

Finance Advisory Committee

Briefing Materials

September 12, 2007

JLBC

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Questions for the Committee

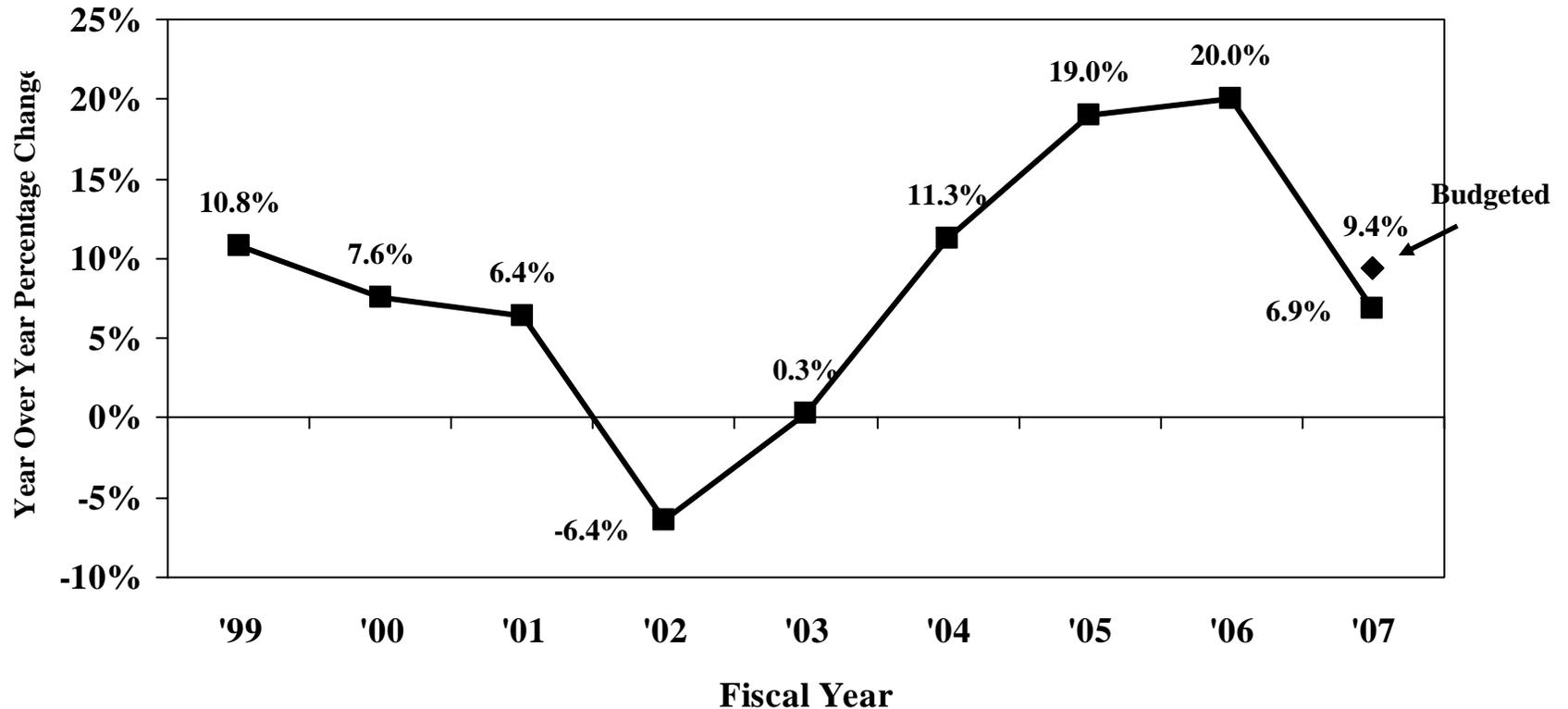
- The consensus calls for very slow growth through FY 2010 – why such a long downturn?
- Are there any factors which might offset the continued housing slump?
- The business and consumer indices are not as gloomy as state revenues currently – what is causing this disconnect?

The Impact of Employer Sanctions Legislation

- The forecasts do not attempt to predict the effect of the new employer sanctions legislation.
- A disruption in labor supply could impact the state's economy – the magnitude is difficult to determine in advance.
- A decline in illegal immigrant use of public services could reduce government spending – again by a magnitude that is difficult to forecast.

6.9% '07 General Fund Base Revenue Growth Rate Was Lower Than Budgeted

- '08 Budgeted Growth of 6.0% Becomes 8.4% With Lower '07 Base



* Excludes statutory and one-time changes.

What Has Happened Since the March FAC Meeting?

- While revenues grew moderately for all of FY 2007, they fell by (4.6)% in the last quarter.
- FY 2007 collections were \$(226) million below forecast.
- Preliminary July/August revenues grew 1.6% over FY 2007.
 - Sales tax up only 1.3%
 - Individual income tax increased by 2.3%.
 - FY 2008 revenues already \$(100) million below forecast.

Factors Behind Decreased Growth Rates

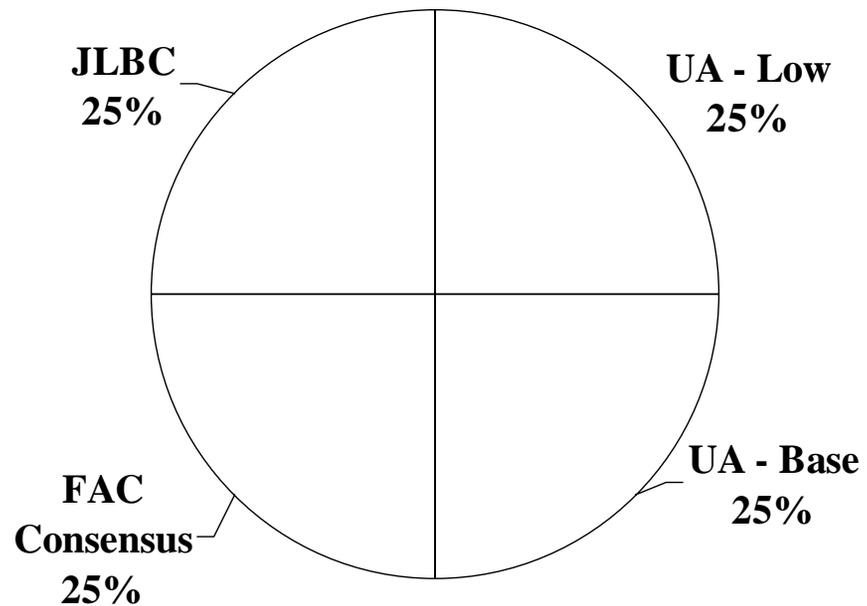
- Combination of local housing oversupply and national mortgage financing problem.
 - Arizona has 3rd highest rate of subprime loans.
 - Decline in building permits of over 30% - took awhile to feel impact.
 - Both construction/mortgage issues have significantly affected consumer spending.
- One-time FY 2006 gains were not repeated.
 - FY 2006 collections grew at a much faster rate than the underlying state economy. Personal income growth was approximately 9% for the period compared to 20% base revenue growth.
- Slower national economy.
 - First quarter 2007 GDP growth lowest since 2002.
 - 1st quarter state and local tax collections grew at lowest level since 2003.

Where Are We Headed Over the Next Few Years?

- Four-Sector Consensus Forecast Incorporates Different Economic Views, Including the FAC

4-sector forecast equally weights:

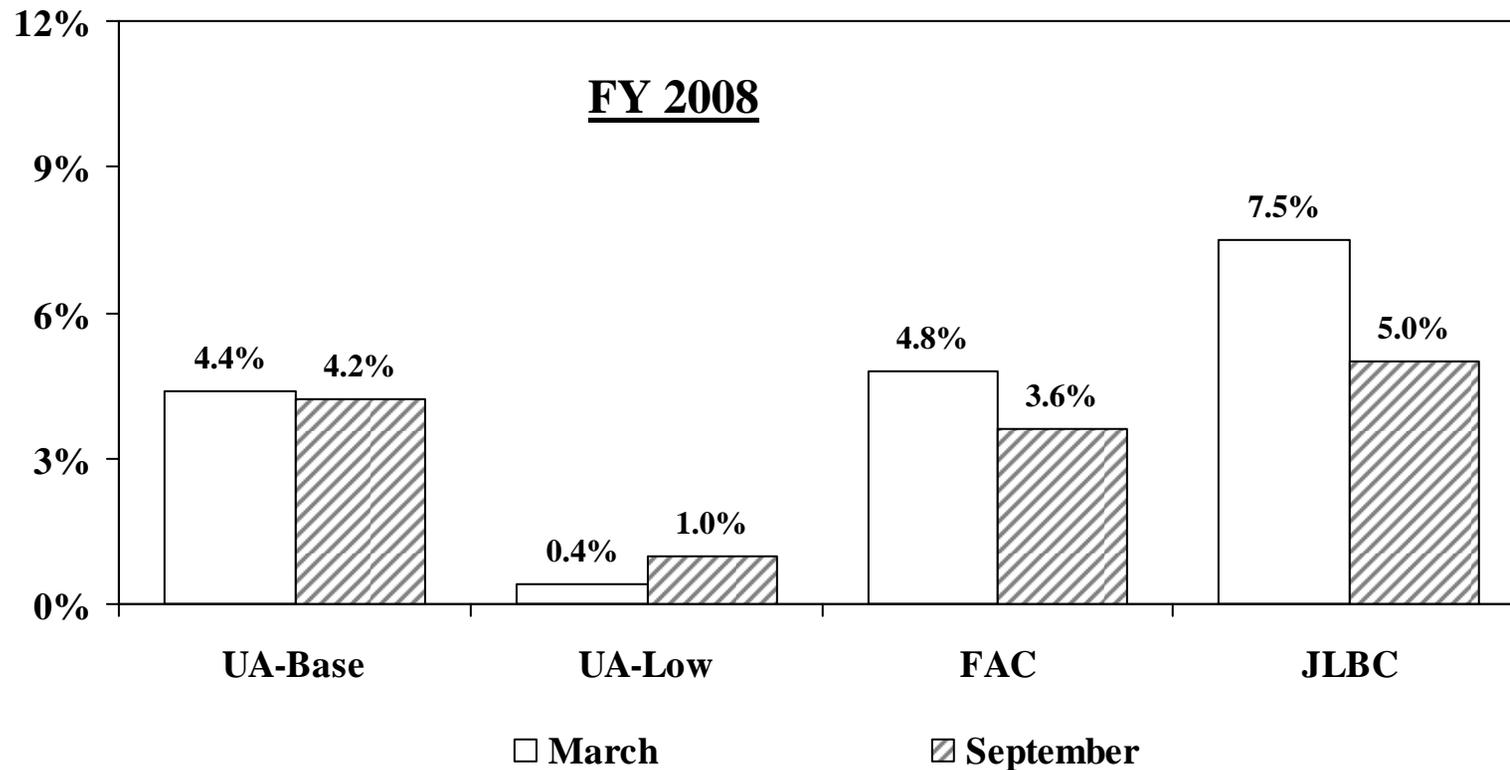
- **FAC average**
- **UofA model - base**
- **UofA model - low**
- **JLBC Staff forecast**
- **Remaining revenues (4% of total) are staff forecast**



*** Includes Big 3 categories of sales tax, individual income and corporate income taxes.**

September 4-Sector Turned More Cautious for '08

- Decreased from 4.3% in March to 3.5% Now
- Compares to a Budgeted Rate of 8.4%



**Weighted Big 3 Average
Prior to Tax Law Changes**

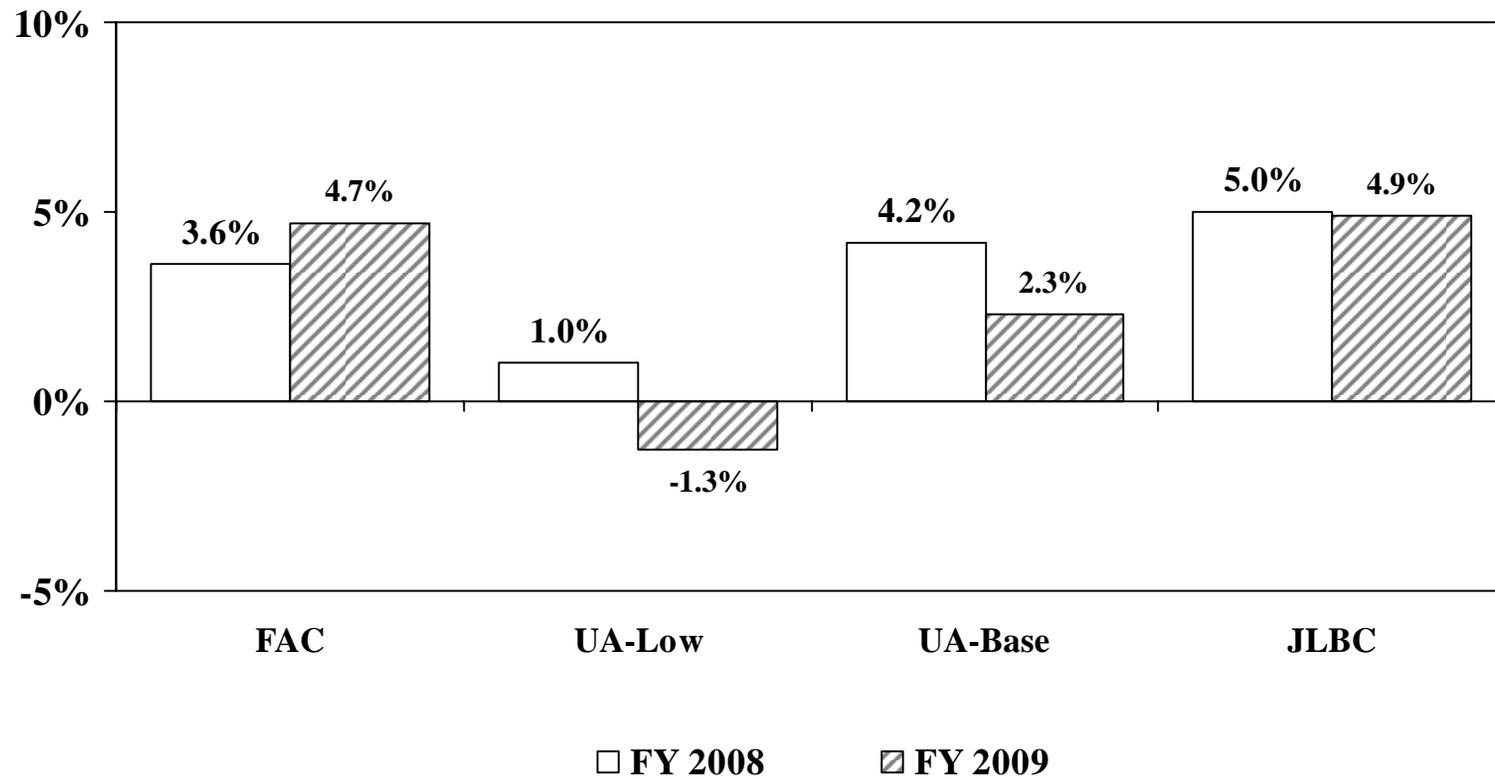
4-Sector '09 Forecasts Are Mixed

- Overall General Fund Revenue Forecast is for Lower Growth

- FAC sees slight improvement in FY 2009 – up 1.1% over FY 2008.
- FAC gain is more than offset by 2 UA models – both envision a 2% drop between FY 2008 and FY 2009.

4-Sector Growth Drops from 3.5% in '08 to 2.6% in '09

- Besides UA-Low, UA-Base is Now Approaching Recession Territory

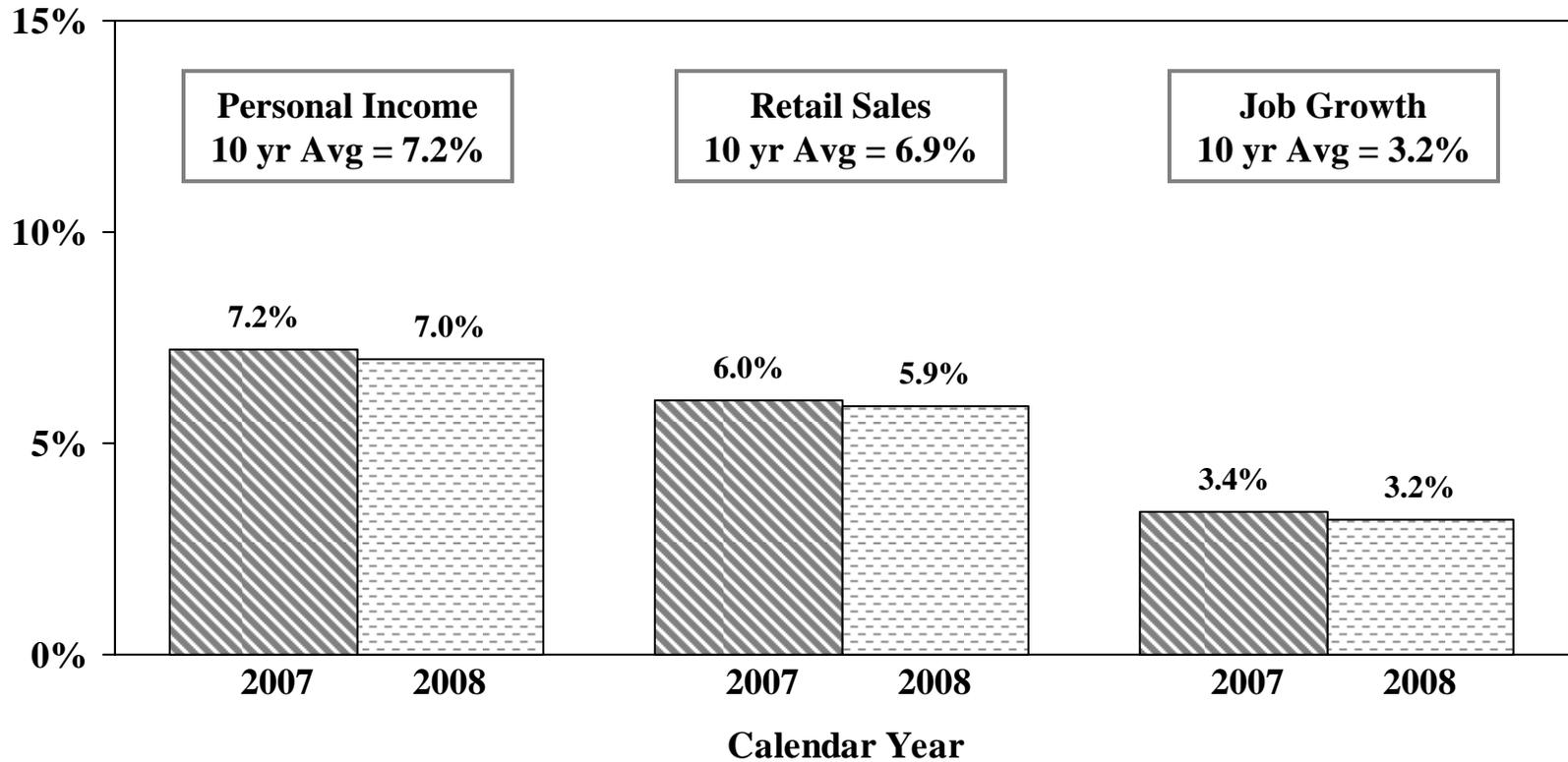


What Are Current Odds of A National Recession?

- National Blue Chip (August 2007) places the odds of a recession at 26% in the next 12 months
 - Compares to 25% in March.
- Similar Arizona Blue Chip question has not been updated since January 2007.

