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Not as Good as Promoted: Arizona's Hashtag Austerity Budgeting

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Abstract

The Fiscal Year 2016 budget process began with a new Republican Governor Doug Ducey. He and Republican leadership coalesced relatively quickly on a budget that was promoted as being able to balance the state budget and uphold Arizona's values. Closer scrutiny instead reveals an austerity budget that made severe cuts to higher education and significant weaknesses in meeting legal K-12 funding levels, cutting Medicaid payments to hospitals, and underfunding or curtailing programs for lower income Arizonans.

Key Words: Western State Budget Report, Arizona, fiscal policy, taxes, Child Welfare, Foster Care, K-12 Education, University funding

Introduction

November 2014 brought the election of a new governor, as Republicans swept statewide offices just as they had done four years earlier. New Governor Doug Ducey, former CEO of Stone Cold Creamery and State Treasurer, brought an enhanced effort at social media and marketing to the governor's office. While the legislative balance remained Republican, the Speaker of the House changed from Andy Tobin, who had unsuccessfully run for Congress, to David Gowan. Collectively, the net result has been a stronger conservative emphasis in the budget process.

The budget came to a very early conclusion, in March, with a single Democratic vote in the 30-member state senate being the key vote that pulled the budget to the 16 votes necessary for passage.

The budget reflects fiscal austerity and the increasingly limited options the state has in meeting its minimum fiscal obligations. While the budget has been touted as balanced, the governor and legislature continued to stonewall a school district funding lawsuit, and the \$100 million cuts to universities even led Republican regents on the Arizona Board of Regents to contemplate a lawsuit of their own based on constitutional funding requirements for higher education.

Consequently, this is one of the most fragile of balanced budgets.

The Economic Landscape

As seen in Figure 1, as the legislature convened, Arizona's level of employment remained just below its peak in 2007. While job growth has improved, it remains sluggish compared to historical norms for Arizona. The Great Recession hit Arizona harder than the nation as a whole, and in February 2015, the unemployment rate in Arizona was about one

percent higher than the national average. But that only tells part of the story. The employment to population ratio has declined precipitously, more so than most states in the southwest and the country as a whole, especially when you focus on the working age population 25-54 (Hout and Cumberwroth 2015).

The result, combined with slower population growth, has been stagnant labor force growth. From 2001-2008, for instance, the labor force grew by 20 percent, whereas from 2008-2014, it fell by 0.5 percent. By contrast, nationally over the same periods of time, the civilian labor force grew by 7.3 percent and one percent, respectively (Statistica n.d.). The former period has been typical of Arizona, a much larger growth in its labor force than the national average, yet for the first time in the post-World War II era, Arizona's labor force shrunk and fell below the national average. By the end of fiscal year 2015, it finally returned to 2008 levels.

For the last two decades growth has enabled tax cuts, which in FY 2016 reduced the General Fund by nearly \$4 billion dollars or by about 30 percent (Rau 2016). Yet until recently, a growing labor pool enabled gross revenues to rise (even if they weren't rising as a percent of state personal income), making it feasible both to argue tax cuts were beneficial and that the state could meet its fiscal obligations.

That's not true any longer, as seen in Figure 2. The economy is not driving state revenue growth. Even during economically good times the model was faulty, as tax cuts never paid for themselves. However, without robust economic growth, state revenues have been flat. Yet, lawmakers continue to prioritize taxes to cut each session, even as it becomes harder to meet basic obligations.

Consequently, the lack of economic growth has led to austerity budgeting, despite the national economy being fairly robust and the country enjoying its longest period of sustained employment growth since World War II.

