

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



Arizona: Tools for Sustainable State Budgeting

Long-term budget assessment:

Budget stress test:

Report: "JLBC Staff—October Budget Update"³

Office: Joint Legislative Budget Committee

Analyses

By law, Arizona's General Appropriations Act—one of the state's annual budget bills—must include three years of revenue and spending projections.⁴ To fulfill this requirement, the staff of the Joint Legislative Budget Committee (JLBC) produces a report each October with the projections, which it then updates twice: when the legislative session starts the following January and in April, near the end of the session.⁵ The October and January reports include context for the forecasts, describing the economic factors driving the numbers, recent policy developments, and sources of budget uncertainty.⁶

Separately, the Governor's Office of Strategic Planning & Budgeting (OSP) publishes three-year projections of revenue and spending as part of the governor's budget proposal each year. Both these projections and the JLBC's distinguish between one-time and ongoing revenue and spending, and OSPB uses its ongoing figures to calculate the state's structural surplus or deficit.⁷ The governor's budget proposal includes some discussion of the state's economic, demographic, and revenue outlooks but provides little analysis of the surplus or deficit figures.⁸

Policy impact

Arizona has enjoyed budget surpluses in recent years, and the JLBC's reports have provided a key data point for legislators: the maximum amount of money they can commit to ongoing initiatives without causing future shortfalls. For example, the January 2023 report found that the state would have a "one-time balance" of \$1.8 billion to spend in fiscal year 2024, but also that "any new ongoing spending in FY 2024 would create a shortfall in FY 2025."⁹ This finding has helped encourage lawmakers to focus on using the surpluses for one-time rather than ongoing commitments. However, this approach requires legislators to exercise care when determining whether an expenditure is genuinely one-time.¹⁰

Next steps

The three-year time frame for the JLBC's and OSBP's projections does not capture factors that may affect Arizona's budget more gradually, such as longer-term demographic changes. Including discussion of these factors with both sets of projections and with a longer time frame could offer state policymakers a broader view of key trends and risks.

The JLBC has produced some informal, internal stress analyses, which could serve as a starting point for a published budget stress test.¹¹

Endnotes

- 1 The Pew Charitable Trusts, “Tools for Sustainable State Budgeting” (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, “States’ Use of Sustainable Budgeting Tools” (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 Arizona Joint Legislative Budget Committee, “JLBC Staff—October Budget Update” (2022), <https://www.azjlb.gov/budget/100622revenueandbudgetupdate.pdf>.
- 4 Arizona Rev. Stat. § 35-125, <https://www.azleg.gov/ars/35/00125.htm>.
- 5 Arizona Joint Legislative Budget Committee, “October Budget Update”; Arizona Joint Legislative Budget Committee, “FY 2024 Baseline Book” (2023), <https://www.azjlb.gov/budget/24baselinesinglefile.pdf>; Arizona Joint Legislative Budget Committee, “Finance Advisory Committee Revenue and Budget Update” (April 13, 2023), <https://www.azjlb.gov/budget/revenueandbudgetupdate041323.pdf>.
- 6 Arizona Joint Legislative Budget Committee, “FY 2024 Baseline Book”; Arizona Joint Legislative Budget Committee, “October Budget Update.”
- 7 Arizona Joint Legislative Budget Committee, “October Budget Update,” 12; Arizona Governor’s Office of Strategic Planning and Budgeting, “State of Arizona Executive Budget Summary, Fiscal Year 2024” (2023), 31, 34, <https://www.azospb.gov/Documents/2023/FY%202024%20Summary%20Book.pdf>.
- 8 Arizona Governor’s Office of Strategic Planning and Budgeting, “State of Arizona Executive Budget Summary,” 28-30.
- 9 Arizona Joint Legislative Budget Committee, “FY 2024 Baseline Book,” S-1.
- 10 Arizona Joint Legislative Budget Committee, “FY 2024 JLBC Baseline” (Jan. 13, 2023), 14, <https://www.azjlb.gov/budget/24baselineslideshow.pdf>; S. Shepherd (deputy director, Arizona Joint Legislative Budget Committee), interview with The Pew Charitable Trusts, Aug. 23, 2023.
- 11 S. Shepherd (deputy director, Arizona Joint Legislative Budget Committee), interview with The Pew Charitable Trusts, Jan. 19, 2023.

For more information, please visit: pewtrusts.org/fiscaltools

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