



# Arizona Budget Status

FY 2010 and 2011

# What's the Problem?



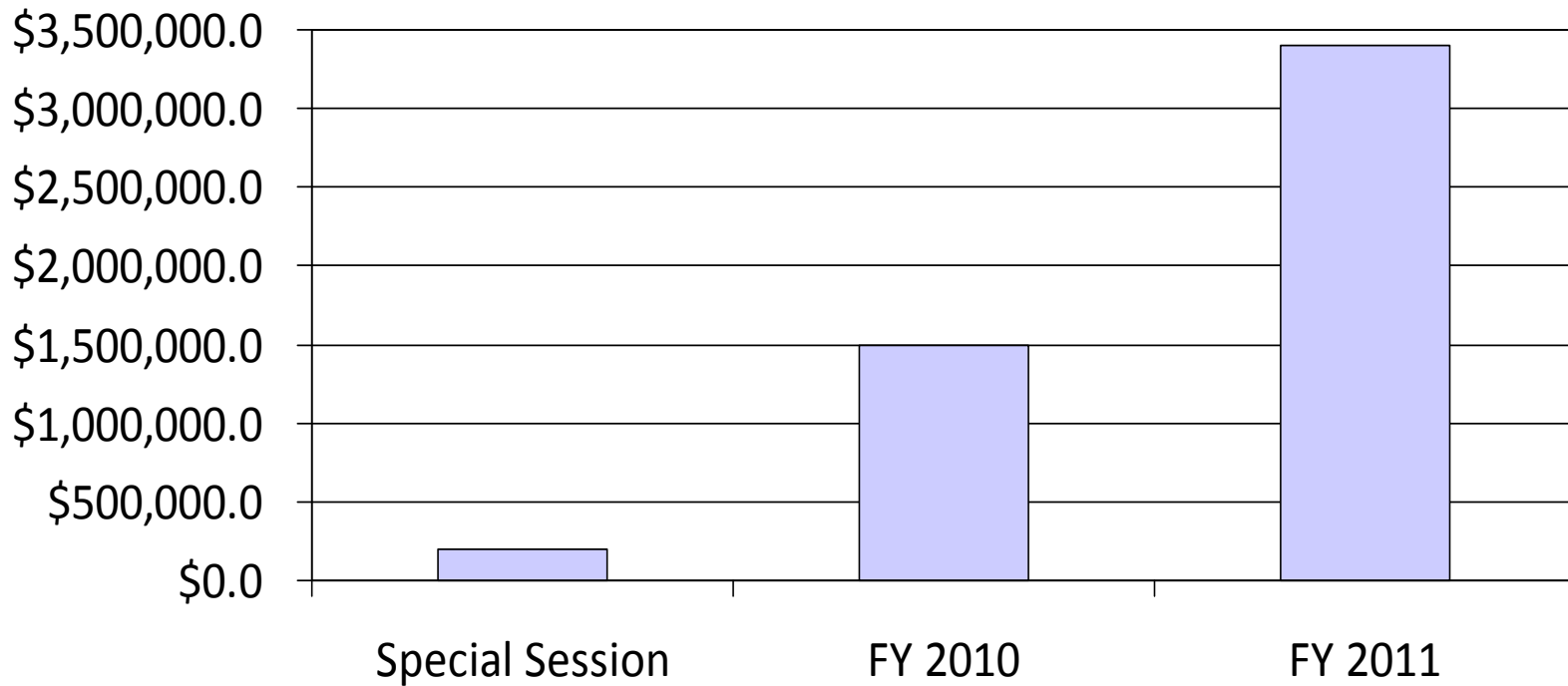
There are three interconnected problems

- Current year deficit
- Structural deficit
- Cash flow

# What's the Problem?



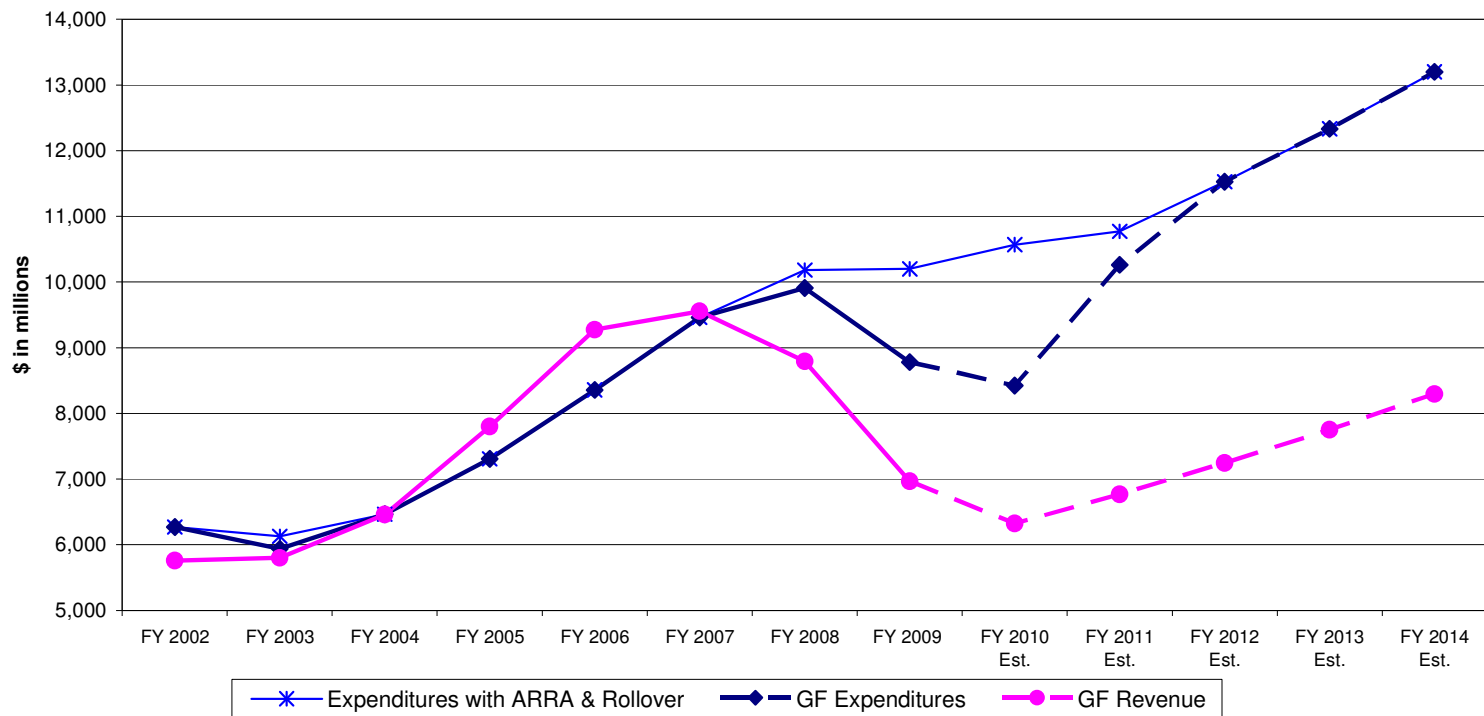