Figure 1

Source: Bureau of Labor Statistics

Figure 2

Source: Bureau of Labor Statistics

The Political Landscape

Republican Governor Jan Brewer took office in January 2009, when her predecessor Democrat Janet Napolitano left to become Secretary of the Department of Homeland Security. Governor Brewer was termed out of running for another term. The Arizona Constitution says, “No member of the executive department after serving the maximum number of terms, which shall include any part of a term served, may serve in the same office until out of office for no less than one full term.” Consequently, her partial term after Napolitano and her own term after being elected in 2010 would have required a constitutional challenge if she had sought to run again (Wingett-Sanchez 2014).

An open seat led to a number of Republican entrants including four top contenders: Secretary of State Ken Bennett, State Treasurer Doug Ducey, former GoDaddy General Counsel Christine Jones, and Mesa Mayor Scott Smith. Attorney General Tom Horne, who had planned to run, ended up instead seeking re-election, but due to past ethical and alleged election law violations, lost his primary. Only former Clinton official Fred DuVal emerged on the Democratic ledger. The Republican primary was hard-fought, but outside money came in heavily for Ducey, who ran a strong campaign and won the nomination handily.

Ducey did not poll strongly early. A February 28-March 2, 2014 poll put his support at merely 6 percent. Like most candidates, he was relatively unknown, with 75 percent of registered Republicans not sure in responding to the favorability question (Public Policy Polling 2014). Ducey’s campaign deftly worked on the support of both the business community as well as the non-Mormon religious right.

Scott Smith was perceived as the most moderate candidate. Smith and Secretary of State Ken Bennett both sought the Mormon vote. Smith, however, was relatively late entering the race in early January, which undercut his campaign, even though he eventually earned the

endorsement of outgoing Governor Brewer about one month before the primary. Christine Jones ran as a business executive government outsider backed by Bob Parsons, GoDaddy’s founder.

By July the race was perceived by polls as between Ducey and Jones, who had the greatest financial backing, though Jones’ backing came almost entirely from herself and Parsons (Christie 2015). Ultimately, the polls overstated Jones’ support, and Ducey, with 37 percent of the vote, had nearly as many votes as his next two competitors combined, Scott at 22 percent and Jones at 16.6 percent (Arizona Secretary of State n.d.).

Ducey successfully sought the backing of the Koch brothers (Wingett-Sanchez and Pitzl 2014). Independent expenditure groups were pivotal in undermining Democrat Fred DuVal with \$8 million coming in to either oppose him or support Ducey, while only \$1 million came in on DuVal’s side (see Table 1) (Arizona Secretary of State n.d.). DuVal’s prior work as a lobbyist was a key framing theme designed to undermine his image.

2014 was a status quo election for the legislature. Republicans continued to hold 36 of 60 seats in the State House and 17 of 30 seats in the Senate. However, the Speaker of the House changed, as former Speaker Andy Tobin ran unsuccessfully in rural Congressional District 1 in Northern Arizona. The new Speaker became David Gowan, who will be termed out after the 2016 session. Andy Biggs, one of the most conservative members of the legislature, remained as Senate President.

Table 1: Arizona Governor Race Campaign Finance Reporting 2014

Name	Party	Income	Expenses	IE Supporting	IE Opposing
DUVAL, FRED - General	Dem	\$2,142,908	\$2,756,586	\$175,060	\$6,412,124
DUVAL, FRED - Primary	Dem	\$1,616,922	\$995,847	\$415	\$0
DUCEY, DOUG - General	Rep	\$2,965,220	\$2,905,865	\$1,558,643	\$910,590
DUCEY, DOUG - Primary	Rep	\$5,022,553	\$5,004,376	\$247,690	\$1,353,979
BENNETT, KEN - Primary	Rep	\$786,112	\$799,641	\$2,169	\$0
JONES, CHRISTINE - Primary	Rep	\$5,545,410	\$5,545,410	\$509,053	\$373,424
SMITH, SCOTT - Primary	Rep	\$1,393,520	\$1,391,345	\$0	\$676,077

