



GRAND CANYON
I N S T I T U T E

***Arizona's Budget Priorities:
Key Investments for a Prosperous State***

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INTRODUCTION

The combination of an unprecedented strong federal fiscal response to the COVID pandemic combined with the “skinny” state budget adopted last year has left the state of Arizona in an excellent position to take action on a number of budget deficiencies.

While there's little empirical evidence to suggest personal tax rates impact economic growth and business environments are vastly overplayed for their impact, areas identified in this report are critical investments for future prosperity.¹

The Joint Legislative Budget Committee forecasts a \$1.2 billion ongoing above baseline budget balance this year that could rise to \$1.5 billion by FY2024.² The legislature also has an estimated \$1.8 billion in one-time monies that includes a hefty balance forward due to last year's “skinny” budget.³ In addition, the American Rescue Plan Act has provided the state with \$4.8 billion that can be expensed through the end of calendar 2024 to respond to COVID, negative economic impacts from the pandemic, including adding to the depleted Unemployment Insurance Trust Fund, and water/sewer and broadband infrastructure.⁴

Collectively this report identifies \$1.4 billion in one-time funding and approximately \$1.5 billion in ongoing expenditures plus up to \$1.2 billion in infrastructure that will be partially covered by a future federal infrastructure bill that could also be partially covered with one-time dollars.

¹ Wells, Dave (2016), “Education Measures Not Business Indices Correlate with a Better Economy: Ranking the 50 States,” Grand Canyon Institute, August 22, <https://grandcanyoninstitute.org/education-measures-not-business-indices-correlate-with-a-better-economy-ranking-the-50-states/>.

² Joint Legislative Budget Committee (2021), “Finance Advisory Committee: Revenue and Budget Update,” April 15, [revenueandbudgetupdate041521.pdf \(azleg.gov\)](#).

³ Joint Legislative Budget Committee (2021), “FY 2022 Baseline Summary,” p.S-5, [FY 2022 Baseline Summary Narrative \(azleg.gov\)](#).

⁴ Joint Legislative Budget Committee (2021), “American Rescue Plan Act: Program Summary,” March 16, [americanrescueplanact031621.pdf \(azleg.gov\)](#).

Below are a list of budget priorities for a prosperous state:**K-12 Education: \$1.4 billion one-time, \$1.05 billion ongoing (\$600 million above Executive Budget⁵)**

Opportunity/Poverty Weight (\$800 million — \$400 million above Executive budget): The students least likely to graduate from high school are those who are economically disadvantaged. Add an Opportunity (poverty) weight to the school funding formula to invest in the students most in need of assistance in helping overcome obstacles (ongoing)--twice the amount in the Executive budget--which does not make the change permanent.

Special Education Services through 22 years (\$100+ million). Special education services are underfunded by more than \$100 million. The state needs a new comprehensive cost study to develop an appropriate funding model and should fund the \$55 million already laid out in legislation focused on certain Special Education and \$10 million to begin implementation of comprehensive dyslexia screening and teacher training.

End the Students First Lawsuit (\$500 million now, \$500 million over next three years). Due to the failure of the legislature to fulfill Students First for equitable access to building renewal and building funds, a massive gap has been created in the capital expenditures of districts that do not have bond or capital overrides and those that do. The state will not win the lawsuit and should not want to win it; so end it. Immediately reinstating state inspections of all district education facilities over the next five years as required by law and Students First coupled with \$500 million in one-time monies and \$500 million over the following three-years. This investment should be sufficient to end the funding deficit--with the building renewal being revised based on these results and reinstated. The school construction formula systematically undercounts actual construction costs, so also needs to be revised.

End the accounting "rollover" (\$900 million one-time): for K-12 education that was used during the Great Recession and never fixed.

⁵ The \$400 million is due to lost reported school attendance (and funding) from the past year where many children disappeared from the system. The Executive budget repurposes these dollars for free and reduced lunch children. GCI recommends doubling the amount and making it permanent.

Community Colleges and Universities: \$260 million (ongoing)**Community Colleges (\$100 million + \$20 million from Prop. 207 dollars):**

The Governor seeks to have 60% of those 25 to 64 have a postsecondary degree or certificate by 2030. We're not close to the goal and to make matters worse, the legislature has cut funding to community colleges as a portion of their revenues by two-thirds since 2008. A new bill allows community colleges to begin to offer some four-year degrees but has no funding attached. If Arizona takes educational attainment seriously then it needs to return to funding approximately 10% of total revenue for community colleges.

Universities (\$160 million): Arizona has the sharpest reduction in higher education investments in the country since 2008. The Board of Regents have focused on New Economy Initiatives that help build the economic foundation to make Arizona a strategic investment center that creates the higher quality jobs that would help reverse the manner in which Arizona has a whole lags behind the national average in per capita personal income.

Services for individuals with intellectual and developmental disabilities (\$150 million ongoing). Pay rates for service providers who work with people that have intellectual and developmental disabilities are 76% of the recommended benchmark according to a mandated rate rebase study. Up to \$150 million is needed to rebase the reimbursement rates for Home and Community Based Services as of State Fiscal Year 2020.

Affordable Housing (\$50 million ongoing)

Since 2007, rents in Maricopa county have gone up TWICE as fast as incomes for renters. While the problem is worse in Maricopa County, it's a problem throughout the state. This undermines family stability and child educational outcomes as well as makes Arizona less attractive as a business location. Consequently, Maricopa County especially, as well as some other areas of the state, have a significant shortage of affordable housing. The Housing Trust Fund in 2007 was funded at \$40 million--those amounts dropped precipitously and have only returned to about \$15 million a year. The annual Housing Trust Fund allocation should be \$67 million when adjusting for rent increases and population growth or about \$50 million more.

Infrastructure (up to \$1.2 billion ongoing--but could use one-time dollars)

The Biden administration's plans to pass an infrastructure bill will certainly assist, but the state should not wait for Washington. Arizona's Dept. of Transportation has already identified a \$30 billion deficit in road infrastructure over the next 25 years (\$1.2 billion a

year). While the Governor has properly emphasized a \$100 million investment in broadband infrastructure which would augment much greater federal monies if an infrastructure bill is passed, it's important that such investments be for broadband upload and download speeds that represent the future not the past as the FCC standard is outdated, which means ongoing investments in this area will be needed.

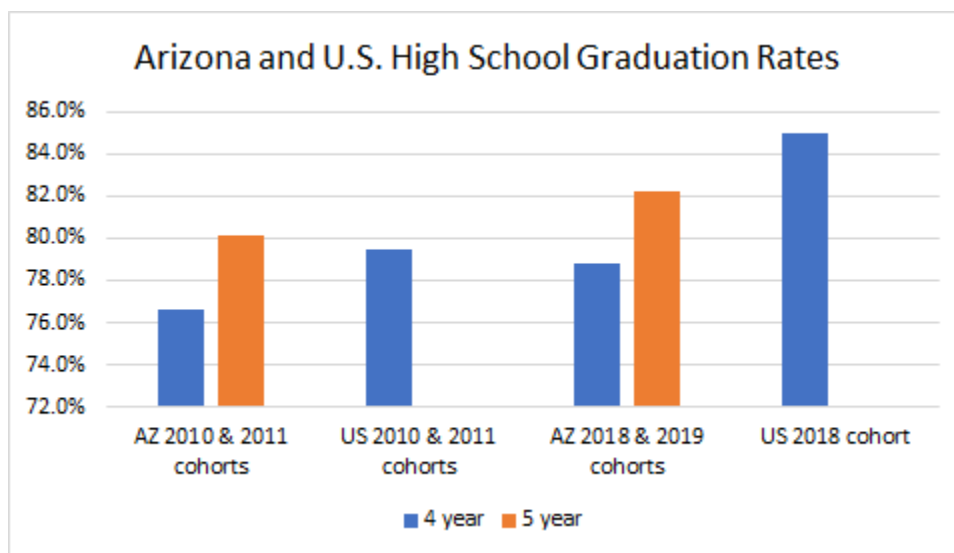
EDUCATION FUNDING OPPORTUNITY INDEX

Investment: \$800 million (ongoing)/\$400 million more than one-time in Exec. Budget

Educational attainment in Arizona

Educational attainment, starting with a high school degree, are critical for individual economic success and stronger economic growth. Governor Doug Ducey has embraced a goal to have 90% of students graduate from high school. Arizona is not on pace to come close to that goal as noted in the [Figure 1](#) below. While the Governor's Executive budget proposal makes the first substantive recommendation to target funds to lower income children, it should be doubled and placed in the school funding formula.