Remaining Deficit



# What's the Problem? -Structural Deficit

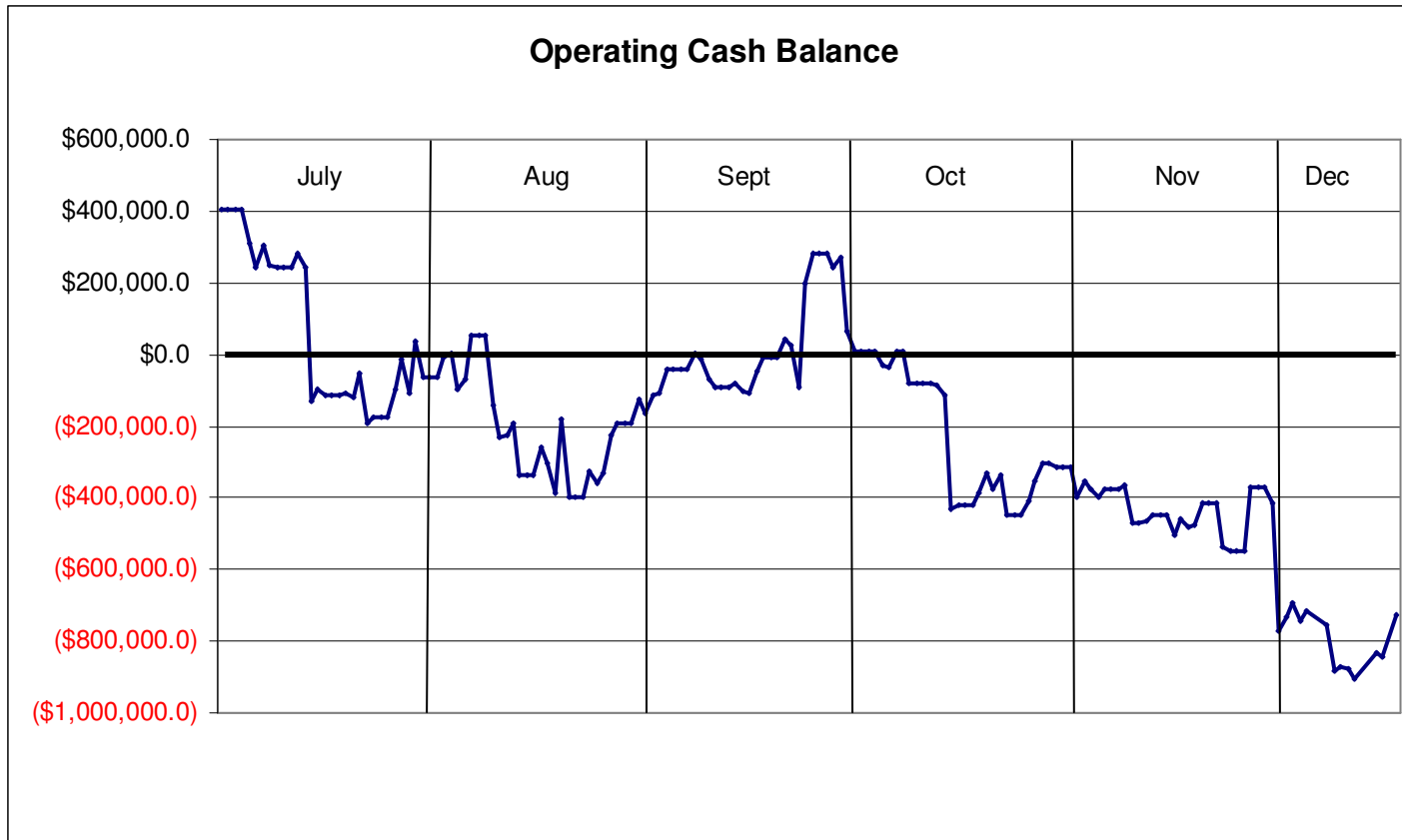


General Fund Ongoing Revenue and Expenditures before Solutions



Assumptions: **Revenue:** Ongoing revenue does not include one time items such as fund transfer, asset sales, etc. Growth rates assumptions: FY10: -9.2%, FY11:7%, FY12 and 7%. **Expenditure:** Ongoing expenditure does not include rollover or ARRA. FY10 and FY11 estimated Expenditure from most current S&U, FY12 and beyond assuming 7% growth.