Source: Arizona Secretary of State

Table 2: General Election Turnout 2000-2014

Election Year	Registered Voters	Ballots Cast	Voter Turnout (%)
2014	3,235,963	1,537,671	47.52
2012	3,124,712	2,323,579	74.36
2010	3,146,418	1,750,840	55.65
2008	2,987,451	2,320,851	77.69
2006	2,568,401	1,533,032	60.47
2004	2,643,331	2,038,069	77.10
2002	2,229,180	1,255,615	56.33
2000	2,173,122	1,559,520	71.76

Source: Arizona Secretary of State

Table 3. Party Control of Legislature, Office of Governor

Year	House R	House D	Senate R	Senate D	Governor
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2001-02	36	24	15	15	R
2003-04	39	21	17	13	D
2005-06	38	22	18	12	D
2007-08	33	27	17	13	D
2009-10	35	25	18	12	R
2011-12	40	20	21	9	R
2013-14	36	24	17	13	R
2015-16	36	24	17	13	R

Source: Arizona Capitol Times, Political Almanac 2015.

The FY2016 Budget

When Governor Ducey released his proposed budget in January with his State of the State Address to the legislature, both Speaker Gowan and Senate President Biggs spoke approvingly. Gone was the acrimony that had accompanied Governor Brewer. While Brewer was known nationally for her backing of SB1070 in 2010, the effort to put state penalties and restrictions on unauthorized immigrants, she often took a moderate and pragmatic fiscal tone during her time in office. Brewer, during her years, had pushed for a three-year one cent temporary sales tax increase and Medicaid expansion—in both cases relying on Democratic support as most Republicans lawmakers opposed it.

Despite facing around a \$1 billion deficit, Ducey called for no tax increases. He did seek some fee increases, sought to push back against an ongoing school funding lawsuit, push more dollars into the classroom, and expand medium security prison beds and cut universities by \$75 million.

Arizona approves an annual budget together with a three-year budget plan. Real negotiations are over the next fiscal year's budget, while general parameters are set for the two subsequent years. Budget negotiations are done behind closed doors with legislative leadership and the executive branch. Most members are in the dark except to the degree they are briefed on the status of negotiations.

A budget deal was released on Wednesday, March 4, 2015. Then an all-out effort was put forward to brief lawmakers, twist arms and get it passed. The legislature, not normally in session on Fridays, made an exception and votes in the House were not in line until 11 p.m. Friday night, and it wasn't until 3 a.m. Saturday that it passed in the Senate with the help of one Democrat defection, after two Republicans refusing to back it left them one vote short (Pitzl, Wingett-Sanchez and Hansen 2015). Caryle Begay, a moderate Democrat representing the Navajo reservation, agreed to support the budget in exchange for some funding for road construction in the reservation. By November 2015, after a storm of criticism from Democrats, he announced he was switching to the Republican Party.

Figure 3 shows General Fund spending through FY2016, which represented a 30 percent relative decline from 1994, before the nearly \$4 billion in tax cuts began. FY2016 cuts spending from \$9.34 to \$9.31 billion, a 2.2 percent decrease, even as personal income rose (Joint Legislative Budget Committee, 2015B). Consequently, Arizona reached a historic low of 3.4 percent of Personal Income with the present budget. The continued decline stands out as well due to it occurring during an economic expansion after the most profound recession since World War II. For conservative lawmakers, it represents the culmination of their efforts to rein in the size of government.

Figure 3: Arizona General Fund Spending as a Percent of Personal Income

Source: Joint Legislative Budget Committee, Sept. 4, 2015, <http://www.azleg.gov/jlbc/GF-SpendingasPercentageofPersonalIncome090415.pdf>

Despite spending being at such historic lows due to tax cuts and stagnant growth compared to the past, these cuts were necessary to achieve structural balance according to advocates, with the governor's hashtag, #AZbalanced, and a subheading "Legislature passes Arizona's Balanced Budget, protecting Arizona's values" (Office of the Arizona Governor Doug Ducey 2015).