Figure 1 Arizona and U.S. High School Graduation Rates



Source: Arizona Dept. of Education, National Center for Educational Statistics.

Lower high school graduation rates along with lower college-going rates impact Arizona's opportunity for economic advancement that is dependent upon attracting and

developing businesses and industries that rely upon an educated pool of workers. Arizona was identified as one of the states that would most benefit in GDP growth from improvements in the base education level of its workforce in a 2015 National Bureau of Economic Research paper by Eric Hanushek with the Hoover Institution at Stanford University.⁶ **Table 1** demonstrates education attainment in Arizona relative to other states. Arizona not only lags behind other states, but over the last decade has fallen further behind as other states have done a better job of improving the educational attainment of their workforce. In 2010 Tennessee was 3 percentage points below Arizona but by 2019, Tennessee had matched Arizona. Even though all the other states started at a higher level of post-secondary attainment than Arizona in 2010, by 2019 all of the states were further ahead of Arizona. This results from a combination of in-migration differences, e.g. people with college degrees moving to Colorado more than Arizona, as well as the state's failure to internally create a more highly educated workforce.

From a K-12 perspective, the most critical area to invest resources are into the children least likely to graduate from high school or matriculate to college. Consequently, investing additional financial resources in low-performing schools with a high number of students living in poverty is imperative if Arizona is going to improve educational outcomes.

Table 1 Arizona Adult Education Levels Compared to Selected States, 25 to 64 years old, 2019

	No HS degree	HS Graduate or GED	Associate's Degree	Bachelor's Degree	Graduate Degree	Total Post-Secondary	Change 2010-2019
Current Arizona Baseline	13%	49%	9%	19%	11%	39%	+4%
California	15%	41%	8%	23%	13%	44%	+5%
Colorado	7%	40%	9%	28%	15%	52%	+6%

⁶ Hanushek, Eric A., Jens Ruhose, and Ludger Woessmann (2015), "Economic Gains for U.S. States from Educational Reform," National Bureau of Economic Research, working Paper No. 21770, December, <https://www.nber.org/papers/w21770>.

	No HS degree	HS Graduate or GED	Associate's Degree	Bachelor's Degree	Graduate Degree	Total Post-Secondary	Change 2010-2019
Tennessee	10%	51%	8%	20%	11%	39%	+7%
Texas	14%	46%	8%	21%	11%	40%	+6%
Utah	7%	48%	10%	24%	11%	45%	+5%
Wisconsin	7%	48%	12%	23%	11%	46%	+7%

Source: American Community Survey 2010, 2019 via National Kids Count.

Limitations of Current Efforts

- Arizona's education funding formula does not include a poverty/opportunity weight. Students in a regular education classroom receive the same funding regardless of parental education, household stability, income or other factors — even though these characteristics strongly influence student success.
- Arizona ranks among the worst states for its effort, adequacy and progressivity of its education funding.⁷
 - Effort reflects how much funding is provided relative to Gross State Product.
 - Adequacy reflects how much funding is provided relative to what is needed.
 - Progressivity reflects how much funding high poverty districts receive compared to wealthier districts.
- The Classroom Site Fund does not prioritize based on student risk factors.
- Invest in Ed aims to increase school funding by about \$900 million annually. It provides funding for the teacher pipeline and mentorship to improve the workforce. While it will increase the availability of well-trained teachers in

⁷ Baker, Bruce D., Danielle Farrie, and David Sciarra (2018), "Is School Funding Fair: A National Report Card," 7th edition, Education Law Center, Rutgers University, February, [Is School Funding Fair 7th Edition.pdf - Google Drive](#).

Arizona, it does not provide additional funding targeted at issues related to students at risk due to their socioeconomic status.

- The Governor's 20x2020 provided additional funds but did not target schools serving high-poverty communities. The plan increased teacher pay by up to 20% but was distributed uniformly and did not improve the ability of districts with high numbers of children from low-income families to compete with other districts in hiring the best teachers.
- The restoration of District Additional Assistance has no differential impact based on the needs of the child.
- Last year Governor Ducey pushed to expand Project Rocket, but the pandemic and skinny budget foreclosed the expansion. While it hails as a solution for what ails high poverty schools, it only provides an additional \$150 per student.
- This year due to a decline in school enrollment in the pandemic that resulted in budget savings, the Executive Budget budget reallocates the savings as \$500 per student eligible for free and reduced meals and additional support to half of these students who are in particular grade bands. While this represents a huge step forward, these funds are one-time and not part of the educational funding formula--and subject to changing policy directions of the executive or legislative branch.⁸

Addressing the Issue

Arizona should introduce an opportunity weight to the school funding formula for students who come from economically disadvantaged circumstances. The Free and Reduced lunch eligibility, 185% of less of the federal poverty guideline, while often used, hides a wide diversity of relative student challenges. The approach recommended here places greatest emphasis on students at highest need to improve academic support they will need to succeed. The weight would have three levels.

1. Students attending Community Eligible Program Schools. These are the highest poverty schools where at least 40% of attending students have been identified as enrolled in programs such as Supplemental Nutrition Assistance Program (SNAP), Medicaid or Temporary Aid to Needy Families (TANF).⁹ GCI estimates 165,000 students attend these schools. In CEP schools all students are eligible

⁸ Office of the Arizona Governor. (2021). *State of Arizona executive budget: Summary fiscal year 2022*. January, https://azgovernor.gov/sites/default/files/summary_book_with_addendum_2-1-21_0.pdf.

⁹ U.S. Dept. of Education, "GUIDANCE: The Community Eligibility Provision and Selected Requirements Under Title I, Part A of the Elementary and Secondary Education Act of 1965, as Amended." The guidelines note the "identified" population can include students experiencing homelessness or in foster care.

for free breakfast and lunch due to a 2010 change in National School Lunch Program.

2. Schools receiving Title 1 funds also track SNAP reciprocity at minimum, so also have “identified” student populations. SNAP like Medicaid and free (not reduced) lunch requires incomes to be less than 130 percent of the federal poverty guideline--whereas free and reduced lunch programs go up to 185 percent. These are also students at higher risk of less academic success. GCI estimates that about 20% of all students not in CEP schools would fall into this category.
3. Free and Reduced lunch recipients beyond students in the above categories are identified through an income reporting process through schools and includes students in families up to 185 percent of the federal poverty guideline. Eligibility is based on collecting forms from parents--which is both more cumbersome and subject to challenges in getting forms returned as well as error.

Table 2 below summarizes the three student groups and how the \$800 million investment would break out. Notably unlike using a free and reduced lunch eligible criteria as in the executive budget--this approach assures resources are focused proportionately to likely barriers to success due to economic disadvantage.