AZ Blue Chip is Not Yet Seeing Conditions as Negative as 4-Sector Revenues

- Blue Chip Forecasts for Personal Income, Retail Sales, and Job Growth Remain At Or Near Historical Averages



Source: August 2007 Blue Chip Forecast

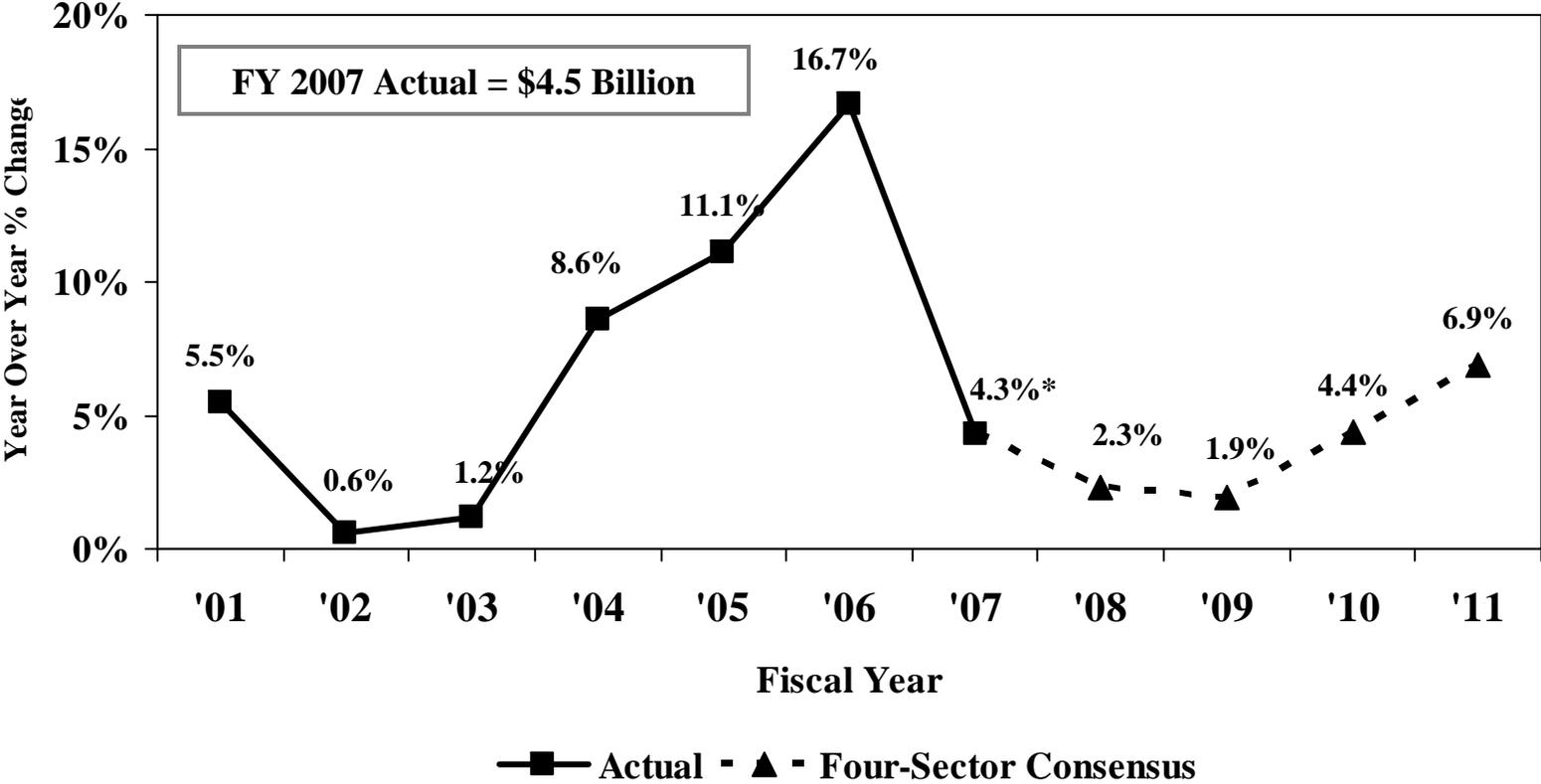
Like Blue Chip, Arizona Economic Indicators Are Not Recessionary

- Business Conditions Index's 2007 average of 58.9 points is below 2006, but still above neutral point of 50.
- Leading Index positive in 3 of first 5 months of 2007.
- Business Leaders Confidence Index declined 2.5 points to 50.5 in 3rd Quarter.
 - Barely above neutral point of 50.

Revenue Forecast by Category

4-Sector Has Slow '08 and '09 Sales Tax Growth

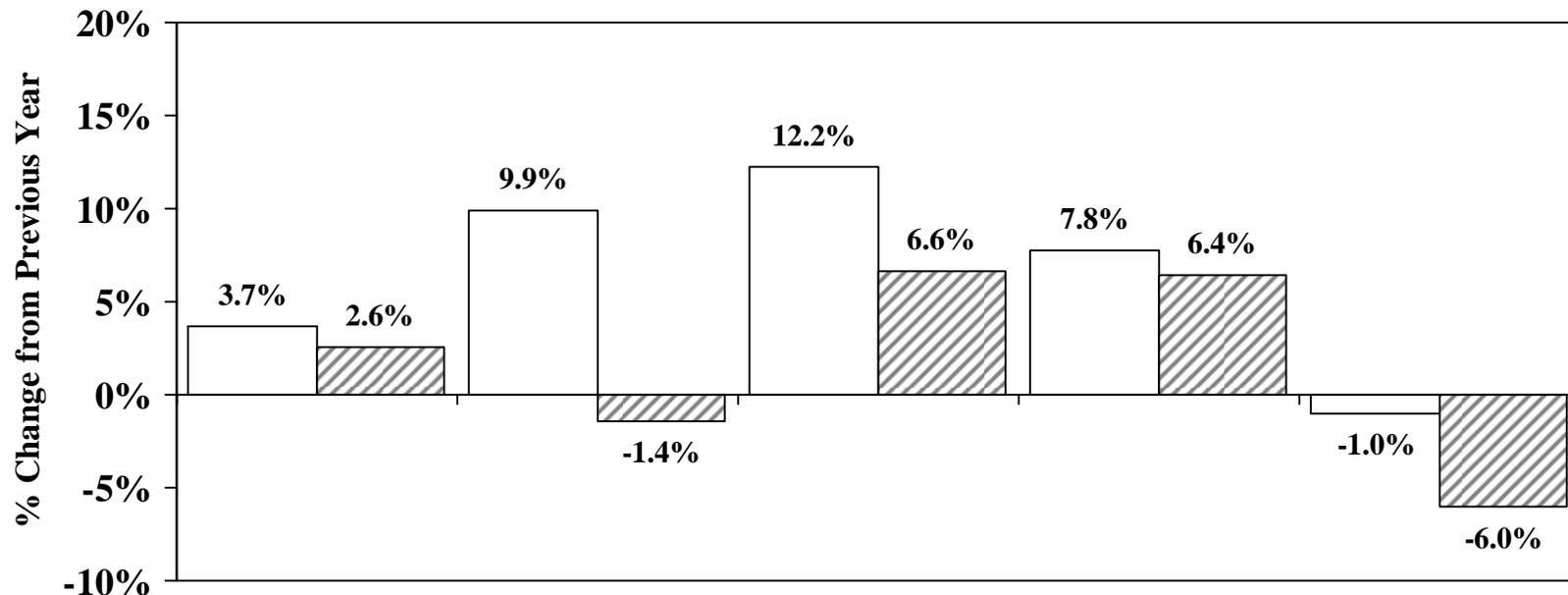
- No Full Recovery Until FY 2011



* 5.6% without the \$(55.2) million estimated payment threshold change.

'07 Sales Tax Collections

- While Annual Growth was 4.3%, 4th Quarter Was Flat
- 4th Quarter Contracting Decline is Especially Dramatic



Share of Total

45%

22%

8%

8%

7%

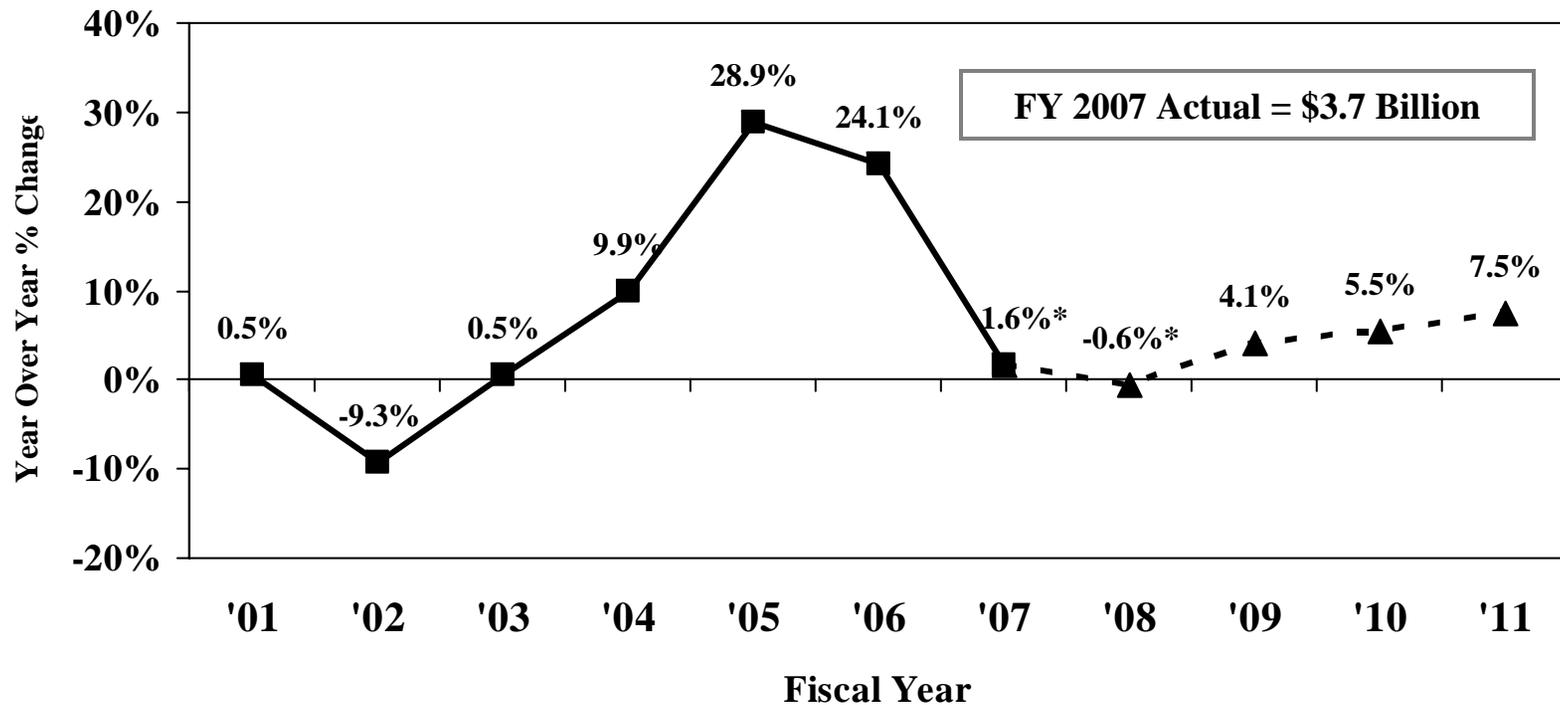
□ Annual

▨ 4th Quarter



4-Sector Individual Income Tax Forecast

- Negative in '08 and Weak Recovery in '09

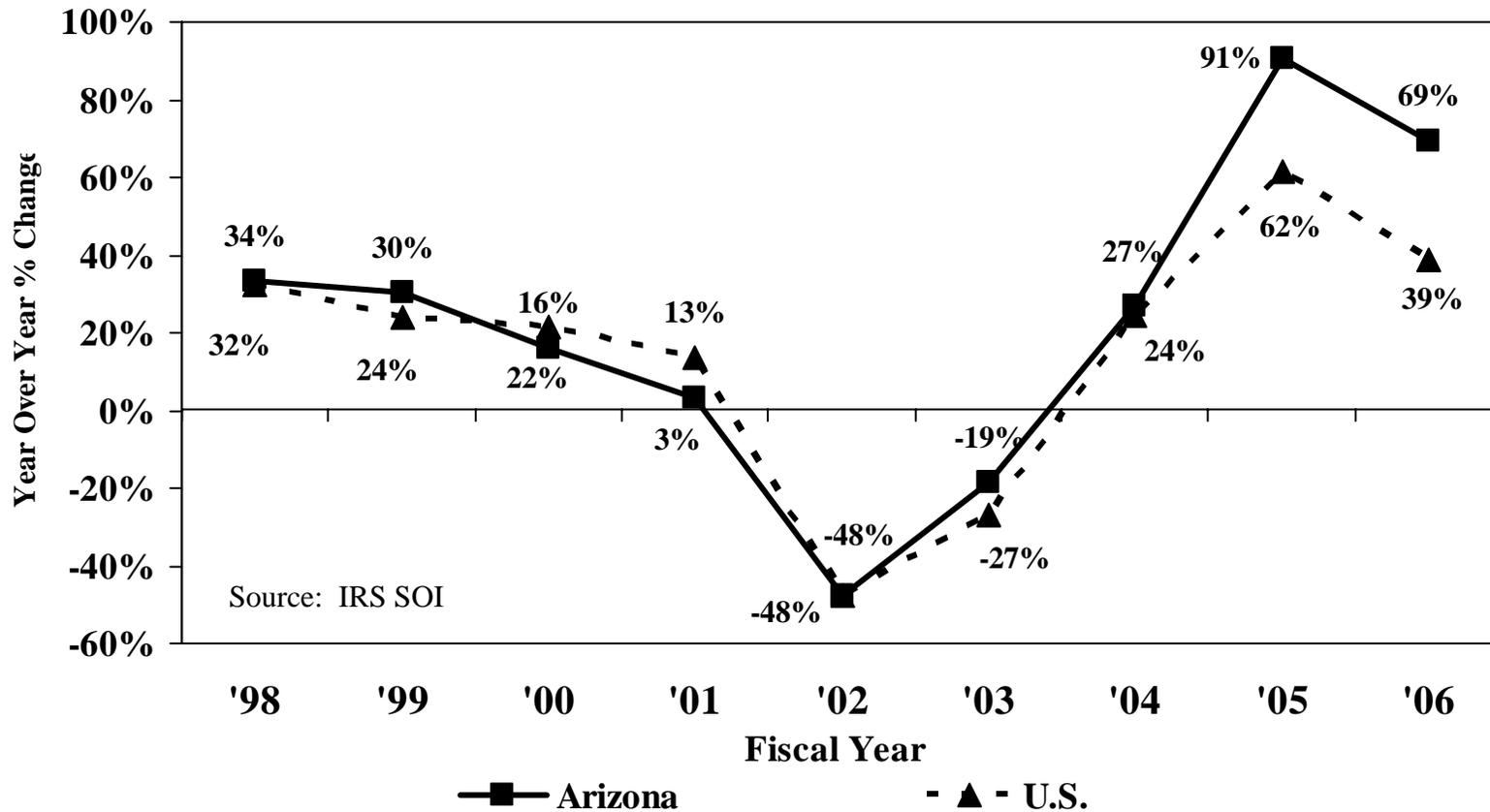


—■— Actual - ▲ - Four-Sector Consensus

* Without tax law change, base growth would be 6.3% in '07 and 4.8% in '08

Arizona's Capital Gains Grew Much More Rapidly Than National Average in 2005 and 2006

- 2-Year Growth Helps Explain Rapid Revenue Increases
- Decline in FY 02 and FY 03 Highlights the Volatility

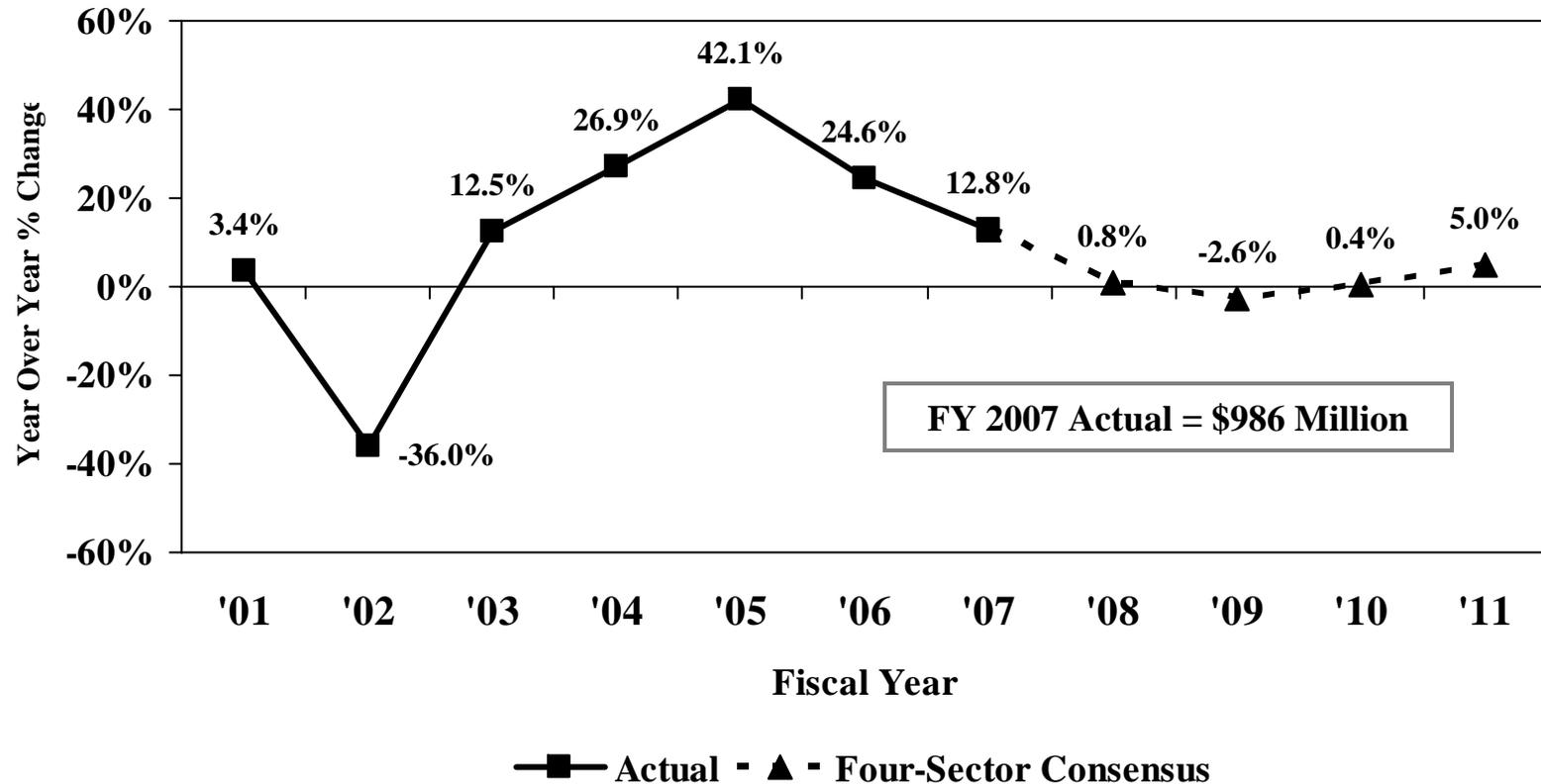


Volatility of Capital Gains Leaves State Vulnerable

- In FY 2006, about \$750m (20%) of tax liability attributable to capital gains.
- FY 2007 capital gains won't be known until June 2008. However, FY 2007 growth was likely moderate.
- Sharp decline in capital gains would result in significant General Fund revenue losses.

Corporate Income Tax Was Best '07 Performer

- But June 2007 was (11)% Below June '06



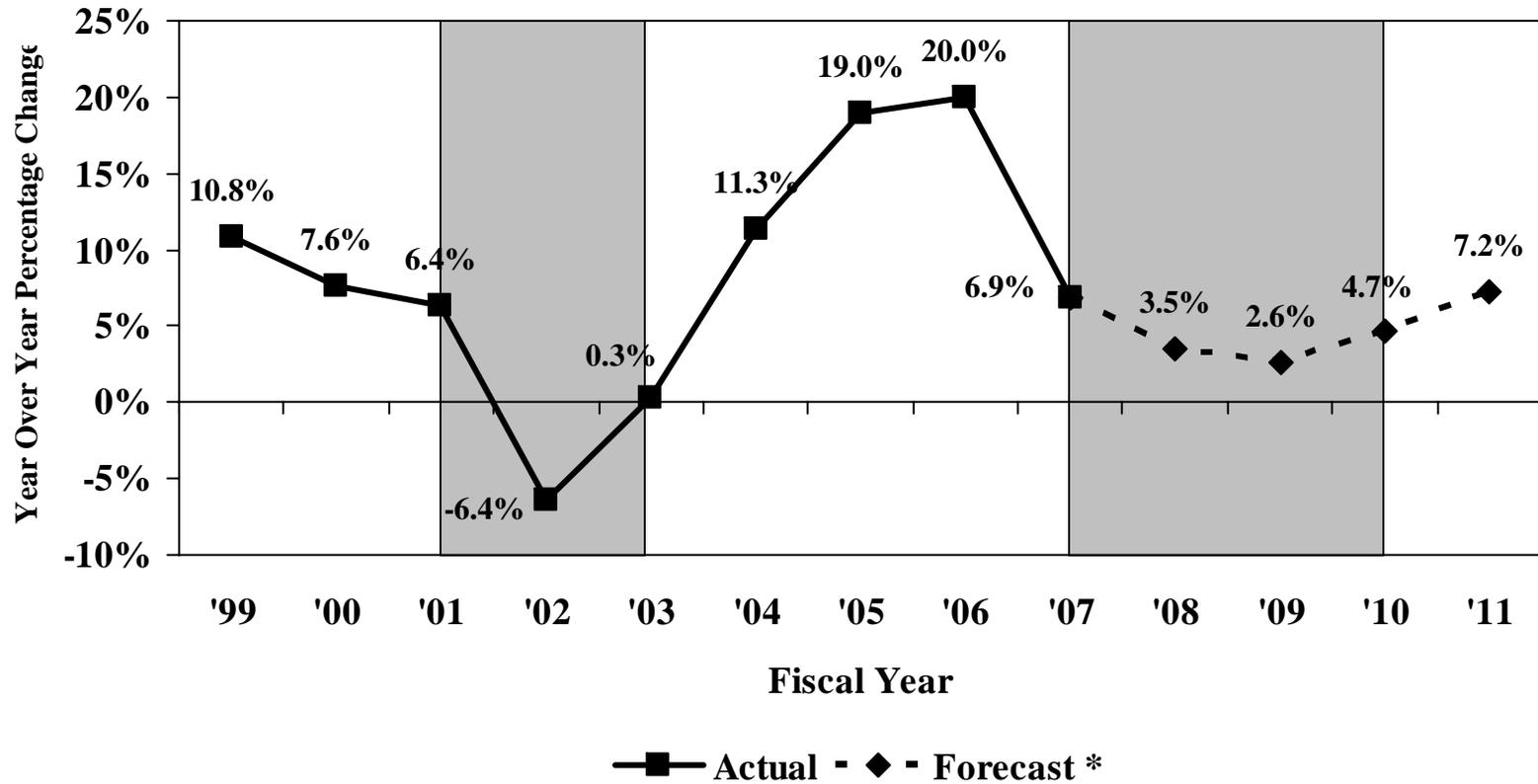
* Forecast growth rates have been adjusted for the phase-in of the corporate sales factor legislation beginning in FY 2008. Without the adjustment, growth rates would have been as follows: FY 2008 4.0%; FY 2009 0.4%; FY 2010 3.3%; FY 2011 7.2%.