Source: Office of the Arizona Governor Doug Ducey. 2015. "Home Page." March 7.

According to the Governor's office the highlights of "Arizona's balanced budget" were as follows (Office of the Arizona Governor Doug Ducey 2015B):

Fiscal Responsibility:

- Balances the budget and forces government to live within its means
- First structurally balanced budget since 2007
- Eliminates the structural deficit by 2017
- It sets priorities: Child Safety, Classrooms, Public Safety
- \$326 million in spending reductions
- Overall 2.3% reduction to government spending
- Protects taxpayers: No tax increase

Child and Public Safety:

- \$849 million for Child Safety
- \$1.5 billion for Public Safety
- 16% of the general fund budget is for Child Safety/Public Safety
- Delays construction of new prison beds for a \$25 million savings and allows counties to bid for housing new prisoners

Classrooms First:

- In total, schools will have more than \$10 billion including state, federal, capital and local funds
- Nearly 20% increase in general fund investment in K-12 since 2010
- 49% of state general fund budget will go to education (K-12 and universities combined)
- Protects classroom funding
- Teach for America: \$500,000 in new permanent funding

Higher Education:

- Budget includes more than \$600 million in general fund dollars for universities
- 7% of state general fund budget
- Protecting rural community colleges from reductions

While the points made for good public relations, each has been contested as illustrated below.

Balancing the Budget

On the revenue side, a number of measures were taken. At the beginning of FY2016 the Joint Legislative Budget Committee outlined a \$678 million shortfall. This did not include any costs from the K-12 underfunding lawsuit (Joint Legislative Budget Committee 2015A).

Embedded as part of the shortfall were prior enacted corporate tax cuts as part of a 2011 jobs bill that by FY2018 will cost more than half a billion dollars annually (Joint Legislative Budget Committee 2011). The portion of tax cuts becoming effective for FY2016, the JLBC cost the state \$98 million (Joint Legislative Budget Committee 2016) Part of new revenues in the budget came from \$220 million in fund transfers—nearly half of which came from a corporate recruitment fund the legislature had established for the Arizona Commerce Authority; in essence legislators nixed this fund.

An additional \$74 million in new revenues were anticipated due to enhanced fraud detection at the Department Revenue (\$42 million), a onetime tax amnesty (\$15 million), and \$12 million from other sources (Joint Legislative Budget Committee 2015D) .

It also had \$176 million in additional spending beyond formula-driven baseline expenditures, but \$497 million in cuts. Part of those cuts came out of hospitals, as Medicaid payments originally proposed as a 3 percent cut, where ultimately cut 5 percent, saving an estimated \$37 million (Joint Legislative Budget Committee 2015B).

Child and Public Safety

Arizona continues to be the only state in the country that applies Truth in Sentencing to nonviolent offenders, meaning they must serve at least 85 percent of their sentence behind bars. SB 1390 was written to greatly expand a three-month early release transition services program from about 1,000 to 5,000 inmates and passed unanimously in two Senate committees; after passing the committees its Republican sponsor refused to back the budget and it never moved to the Senate floor for a vote. While nothing has been acknowledged publicly, in the past such actions were done as retaliatory consequences by the Senate President (or Speaker of the House in the other chamber).

The Department of Corrections had concerns about the bill's scope. While corrections spending did increase by \$39 million, almost all their funding goes to the primary task of housing inmates. Corrections lacks the flexibility to provide sufficient drug treatment services to inmates or adequate transition planning services, with just ten people overseeing the transition services to the bulk of the inmate population (about 18,000 non-DWI inmates discharged each year) (Health Services contact 2015).

The budget made cuts of \$4 million to child safety, providing no added capacity (Children's Action Alliance 2015) even though the foster care system continues to experience explosive growth—while declining in other states. A lawsuit filed in early February charged the state with neglecting these children by not providing adequate care and sufficient foster homes (Lazo 2015). There are about twice as many children per capita in foster care in Arizona as in the United States as a whole (Administration on Children, Youth and Families, U.S. Dept. of Health and Humand Services 2013). See Figure 4.

