



ARIZONA STATE SENATE
Fifty-Fifth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1175

noncustodial federal monies; appropriation

Purpose

Effective July 1, 2023, authorizes the Legislature to appropriate noncustodial federal monies.

Background

The Legislature currently does not appropriate federal monies, except for a limited number of block grants and federal funds by the Department of Economic Security. There are two categories of federal monies that come to Arizona: 1) custodial monies that do not provide the state any discretion for disbursement, including university research grants, Social Security payments and Medicare benefits; and 2) noncustodial monies which include grants, block grants and general revenue sharing monies designated by the federal government to allow the state discretion in the development, implementation and operation of a program.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Defines *noncustodial federal monies* as federal monies that meet one of the following criteria:
 - a) are designated by the federal government as block grant monies;
 - b) are designated by the federal government as general revenue sharing monies;
 - c) provide the state with broad authority to make spending decisions to develop, implement or operate a program or service; or
 - d) are considered essential to meet total spending obligations of a federally matched program.
2. Excludes, from the definition of *noncustodial federal monies*, federal monies or research grants awarded to the universities, the Arizona Board of Regents, the Department of Emergency and Military Affairs, school districts and community colleges.
3. Requires a budget unit that receives noncustodial federal monies to account for the monies in separate accounts or funds as necessary to meet accounting, budgeting and auditing requirements.
4. Allows the Arizona Department of Administration to use necessary fiscal safeguards and the most efficient system of accounts and records.
5. States that the Legislature retains the authority to appropriate noncustodial federal monies.

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6. Specifies that, if the Legislature does not appropriate for a specific fund, grant program or block grant of noncustodial federal monies, the authorized budget unit must administer and spend the monies according to federal and state law.
7. Requires the Legislature to specify, in each noncustodial federal monies appropriation, the purposes for which the monies are to be used.
8. Allows the Legislature, for the purpose of obtaining expenditure authority for unanticipated noncustodial federal monies while the Legislature is not in session, to make a lump sum appropriation.
9. Requires a budget unit, before spending monies from the lump sum appropriation, to submit the proposed expenditure to the Joint Legislative Budget Committee for review.
10. Requires the appropriation of noncustodial federal monies be reduced to the amount of the monies received if the amount received is less than the amount appropriated.
11. Specifies that, if the amount of the noncustodial federal monies received is more than the amount appropriated, the total appropriation of federal and state monies for a program remain at the amount appropriated by the Legislature.
12. Requires the State Treasurer to credit the excess noncustodial federal monies to the appropriate budget unit.
13. Becomes effective on July 1, 2023.

Prepared by Senate Research

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