Governor
Secretary of State
Attorney General
Superintendent of Public Instruction
Treasurer
Mine Inspector
Corporation Commission
Arizona House
Arizona Senate
5 of 9 U.S. House Seats
2 of 2 U.S. Senators
Arizona House

60 Members
- 35 Republicans
- 25 Democrats

The Arizona State House has been majority Republican since 1966...

Supermajority in 1999-2000
Arizona House

Speaker - J.D. Mesnard
Chandler/Sun Lakes

Majority Leader - John Allen
Scottsdale/Phoenix

Majority Whip - Kelly Townsend
Mesa/Apache Junction
Minority Leader - Rebecca Rios
South Phoenix

Asst. Minority Leader - Randy Friese
Tucson

Minority Whip - Charlene Fernandez
Yuma
Arizona Senate

30 Members
- 17 Republicans
- 13 Democrats

The Senate has been Republican majority since 1993...
15-15 Senate in 2001-2002
Arizona Senate

President - Steve Yarbrough
Chandler/Ahwatukee

Majority Leader - Kimberly Yee
Glendale

Majority Whip - Gail Griffin
Hereford
Arizona Senate

Minority Leader - Katie Hobbs
Central Phoenix

Asst. Minority Leader - Steve Farley
Tucson

Minority Whip - Lupe Contreras
Cashion

Minority Whip - Martin Quezada
West Phoenix
What Does It Mean?

If you liked the last eight years, you're going to love the next two...

Personality of House will be Different

Action will be in the Senate
Senator Bob Worsley - Mesa
- Entrepreneur (Sky Mall, Energy)
- Defeated Russell Pearce
- Spent over $500,000 of his own money
- Arts Funding

Senator-Elect Kate Brophy McGee - North Phoenix
- Home maker, Ranching family from Cochise County
- Defeated Rep. Eric Meyer
- Children’s Issues
-“responsibly restore funding to critical education, health, and assistance”
ARIZONA ECONOMIC FORECAST
Lee McPheters, Economic Professor, ASU

- 76,000 new jobs in 2016
- 81,000 new jobs projected for 2017
- Current unemployment rate is 5.2%
- Projected 2017 unemployment rate – 4.8%
- The Trump factor:
  - Trade (NAFTA)
  - Affordable Care Act
- Single Family housing is the soft spot
- Minimum Wage increase
6 Things To Know About Arizona’s State Budget

1. Another budget shortfall
2. Expect rain
3. Court costs ahead?
4. Bye-bye business (revenues)
5. Wait 'til next year
6. The President-elect Trump Factor
## FY 2017 General Fund Revenue - Where It Comes From

<table>
<thead>
<tr>
<th>Source</th>
<th>Revenue (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Use Tax</td>
<td>$4,529.0</td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>4,036.1</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>499.8</td>
</tr>
<tr>
<td>Other Ongoing</td>
<td>968.5</td>
</tr>
<tr>
<td>One-Time Revenues</td>
<td>79.4</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td><strong>$10,112.8</strong></td>
</tr>
</tbody>
</table>

1/ Does not include beginning balance of $225 million.
2/ $664 million of this amount is distributed as urban revenue sharing.
# FY 2017 General Fund Appropriations - Where It Goes

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>Appropriation (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education (K-12)</td>
<td>$ 4,069.4</td>
</tr>
<tr>
<td>AHCCCS / DHS</td>
<td>1,837.5</td>
</tr>
<tr>
<td>Corrections</td>
<td>1,046.7</td>
</tr>
<tr>
<td>Universities</td>
<td>698.5</td>
</tr>
<tr>
<td>Economic Security</td>
<td>530.1</td>
</tr>
<tr>
<td>Child Safety</td>
<td>379.2</td>
</tr>
<tr>
<td>Other Agencies</td>
<td>1,087.6</td>
</tr>
<tr>
<td><strong>TOTAL BUDGET</strong></td>
<td><strong>$ 9,649.0</strong></td>
</tr>
</tbody>
</table>