Growth in Corporate Profits is Expected to Decrease in 2007 and 2008

- U.S. corporate profit growth has slowed to 4.5% in first 6 months of 2007.
- Blue Chip consensus forecasts suggests 3-5% growth in FY 2007 and FY 2008.

Beyond FY 2009, 4-Sector Revenue Growth Remains Slow Until FY 2011

- Housing Downturn May Have Longer Impact than 9/11 Shock



* 4-sector consensus forecast weighted average growth.

FY 2008-FY 2011 Quartile Forecast Worksheet

	FY 2008	FY 2009	FY 2010	FY 2011
<u>Sales Tax</u>				
JLBC Forecast (8/07)	3.8%	4.0%	5.4%	7.0%
UA - Low (8/07 revision)	0.6%	-1.3%	1.5%	6.1%
UA - Base (8/07 revision)	1.3%	1.0%	5.2%	8.4%
FAC (9/12/07 Survey)	3.4%	4.0%	5.5%	6.2%
Average:	2.3%	1.9%	4.4%	6.9%
<u>Individual Income Tax</u>				
JLBC Forecast (8/07)	5.9%	6.5%	7.0%	7.5%
UA - Low (8/07 revision)	1.2%	0.7%	2.8%	6.2%
UA - Base (8/07 revision)	7.9%	3.1%	6.2%	8.3%
FAC (9/12/07 Survey)	4.0%	6.0%	6.0%	8.0%
Average:	4.8%	4.1%	5.5%	7.5%
<u>Corporate Income Tax</u>				
JLBC Forecast (8/07)	7.0%	3.1%	4.3%	9.9%
UA - Low (8/07 revision)	2.0%	-9.3%	1.1%	3.7%
UA - Base (8/07 revision)	3.7%	4.6%	5.1%	6.0%
FAC (9/12/07 Survey)	3.3%	3.2%	2.8%	9.2%
Average:	4.0%	0.4%	3.3%	7.2%
Consensus Weighted Average:	3.5%	2.6%	4.7%	7.2%
JLBC Weighted Average:	5.0%	4.9%	5.9%	7.5%
UA Low Weighted Average:	1.0%	-1.3%	2.0%	5.9%
UA Base Weighted Average:	4.2%	2.3%	5.6%	8.1%
FAC Consensus Weighted Average:	3.6%	4.7%	5.4%	7.3%



NATIONAL OUTLOOK

Presented by:

Elliott D. Pollack

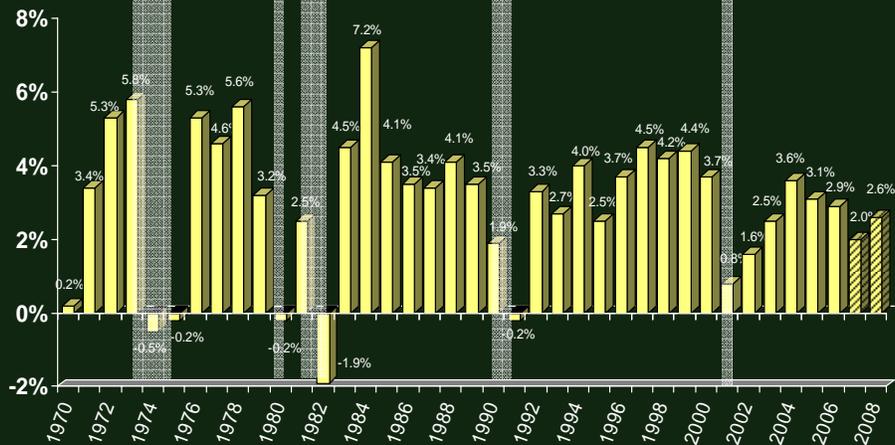
At the:

Finance Advisory Committee

September 12th, 2007

United States Real Gross Domestic Product* Annual Growth 1970 - 2008**

Source: U.S. Bureau of Economic Analysis & *Blue Chip Economic Indicators*



* Based on chained 2000 dollars.

** 2007 - 2008 are forecasts from the Blue Chip Economic Indicators, September 2007

Recession Periods

ODDS OF A RECESSION

Source: National Blue Chip Panel

September 07 consensus: 32.1%

August 07 consensus: 25.8%

July 07 consensus: 22.3%

September's survey was conducted September 5th and 6th, 2007

Is a RECESSION Imminent?

Economic expansions do not die of old age.

They die from:

- 1. Structural imbalances**
- 2. Fiscal and monetary policy errors**

...Combined with unusual shocks

TYPICAL IMBALANCES

- **Consumers holding too much debt**
- **Real incomes decline**
- **Excess capacity**
- **Business has too much debt**
- **Too much inventory**
- **Employment markets too tight**
- **Inflation**
- **Bad Tax Policy**

**None of these
imbalances presently
exist to any
significant degree.**

PRESENTLY

- **Employment still growing (slowly)**
- **Real incomes growing**
- **Business awash in cash**
- **Capacity utilization at a level associated with increases in plant spending**
- **Employment markets do not appear to be tight**
- **Inflation still appears under control**
- **Exports booming**

**Fed has
reacted well**

**The economy is no longer
running on
8 cylinders...
More like 3 or 4
cylinders...**

but still moving forward....

...slowly.

**LAST YEAR
WE SAID:**

**Weakening economies
are more sensitive to
shocks.**



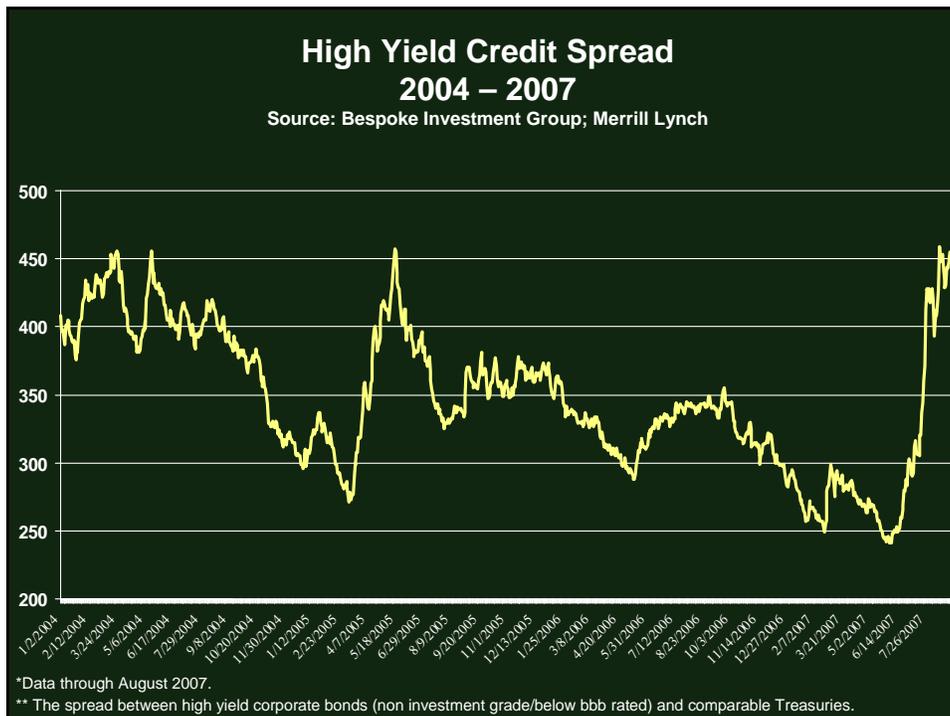
Examples of Direct Shocks:

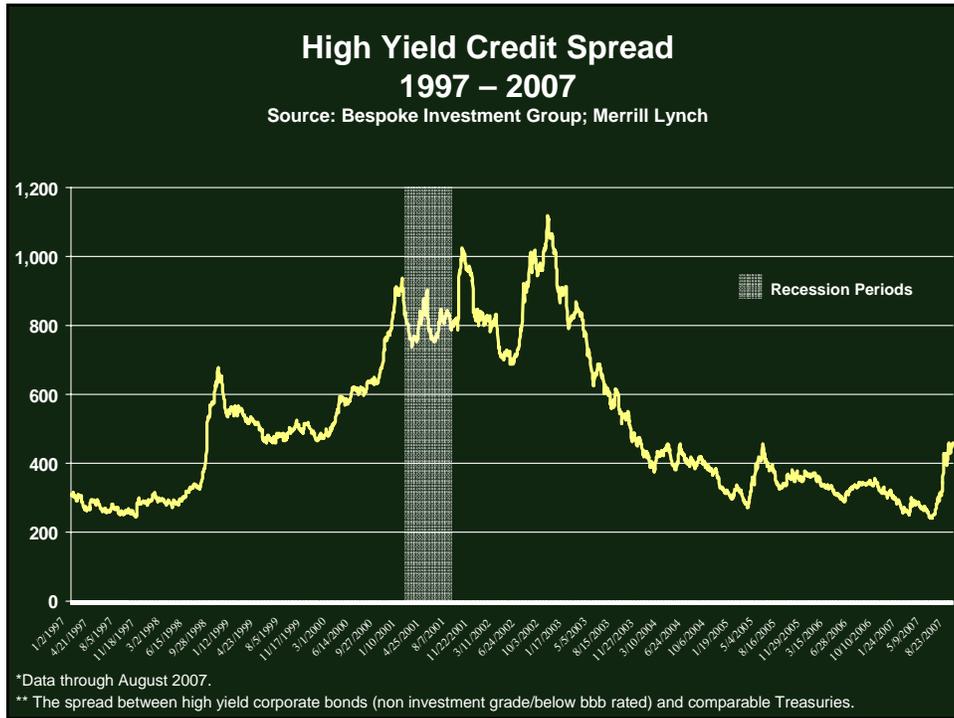
- **Unexpected oil supply disruption.**
- **Unexpected oil price escalation.**
- **Terrorist event (especially to financial or commerce infrastructure).**
- **Decline in housing prices.**

THIS YEAR'S SHOCK:

**Housing prices →
mortgage backed securities**

Liquidity dries up as the market re-prices risk.





Credit Crunch

**Banks and others
significantly curtail their
lending to all sectors.**

Problems Linked to Most Leveraged Sectors

- Mortgage Backed Bonds
- Leveraged Buyout Loans
- Junk Bonds

To Get a *Full Blown* Credit Crunch you need:

1. FEAR –

of big losses on current & future loans.

2. UNCERTAINTY –

How big will the losses be?

When will the market stabilize?

At what price will it stabilize?

NOW – A *Limited Credit Crunch*

**The Crunch Has Not Yet Spread to
the General Economy**

A Limited Credit Crunch

- **Banks are still lending to consumers & businesses.**
- **Credit card agencies are still issuing credit.**
- **Mortgage lenders are still lending to qualified borrowers.**

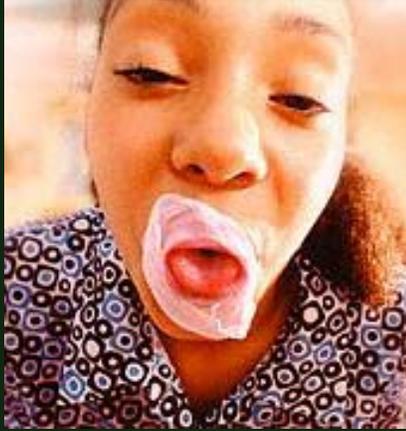
ACTIONS OF THE FED

Common Themes of Manias



- Extreme speculative hype
- Frenzy by all levels of investors.
- Severe departure from the investments “intrinsic value”.
- Huge flows of new credit – usually new types of instruments
- No formidable barriers to entry.

The “Busting of the Bubble” shares similar features:



- Liquidity contracts
- Exogenous events may cause/exacerbate situation
- Prices decline, then plunge

The Perfect Storm in the Housing Market

**Falling housing prices →
question the “safety” of any
collateralized mortgage
backed securities
(especially high loan-to-value) →
tightening of credit**

The Result

- 1) Tightening credit standard for all buyers**
- 2) Reduced supply of sub-prime and Alt-A buyers (who are priced out of the market due to higher loan-to-value requirements).**

**This fear pushes up
the spread on
jumbo loans, as
well as the spread
on junk bonds.**

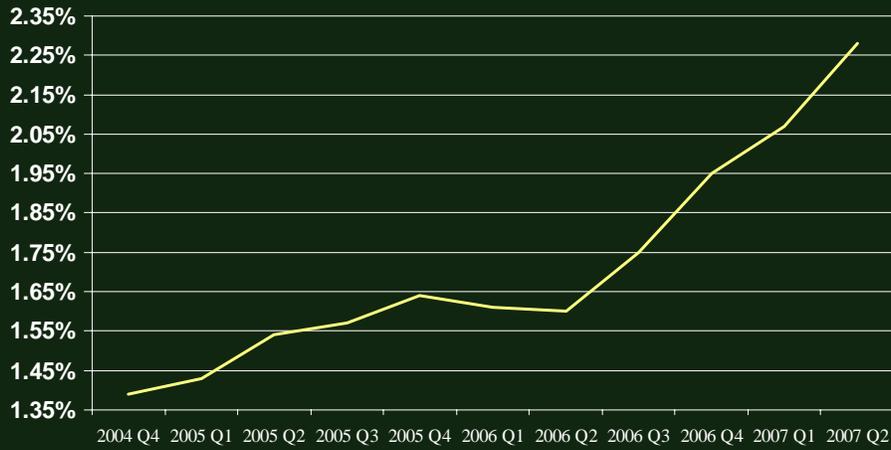
**Scheduled re-pricing of
sub-prime loans pushes up
delinquent and foreclosure
rates, adding new supply that
pushes down housing prices...**

**...which starts the process
over again.**

Delinquency Rates Single Family Residential Mortgages

2004q4 – 2007q2*

Source: Federal Reserve

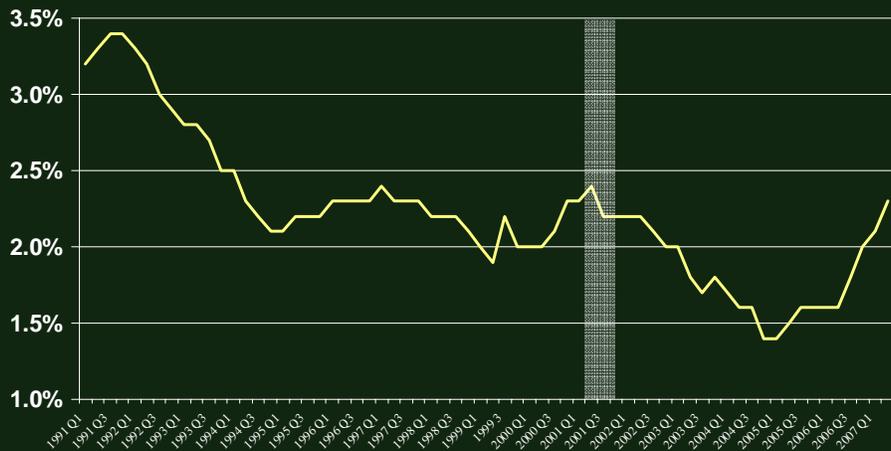


*Data through second quarter 2007

Delinquency Rates Single Family Residential Mortgages

1991 - 2007*

Source: Federal Reserve



*Data through second quarter 2007

Recession Periods

**Credit crunch ends
when banks see
stability.**

**The bottom of the housing
market may occur in 2008
or 2009, but a full recovery
will probably take 4 years.**

National Perspective



U.S. BUSINESS CYCLE RECESSIONS

Source: National Bureau of Economic Research

<u>Recession Period</u>	<u># of Months</u>
November 1948 – October 1949	11
July 1953 – May 1954	10
August 1957 – April 1958	8
April 1960 – February 1961	10
December 1969 – November 1970	11
November 1973 – March 1975	16
January 1980 – July 1980	6
July 1981 – November 1982	16
July 1990 – March 1991	8
March 2001 - November 2001	8

U.S. BUSINESS CYCLE EXPANSION

Source: National Bureau of Economic Research

<u>Expansion Period</u>	<u># of Months</u>
October 1949 – July 1953	45
May 1954 – August 1957	39
April 1958 – April 1960	24
February 1961 – December 1969	106
November 1970 – November 1973	36
March 1975 - January 1980	58
July 1980 – July 1981	12
November 1982 – July 1990	92
March 1991 – March 2001	120
November 2001 – current (Sept 07)	70

Negatives

- Credit crunch
- Housing market
- Consumer spending
- Inflation ???

Positives

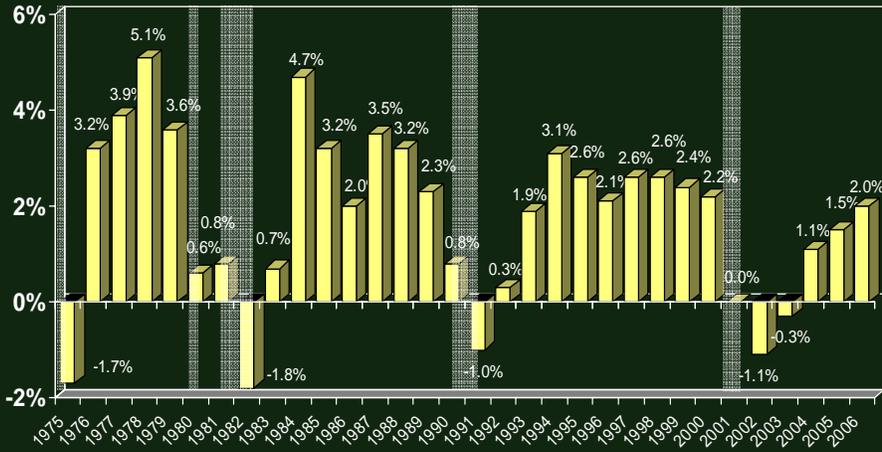
- Employment still positive.
- Businesses lean and mean.
- Recession would be pointless, so Fed will try to avoid one.

Consumer

National Employment*

Annual Percent Change 1975–2006*

Source: Bureau of Labor Statistics



*Non-agricultural wage & salary employment. Changed from SIC to NAICS reporting in 1990. ■ Recession Periods

Median Weeks Unemployed (S/A)

1972 – 2007*

Source: Bureau of Labor Statistics

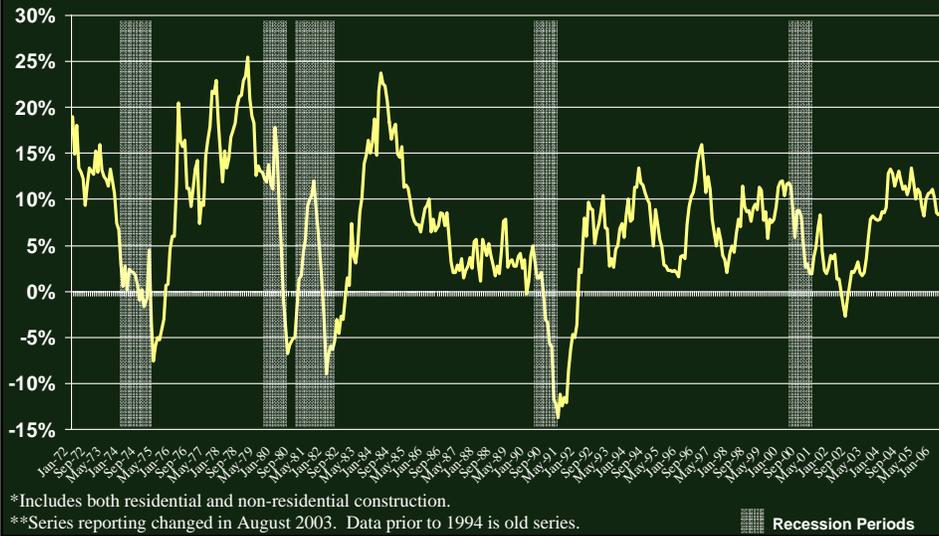


*Data through July 2007.