Table 2 Breakdown of State Investment by Student Groups

	Students	Base Level	Weight	Investment per Student	Total Investment
CEP School Enrollment ¹⁰	165,000	\$4,358.33	0.4	\$1,743.33	\$288,000,000
Other “Identified” Students ¹¹	167,000	\$4,358.33	0.4	\$1,743.33	\$291,000,000
Other Free & Reduced Lunch Eligible	268,000	\$4,358.33	0.2	\$871.67	\$234,000,000
Total					\$813,000,000

¹⁰ Based on CEP school enrollment for 2020-2021.

¹¹ Outside CEP school enrollment, it is assumed about 20% of all other students would be considered “identified” and eligible for the 0.4 weight.

EDUCATION: END THE STUDENTS FIRST LAWSUIT

Cost:

- **Renewal:** \$500 million (one-time), \$500 million over following three years and then reinstate/update funding formulas.
- **New School:** Funding formula for new schools should be updated as the current formula is not sufficient to pay for schools.

The *Roosevelt v. Bishop* lawsuit related to the inequities in school facilities across districts that were found to violate the equity provision of the Arizona Constitution. Wealthier districts had access to far more resources than more impoverished districts. Students First was the settlement which established the Schools Facility Board and a formula for funding new facilities as well as “renewing”/repairing existing facilities. All school facilities in the state were to be inspected every five years. The legislature has systematically walked away from the settlement, which has led to the lawsuit being reinstated. **Today districts that are able to fully bond for building and pass capital overrides are able to access almost three times as much funding per student as districts who cannot.**¹²

Collectively, since 2007, the legislature has underfunded the school renewal/repair formula by \$3 billion as seen in Figure 2. If adjusted for inflation this amount would be higher.

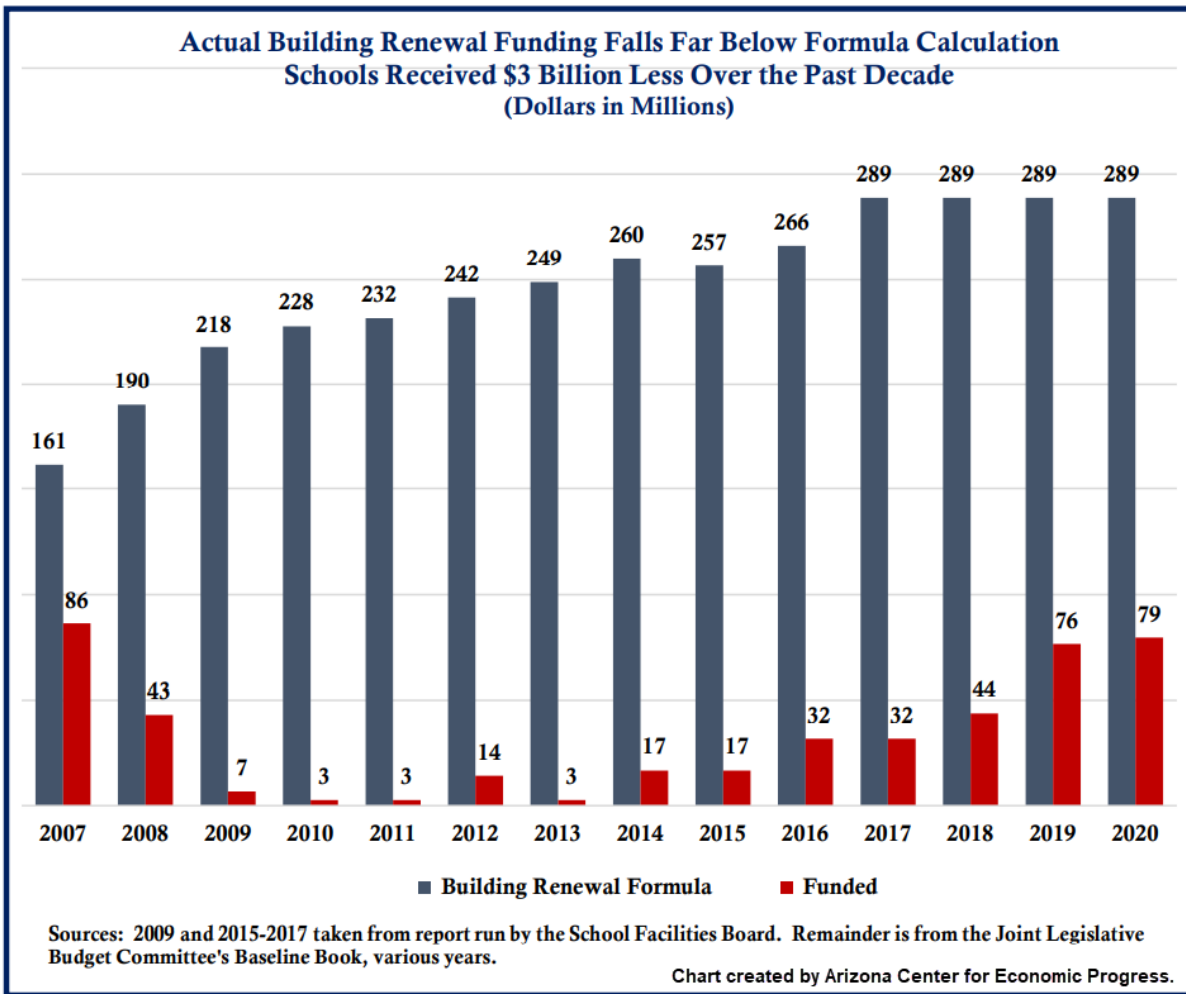
Furthermore, contrary to state law Arizona has essentially abandoned inspecting all school facilities every five years to verify safety and equivalency. Instead, the state government relies on districts to seek grants when things break as opposed to doing proper preventative maintenance.¹³

¹² Calculations developed by Anabel Aportela, Arizona School Board Assoc.

¹³ Arizona Center for Economic Progress (2019). *More than two decades of underfunding Arizona public school facilities hurts low-income and rural communities the most.*

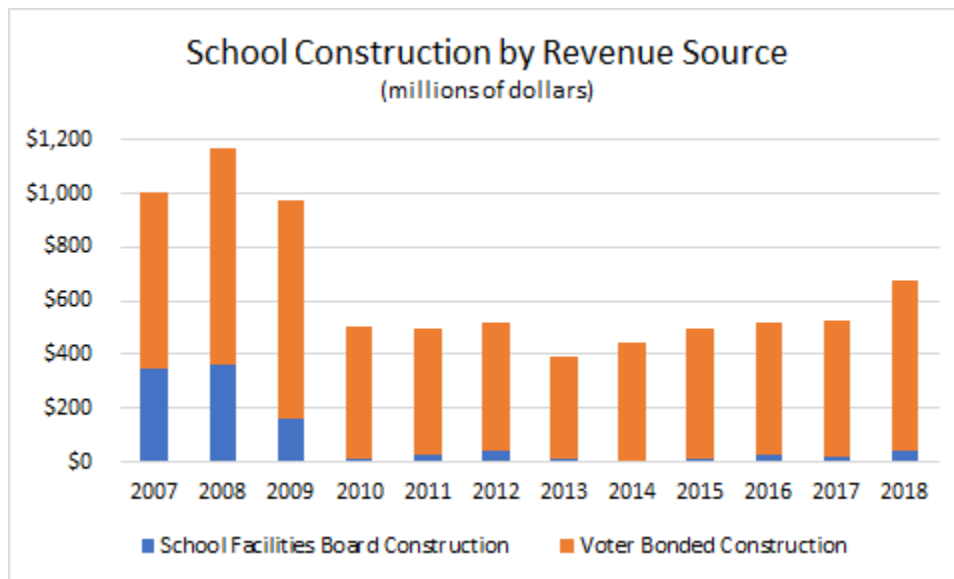
2019-08-26-AZ-School-Funding-Fact-Sheet-AZ-Center-1.pdf (azeconcenter.org)

Figure 2 Actual Building Renewal Funding vs. Formula Calculation



The state should fund its legal requirement to inspect schools, identify deficiencies, and use a \$500 million one-time allocation to cover needed repairs and possible building replacements, and set aside \$167 million in each of the following three years to cover additional costs if needed. The grant program should be replaced by the inspection process, which primarily helps Arizona's many small districts who lack the capacity to do this well. The inspection process would yield critical information needed to develop a formula to replace the grant program.

