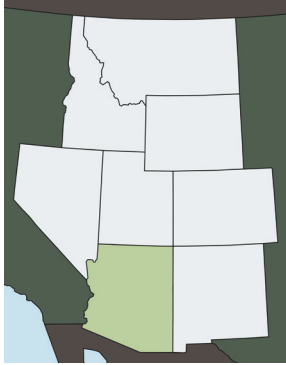


ARIZONA Budget Report Card



ARIZONA'S C AVERAGE in budget maneuvers for fiscal 2015 through 2019 shows that the state has failed to wean itself from practices that push recurring expenditures into the future to achieve balance. The state began rolling over payments to school districts about a dozen years ago and did not cease doing so in the study period, which contributed to its C average in budget maneuvers. The maneuver shifted about \$931 million of scheduled spending from fiscal 2018 into fiscal 2019 and deferred the same amount again from 2019 to 2020. Another frequently used maneuver: shifting revenues from special funds to the general fund to maintain balance. In 2019, Arizona made \$204 million of such transfers.

The state also posted a C average in legacy costs, which includes funding of public worker pensions and other postemployment benefits (OPEB), primarily health care. Over the five years studied, Arizona made an actuarially determined OPEB contribution only once, in 2015. Its 2019 pension funding ratio was 64 percent, 7 points below the total for all states.

In contrast, solid reserve fund policies earned Arizona its sole top A average. It is one of twenty states to consider revenue volatility in the policies that guide its Budget Stabilization Fund. Arizona's two B averages were in budget forecasting and transparency. In the former, it failed to use the consensus method of revenue forecasting: Although the state's Joint Legislative Budget Committee produces revenue projections, the governor and legislature are not required to accept them.


MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D-	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org. © 2021 VOLCKER ALLIANCE INC.


ARIZONA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	B	B	B	B	B	'15 '16 '17 '18 '19
	Consensus Revenue Forecasts	X	X	X	X	X	
	Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	● ● ● ● ●
	Multiyear Revenue Forecasts	✓	✓	✓	✓	✓	
	Revenue Growth Projections	✓	✓	✓	✓	✓	
5-YEAR AVERAGE						B	

BUDGET MANEUVERS							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	C	C	C	C	C	'15 '16 '17 '18 '19
	Deferring Recurring Expenditures	X	X	X	X	X	
	Revenue and Cost Shifting	X	X	X	X	X	
	Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓	● ● ● ● ●
	Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓	
5-YEAR AVERAGE						C	

LEGACY COSTS							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	A	D	D	D	D	'15 '16 '17 '18 '19
	Public Employee OPEB Funding	✓	X	X	X	X	●
	Public Employee Pension Funding	✓	✓	✓	✓	✓	
	Public Employee Pension Funded Ratio*	70%	68%	63%	64%	64%	● ● ● ● ●
5-YEAR AVERAGE						C	

RESERVE FUNDS							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	A	A	A	A	A	'15 '16 '17 '18 '19
	Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	● ● ● ● ●
	Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	
	Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	
	Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓	
5-YEAR AVERAGE						A	

TRANSPARENCY							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	B	B	B	B	B	'15 '16 '17 '18 '19
	Consolidated Budget Website	✓	✓	✓	✓	✓	
	Provides Debt Tables	✓	✓	✓	✓	✓	● ● ● ● ●
	Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X	
	Discloses Tax Expenditures	✓	✓	✓	✓	✓	
5-YEAR AVERAGE						B	

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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