■ Recession Periods

Total Construction* Percent change Year Ago January 1972 – July 2006

Source: U.S. Census Bureau

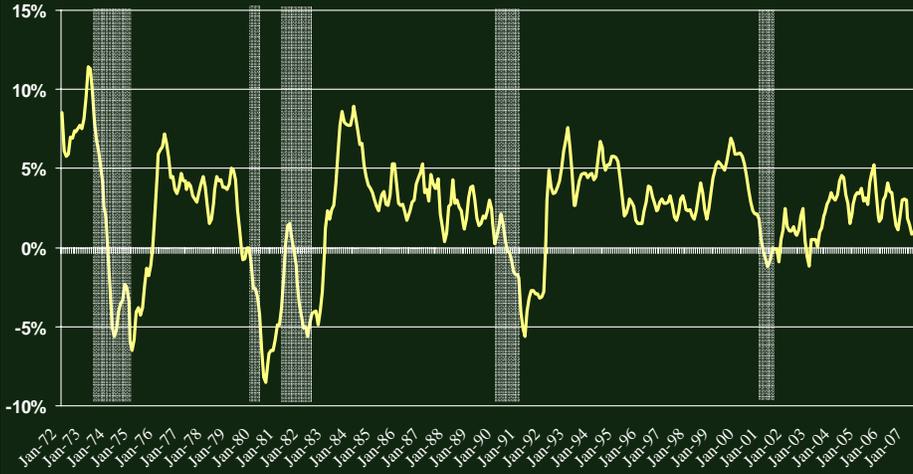


CONSUMER SPENDING: Causes of Consumer Caution

- Reduced home-related spending on home improvement items such as furnishings, appliances, and building materials.
(Look at completions not starts)
- Housing-related industries are now cutting jobs.
- Mortgage equity withdrawal slowing.

U.S. Real Retail Sales Percent Change Year Ago, 3-Month Moving Average 1972 – 2007*

Source: Federal Reserve Board of St. Louis

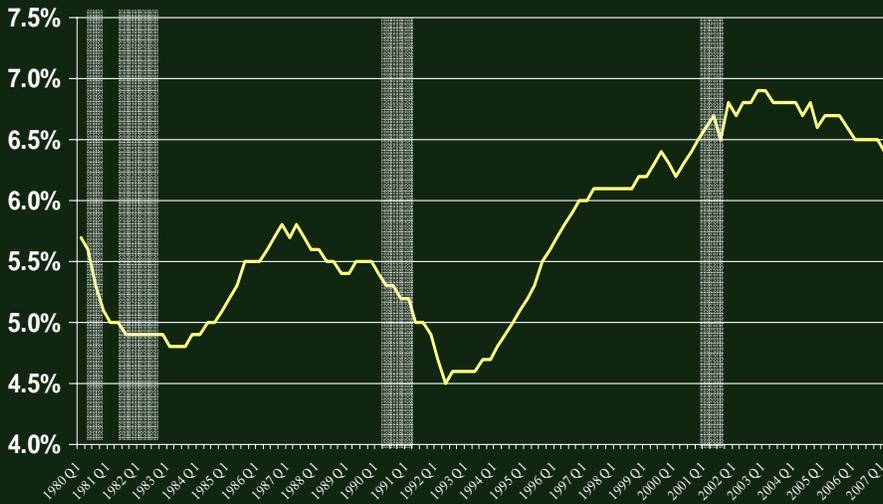


* Data through July 2007

Recession Periods

Consumer Financial Obligation Ratio 1980 – 2007*

Source: Board of Governors, Federal Reserve Board



NOTE: The FOR includes debt service payments as a percent of disposable income.

Mortgage Financial Obligation Ratio 1980 – 2007*

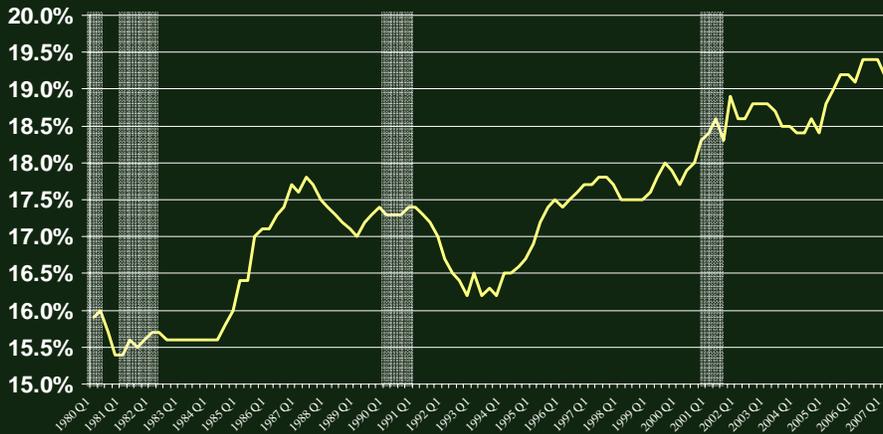
Source: Board of Governors, Federal Reserve Board



NOTE: The FOR includes debt service payments as a percent of disposable income.

Total Financial Obligation Ratio 1980 – 2007*

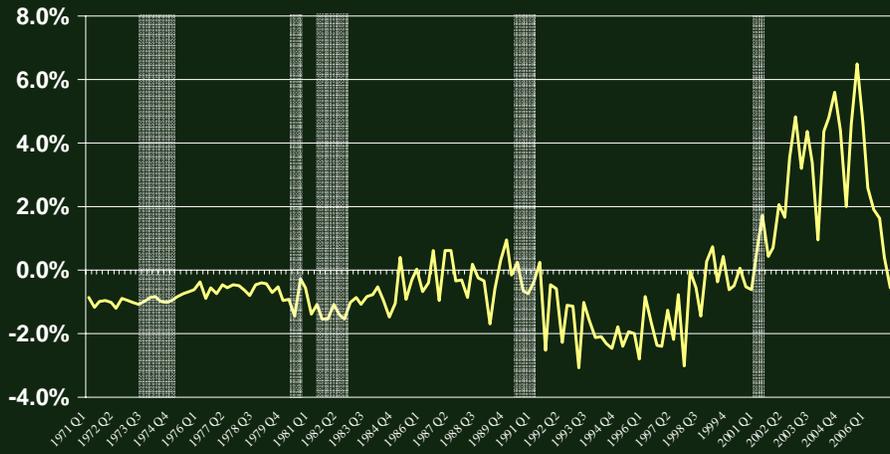
Source: Board of Governors, Federal Reserve Board



NOTE: The FOR includes debt service payments as a percent of disposable income. The FOR is a broader measure as it includes auto lease payments, rental payments, homeowner's insurance and property taxes.
*Data through second quarter 2007.

Mortgage Equity Withdrawal as a share of Disposable Income U.S.: 1971 – 2006*

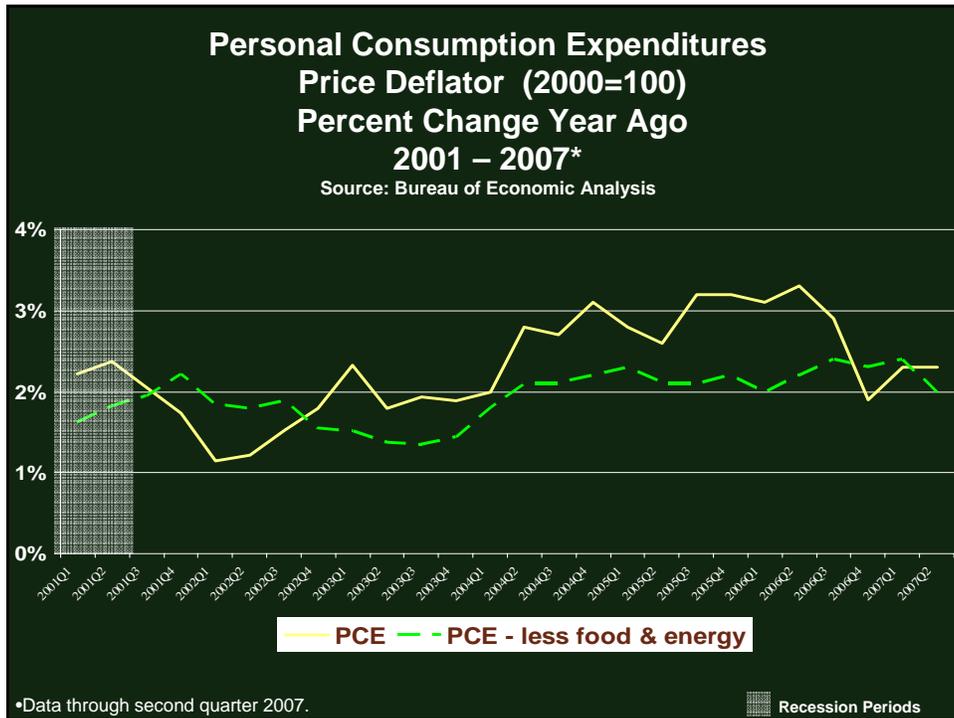
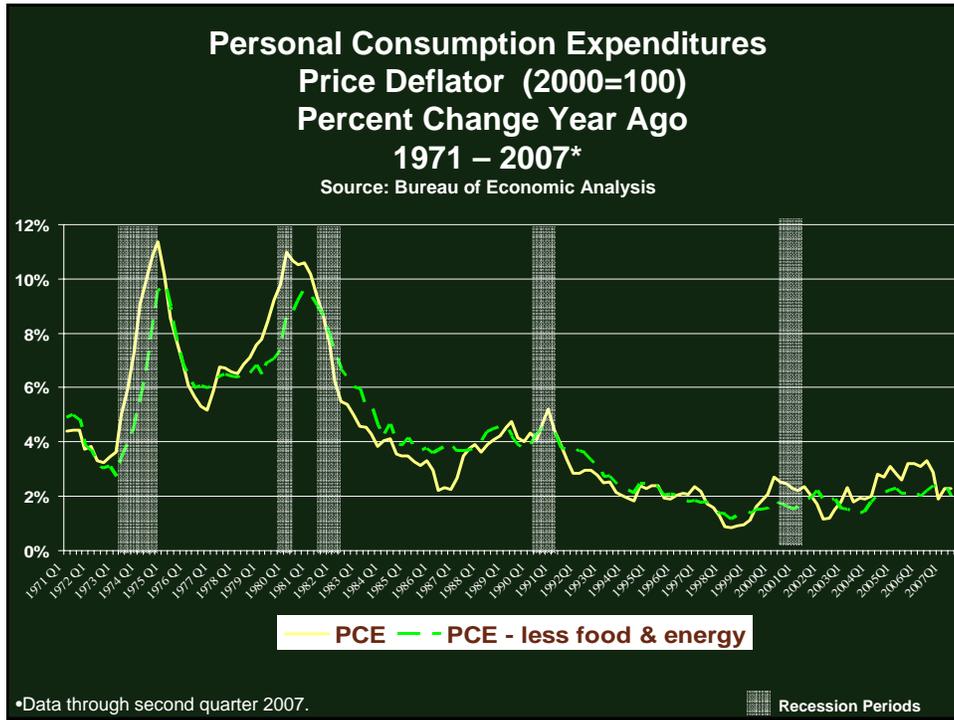
Source: Bureau of Economic Analysis



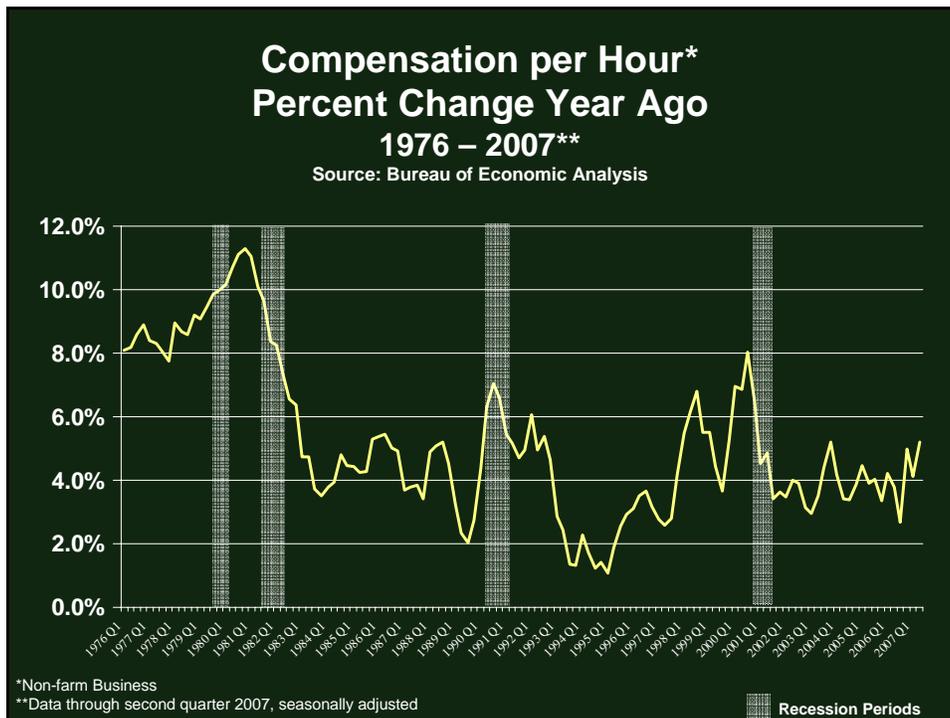
* Data through first quarter 2007

Recession Periods

Inflation

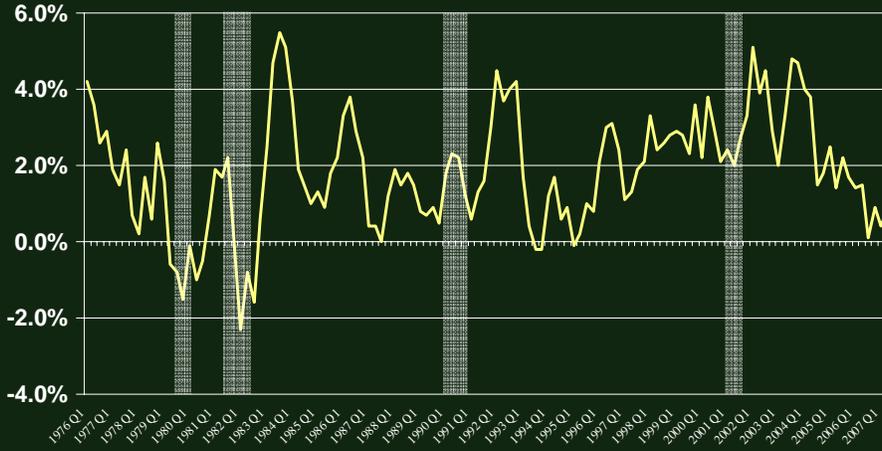


Compensation / hour
over
Output / hour
=
Unit Labor Costs
(2/3 of Business Costs)



Output per Hour* Percent Change Year Ago 1976 – 2007**

Source: Bureau of Economic Analysis

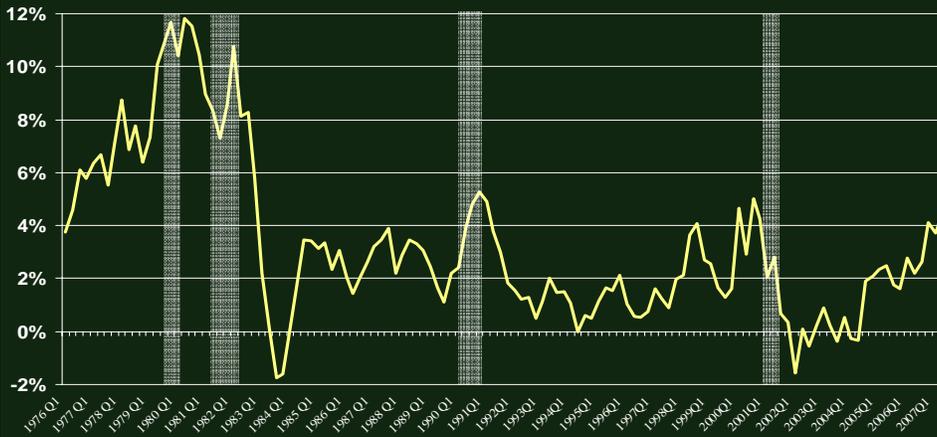


*Non-farm Business
**Data through second quarter 2007

Recession Periods

Unit Labor Costs* Percent Change from Year Ago 1976 – 2007**

Source: Bureau of Labor Statistics

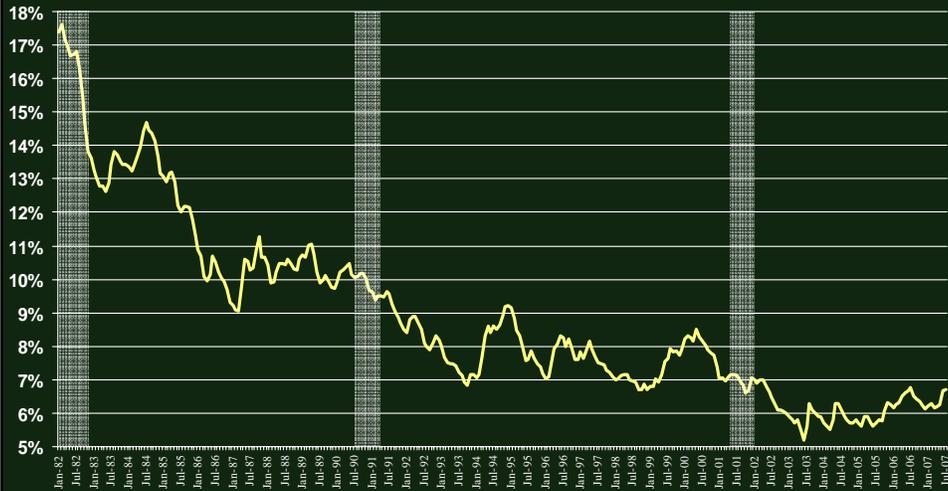


*Non-farm Business
**Data through second quarter 2007

Recession Periods

30-Year Conventional Mortgage Rates 1982 – 2007*

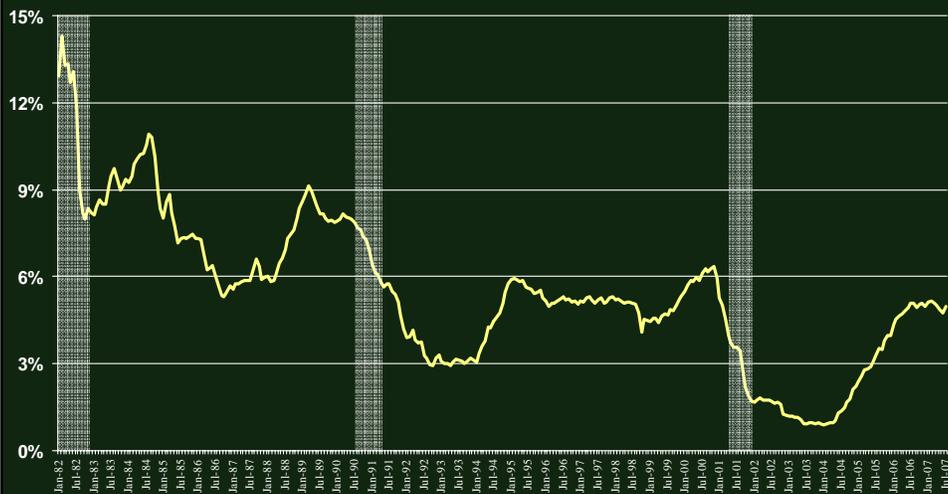
Source: Federal Reserve Economic Database



*Data through July 2007.