# Cash Flows



# How did we get here?



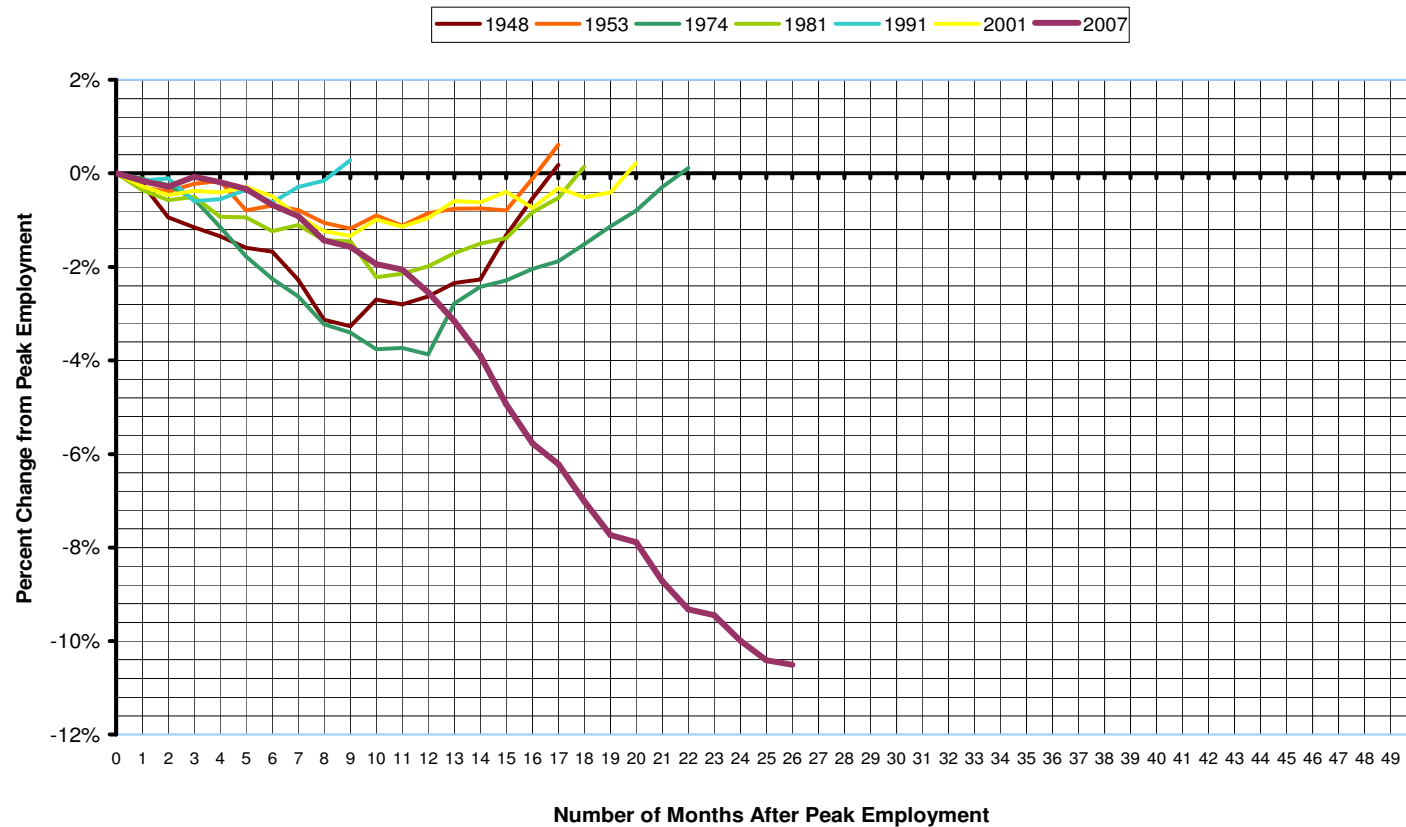
There are at least six reasons that led us to this point:

- The Economy
- Reduced Revenues
- Added Spending
- State Actions
- Constraints Imposed by the Voters
- The Federal Government

# How did we get here?



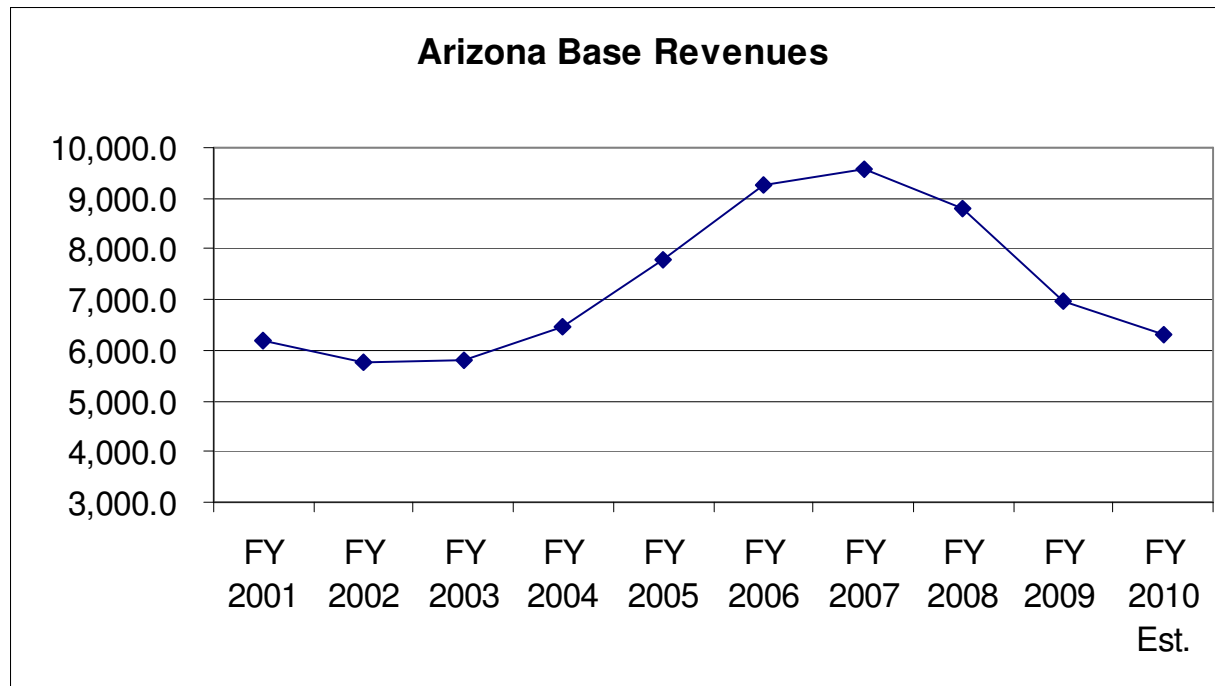
Arizona  
Number of Months needed to surpass a peak in employment.