1/ Does not include administrative adjustments and revertments.
<table>
<thead>
<tr>
<th>Fund</th>
<th>FY 2017 Approp/Est</th>
<th>FY 2018 Request</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total General Fund</td>
<td>$1,750,941,400</td>
<td>$1,822,754,000</td>
<td>$71,812,600</td>
</tr>
<tr>
<td>Other Appropriated Funds</td>
<td>$215,012,700</td>
<td>$371,148,400</td>
<td>$156,135,700</td>
</tr>
<tr>
<td>Other Non-Appropriated</td>
<td>$1,041,018,600</td>
<td>$1,460,782,700</td>
<td>$419,764,100</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$9,194,568,600</td>
<td>$10,129,020,600</td>
<td>$934,452,000</td>
</tr>
<tr>
<td>Total Fund</td>
<td>$12,201,541,300</td>
<td>$13,783,705,700</td>
<td>$1,582,164,400</td>
</tr>
</tbody>
</table>
Percentage of Americans without health insurance
THEN: 16.4% (4th quarter of 2009)
NOW: 10.9% (3rd quarter of 2016)
SOURCE: Gallup

Health-care premiums (average premium for family coverage)
THEN: $13,375 (2009)
NOW: $18,142 (2016)
SOURCE: Kaiser Family Foundation

Health-care premium increases (over a five-year period)
THEN: 31% (between 2006 and 2011)
NOW: 20% (between 2011 and 2016)
SOURCE: Kaiser Family Foundation

National health-care spending (as a percentage of GDP)
THEN: 17.3% (2009)
NOW: 17.8% (2015)
SOURCE: Centers for Medicare and Medicaid Services

Medicare’s solvency (when its hospital trust fund is set to expire)
THEN: 2017 (2009 report)
NOW: 2028 (2016 report)
SOURCE: Medicare Trustees Report
<table>
<thead>
<tr>
<th>FY 17 Appropriation</th>
<th>Increase</th>
<th>FY 18 Request</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>$530.1</td>
<td>$28.8</td>
<td>$558.9</td>
<td>6%</td>
</tr>
</tbody>
</table>

- **Arizona Early Intervention Referral and Service.** $2.0 million GF for increased referrals and utilization of services. Does not include funding for rate increases.

- **Loss of State Share of Retained Earnings Revenue (Child Support Services).** $3.0 million GF. These dollars would replace revenue the state is no longer earning from recoupment of TANF cash assistance benefits when child support payments are received. This is directly associated with the reduction in the state's TANF cash assistance lifetime limit.

- **DDD Long Term Care Services Caseload and Capitation Growth.** 38 FTEs and $16.4 million GF. Covers a projected caseload growth of 4.5% and a projected 2% increase in costs due to changes in utilization, rate structures, and overall inflation.
• **Litigation Expenses.** Costs for Attorney General Office attorneys, discovery costs, and expert witness fees for two class action lawsuits. (B.K., bnf Margaret Tinsley, et al. v. Gregory McKay, et al and A.D. v Washburn)

• **Strategic Plan Package.** $2.4 million GF to provide salary increases for caseworkers after 3 and 5 years of employment and to provide a $500 bonus for all DCS employees who receive a "MAP score" over 2.25.

• **DDD Rate Rebase.** $3.0 million GF to fund rates increases for critical services which include day treatment, attendant care, nursing, respite, therapies, room and board, and transportation.

• **Adult Protective Services Staffing.** 46 FTEs and $3.8 million GF. Includes making permanent the $2 million appropriated in FY 17 for caseload growth plus an additional $1.8 million GF to add staff for investigations, assessments, and support.

• **Aging Home and Community Based Services.** $700,000 GF to make permanent the $700,000 in onetime funding appropriated in FY 17.
<table>
<thead>
<tr>
<th>FY 17 Appropriation</th>
<th>Increase</th>
<th>FY 18 Request</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>$379.2 million</td>
<td>$22.9 million</td>
<td>$402.1 million</td>
<td>6%</td>
</tr>
</tbody>
</table>

- **Adoption Services.** $4.2 million GF to cover a 9.9% growth in the number of children receiving adoption subsidy, from an estimated 23,190 in FY 17 to 25,416 in FY 18.