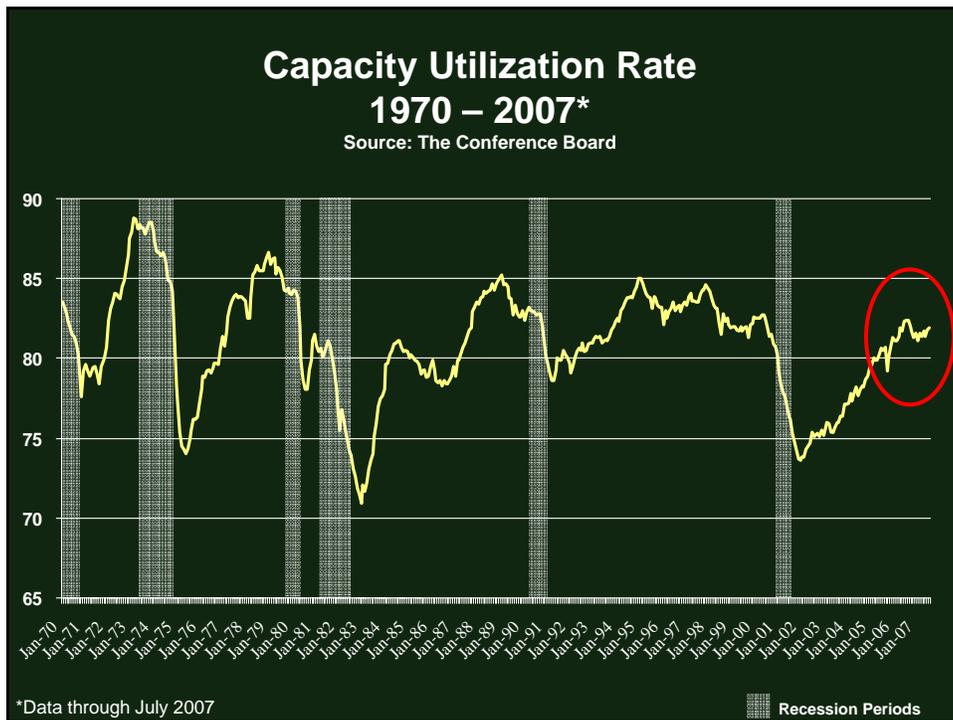
3-Month Treasury 1982 – 2007*

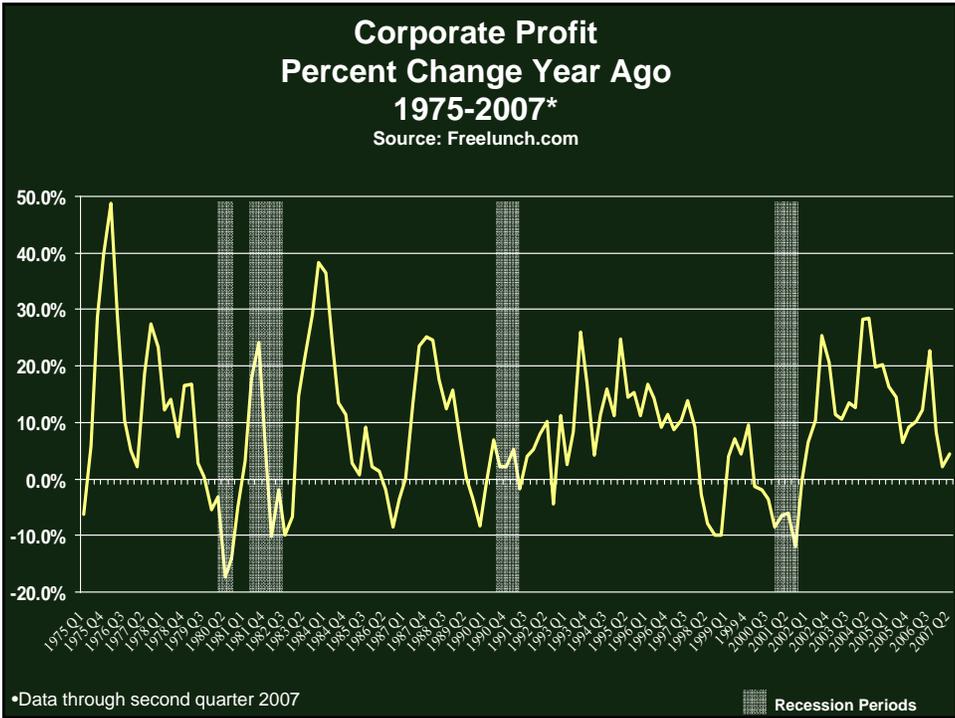
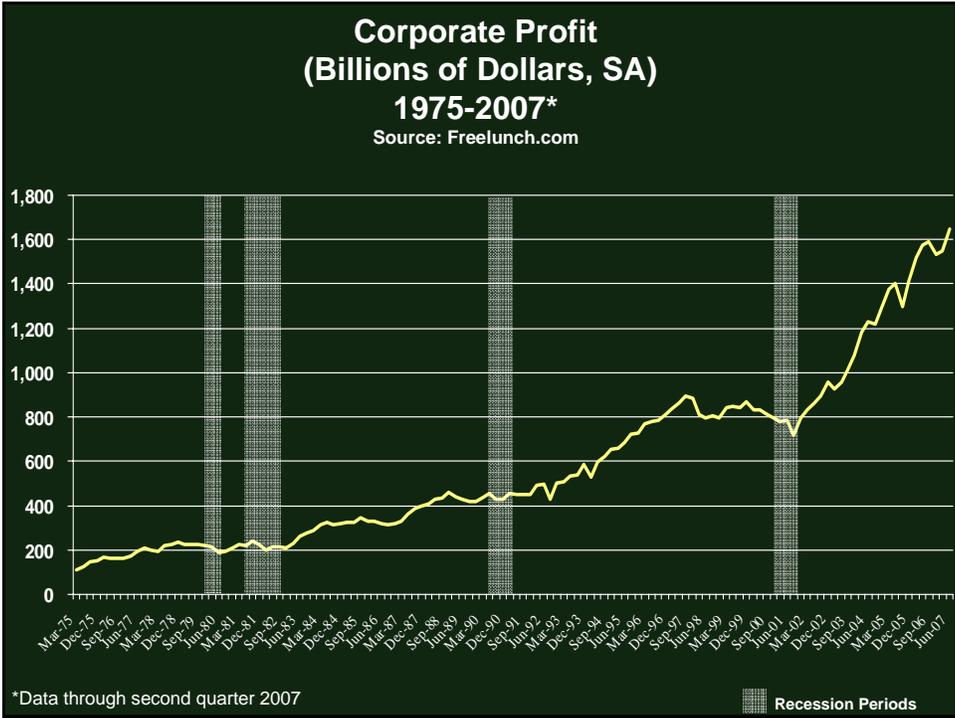
Source: Federal Reserve Economic Database



*Data through July 2007.

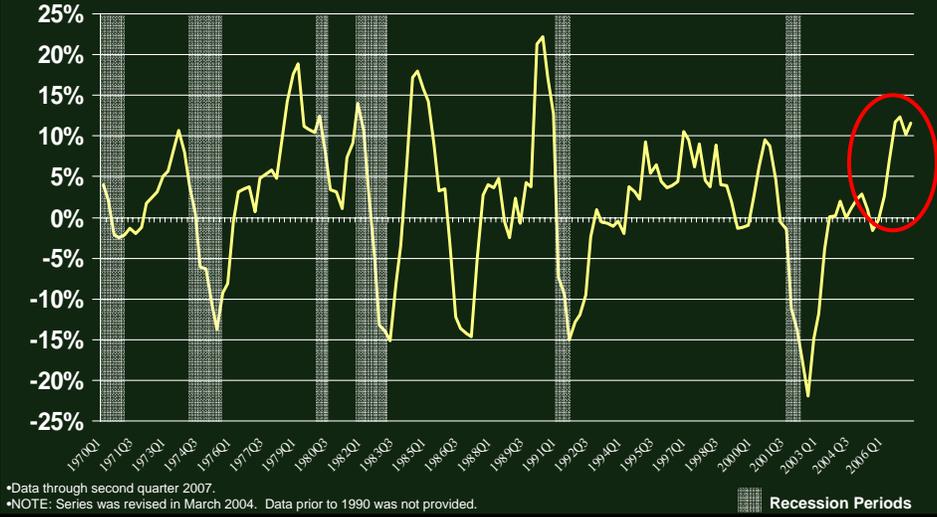
Business





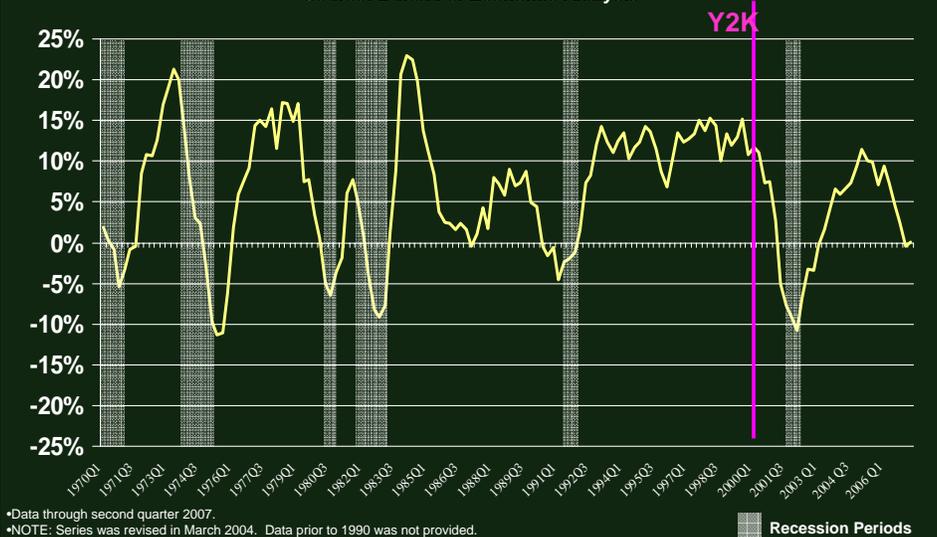
Total Plant Spending Percent Change Year Ago (Real Dollars) 1970 – 2007*

Source: Bureau of Economic Analysis



Total Equipment & Software Spending Percent Change Year Ago (Real Dollars) 1970 – 2007*

Source: Bureau of Economic Analysis



Net Percentage of Large U.S. Banks Reporting Tougher Standards on Business Loans

1991 – 2007*

Source: Federal Reserve, Board of Governors



*Data through second quarter 2007.

Recession Periods

Tougher Loan Standards

Source: Federal Reserve Survey, July 2007

- **56.3%** of banks tightened on sub-prime mortgages.
- **40.5%** of banks tightened on “non-traditional” mortgages (ARMs, Interest-only, or Limited Income Verification loans).
- **14.3%** of banks tightened on prime loans.

U.S. Real Net Exports as a Percent of Real GDP 1971 – 2007*

Source: Bureau of Economic Analysis

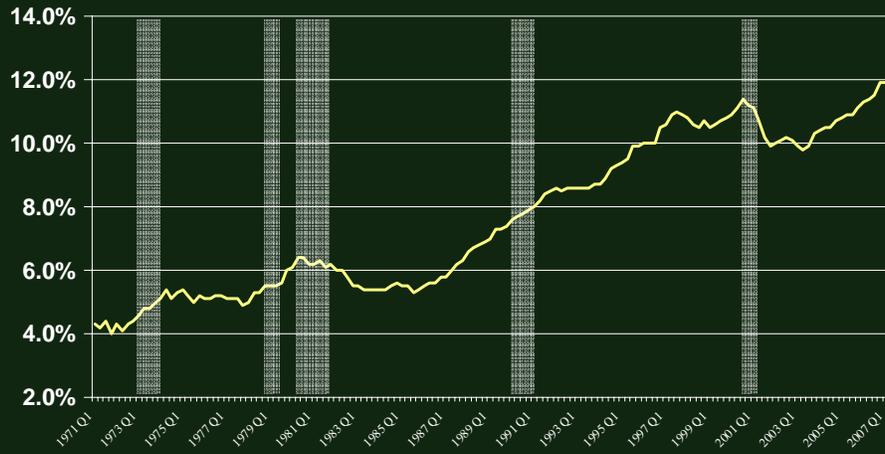


*Data through second quarter 2007

Recession Periods

U.S. Real Exports as a Percent of Real GDP 1971 – 2007*

Source: Bureau of Economic Analysis

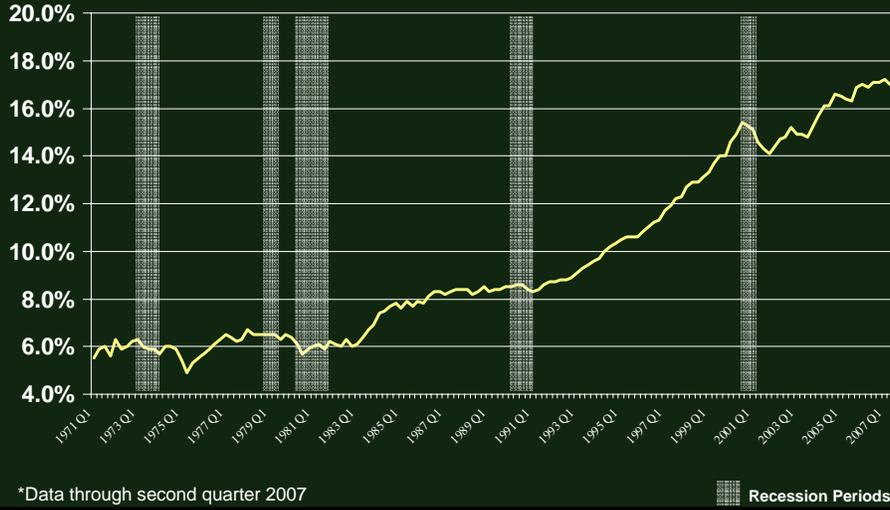


*Data through second quarter 2007

Recession Periods

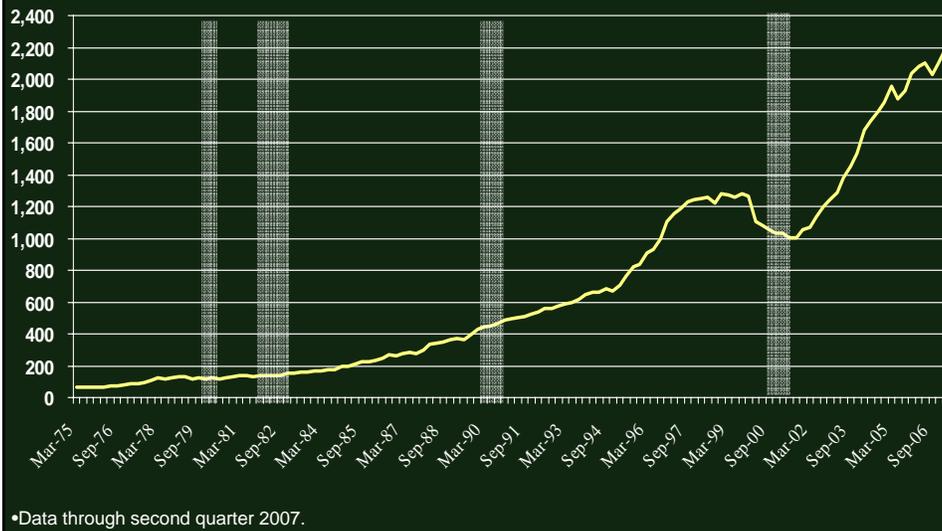
U.S. Real Imports as a Percent of Real GDP 1971 – 2007*

Source: Bureau of Economic Analysis



U.S. Debt Held by Foreign & International Investors 1975-2007* (Billions of Dollars, SA)

Source: Federal Reserve Economic Database



U.S. OUTLOOK - 2008

- Consumer spending (-)
- Housing (-)
- Inflation (-)
- Productivity growth slowing (-)
- Fiscal stimulus (+/-)
- Low interest rates (+)
- Business spending (+)
- Monetary stimulus (+)
- Real incomes (+)
- Businesses mean and lean (+)
- Job growth (+)

OUTLOOK 2008

A “sub-prime” year.

Things will continue to grow, but grow slowly.



ELLIOTT D. POLLACK
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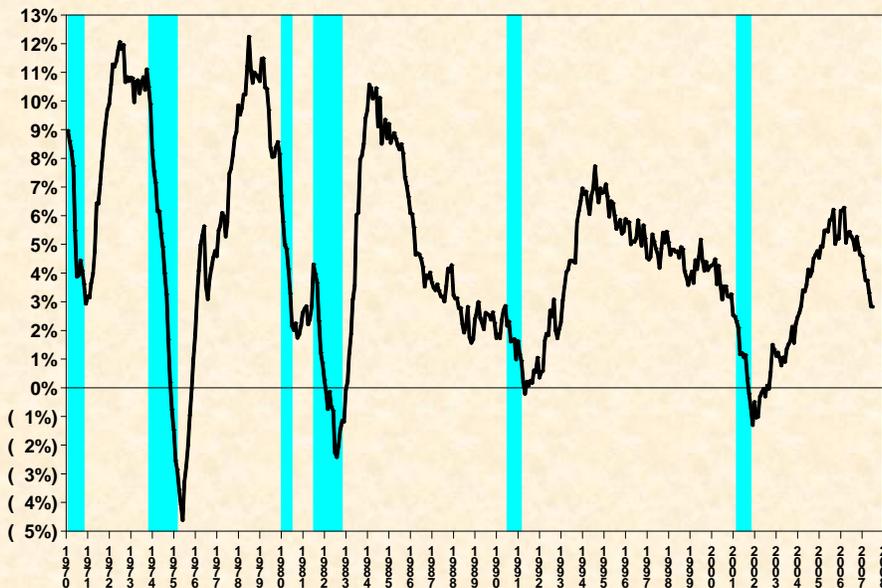
Arizona's Economy

Slow growth means declining tax revenues

FAC Meeting September 12th 2007

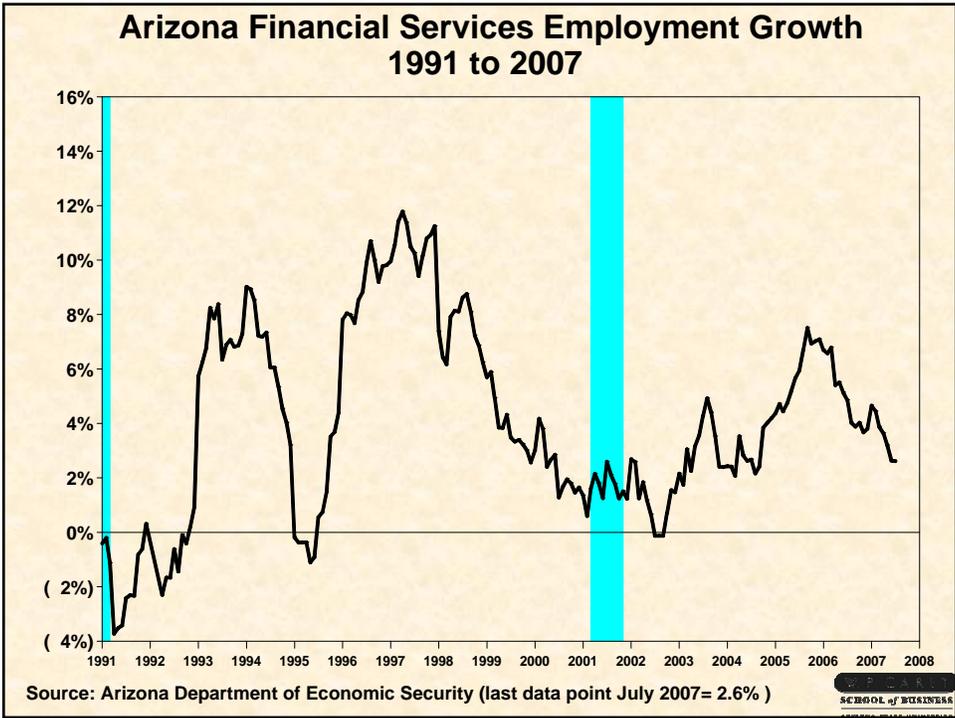
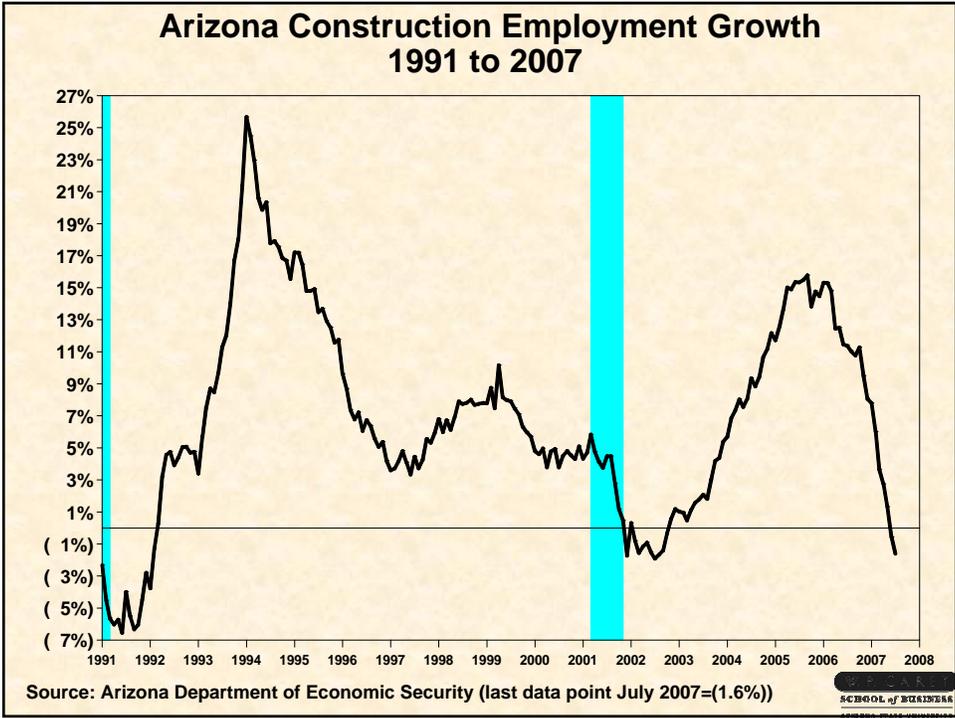
SCHOOL of BUSINESS