# How did we get here?

State tax revenues have declined 34 percent in three years.





# How did we get here?



## Growing Populations – Including FY 2011 Estimates

Current revenues = FY 2004

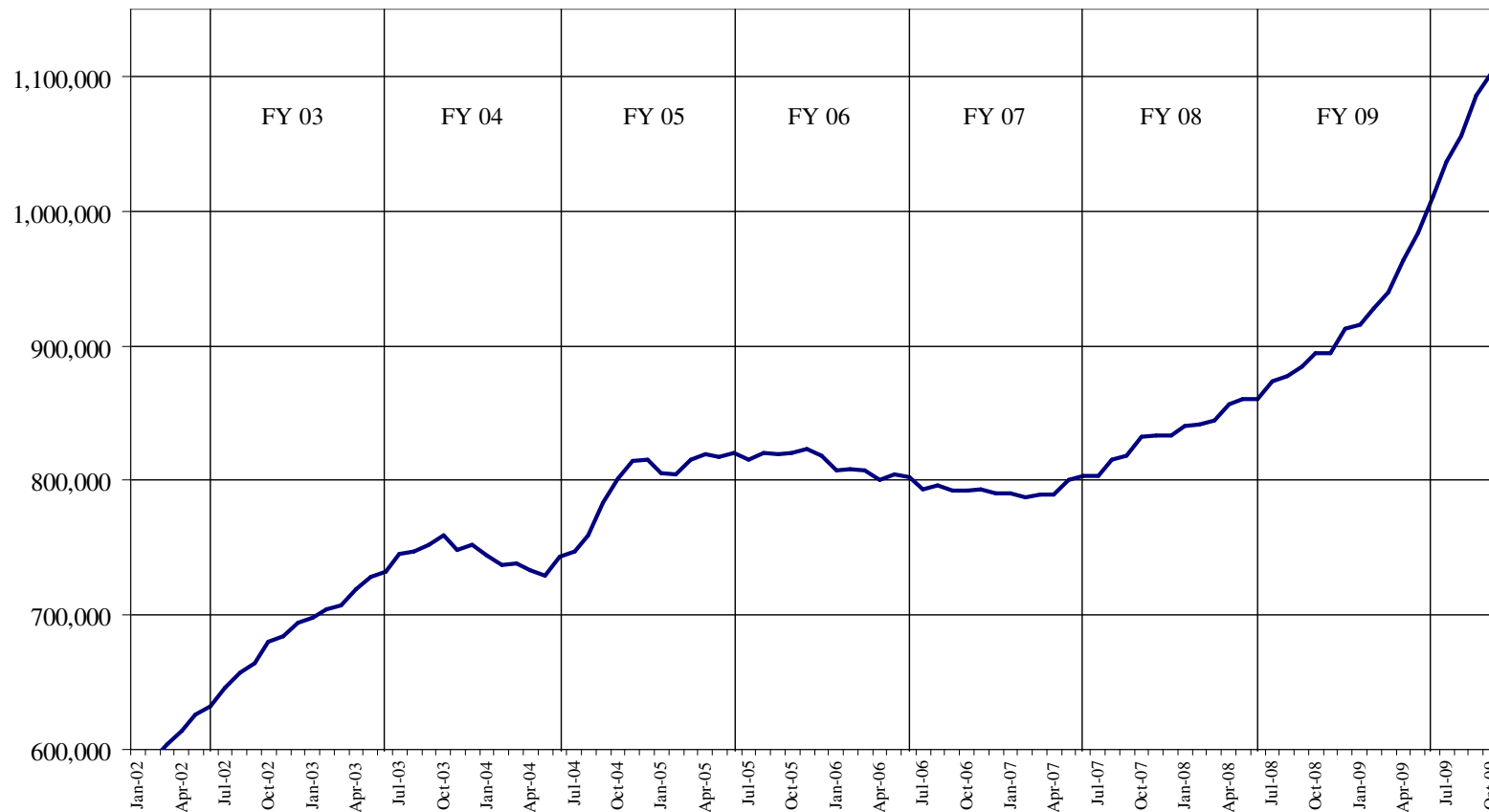
- Since FY 2004, Arizona has added 144,700 K-12 students and more than \$1.0 billion in annual costs to the K-12 system.
- Since FY 2004, enrollment in State universities has increased enrollment by 18,100 students and annual General Fund costs of \$393.5 million.
- Since FY 2004, Corrections has added 11,600 prisoners and annual General Fund costs of \$405.4 million.
- Since FY 2004, AHCCCS has added 475,000 new members and annual costs of nearly \$1.5 billion (General Fund).