The state has also essentially abandoned funding new school facilities in the last dozen years. New construction paid for by revenue from the School Facilities Board has essentially disappeared.

Figure 3 Dollars spent on New School Facilities

Source: Anabel Aportela, Arizona School Board Association.

Furthermore, the school facilities funding formula seems to be inconsistent with actual school construction costs. **Table 3**, from the JLBC FY2021 Baseline Book for the School Facilities Board, shows statutory funding guidelines for new school facilities along with school size and costs from construction sources.¹⁴ Facility construction is only warranted once the size minimums are expected to be exceeded within two years due to student enrollment growth.

Table 3 New School Facilities Statutory Funding Guidelines

Type of School	Arizona Statute Square Feet Per Student	Arizona Statute Funding Per Square Foot	School Planning & Management 2015 School Construction Report Sq Ft./Student	Cumming Insights (Dallas 2021)
K-6	90	\$164.36	188	\$198-\$238
7-8	100	173.52	173.4	\$217-\$260
9-12 (<1,800 pupils)	134	\$200.90	180	\$238-\$286
9-12 (≥1,800 pupils)	125	\$200.90	180	\$238-\$286

¹⁴ School Facilities Board. (n.d.). FY 2021 baseline. p. 385. <https://www.azleg.gov/jlbc/21baseline/sfb.pdf>

The School Facilities Board presentation in January, 2021 highlighted new construction in Laveen and Vail school districts which only covered 75 to 80% of the total costs based on the statutory formula.¹⁵ Such deficiencies are serious challenges for districts not in a position to bond. Incidentally, Vail is not a low income district. So even the small funding provided by the SFB is not focused on districts that cannot bond.

Rhode Island funds its schools at more than twice the level per square foot compared to Arizona's School Facilities Board formula.¹⁶ Cumming Insights provides its regional estimates for school construction costs. Dallas is used as illustrative of what lower end costs were reported as--and the ranges are far higher than what statute permits in Arizona (See Table 3). The lowest costs came from the Southeastern U.S. metro areas. None of their 16 metro areas were in Arizona)¹⁷ In addition, for schools built in 2014 compiled by School Planning and Management Magazine, the median school size far exceeded the size limits in Arizona statute. Arizona's sizes were also smaller than the lowest quintile--which averaged about 150 sq ft./student. While the state is evaluating when schools are on pace to be overcrowded,, the formula for funding buildings needs to be improved, especially for more financially strapped districts. However, without inspections, there is no means in place to evaluate facilities that need replacement.

EDUCATION: FIX K-12 "ROLLOVER"

Cost: \$900 Million (one-time)

During the Great Recession the state moved a June payment to July, rolling it into the next fiscal year. This practice, referred to as "Rollover", has continued since. The state has failed to make the back payment owed to schools. Given the amount of one-time monies in 2022 budget projections, the state should take this opportunity to end this practice. \$30 million is already in the budget, an added \$900 million removes the "rollover."

¹⁵ School Facilities Board. (2021, January 26). *Presentation to the Senate Appropriations Committee*. <https://www.azleg.gov/jlbc/22sfbagypres.pdf>.

¹⁶ School Building Authority at the Rhode Island Dept. of Education. (2020, January). *School cost analysis*.

<https://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/SchoolBuildingAuthority/School-SF-Costs-2020.pdf?ver=2020-01-27-103358-613>

¹⁷ Cumming Insights (2021). *An in-depth look at construction costs per square foot in the United States*. <https://ccorpinsights.com/costs-per-square-foot/>

K-12 EDUCATION: ON-GOING FUNDING AND SPECIAL EDUCATION COST STUDY

Funding gap: More than \$100 million

This session, Sen. Kirsten Engel introduced SB1189 to provide additional funding for special education services in Arizona's K-12 schools. The bill included the same provisions introduced by former Sen. Allen last year that was making its way through the legislature before stalling due to the pandemic. Unfortunately, SB1189 has not progressed this session. Sen. Allen's bill was estimated to cost \$55 million annually.¹⁸

Arizona's district and charter schools face a funding shortfall of at least \$100 million but probably much more.¹⁹ Anabel Aportela of the Arizona School Board Association for the 2015-2016 academic year added up all revenue for Special Education services and then subtracted out all the reported costs in the public schools' Annual Financial Reports (AFRs). She found about a \$100 million deficit--or around \$100 per pupil. This undercounts the deficit as AFRs do not separate transportation costs, so she was not able to include Special Education associated transportation costs.²⁰ This short-fall occurs primarily in district schools because a disproportionate share of children needing added assistance attend district schools compared to charter schools. The state has not conducted a cost study of special education services since 2007. Prior to that, the state was required to conduct a cost study every two years but that law was repealed by legislators. The 2007 cost study found that Arizona's district and charter schools had a \$42 million funding gap for special education services.²¹

Special education services documented in Individualized Education Plans (IEPs) become a legal obligation by publicly-funded schools. If schools receive insufficient

¹⁸ Senate Research. (2020). *Fact sheet for S.B. 1060*. Arizona State Senate.

<https://www.azleg.gov/legtext/54leg/2R/summary/S.1060ED.pdf>.

¹⁹ Allhands, Joanna (2021, April 23). This bill could help fix a major school funding problem, but now it's going nowhere. *AZCentral*.

<https://www.azcentral.com/story/opinion/op-ed/joannaallhands/2021/04/23/special-education-funding-mes-s-bill-help-fix-has-stalled/7335562002/>

²⁰ Aportela, Anabel (2017), "Special Education: What it Costs and Why Everyone Has a Stake," September 14, [Special Education Funding Gap \(azsba.org\)](#). Her methodology included M&O revenues (7/11ths of Class A weights plus Class B weights in Special Education), Classroom Site Fund Special Education teacher portion, and Federal IDEA revenues. Expenditures included identified Special Education, Classroom Site Fund Special Education portion, Federal IDEA. Transportation revenues and costs were omitted (and would add to the deficit) as any use of other federal funds (e.g., Impact Aid).

²¹ Arizona Department of Education-The Audit Unit (2007), "Special Education Cost Study: Fiscal Year 2007," December, [Microsoft Word - A-Report Cover Only.doc \(azed.gov\)](#). The study found Class A weights were i deficit by \$54 million and Class B weights were in surplus by \$12 million yielding a net deficit of \$42 million.

dedicated special education funding they must make up for the shortfall from other revenues. In other words, revenue for regular education services is used to subsidize services for special education students due to their need and a school's obligation to serve them. Some of the key areas where funding falls short are in the specific special education funding weights, transportation costs, and extraordinary expenses that schools are left to fund but can run into the tens of thousands of dollars for students with severe medical needs who are mandated to receive public education services.

Dyslexia provides an example of how Arizona's special education funding is out of date and failing 1 in 5 students. Dyslexia is not specifically recognized as a disability in Arizona's special education weights but when diagnosed is typically classified as a Specific Learning Disability. As such, a diagnosis does not generate any additional funding to support the student yet the state has mandated that publicly-funded schools screen K-3 students for the disability and that each school have a dyslexia-trained educator. Governor Ducey allocated \$1.3 million for the Arizona Department of Education to hire a Dyslexia Specialist, Early Literacy Specialist, and "Move On When Reading" Specialist, as well as funding for literacy education training that will enable the Department to meet the requirements outlined in statute.²² Otherwise, the financial burden of meeting the needs of students with Dyslexia is put on schools.