Governor Brewer created a new child protection agency separate from the Department of Economic Security, Child Safety and Family Services (CSFS) last year. A week after the lawsuit was filed, Gov. Ducey, alleging mismanagement, fired and replaced Gov. Brewer's appointed director.

Figure 4: Number of Children in Out-of-Home Care on the Last Day of the Reporting Period, By Reporting Period

Source: Arizona Dept. of Child and Family Safety (2015), “Child Welfare Requirements: Semi-Annual Report for the Period of April 1, 2015 through September 30, 2015,” https://dcs.az.gov/sites/default/files/SEMIANNUAL-CHILD-WELFARE-REPORTING-REQUIREMENTS-4-15-9-15_FINAL-Revised.pdf

K-12 Education

Gov. Ducey introduced the hash tag #classroomsfirst to emphasize his belief that what ailed public schools was not overall funding, but that funding was misdirected. His proposed budget in January required school districts to cut \$117 million from nonclassroom expenditures. The rules for this were based on the auditor general’s definition and are not as clear as one might suspect. For instance, tutoring at-risk students is not a classroom expenditure. While buying a tuba for a band counts as classroom expenditure. If the tuba needs repair it does not. School districts hadn’t always been able or taken the time to fully allocate personnel based on their actual duties, so a department chair might be counted as administration, even though she also spent some time in the classroom (Carranza 2015).

In 2000, the legislature referred to the ballot Prop. 301 that was passed by voters and dedicated a 0.6 percent sales tax to K-12 education. In that proposition was a guarantee to increase the base funding level by an inflation factor every year. Once federal stimulus funds ran out, and despite a temporary three-year one cent sales tax that began in June 2010, starting in fiscal year 2011, the legislature stopped funding the full inflation adjustment. Instead, they only applied the inflation adjustment to the transportation portion of student funding, not to the much larger base student funding. A lawsuit ensued saying that the Voter Protection Act, a citizen initiative from 1998, precluded the ability of the legislature to undermine the intent of Prop. 301.

While the state won at the Superior Court level, the Appellate Court reversed it and in September 2013 the Arizona State Supreme Court ruled the legislature’s actions as contrary to Prop. 301.

The legislature had anticipated losing and beginning in FY2014 began applying an inflation adjustment again, but did not adjust the base to match for years the base had not been adjusted (See Table 4). The Supreme Court remanded the case back to the Superior Court to work out details. Plaintiffs argued the state owed \$1.7 billion over three years, a huge amount for a total General Fund that’s just above \$9 billion, especially given how tight revenues remain. Legislative leadership countered that far less was owed, as their reading of Prop. 301 meant that any appropriations above the minimum could be used to cover years where the minimum was not appropriate.

Table 4. State Failure to Fully Fund Base Level Inflation Factor

Fiscal Year	Legislative Base Level	Inflation	What base level should have been
FY 2008-2009	\$3,291.42	N/A	N/A
FY 2009-2010	\$3,267.72	2%	\$3,357.25
FY 2010-2011	\$3,267.72	1.2%	\$3,397.54
FY 2011-2012	\$3,267.72	0.9%	\$3,428.11
FY 2012-2013	\$3,267.72	2%	\$3,496.68
FY 2013-2014	\$3,326.54	1.8%	\$3,559.62
FY 2014-2015	\$3,426.74*	1.59%	\$3,666.84

*As passed legislature and transmitted to Gov. Ducey

Source: Arizona Education Association,

<http://www.arizonaaea.org/assets/document/AZ/AEAK12BudgetSummary2015.pdf>

The base the Arizona Legislature had established compared to what it should have been is listed in Table 4. Plaintiffs argued the state should increase the current base level to the appropriate amount, which would cost more than \$300 million each year. In addition, FY2009-2014 were systematically underfunded, and plaintiffs said the state should pay that back part over five years, which the JLBC calculates as \$252 million per year. See Table 5.

