides funding for the Water Quality Fee Fund, the Santa Rosa Canal, the Recycling Fund, the Mine Inspector, a brackish groundwater study and pilot program, fire district grants, mitigation of forever chemicals, and more water infrastructure grants.
- It adds to the Heritage Fund, the Arizona Trail Fund, and the State Lake Improvement Fund, and creates a new state park.
- It shifts some funding away from the state's earlier investment in water supply development, allocating it to other water projects.

#### State Employees & Facilities

- The budget increases some state employee salaries, covers higher costs for employee health insurance, and invests in specific state facilities.

### Taxes

- The budget includes a one-time individual income tax rebate for qualifying residents who have a dependent and creates a three-year income tax deduction for adoption expenses.

### Technology

- The budget provides one-time funding for a variety of IT projects in many state agencies, including broadband development, healthcare interoperability software, and fire incident management resources.

### Trade

- The budget sets aside \$1.5 million to create new state trade offices in Canada and Asia.

### Transportation & Infrastructure

- The budget provides hundreds of millions of dollars for transportation projects around the state. Some of them are large-scale, like funding for interstate expansions and planning for a future rail line between Phoenix and Tucson. Most are smaller projects in legislators' districts.
- It also designates some funding for electric vehicle charging at state facilities.

### Veterans

- The budget creates a Veteran Suicide Prevention Training Pilot Program, covers the costs of some burial services for veterans, increases cooperation with tribes, and funds a veterans' retreat in Gila County.