This approach is detrimental to the well-being of students and short-sighted overall. A white paper by the Boston Consulting Group in collaboration with the University of California, San Francisco's Dyslexia Center modeled a policy response for California to address Dyslexia.²³ Interventions included screening, teacher training, resource specialists, literacy coaches and technology. Approximately one in five or six students has some degree of dyslexia, but it's often undiagnosed. According to the National Institutes of Health 95% of them can read proficiently IF they receive appropriate instruction by 1st grade.²⁴ Failure to diagnose and teach them appropriately means these students struggle with literacy and academic work, making them less likely to be able to graduate from high school and achieve their full economic potential. Forward thinking investments in dyslexia screening and teacher training that reach children in their early school years have major benefits. The white paper found that if its proposed recommendations were adopted, the state of California would achieve a return on investment of between 800% to 2000% and was projected to break even in 7 years.

²² Office of the Arizona Governor. (2021, January). *State of Arizona Executive Budget Summary: Fiscal year 2022*. p. 28. https://azgovernor.gov/sites/default/files/summary_book_with_addendum_2-1-21_0.pdf

²³ Boston Consulting Group, UCSF Dyslexia Center. (2020, July). *The economic impact of dyslexia on California*.

<https://media-publications.bcg.com/The-Economic-Impact-of-Dyslexia-on-California-Whitepaper-Final.pdf>

²⁴ Arizona Dyslexia Association (2021), Arizona Dyslexia Legislation--Information & Updates, April 28, [AZ Dyslexia Legislation | Arizona IDA \(dyslexiaida.org\)](https://www.dyslexiaida.org/).

Potential savings per school were \$30,000 in the first 5 years. More broadly, providing appropriate interventions for students with Dyslexia would reduce the negative life outcomes associated with the disability including chronic absenteeism, social services, juvenile detention, additional special education services, and homelessness.

The model proposed by the Boston Consulting Group and UCSF's Dyslexia Center would cost Arizona an initial investment of roughly \$170 million and \$85 million in subsequent years. Importantly, the benefits would extend beyond students with Dyslexia given that many of the interventions would benefit other students who struggle with literacy, certainly worth considering in Arizona where only 46% of third graders pass the AZ Merit Reading test, far short of the 2030 goal of 72%.

Presently Arizona is on this path--but delaying it due to COVID, and has under recognized the needed investments. The Arizona Dyslexia Association notes that current funding for screening and training is \$10 million.²⁵ The Boston Consulting Group's work suggests that is well below what will ultimately be needed. At minimum the state should fully fund the \$10 million.

Dyslexia is one example of how Arizona could invest more resources in meeting the needs of its special education population. Given the state's projected \$1.2 billion ongoing surplus, the state has the opportunity to fully fund special education which would improve services for students across the state, reduce the amount of funding that must be subsidized from general education classrooms, and would have a flow-on benefit to the broader and economic savings to the state in the long run.

COMMUNITY COLLEGES

Funding gap: \$100 million (+\$20 million from Prop. 207)

The state has a goal of having 60% of those 25 to 64 with a postsecondary credential or degree by 2030. Community Colleges are critical to reaching that goal, yet the legislature has instead cut their funding by two-thirds in the last dozen years. The state should return to funding about 10% of Community College overall revenues--which due to Prop. 207 providing revenues--would require about \$100 million in added funding beyond current funding levels.²⁶

²⁵ Arizona Dyslexia Association (2021), Arizona Dyslexia Legislation--Information & Updates, April 28, [AZ Dyslexia Legislation | Arizona IDA \(dyslexiaida.org\)](https://www.dyslexiaida.org/).

²⁶ \$20 million from Prop. 207 is estimated from the JLBC fiscal analysis of the proposition, [20nov1-23-2020fn730.pdf \(azleg.gov\)](https://www.azleg.gov/20nov1-23-2020fn730.pdf)

While Arizona's economy sees a shift towards jobs that require higher levels of skill and education, yet the number of Arizona residents with a postsecondary degree or certificate has failed to substantially increase to meet these needs. At the same time, the state legislature neglects to make any substantial investment in Arizona's community colleges or workforce training programs.

From FY10–FY19, state aid for the community college district decreased by 62.1%, from \$132.4 million to \$50.2 million.²⁷ This funding gap grows even further when compared to pre-Great Recession levels, when funding reached \$164.6 million in FY08. The largest community college district, Maricopa, sees only a fraction of state funds, receiving \$10.6 million in 2019 for workforce development programs,²⁸ up from \$0 prior to 2016 and down from \$68.7 million dollars in 2008.²⁹

The legislature has continually failed to fully fund Maricopa and Pima community college districts based off of its own funding formulas. In FY19, the state did not fund the \$13.5 million for Maricopa and Pima called for by the STEM AID funding formula, even though every other community college district, aside from Pinal, received this funding in full.³⁰ While the state did provide \$1.6 million in funding in FY20 for Maricopa and \$400,000 for Pima, the state is still shorting the districts by \$11.5 million.³¹ The state also failed to fund the Operating Aid formula for these districts.

At the same time, the state is now asking the community colleges to do more with only a fraction of the funding that they once had. A law signed by Governor Ducey on May 4, 2021, allows community colleges to offer certain four-year degree programs while limiting what these colleges can charge for such offerings.³² The significant resources required to develop, advertise, and offer these programs will further deplete the limited funds available to districts to administer their core functions.

²⁷ Larkin, M. (2018, September 6). *JLBC staff program summary – state aid for community colleges*.

Arizona Joint Legislative Budget Committee. <https://www.azleg.gov/jlbc/psaccstateaid.pdf>

²⁸ Maricopa County Community College District. (2019a, May 28). FY19-20 adopted budget.

https://district.maricopa.edu/sites/district/files/documents/FY20_Adopted_rev_June.pdf

²⁹ Diaz, E. (2018, February 26). Díaz: Maricopa community colleges are full of bad news, and no one cares. *AZ Central*.

<https://www.azcentral.com/story/opinion/op-ed/elviadiaz/2018/02/26/maricopa-county-community-colleges-scandal-funding-problems/372064002/>

³⁰ Larkin, 2018

³¹ Joint Legislative Budget Committee. (2020, July). FY 2021 appropriations report.

<https://www.azleg.gov/jlbc/21AR/FY2021AppropRpt.pdf>

³² Hansen, P. (2021, May 4). Ducey signs bill to let Arizona community colleges offer some 4-year degrees. *AZCentral*.

<https://www.azcentral.com/story/news/politics/arizona-education/2021/05/04/arizona-community-colleges-can-offer-some-4-year-degrees/4938248001/>

Four-year degree programs will require additional staff and likely facilities. The state in FY2010 provided 8% of community college funding during the Napolitano Administration, state funding consistently topped 10%. Cutting state aid has had predictable effects as shown in the table below—which gathers tables from the FY2006 and FY2021 JLBC Appropriation reports and illustrates that in nominal terms—cutting state aid in half has led to tuition rates doubling and property tax rates rising 30 about percent (tax rates are not nominal since property values generally appreciate). **Table 4** lists tax rates, tuitions, and fees for each community college district.