-- In just the past 12 months, AHCCCS has grown by 207,800 members--

# How did we get here?

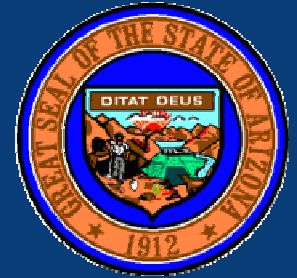


AHCCCS All TXIX Capitation Member Months



December 2009

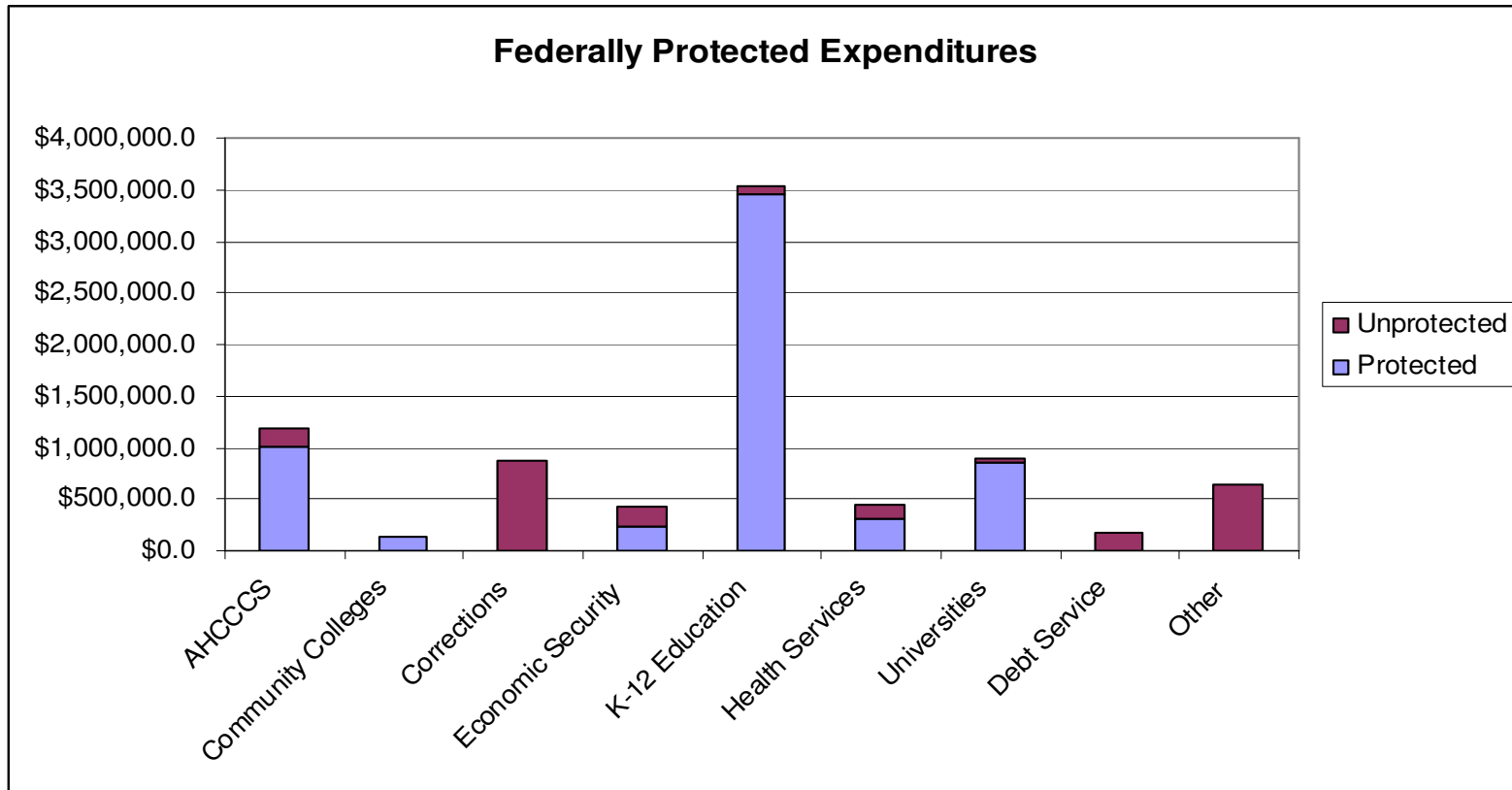
# How did we get here?



