

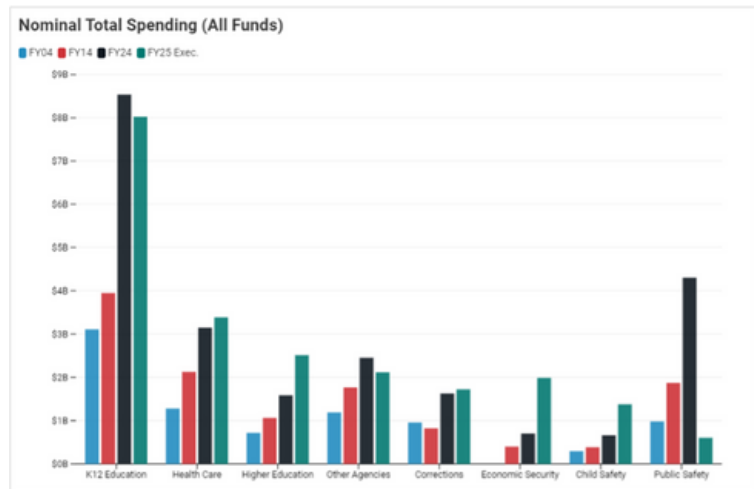
The Arizona Budget: Then & Now

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Real Per-Capita Expenditures Have Increased 44% over 10 Years

Arizona’s total state budget is approximately \$60 billion – but only about a third of that is subject to legislative appropriation and less than \$18 billion flows through the state’s General Fund. According to the Governor’s Office of Strategic Planning & Budgeting, there are at least 1,148 funds across the State’s 135 departments, agencies, and spending authorities that contribute to total state budget spending.

- Expenditure growth in Arizona has outpaced both population and inflation over the past 10 years.
 - Population growth since 2014 was 15.8%. However, total expenditures over the same period grew by 111.4%.
 - Annual spending has grown at over 6 %/year for the past two decades, versus approximately 5%/year growth in population and inflation.
- Spending Growth has been concentrated in Education, Public

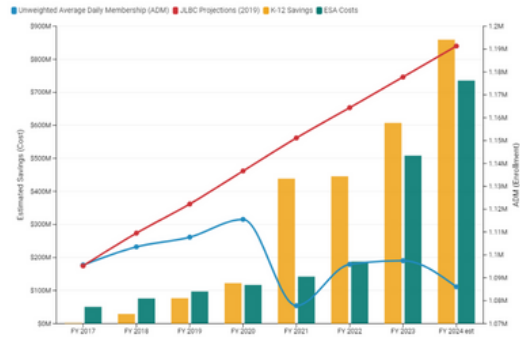


Heath & Healthcare, and Economic Security.

- Since 2004, State-only spending on K-12 education has increased 175%; Medicaid and public health have increased 146%.
- Most of this growth has occurred outside the General Fund and has been financed by sources other than State tax increases.
 - Real per-capita General Fund spending was \$1,594 in FY 2014, versus \$2,174 in FY 2024 (+36%).
 - Over the same period, total real other Appropriated and non-appropriated Fund spending per capita increased 47%.
 - An influx of federal monies since 2020 has surged Non-Appropriated spending by 56% in just 4 years.

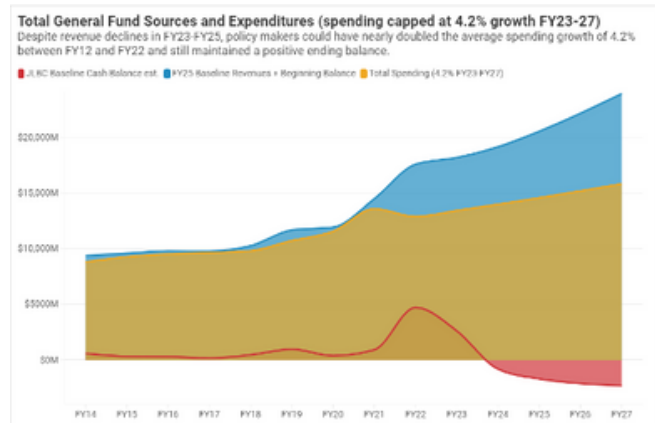
Since 2020, the State Faces an Historic Shift in How it Educates Children

- **Since 2020 actual district school enrollment has declined by 18,000 students.**
- Meanwhile, charter enrollment has increased by over 15,000 students.
- Relative to 2019 JLBC projections, 2023 public school (district and charter combined) enrollment is over 80,000 students below pre-pandemic estimates.



Growth in One-Time Spending has Contributed to Arizona’s Budget Deficit

- **Two years of rapid revenue growth coupled with responsible expenditure growth led to the largest General Fund cash surpluses in state history.**
 - However, drastic spending increases in FY23 and FY24 – averaging over 17% according to the JLBC Baseline – erased over \$4.7 billion in cash surpluses.
 - The Governor’s FY25 budget proposal reflects a positive ending balance in FY25 of \$134 million – contrasted with a Baseline estimate that contemplates a \$1.7B deficit.
 - Historically, one-time spending made up only 2%-3% of total General Fund spending between fiscal years 15 and 19. However, beginning in FY20 one-time spending averaged nearly 14% of total spending.
- **If policymakers had limited spending growth to historic norms, the State would currently be facing large surpluses instead of record deficits.**
- **Instead of averaging 17% annual spending growth through FY23 and FY24, we estimate that policymakers could have nearly doubled the FY12-FY22 spending annual growth and still ended with a positive cash balance through the current budget window**



Highlight of the Governor's FY25 General Fund Budget Proposal

- The Governor's FY25 budget proposal revises FY24 spending down by over half a billion through a combination of baseline caseload adjustments and ex-appropriation of FY24 and earlier appropriations.
 - FY25 spending in the Governor's budget remains largely flat relative to the Enacted Budget due to similar reductions.
- The Governor's FY25 budget proposal includes reform of the state's ESA program by limiting universal eligibility to students who attended a public school for at least 100 days prior.
 - This is estimated to save \$244.3 million in General Fund expenditures for ESA students by removing nearly 67% (55,000) of the current ESA population from the program.