Table 4 Community College Tax Rates, Tuition, and Fees

District	Primary Rate	Secondary Rate	Combined Rate
Cochise	\$1.79	\$0.00	\$1.79
Coconino	\$0.41	\$0.16	\$0.57
Gila	\$0.63	\$0.00	\$0.63
Graham	\$2.07	\$0.00	\$2.07
Maricopa	\$0.92	\$0.12	\$1.04
Mohave	\$0.95	\$0.00	\$0.95
Navajo	\$1.26	\$0.25	\$1.51
Pima	\$1.11	\$0.23	\$1.34
Pinal	\$2.15	\$0.00	\$2.15
Yavapai	\$1.56	\$0.29	\$1.85
Yuma/La Paz	\$1.86	\$0.22	\$2.08

District	Cost Per Credit Hour	Annual Cost ^{1/}
Cochise	\$40	\$1,200
Coconino	\$35	\$1,056
Gila	N/A	N/A
Graham	\$29	\$868
Maricopa	\$51	\$1,530
Mohave	\$38	\$1,140
Navajo	\$28	\$840
Pima	\$35	\$1,060
Pinal	\$37	\$1,120
Yavapai	\$38	\$1,140
Yuma/La Paz	\$36	\$1,080

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

District	Primary Rate	Secondary Rate	Combined Rate	% Change from TY 2018
Cochise	\$2.45	\$0.00	\$2.45	2.1%
Coconino	0.46	0.00	0.46	-22.9%
Gila	0.96	0.00	0.96	0.0%
Graham	3.35	0.00	3.35	0.5%
Maricopa	1.16	0.17	1.33	-3.4%
Mohave	1.33	0.00	1.33	-1.2%
Navajo	1.82	0.00	1.82	0.0%
Pima	1.38	0.00	1.38	-1.6%
Pinal	2.08	0.13	2.21	-6.3%
Santa Cruz	0.48	0.00	0.48	-1.5%
Yavapai	1.69	0.15	1.84	-5.5%
Yuma/La Paz	2.23	0.34	2.57	0.1%

District	Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2019
Cochise	\$88	\$2,640	3.5%
Coconino	111	3,330	1.8%
Gila	80	2,400	0.0%
Graham	90	2,700	0.0%
Maricopa	85	2,550	0.0%
Mohave	81	2,430	0.0%
Navajo	77	2,310	1.8%
Pima	85	2,535	2.4%
Pinal	86	2,580	0.0%
Santa Cruz	85	2,535	2.4%
Yavapai	73	2,184	-16.3%
Yuma/La Paz	86	2,580	2.4%
Weighted Average	\$85	\$2,555	0.2%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

The legislature should not write a blank check, but expect community colleges to identify ways in which they will improve retention and graduation rates—along with appropriate benchmarks. However, appropriations should rise to about \$170 million— or about 10% of total revenues. \$20 million of that would likely come from Prop. 207 revenues.

UNIVERSITIES

Funding gap: \$160+ million (ongoing)

Similar to community colleges, the legislature has also abandoned its historical investments in universities. In 2019, Arizona spent 55% less on higher education on a per-pupil basis than it did prior to the Great Recession.³³ While cuts to higher education also occurred across the nation, Arizona's per-pupil spending 31% below average in FY17.³⁴ The Center for Budget and Policy Priorities noted Arizona as the state with the steepest cuts in higher education investments since 2008.³⁵ These education funding shortfalls reflect the gradual decrease in Arizona state revenue as a share of personal income over the past several decades.

Relative to the rest of the United States, Arizona has seen a decline in its productivity and prosperity, with an especially heightened decline since the mid-2000. A significant cause of this decline is a reduction in educational attainment in Arizona relative to the nation, which is due largely to the state's shrinking support for public education.³⁶

Decreasing state and local funding for public education tracks with declines in educational attainment in Arizona. Educational attainment of those of working age is an important indicator of how an economy will perform, according to researchers at Arizona State University's Center for Competitiveness and Prosperity Research. Adjusted median earnings in Arizona were 4.4% lower than the national average in 2017 due to educational attainment.

Since the 1980s, the relative percentage of Arizonans with a high school diploma has declined, dropping below the national average after 2000. In 2017, 10.2% of Arizonans in the workforce did not have a high school degree, which was 2% below the national average. Only 33.6% of the population had a bachelor's degree, which was 4.1% below

³³ Mitchell, M., Leachman, M., Saenz, M. (2019). *State higher education funding cuts have pushed costs to students, worsened inequality*. Center on Budget and Policy Priorities.

<https://www.cbpp.org/research/state-budget-and-tax/state-higher-education-funding-cuts-have-pushed-costs-to-students>

³⁴ Hoffman & Rex, 2020

³⁵ Mitchell, Michael, Michael Leachman, and Kathleen Masterson (2017), "A Lost Decade in Higher Education Funding," Center for Budget and Policy Priorities," August 23, [A Lost Decade in Higher Education Funding | Center on Budget and Policy Priorities \(cbpp.org\)](#).

³⁶ Hoffman, D., & Rex, T. (2020). *Declines relative to the nation in Arizona's government finance, educational attainment, and economic performance*. Arizona State University Office of the University Economist. <https://wpcarey.asu.edu/sites/default/files/taxeducon01-20.pdf>

the national average.³⁷ Nationally, median earnings for people with a bachelor's degree is 45% more than those with some college.

Had the share of Arizona workers with a bachelor's degree been 1 percentage point higher the economy would have grown an additional \$1.5 billion between 2013–2017. Looking forward, if ASU increases bachelor degree production by 0.2% per year above the current trend, Arizona would match the national average of worker's with a bachelor's degree in 32 years, leading to an additional \$32 billion of economic activity and \$1.7 billion in state general fund revenue.

The Universities have requested funding for New Economies Initiatives (\$100 M), Distance Learning Centers (\$10 M), and need-based financial aid (\$50 M).³⁸

The payoffs of strategic investing in the innovation economy through Arizona's public universities helps create the competitive advantage for high-wage growth along with supporting small businesses. A 2020 study by Rounds Consulting Group found that a \$46 million investment in ASU's engineering programs would generate a positive ROI in year 10 while creating 30,338 jobs and contributing \$47.5 billion to the state economy over 20 years.³⁹ Likewise, Rounds Consulting Group analyzed the \$32 million University of Arizona requested medical-related investments and found the returns at 18,000 jobs and \$34.5 billion to the state economy over 20 years.

Funding this request would still be below prior support before the Great Recession. As of FY19, per-pupil funding is \$3,669 less than it was in 2008.⁴⁰ The Arizona Board of Regents enrolls 68,226 students in FY20 (195,672)⁴¹ more than it did in FY08 (127,446).⁴² Thus, the legislature would need to allocate \$230 million to return the state's per-pupil state funding to prior levels.

³⁷ Hoffman, D., Madly, E. (2019). *The economic impact of raising the educational attainment of Arizona's workforce: 2019 update*. Arizona State University Office of the University Economist.
<https://gradstudents.wpcarey.asu.edu/sites/default/files/impactedattain07-19.pdf>

³⁸ Arizona Board of Regents, "New Economy Initiative," [A Business Plan to Advance Arizona's Future Economy and Workforce | Arizona Board of Regents \(azregents.edu\)](https://azregents.edu/News%20Clips%20Docs/Fall%20Enrollment%20Report.pdf).