## The Federal Government (cont'd)

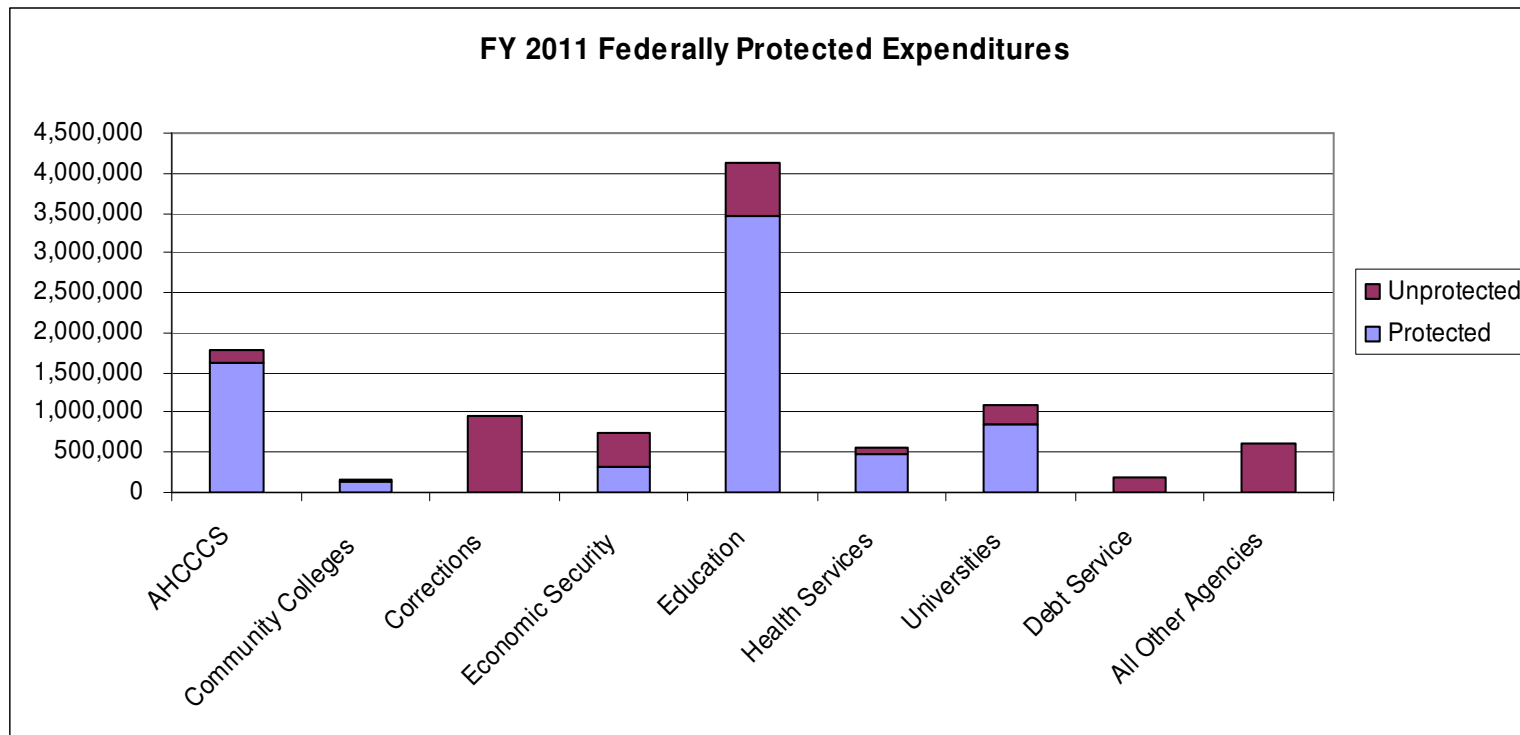
- The MOE for education prohibits reducing funding below the SFY 2006 funding the state provided to education (K-12, Community Colleges, Universities).
- The MOE for AHCCCS provides that as long as we accept the ARRA funds for the program, we cannot reduce eligibility. ARRA funds for AHCCCS are currently scheduled to end on December 31, 2010.

