FY 14-FY 16 Budget Development

January 8, 2013
Ending FY 2012

Ending Balance: $396 million
Rainy Day Fund Balance: $250 million
FY 2012 Total Balance: $646 million

About $274 million above the projected balance:

$168 is more revenue
$106 is less expenditures
Economy

SNAP Enrollment

September 2007 enrollment: 575,269
Arizona
Job Loss Non-Farm Seasonally Adjusted

Peak employment
August 2007 2,680,000 jobs

National
Current Nov 2012 up 116,600 from Lowpoint

Lowpoint
Sept 2010 (320,100)

Percent Change from Peak Employment

Number of Months After Peak Employment
Economy – The Good News

Arizona now ranks 5th in job growth
(Behind ND, Utah, Hawaii and TX)

Phoenix ranks 2nd among major metropolitan areas (Behind Houston)
# New Tax Changes

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 Competitiveness Package</td>
<td>$16,700.0</td>
<td>$52,100.0</td>
<td>$182,800.0</td>
<td>$257,500.0</td>
</tr>
<tr>
<td>Capital Gains Reductions</td>
<td>$0.0</td>
<td>$14,800.0</td>
<td>$38,000.0</td>
<td>$77,900.0</td>
</tr>
<tr>
<td>Other Changes</td>
<td>$4,000.0</td>
<td>$12,100.0</td>
<td>$8,400.0</td>
<td>$24,800.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,700.0</strong></td>
<td><strong>$79,000.0</strong></td>
<td><strong>$229,200.0</strong></td>
<td><strong>$360,200.0</strong></td>
</tr>
</tbody>
</table>
Budget Principles

• Budget decisions must be evaluated based on long-term fiscal outcomes
• Budget decisions will reflect the State’s core mission of public safety, education and care for the indigent
• Budget decisions will be weighed based on their economic impacts and measured against the established Hard and Fast tax policy rules
• The budget should continue the modernization agenda to make government more efficient, transparent, and responsive to the taxpayer
## FY 2014 Major Issues

<table>
<thead>
<tr>
<th>Public Safety:</th>
<th>CPS/child welfare programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education:</td>
<td>Common Core</td>
</tr>
<tr>
<td>Higher Education:</td>
<td>Parity/Capital</td>
</tr>
<tr>
<td>Health:</td>
<td>Medicaid</td>
</tr>
</tbody>
</table>
Risks

• Lawsuits
  – K-12 Inflation

• Economy
  – 20% Recession risk
    • Europe
    • Sequester
    • War

• Federal Government