³⁹ Rounds, J. (2020). *Impact of ASU's fiscal year 2021 budget request/investment proposal*. Rounds Consulting Group.
https://impactarizona.asu.edu/sites/default/files/011020_asu_fy21_investment_proposal.pdf

⁴⁰ Mitchell et al., 2019

⁴¹ Arizona Board of Regents. (2020). *Fiscal year 2020 fall enrollment report*.
<https://public.azregents.edu/News%20Clips%20Docs/Fall%20Enrollment%20Report.pdf>

⁴² Arizona Board of Regents. (n.d.). *Enrollment for fall semesters*.
<https://azregents.edu/sites/default/files/public/Enrollment-History.pdf>

SERVICES FOR INDIVIDUALS WITH INTELLECTUAL AND DEVELOPMENTAL DISABILITIES

Funding gap: \$150 million (ongoing)

The Arizona Department of Economic Security provides home and community based services to people of all ages with intellectual and developmental disabilities. The Division of Developmental Disabilities (DDD) provides supports and services to more than 40,000 individuals diagnosed with developmental disabilities including Autism, Cerebral palsy, Epilepsy, Cognitive/Intellectual Disability; or are under the age of six and at risk of having a Developmental Disability. DDD also implements the Arizona Early Intervention Program to support families of infants and toddlers from birth to three years of age with disabilities or delays. Both services are delivered by service providers contracted by DDD.

DES is mandated by statute to contract with an independent consulting firm to annually study the adequacy and appropriateness of reimbursement rates to contracted service providers who work with individuals with intellectual and developmental disabilities (I/DD). The statute also requires “a complete study of reimbursement rates” be completed no less than once every five years. This “complete study” known as the Rate Rebase recommends the rate that DDD should pay for contracted services. The study provides recommended rates for each service – known as the benchmark rate. The rate that is actually paid to service providers is known as the adopted rate. Current adopted rates are on average 75% of the benchmark rate according to the State Fiscal Year 2020 Rebase Study. Some rates are as low as 45% below the benchmark rate.⁴³

The below-benchmark rates adopted by DES are resulting in provider shortages, high turnover rates, and wage compression as Arizona's minimum wage continues to increase. The 2018 National Core Indicators Staff Stability Survey⁴⁴ shows that as of December 31, 2018, Arizona's average full-time vacancy rate for a direct care worker providing services to individuals with I/DD was 7.3%; the part-time direct care worker vacancy rate was 9.3%. The average turnover rate for direct care workers was 38.4% according to the report.

⁴³ Arizona Association of Providers for People with Disabilities. (ND) SB1552 Support Long-Term Funding for the I/DD System — Fund the State's Rebase Study. Retrieved from the Arizona Association of Providers for People with Disabilities website: http://aappd.org/uploads/sites/1/SB_1552.pdf

⁴⁴ National Core Indicators. (2019). National Core Indicators 2018 Staff Stability Survey Report. Retrieved from the National Core Indicators website: <https://www.nationalcoreindicators.org/resources/staffstability-survey/>

Adopting the benchmark rates in the 2020 Rebase Study would close the gap on funding for service providers contracted to work with people with I/DD, which would in turn reduce vacancy rates, turnover and wage compression. Furthermore, adopting benchmark rates will result in more consistent service provision for Arizona's disability community.

AFFORDABLE HOUSING

Investment: \$50 million (ongoing)

One of Arizona's most attractive attributes, affordable housing, is disappearing fast in Maricopa County. In FY2007 the state provided more than \$40 million in the state Housing Trust, yet in nominal terms--even though the state's housing costs and population have risen, the Trust Fund is earmarked for only a \$15 million appropriation.⁴⁵ Adjusting the \$40 million for changes in population and housing costs, means the FY2022 appropriation should be \$67 million or about \$50 million beyond the planned appropriation.

GCI looked at the HUD fair market value annual rental estimates for a two bedroom apartment across different regions of the state for 2007 and 2021. Household incomes are from the 2019 American Community Survey. Fair Market rents for FY2021 were effective Oct 2020. Median renter income for the United States in 2019 relative to median household income was used to estimate rental incomes from the American Community Survey. An increase in Arizona's Gini Coefficient by 0.01 from 2007 to 2019 was used to estimate the Renter Household Income relative to the median household income in Arizona for 2007.⁴⁶

Thirty percent of income is considered the threshold for being housing stressed--and the table below indicates that at the median rental income from 2007 to 2021 the portion that housing stress has increased--and for those below the median, the stress is far worse. In particular in Maricopa County rents have increased TWICE as fast as incomes. Throughout the state rent increases have surpassed incomes.

⁴⁵ Arizona Dept. of Housing (2019), "Arizona Housing Trust Fund--A Retrospective and Celebration," Summer, [Arizona Housing Trust Fund - A Retrospect and Celebration | Arizona Department of Housing \(az.gov\)](#)

⁴⁶ The Gini Coefficient for Arizona increased from about .45 to .46 from 2007 to 2019. That corresponds to a 0.25% transfer of income which was assumed to be taken from renter households but not impact the overall median income (income transferred to higher end). This was used to estimate the 2007 renter household income based on the 2019 renter household income to national median. See also Heaton, Robert (2018), "What does a 0.01 increase in the Gini Coefficient actually look like?" August 15, [What does a 0.01 increase in the Gini Coefficient actually look like? | Robert Heaton.](#)

While there's a bill in the legislature to establish a low-income housing tax credit--it had significant numbers of members of both parties opposing it. Consequently at this point in the legislative session the most reasonable way would be for the legislature to fully fund the Housing Trust Fund back to levels in 2007 and adjust it for rental cost increases as well as population growth, which means increasing funding to \$67 million. **Table 5** lists rental rates for 2007 and 2021 in various Arizona regions.

The Housing Trust Fund can also undergird investments in supportive housing for people struggling with mental illness. Permanent supportive housing is a net cost savings and qualitatively improves lives and reduces homelessness. These are one of the populations most acutely impacted by a lack of affordable housing.⁴⁷

Table 5 2007, 2021 Rental Rates and Renter Incomes

	2007	2021	
	2 BR	2BR	Increase
Phoenix-Mesa-Scottsdale	\$862	\$1,251	45%
Tucson	\$769	\$959	25%
Prescott	\$818	\$1,051	28%
Yuma	\$743	\$927	25%
Lake Havasu-Kingman	\$723	\$905	25%
Arizona Composite	\$831	\$1,158	39%
Arizona Median Renter Household Income	\$32,977	\$40,115	22%
% of income for median renter	30%	35%	
% of income for 80% of median	38%	43%	

⁴⁷ Bausch, Julia (Chrissie), Alison Cook-Davis, and Benedikt Springer (2021), "Housing is Healthcare: The Impact of Supportive Housing Costs of Chronic Mental Illness," May, https://morrisoninstitute.asu.edu/sites/default/files/housing_is_health_care_report_2021.pdf

INFRASTRUCTURE

Arizona received a 'C' according to the 2020 Report Card for Arizona Infrastructure from the American Society of Civil Engineers which reflects the need for preserving, upgrading and expanding essential services such as safe drinking water, wastewater treatment, uninterrupted utilities, reliable roads and bridges, international airports, and much more.⁴⁸ Providing sufficient and well-maintained infrastructure supports economic development, education, health care, tourism, among other aspects of daily life.

Transportation

Funding gap: \$1.2 billion (ongoing), but may be partially filled by federal infrastructure bill and could use one-time monies.

According to the 2020 Report Card for Arizona Infrastructure, the daily costs of inadequate infrastructure impact residents throughout the state. Driving on poorly maintained roads costs Arizona drivers \$3 billion a year in extra vehicle repairs and operating costs. The cost per motorist has risen to \$576, which is \$258 higher than in 2015. In 2018, Arizona's traffic fatality rate was 1.53 per 100 million vehicle miles of travel, which is higher than the national average of 1.13 and an increase from the 2015 reported rate of 1.40. Arizona's traffic fatality rate costs motorists \$2.1 billion per year in medical bills, lost productivity, travel delays, workplace costs, insurance costs and legal costs. (Infrastructure Report Card)

Arizona highway capital needs face a \$30 billion 25-year funding gap, or \$1.2 billion annually, according to the 2018 What Moves You Arizona long-range planning report by the Arizona Department of Transportation.⁴⁹ Their infographic is shown in **Figure 4**. Specifically, the report states that Arizona does not have sufficient funding to recommend *new* expansion at this time, beyond the expansion projects in the current 2018-2022 Five-Year Program. Specific needs include \$9.3 billion for preservation, \$10 billion for modernization, and \$34 billion for expansion.