Table 5. K-12 Education Funding Lawsuit Financial Implications, Plaintiff Proposal on K-12 Inflation Lawsuit

FY	Base Level Increase (\$)	Back Payments (\$)	Total (\$)
2015	316,837,500	252,593,300	569,430,800
2016	320,639,700	252,593,300	573,233,000
2017	324,808,100	252,593,300	577,401,400
2018	329,355,400	252,593,300	581,948,700
2019	334,295,700	252,593,300	586,889,000
3-year total	962,285,300	757,779,900	1,720,065,200
5-year total	1,625,936,400	1,262,966,500	2,888,902,900

Source: Joint Legislative Budget Committee, “K-12 Funding Lawsuit,” January 24, 2014,

<http://www.azleg.gov/jlbc/K-12InflationFundingLawsuit.pdf>

For FY2016, the legislature continued a pattern of properly inflating the base level again, but not adjusting for violations in the past. The legislature did create a separate category as a lawsuit payment, but only appropriated \$74 million of one-time monies to it—and in the three-year budget plan that is not slated to increase. This amount roughly equaled the amount legislators calculated would be owed if the 2001 baseline for K-12 per pupil funding were adjusted by the minimum amount each year. By the end of the legislative session the two opposing sides remained deadlocked.

At the same time the legislature was giving with one hand it took away with the other—essentially taking monies that lay outside the required base funding area. The capital assistance fund was cut as the governor proposed by \$117 million, though the requirement that it be shifted to the classroom was lifted except districts were expected to show some improvement in the classroom spending percentage.

In addition, \$52 million more was cut from other sources. The net result was that even though the proper inflation-adjusted K-12 spending (formula-driven) increase amounted to \$176 million, school districts only realized \$81 million total in the budget. This was an improvement over the original Ducey budget which would have cut schools by \$24 million (Joint Legislative Budget Committee 2015B).

Higher Education

A large area of cuts fell on Higher Education. Since higher education is not formula-driven, does not relate to incarceration policy or the number of people qualifying for Medicaid, it's become a key area for cuts. The governor proposed a \$75 million cut, and the final budget placed it at \$99 million plus a \$2.5 million sweep of bond refinance savings that universities had done, making the total loss more than \$100 million.

As a percent of the General Fund, universities reached a historical low of 7.3 percent. Given that the total General Fund as a percent of personal income has shrunk by 25 percent, as portion of what the General Fund was in 1994, this represents just 5.5 percent (Joint Legislative Budget Committee 2015B). These cuts continued a longer-run trend that has accelerated in recent years as illustrated in Figure 5.

Figure 5 Source: Joint Legislative Budget Committee

The Arizona Board of Regents considered exploring a lawsuit based on the Constitutional provision:

The revenue for the maintenance of the respective state educational institutions shall be derived from the investment of the proceeds of the sale, and from the rental of such lands as have been set aside by the enabling act approved June 20, 1910, or other legislative enactment of the United States, for the use and benefit of the respective state educational institutions. In addition to such income the legislature shall make such appropriations, to be met by taxation, as shall insure the proper maintenance of all state educational institutions, and shall make such special appropriations as shall provide for their development and improvement. (Hoffman and Rex 2010, 15)

And “instruction shall be as nearly free as possible.” (Hoffman and Rex 2010, 15)

The universities are also seeking regulatory freedom from the state so they can reduce costs such as opting out of the state health care and retirement systems. Likewise, they are responding by seeking more out-of-state students who pay higher tuition; state universities currently have about 30 percent of enrollment out-of-state, and Arizona Board of Regents guidelines permit out-of-state enrollment to go up to 40 percent. Arizona State University is the most intensive in seeking enrollment growth, advertising around the country and working to greatly expand online offerings.