# SFY 2010 ARRA MOE Requirements



Approximately \$2.4 billion unprotected

# SFY 2011 ARRA MOE Requirements



Approximately \$3.4 billion unprotected

(note: Federal MOE for Medicaid currently ends on December 31, 2010)

# How did we get here?



## Unprotected Funds

➤ Judiciary	\$120 m
➤ Juvenile Corrections	\$68 m
➤ Legislature	\$55 m
➤ Public Safety	\$44 m
➤ Revenue	\$41 m
➤ Kids Care (AHCCCS)	\$30 m
➤ State Only DD (DES)	\$57 m
➤ State Hospital (DHS)	\$65 m
➤ State Only SMI (DHS)	\$79 m

# How did we get here?



## The Federal Government (cont'd)

- In SFY 11, the majority of the ARRA funds will discontinue and the State will have to replace the funding that the federal government has provided in SFYs 2009, 2010 and continuing into 2011.
- The Table on the following page illustrates that in SFY 2011 General Fund monies are to replace over \$1 billion of ARRA funds.

# How did we get here?



## The ARRA SFY 2011 Cliff

AHCCCS	201,806.9
DHS	90,343.5
DES	105,151.6
K-12 Education	472,114.0
Universities	150,000.0
Community Colleges	27,000.0
Corrections	50,000.0
TOTAL	1,096,416.0



# What Actions Has the State Taken?



Since FY 2008, the State has aggressively used one-time options.

BSF Sweep	\$710,000
K-12 Rollover	\$602,000
Fund Transfers	\$1,264,000
DPS to HURF	\$248,000
Midnight Reversion	\$50,000
K-12 Local Fund Balances	\$184,000
Sale Leaseback	\$735,000
Prison Concession	\$100,000
SFB NC Recapture	\$344,000
SFB New Construction	\$237,000
AHCCCS Rollover	\$118,000
Federal Funds	\$1,867,000
Total	\$6,459,000

# Summary



## FY 2010

- FY 2010 remaining deficit - \$1.5 billion
- FY 2010 remaining unprotected fund - \$1.2 billion

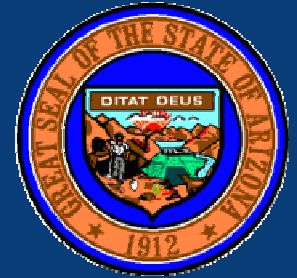
## FY 2011

- FY 2011 deficit - \$3.4 billion
- FY 2011 unprotected funds - \$3.4 billion

## Cash

- Borrowing nearly \$1 billion each day to cover cash needs

# FY 2010 5<sup>th</sup> Special Session AHCCCS Reductions (in millions)



	GF – 15% Proposal	TF – 15% Proposal	GF – 5 <sup>th</sup> Spec. Session	TF – 5 <sup>th</sup> Spec. Session
KidsCare	9.25	43.6	3.2	13.2
Administration	2.25	4.5	2.25	4.5
Graduate Medical Education	4.3	12.7	1.3	5.4
Disproportionate Share Hosp Pmts.	3.1	9.1	.9	2.7
Total Changes	18.9	69.9	7.65	25.8