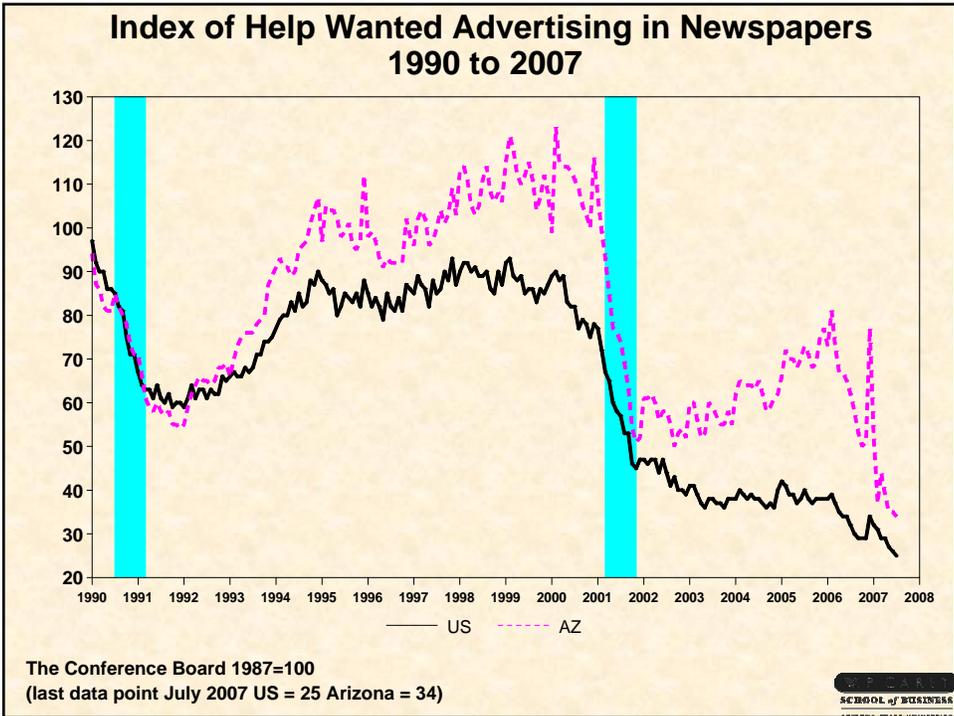
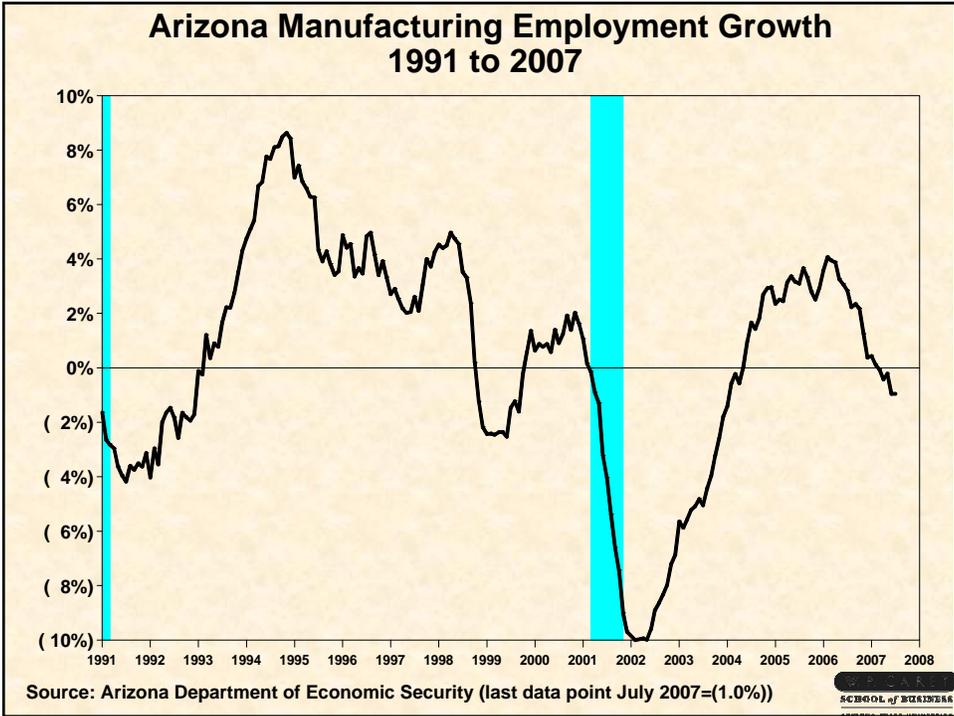
Arizona Total Nonfarm Employment Growth 1970 to 2007

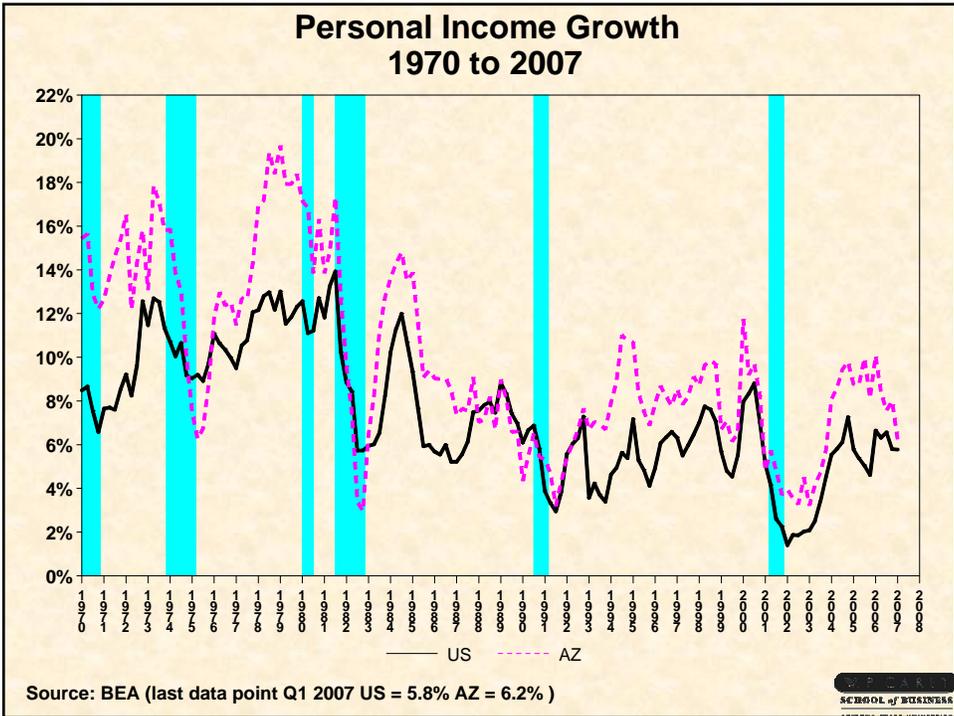
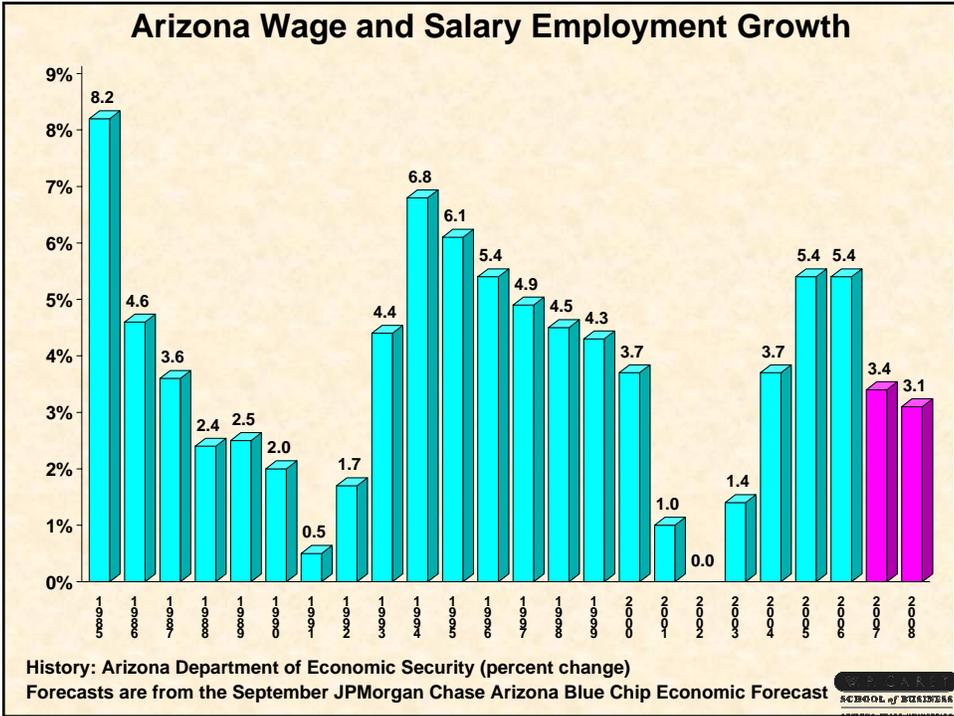


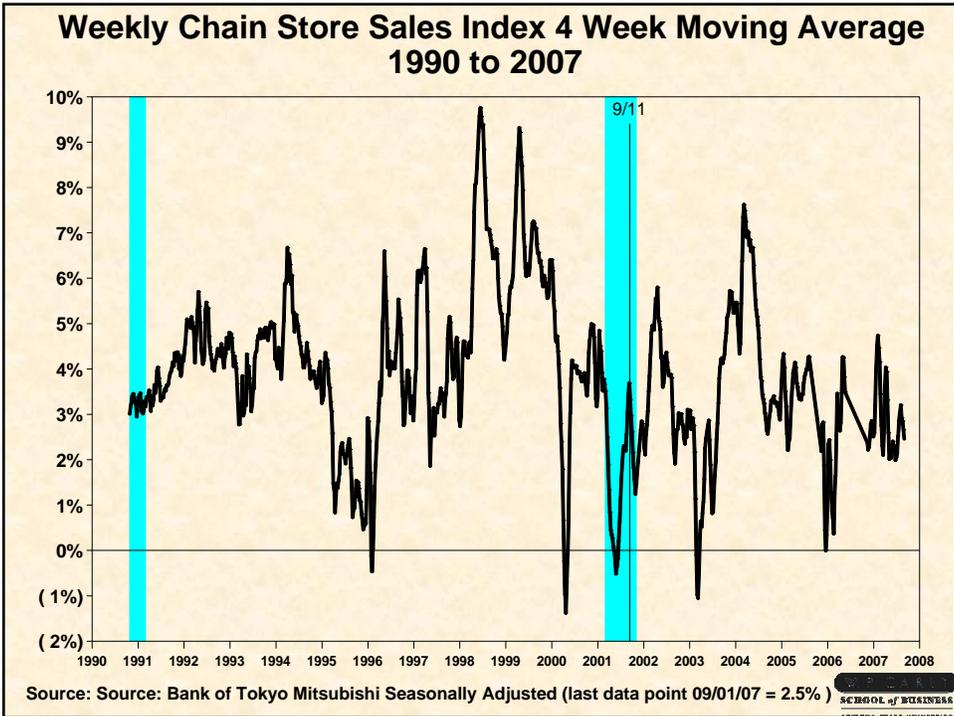
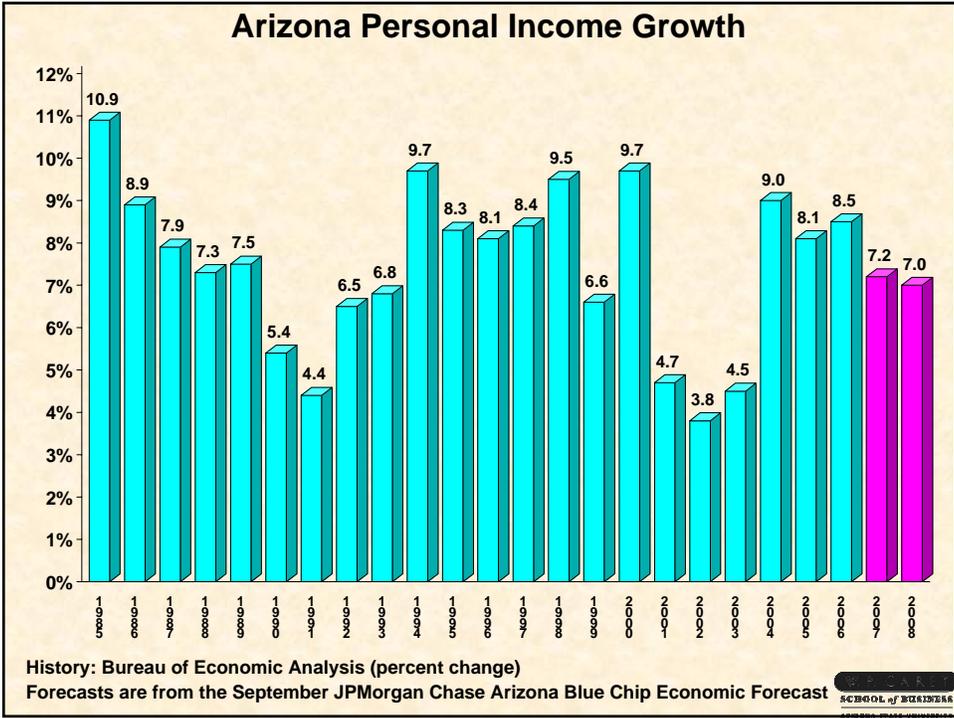
Source: Arizona Department of Economic Security (last data point July 2007= 2.8%)

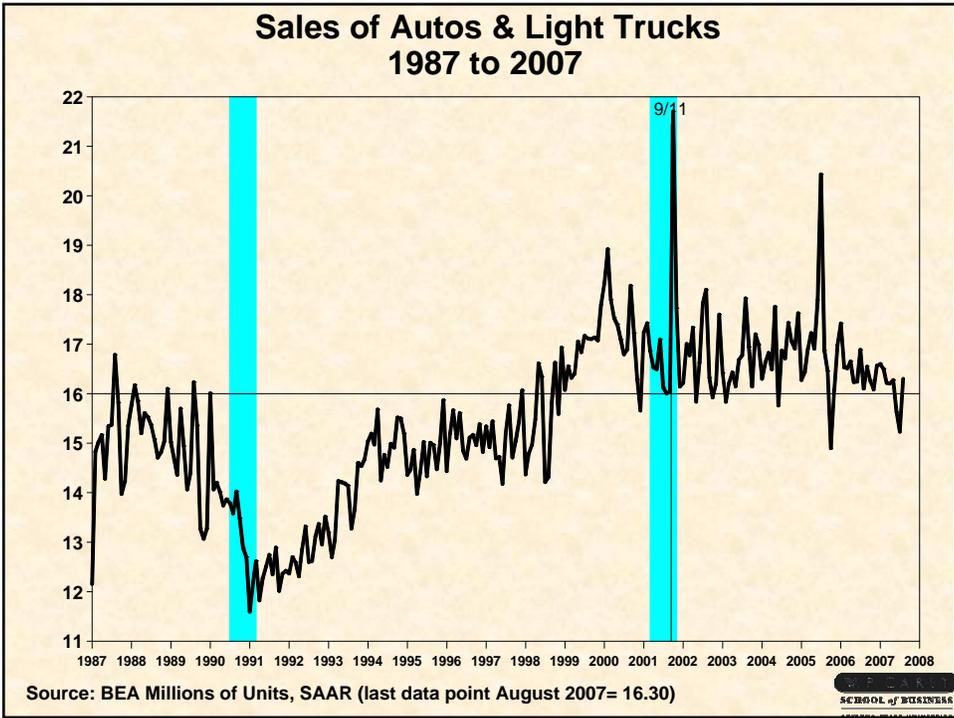
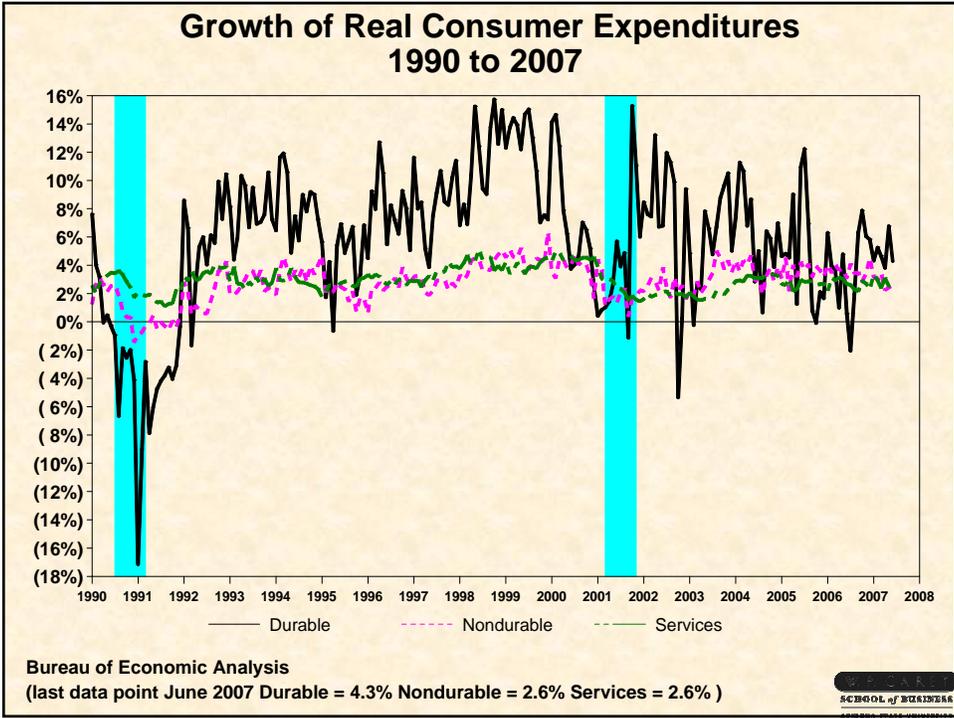
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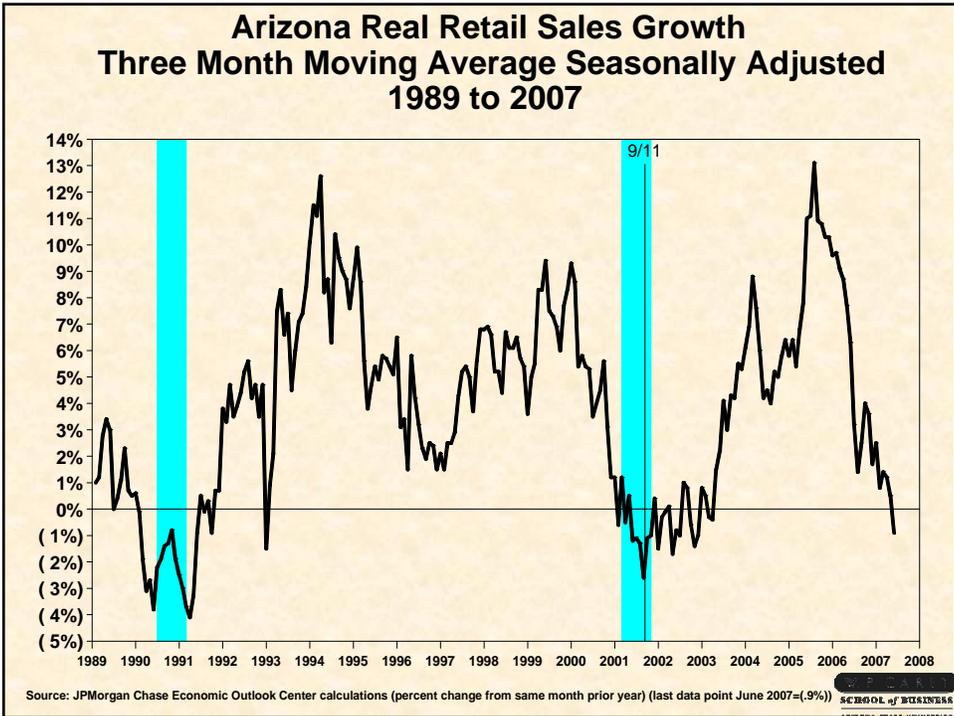
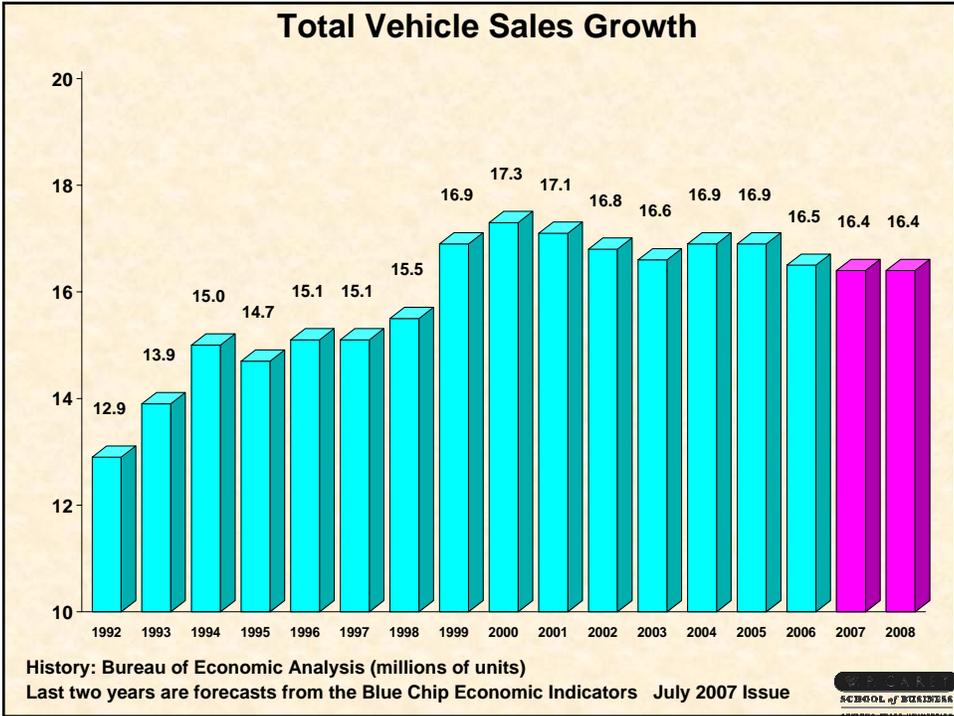