Conclusion

The governor’s talking points can be contrasted with its broader context.

Fiscal Responsibility:

- Balances the budget and forces government to live within its means
- First structurally balanced budget since 2007
- Eliminates the structural deficit by 2017
- It sets priorities: Child Safety, Classrooms, Public Safety
- \$326 million in spending reductions
- Overall 2.3% reduction to government spending
- Protects taxpayers: No tax increase

Technically, it is structurally balanced only if you assume away the pending litigation costs for schools. It cuts child safety while foster care continues to be a major challenge, and while it does make provisions for more prison beds, it doesn’t provide the flexibility for the Department of Corrections to help reduce recidivism rates.

Since tax increases were off the table, and the governor’s fee increases were shot down, it does force the state to live within its current revenues plus taking \$220 million in fund sweeps and an additional \$40 million by reducing Medicaid payment rates by 5 percent.

Child and Public Safety:

- \$849 million for Child Safety
- \$1.5 billion for Public Safety
- 16% of the general fund budget is for Child Safety/Public Safety
- Delays construction of new prison beds for a \$25 million savings and allows counties to bid for housing new prisoners

The \$849 million for Child Safety comes from \$350 million for the Dept. of Child Safety, but that was a cut of \$4 million from FY2015 and slated to be cut another \$8 million in FY2017.

The remaining \$499 million is up \$17 million, but that's 5 million less than what the JLBC formula baseline had proposed. \$4 million in childcare for low wage working parents that had been instituted in FY2015 was eliminated. In addition, Arizona became the only state to limit lifetime eligibility for Temporary Aid for Needy Families to 12 months, down from 24 months—which a few years earlier had been 36 months. Consequently, it's hard to see how these priorities are strengthened by the budget.

Classrooms First:

- In total, schools will have more than \$10 billion including state, federal, capital and local funds
- Nearly 20% increase in general fund investment in K-12 since 2010
- 49% of state general fund budget will go to education (K-12 and universities combined)
- Protects classroom funding
- Teach for America: \$500,000 in new permanent funding

As noted in the text K-12 education expenditure growth was limited and part of the increase was offset by cutting the funds that the inflation-adjustment statute did not cover. The emphasis on classroom funding has changed conversations within districts to spend more in the classroom, and they will need to show a good faith effort.

Higher Education:

- Budget includes more than \$600 million in general fund dollars for universities
- 7% of state general fund budget
- Protecting rural community colleges from reductions

The budget skewered higher education. This area reveals most by what it doesn't say. The Governor's original proposal was to fully eliminate any state funding to community colleges in Maricopa (Phoenix metro area), Pima (Tucson metro area), and Pinal counties. Pinal's funding was restored in the effort to win votes for passage of the budget. In FY1979, universities received 19 percent of the General Fund, so 7 percent is hardly something to boast about.

One of the other areas zeroed out in the budget was the \$1 million funding for the Arizona Commission for the Arts, who happened to have their annual Governor's Arts Awards two weeks after the budget was signed.

Said the Governor at the event about the arts (MacEachern 2015):

"It's a resilient industry that embodies the very best in Arizona creativity and innovation.

"It generates jobs and revenue – more than half a billion annually, in addition to millions in tax revenues ... and employs nearly 50 thousand Arizonans.

"It brings visitors and attracts industry.

"It enriches communities, promotes civic pride and contributes to the economic health and competitiveness that make Arizona great.

"Simply put, it's a critical part of building our future."

As a conservative columnist noted in recapping the event:

I understand the conservative determination to create a budget that requires government to live within its means. I also understand the current, lethargic state of Arizona's economy.

But what Ducey told the audience Tuesday night does not reflect a belief that funding of the arts is a private sector responsibility, or that cutting state support for the arts is regrettable nod to reality. His speech strongly suggests that a health arts community is a vital part of economic development (MacEachern 2015).

In other words, reality does not yet quite square with the talking points.

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