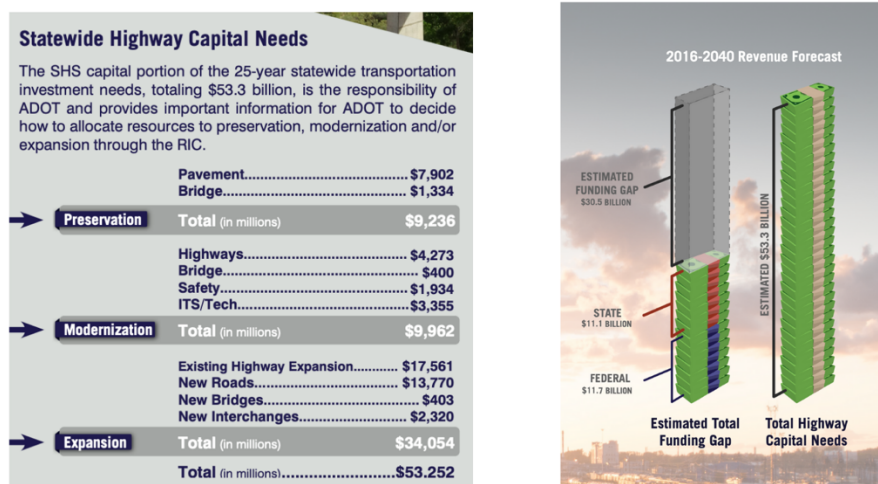
"The final WMYA 2040 [Recommended Investment Choice] reflects difficult decisions. Under current funding levels, ADOT cannot consider significant new

⁴⁸ American Society of Civil Engineers, "Report Card for Arizona Infrastructure 2020," [FullReport-AZ2020-1_compressed.pdf \(infrastructurereportcard.org\)](https://www.infrastructurereportcard.org/wp-content/uploads/2020/09/FullReport-AZ2020-1_compressed.pdf).

⁴⁹ Arizona Dept. of Transportation (2018): What Moves You Arizona 2040: Long-Range Transportation Plan 2016-2040, February, https://www.infrastructurereportcard.org/wp-content/uploads/2020/09/FullReport-AZ2020-1_compressed.pdf.

system expansion investments outside the MAG and PAG regions without underinvesting in preservation. Such underinvestment now would lead to worsening pavement and bridge conditions and greatly increased preservation costs in the future, and would sacrifice the long-term health of the existing state highway system. As a result, ADOT is recommending to focus the resources ADOT controls on preservation, safety, and, to the extent possible, other needed modernization improvements to the existing system.” WMYA 2040

Figure 4 State Highway Capital Needs



Source: Arizona Dept. of Transportation.

BROADBAND

Governor Ducey has allocated \$100 million toward broadband in his executive budget and COVID Relief Funds. This represents a significant improvement over prior years and combined with a federal infrastructure bill may meet needs. Inclusion here is primarily to emphasize the need to the degree feasible to build capacity and infrastructure for the internet of the future not the past. The executive budget focuses

on laying fiber optic cable along rural interstates including using \$40 million of COVID relief funds to improve broadband access in rural schools.⁵⁰

The Arizona Commerce Authority would receive \$10 million to assist communities. The challenge is that represents a drop in the bucket. For instance, a \$61 million broadband investment (grants with matching loans) connected 11,000 rural households and associated farms, businesses, educational and health facilities in rural Missouri.⁵¹ The Biden Administration hopes to invest \$100 billion in broadband--which could mean about \$2 billion to Arizona, much of which could develop rural infrastructure.

But this will be a moving and ongoing target.

The current FCC standard definition reflected in Arizona refined statutes represents a minimum that the state should be seeking to far exceed when possible.

Ariz. Rev. Stat. 10-2051

Definitions

Category: Definitions

Topic: Definition - Broadband (Speed of 25 Mbps / 3 Mbps)

Defines "broadband service" as internet access with a download rate of at least 25 megabits per second (Mbps) and an upload rate of at least 3 Mbps.⁵²

While these standards may be acceptable today--they will not be in the future--especially if a goal is to make rural cities and towns as competitive as feasible and to make them potential complements to the larger urban areas that their economies are connected to. Remote work and more affordable housing have the potential to be economic engines for rural areas, but will be highly dependent on a strong infrastructure

⁵⁰ Office of the Arizona Governor. (2021). *State of Arizona Executive Budget: Summary Fiscal Year 2022*. January, https://azgovernor.gov/sites/default/files/summary_book_with_addendum_2-1-21_0.pdf.

⁵¹ US Dept. of Agriculture (2020), "USDA Invests \$61 million to Bring Broadband to Rural Missourians," Jan. 28, [USDA Invests \\$61 Million to Bring Broadband to Rural Missourians | USDA](https://www.usda.gov/press-releases/2020/01/28/USDA-Invests-61-million-to-bring-broadband-to-rural-missourians).

⁵² Pew Charitable Trusts. (2019, July 31). *State broadband policy explorer*. <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2019/state-broadband-policy-explorer>

for broadband, well-maintained roads which can extend supply chains, and the investments in rural community colleges noted above.⁵³

Consequently, the Executive Budget is in the right direction--but the state should make broadband investments, especially for rural infrastructure and operations, an ongoing expenditure.

Arizona is ranked 36th in the nation for broadband access according to Broadband Now, a nonprofit organization that researches broadband in America.⁵⁴ According to the 2018 Arizona Statewide Broadband Strategic Plan, nearly 900,000 Arizonans had limited to no access to high-speed internet. Those residents were mainly in rural parts of the state, or in tribal communities. Specifically, 95 percent of the tribal population has no broadband access.⁵⁵ Meanwhile, reliance on mobile devices (mobility) causes people to quickly reach their data limits.

Access to broadband is important for interacting with the government which is transitioning from paper to digital transactions, education, healthcare, economic development, and public safety.

A challenge in extending broadband coverage in Arizona is that providers are resistant to building out broadband infrastructure in rural areas because there is not enough of a return on investment (ROI) for the provider, according to people who participated in focus groups to discuss broadband in Arizona.⁵⁶ This is one area where the state could play an important role.

A state investment of \$100 million is currently on the table during state budget talks according to Mark Goldstein with the Arizona Telecommunications and Information Council. This is an increase from the governor's 2022 budget address where he asked for \$10 million to renew and bolster the Rural Broadband Grant Program and \$33.1

⁵³ A good summary of strategic rural development is found at Porter, Michael, "Economic Development in Rural Areas: Key Steps for Boosting Rural Economies," Harvard Business School Institute for Strategy and Competitiveness," <https://www.isc.hbs.edu/competitiveness-economic-development/research-and-applications/Pages/economic-development-in-rural-areas.aspx>

⁵⁴ BroadbandNOW, "Internet Access in Arizona," [Arizona Internet Service Providers: Availability & Coverage \(broadbandnow.com\)](#).

⁵⁵ Arizona Dept. of Administration (2018), "Arizona Statewide Broadband Strategic Plan," February, [az_broadband_strategic_plan_final_2018.pdf \(arizonatele.org\)](#).

⁵⁶ Arizona Dept. of Administration (2018), "Arizona Statewide Broadband Strategic Plan," February, [az_broadband_strategic_plan_final_2018.pdf \(arizonatele.org\)](#).

million to fund a major expansion of the I-40 West broadband corridor in his 2022 budget for expanding broadband in rural AZ.

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