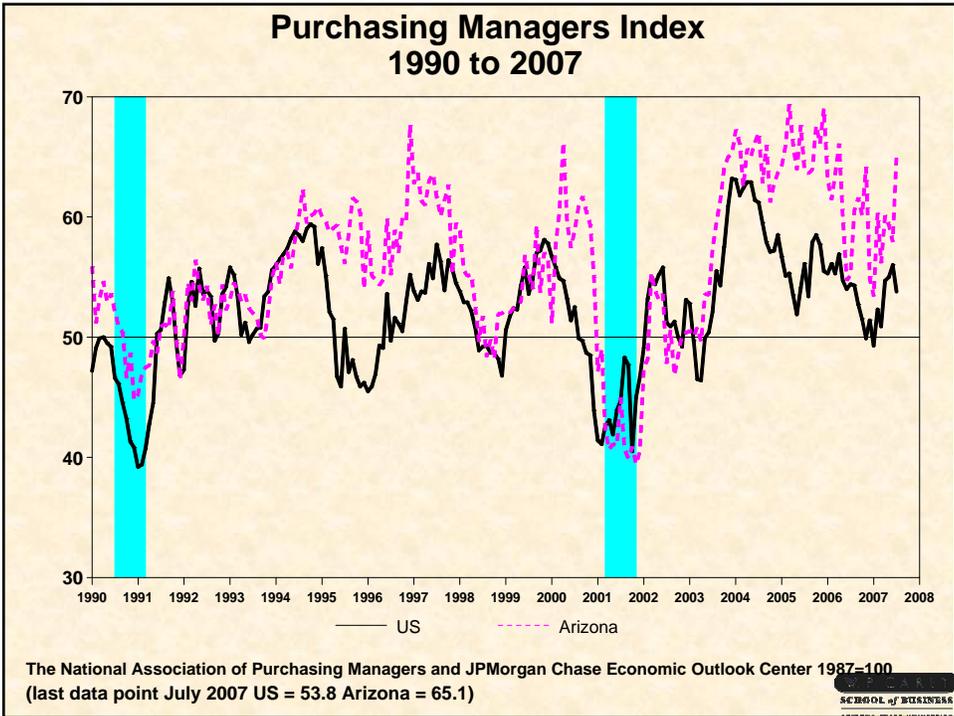
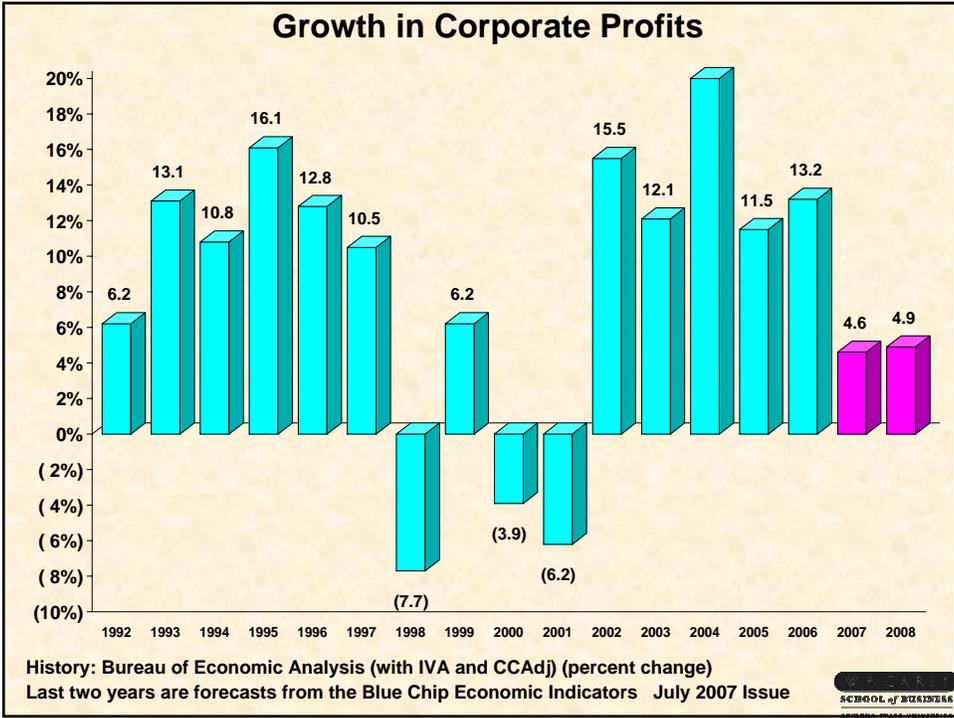


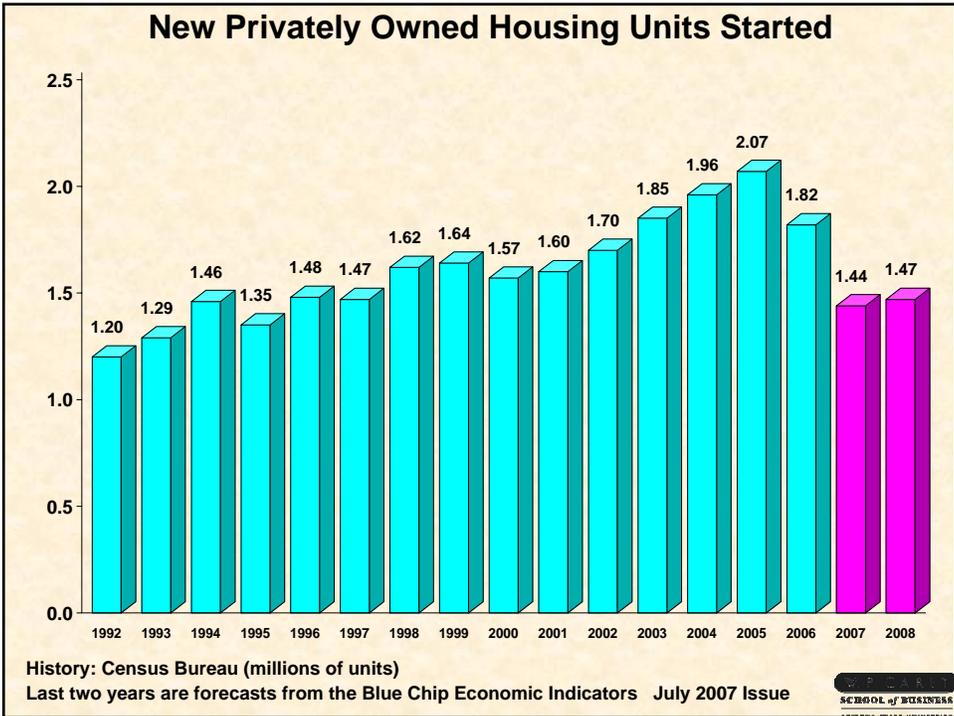
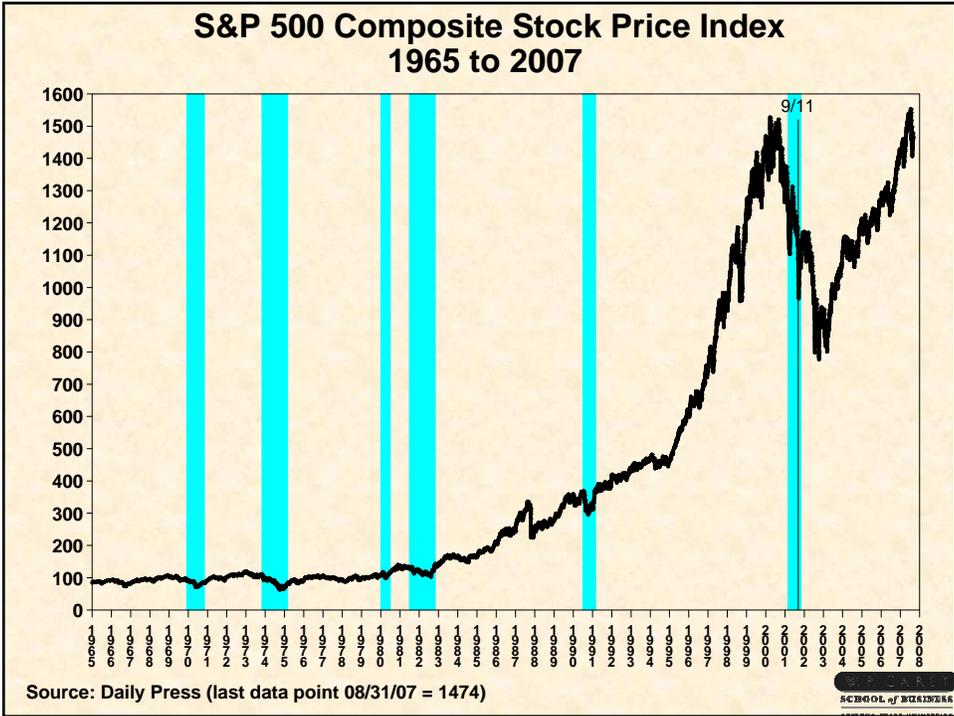


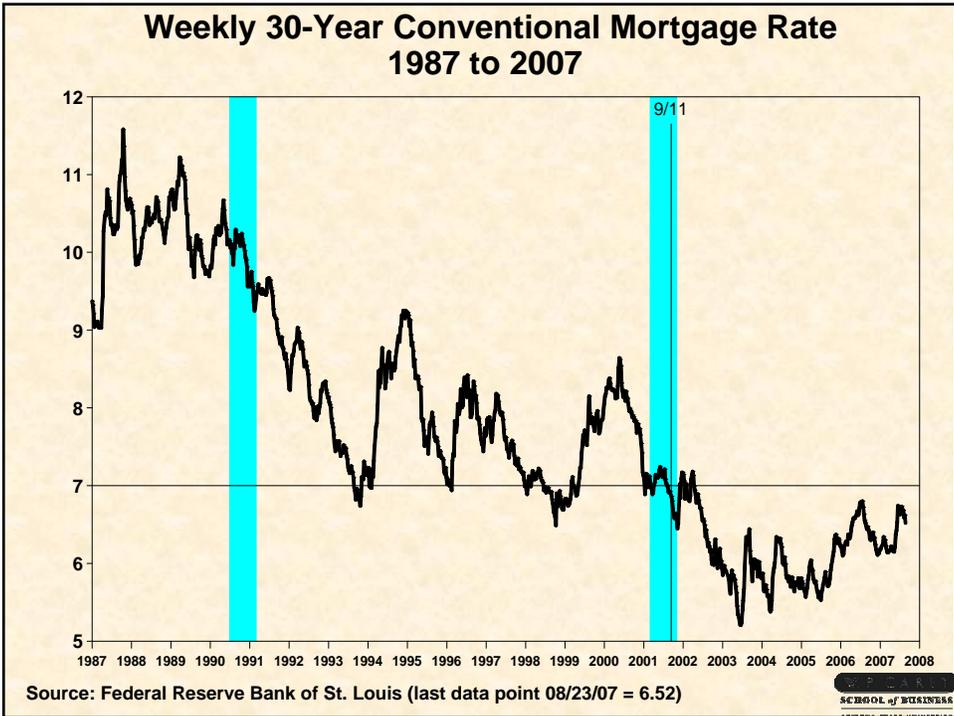
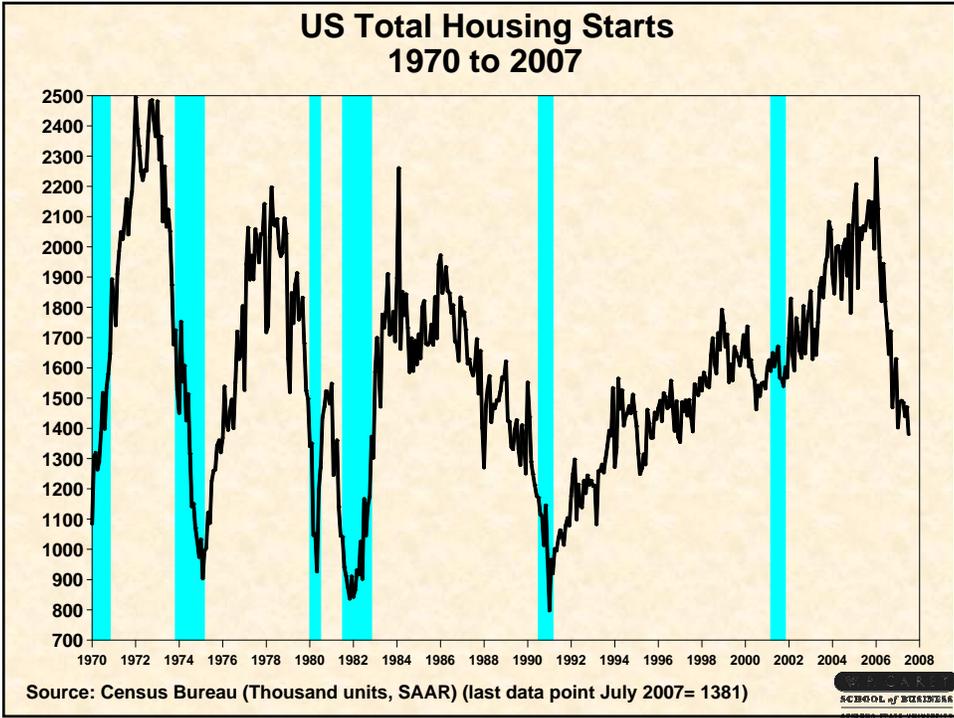


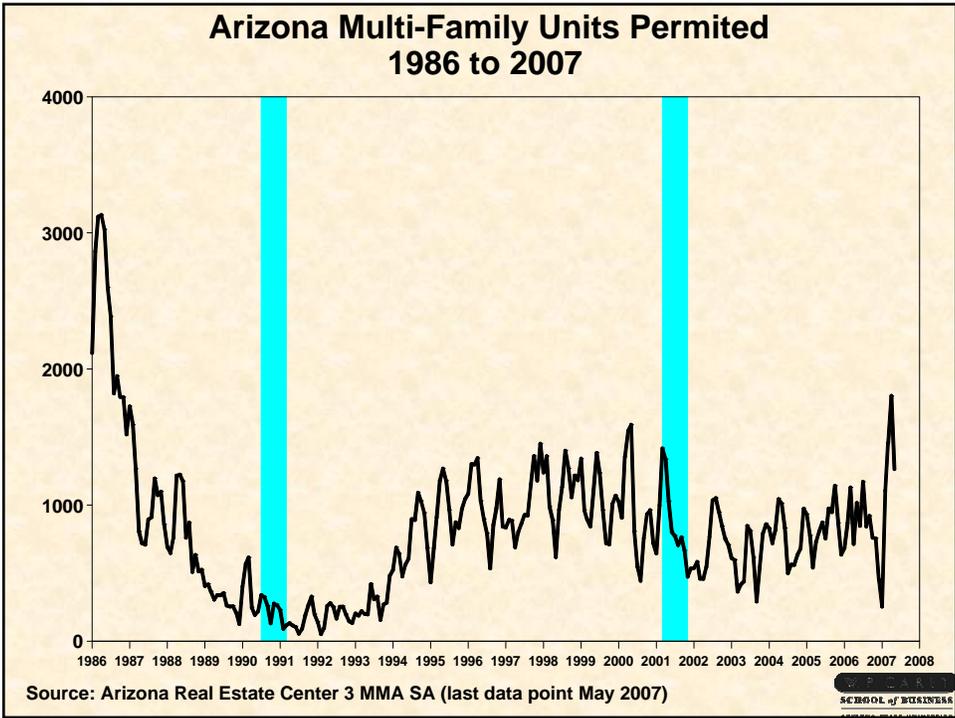
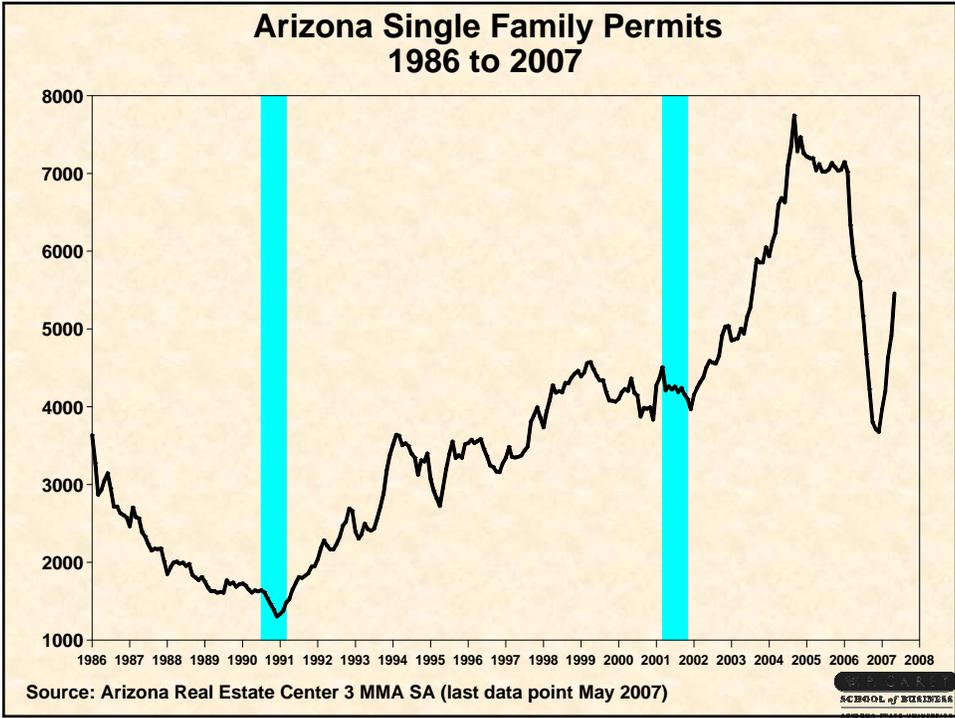


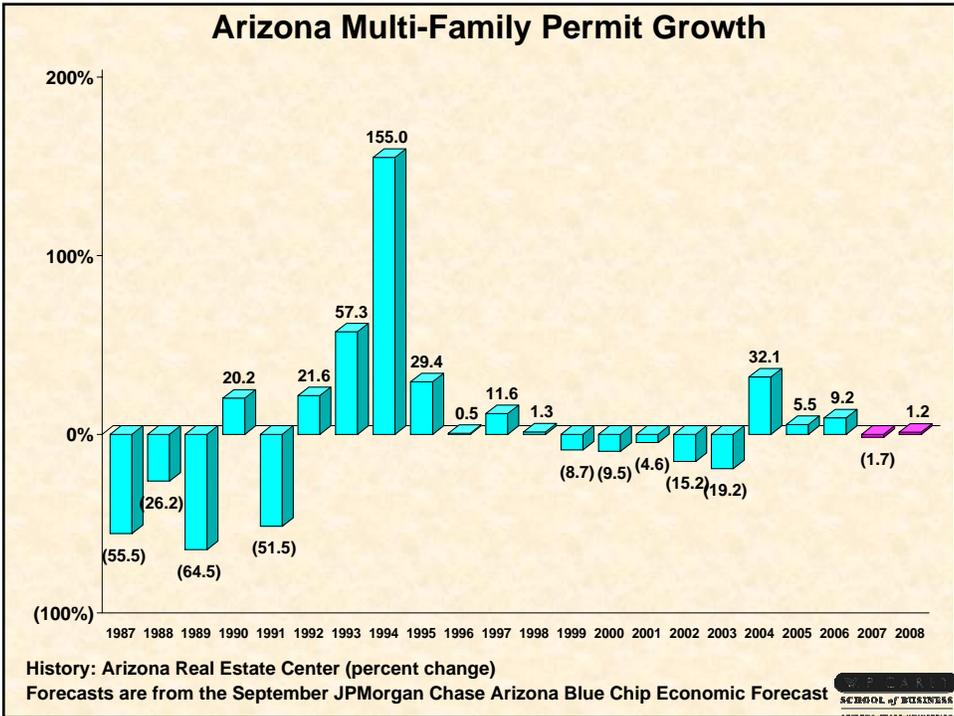
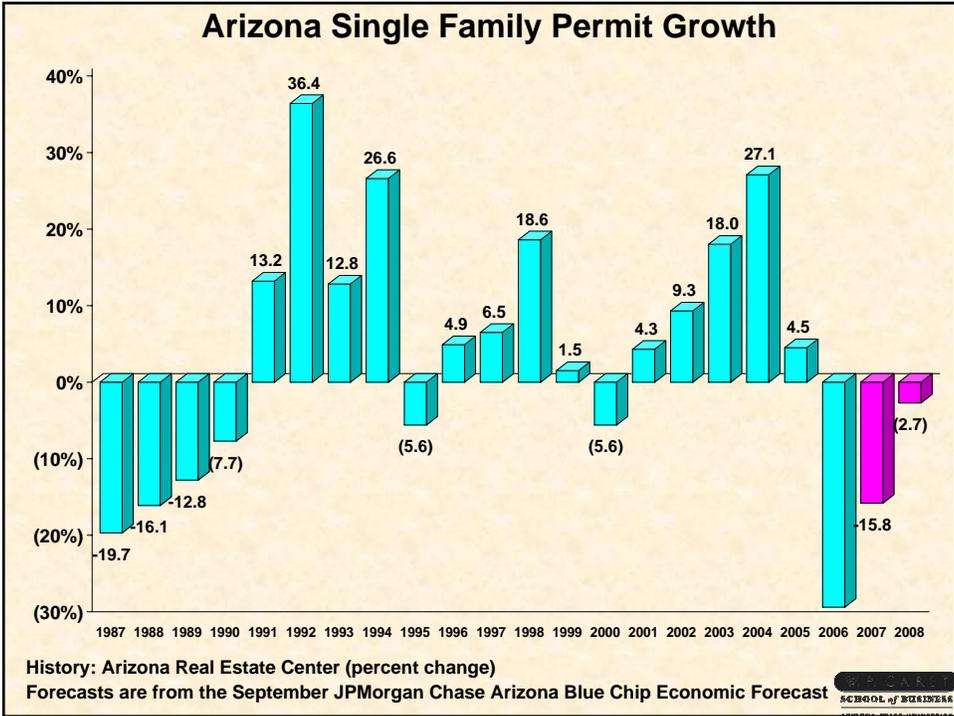