- **CHILDS Replacement.** $10.8 million GF to be deposited into the Department of Administration's Automation Projects Fund for continued work on replacing CHILDS. In addition, DC is requesting an increase of 10 FTEs in FY 17 and 15 FTEs in FY 18 (total 25) to provide operational support for the new system. Approximately 12 of these FTEs will be phased down beginning in FY 2020.

- **In-Home Prevention Expansion.** $4.0 million GF to expand In-Home Services and Family
Department of Education

$1.4 million to revamp its report card rating system for schools

$118 million for K-12 student growth and inflation formula
ASU $42 million increase
University of Arizona $20 million increase
Northern Arizona University $16 million increase

Total $78 million increase

The goal is to get the state general fund to pay for 50% of resident student costs.
Department of Corrections

- $13 million for pay raises for corrections officers
- $7 million for 1,000 prison beds
- Authorization for another 2,000 prison beds
Attorney General

$10 million to offset declining revenues from civil asset forfeiture funds
Department of Public Safety

$8.5 million for a new helicopter (total cost over 5 years)
Department of Veterans' Services

$10 million for new veterans' home, plus more money for counselors and cemeteries
Office of Tourism

$3 million more to market Arizona as a destination
Commission on the Arts

$2 million to give out grants for arts across the state
Historical Society

$200,000 to cover utilities at its museums and building maintenance
The Unexpected

Lifetime TANF Benefits (DES)
Immigration (Trump Factor)
Election Reform (Initiatives)
Religious Liberty
Abortion
Guns
Criminal Justice Reform
Full Day Kindergarten
Consolidation of Boards/ Agencies
Arizona is Young and Elderly – A Real Problem!

Arizona Tax Research Association Highlights

Arizona ranking drawn from the U.S. Census Bureau statistics used by ATRA researchers

Per pupil general fund spending for K-12
48th

Percentage increase of general fund spending for K-12 since 1992
9th

Per capita income
42nd

Percent of residents under 18
9th

Percent of residents 65 and older
13th

Percent of residents ages 18 to 64
49th

Student growth since 1992
2nd

Source: Arizona Tax Research Assn.
Arizona Tax Cuts
GOP Legislature has passed a tax cut every year since 1990 (except 2003)

TOTAL LOST NET REVENUE TO ARIZONA:
$1.23 Billion
$4 Billion when adjusted for inflation!

Per 2016 JLBC “Tax Handbook”
2016 Revenues were Projected to be $460 M Below Pre-Recession Levels:
85% of that was Due to Tax Cuts Passed Since 2009

Revenues

What is the #1 Problem Facing Arizona?
Poverty Levels

Definition:
Single = under $12,000 annual earnings
Family of 4 = under $24,000

• U.S. – 46 million persons – 14.7%
• AZ – 1.16 million persons – 17.4%
• Western States – 14%
• Colorado – 11.5%
• California – 15%
• Texas – 16%
• Nevada – 15%
• AZ Latino population – 2.1 million persons
• AZ Latino poverty rate – 27.5%

Source: U.S. Census Bureau, July, 2015
12/10/16, 10:38 AM
Clinton lost 4 states (FL, MI, WI, PA) by ~1 point. If not for Comey/Russia, she probably wins them all by ~2 points & strategy looks great.
Adults with a "great deal"/"quite a bit" of confidence in... 

- The military: 73%
- Police and law enforcement: 59%
- Small business: 57%
- High-tech industry: 45%
- Supreme Court: 37%
- Local government: 34%
- CIA: 33%
- FBI: 32%
- Public schools: 31%
- State government: 30%
- Religious leaders and organizations: 27%
- Federal government: 22%
- Financial industry: 19%
- National news media: 16%
- Congress: 16%
- Entertainment industry: 15%
- Large corporations: 15%
- Online social networking sites such as Facebook: 15%
- Online social networking sites such as Twitter: 13%
- Health insurance companies: 12%