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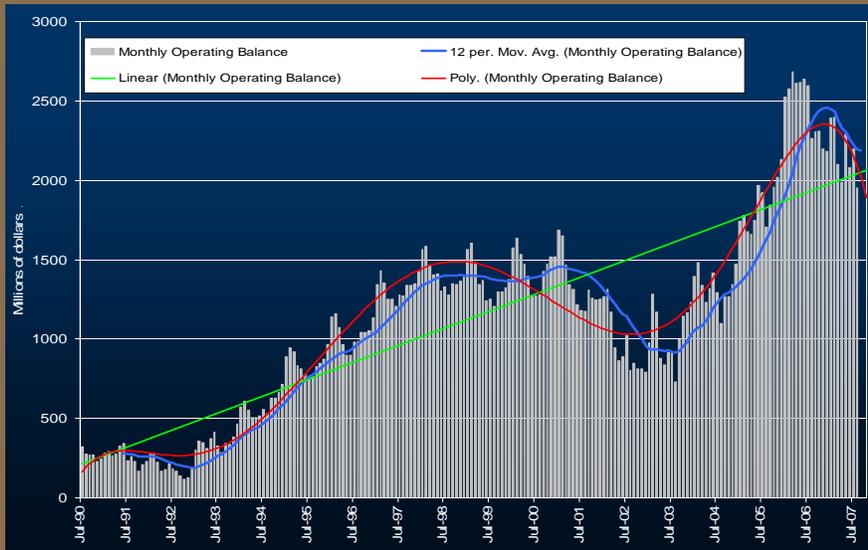


Finance Advisory Committee September 12, 2007

*Office of the Arizona State Treasurer
Treasurer Dean Martin*

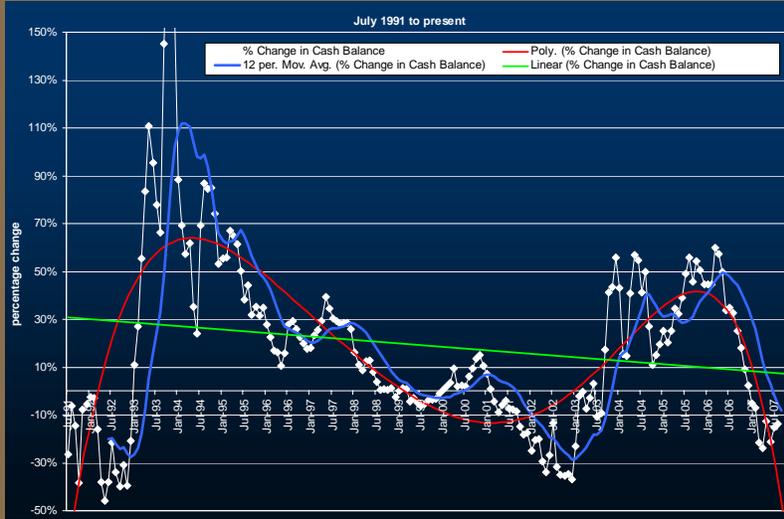


**State Total Operating Account Average Monthly Balance
July 1990 to present**

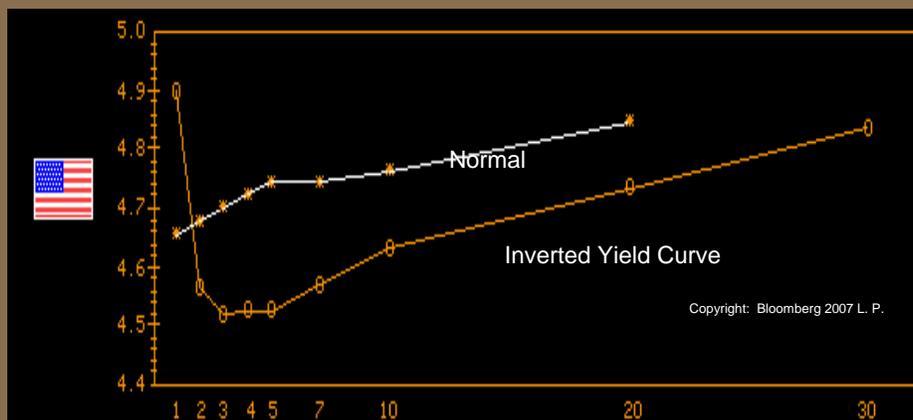


State of Arizona Operating Cash Balance On A Downward Trend

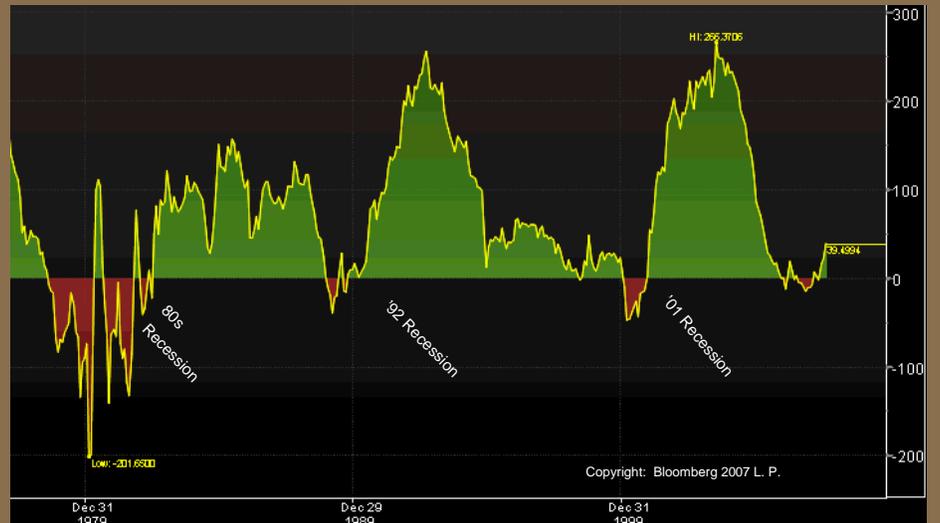
Percent Change in Operating Account Balance



Inverted vs. Normal Yield Curve



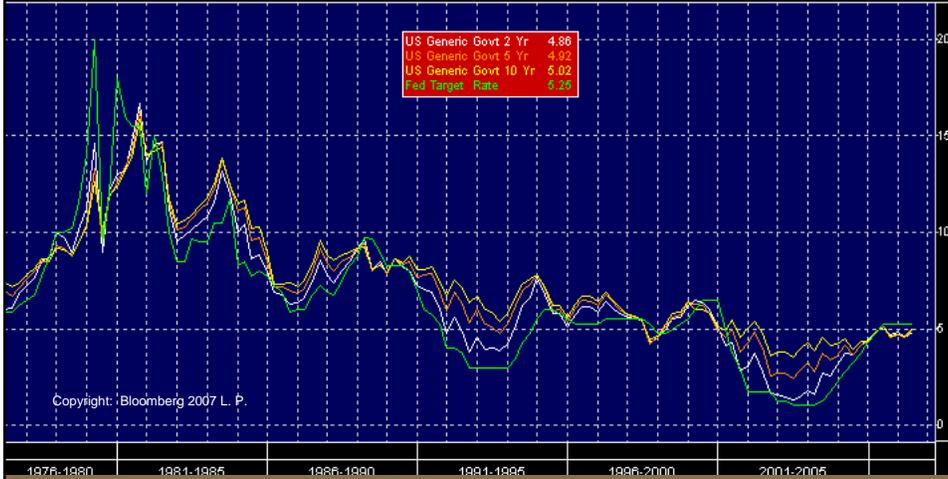
2 YR/10 YR Govt. Spread since 1977



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US Treasury Yields vs. Fed Funds since 1977

1	US Generic Govt 2 Yr	Yx1	2	US Generic Govt 5 Yr	Yx1
3	US Generic Govt 10 Yr	Yx1	4	Fed Target Rate	Yx1
Range		3/31/77	To	6/29/07	Period
					(D-W-M-Q-Y)
					Normalize
					(Y/N/O)
					Dates
					0



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US Treasury Yields vs. Fed Funds since 2000



Inflation: GDP Deflator consistently above other measures PCE, PPI, CPI CORE, and GDP RATES Quarterly since 1987



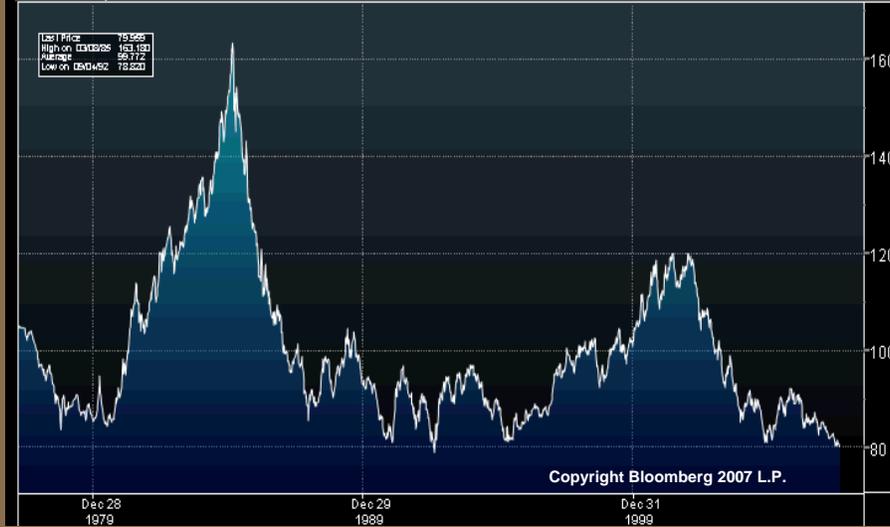
Inflation: GDP Deflator consistently above other measures PCE, PPI, CPI CORE, and GDP RATES monthly since 2001



RJ/CRB Commodity Price Index weekly average since 1977 (Energy, Metals, Grains, Livestock, and Soft Commodities)

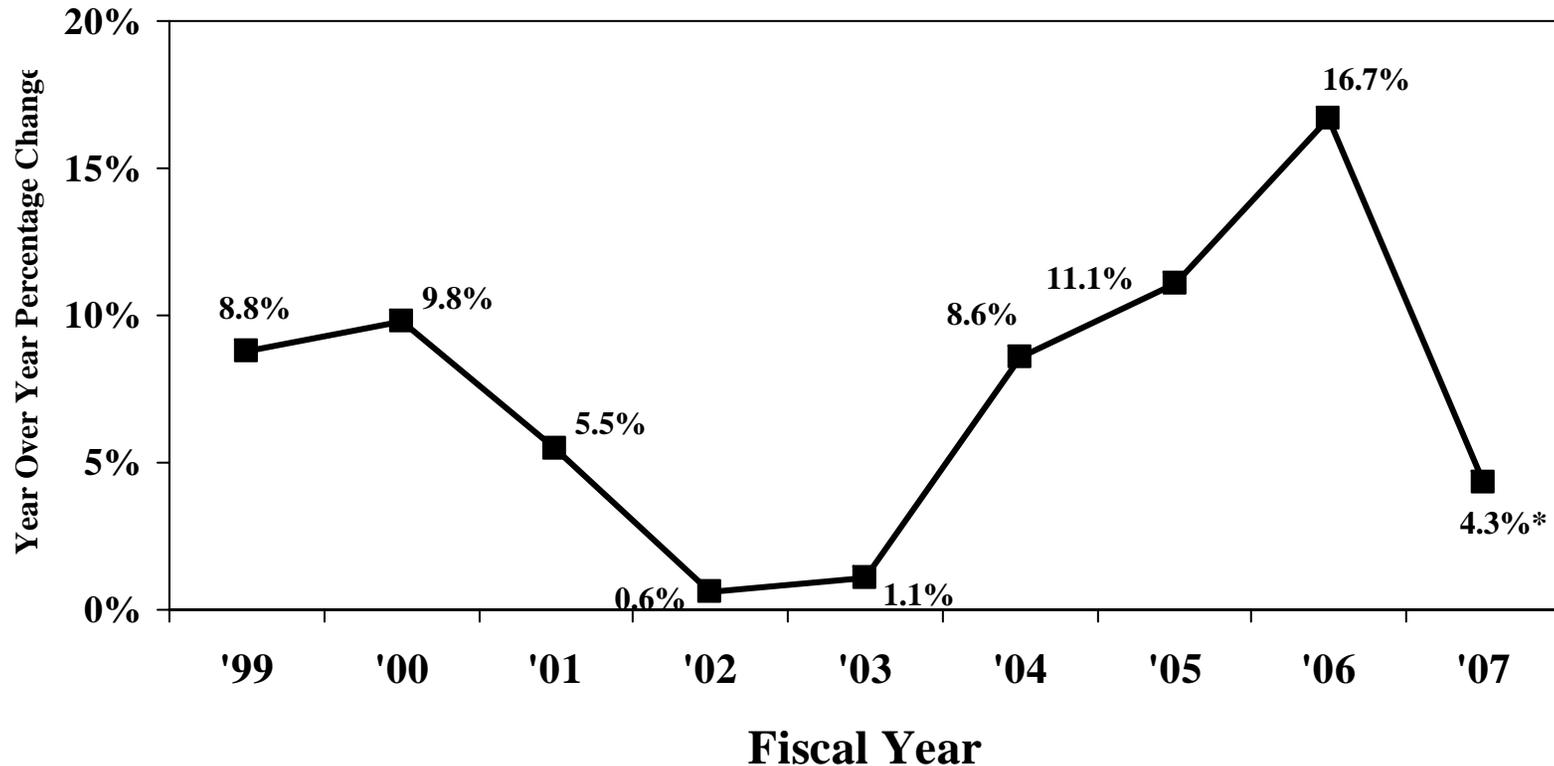


Value of U.S. Dollar vs. 6 major currencies for last 30 years (Euro, Yen, Pound, Canadian Dollar, Swedish Krona, Swiss Franc)



Sales Tax

Sales Tax Growth Rate



* The '07 increase of 4.3% includes the one-time impact of the revised June estimated payment threshold from \$100,000 to \$1.0 million enacted by the Legislature. Adjusting for the estimated one-time loss of \$(55.2) million, the '07 growth rate is 5.6%.

Arizona Sales Tax - Total General Fund Collections

		Year-to-Year	Year-to-Date
	Collections (\$)	% Change	% Change
FY 2003	July 2002	257,896,009	-0.6%
	Aug 2002	243,515,739	2.6%
	Sept 2002	249,790,525	2.5%
	Oct 2002	242,468,120	1.2%
	Nov 2002	246,764,506	-0.2%
	Dec 2002	241,562,128	4.8%
	Jan 2003	296,537,693	5.2%
	Feb 2003	235,803,427	1.7%
	Mar 2003	238,596,840	0.0%
	Apr 2003	263,762,436	1.1%
	May 2003	251,579,956	-0.1%
	June 2003	265,600,336	-4.4%
FY 2004	July 2003	271,097,895	5.1%
	Aug 2003	261,639,289	7.4%
	Sept 2003	266,948,000	6.9%
	Oct 2003	265,731,338	9.6%
	Nov 2003	267,288,644	8.3%
	Dec 2003	261,734,569	8.4%
	Jan 2004	313,990,713	5.9%
	Feb 2004	257,808,864	9.3%
	Mar 2004	264,404,198	10.8%
	Apr 2004	300,747,181	14.0%
	May 2004	277,369,244	10.3%
	June 2004	286,028,384	7.7%
FY 2005	July 2004	297,753,472	9.8%
	Aug 2004	286,991,921	9.7%
	Sept 2004	291,524,219	9.2%
	Oct 2004	294,146,223	10.7%
	Nov 2004	289,546,242	8.3%
	Dec 2004	287,618,657	9.9%
	Jan 2005	356,818,639	13.6%
	Feb 2005	282,930,176	9.7%
	Mar 2005	291,854,753	10.4%
	Apr 2005	332,806,103	10.7%
	May 2005	315,664,510	13.8%
	June 2005	333,513,707	16.6%
FY 2006	July 2005	347,621,329	16.7%
	Aug 2005	334,204,902	16.5%
	Sept 2005	343,784,559	17.9%
	Oct 2005	344,584,769	17.1%
	Nov 2005	334,011,412	15.4%
	Dec 2005	341,852,219	18.9%
	Jan 2006	420,282,327	17.8%
	Feb 2006	330,582,460	16.8%
	Mar 2006	345,767,996	18.5%
	Apr 2006	384,904,139	15.7%
	May 2006	362,497,362	14.8%
	June 2006	383,265,378	14.9%
FY 2007	July 2006	390,460,231	12.3%
	Aug 2006	353,466,457	5.8%
	Sept 2006	379,889,665	10.5%
	Oct 2006	376,890,480	9.4%
	Nov 2006	365,372,337	9.4%
	Dec 2006	362,236,390	6.0%
	Jan 2007	439,996,411	4.7%
	Feb 2007	359,643,938	8.8%
	Mar 2007	353,088,173	2.1%
	Apr 2007	398,196,373	3.5%
May 2007	357,610,064	-1.3%	
June 2007	320,644,197	-16.3%	

Arizona Sales Tax - Retail General Fund Collections

		Year-to-Year	Year-to-Date
	Collections (\$)	% Change	% Change
FY 2003	July 2002	123,609,916	3.0%
	Aug 2002	109,441,333	1.1%
	Sept 2002	119,291,704	5.3%
	Oct 2002	111,499,789	1.7%
	Nov 2002	113,449,193	-3.6%
	Dec 2002	118,789,359	1.3%
	Jan 2003	156,285,465	4.1%
	Feb 2003	111,222,553	3.3%
	Mar 2003	113,732,520	2.7%
	Apr 2003	127,029,029	1.6%
	May 2003	123,100,688	2.2%
	June 2003	126,667,785	7.5%
FY 2004	July 2003	127,577,005	3.2%
	Aug 2003	118,490,608	8.3%
	Sept 2003	124,602,196	4.5%
	Oct 2003	120,412,104	8.0%
	Nov 2003	120,653,650	6.4%
	Dec 2003	127,258,077	7.1%
	Jan 2004	168,746,929	8.0%
	Feb 2004	121,833,836	9.5%
	Mar 2004	123,543,299	8.6%
	Apr 2004	144,618,793	13.8%
	May 2004	131,759,387	7.0%
	June 2004	135,314,178	6.8%
FY 2005	July 2004	135,655,865	6.3%
	Aug 2004	129,780,078	9.5%
	Sept 2004	129,817,746	4.2%
	Oct 2004	133,734,938	11.1%
	Nov 2004	131,620,393	9.1%
	Dec 2004	138,559,574	8.9%
	Jan 2005	186,350,807	10.4%
	Feb 2005	130,567,977	7.2%
	Mar 2005	136,300,442	10.3%
	Apr 2005	158,048,274	9.3%
	May 2005	148,086,810	12.4%
	June 2005	149,656,276	10.6%
FY 2006	July 2005	159,056,661	17.3%
	Aug 2005	151,650,858	16.9%
	Sept 2005	155,323,150	19.6%
	Oct 2005	151,719,291	13.4%
	Nov 2005	150,085,277	14.0%
	Dec 2005	157,743,736	13.8%
	Jan 2006	213,093,761	14.4%
	Feb 2006	148,801,215	14.0%
	Mar 2006	155,769,534	14.3%
	Apr 2006	175,368,144	11.0%
	May 2006	169,266,627	14.3%
	June 2006	168,160,318	12.4%
FY 2007	July 2006	169,723,491	6.7%
	Aug 2006	155,842,572	2.8%
	Sept 2006	163,988,894	5.6%
	Oct 2006	158,869,642	4.7%
	Nov 2006	153,908,793	2.5%
	Dec 2006	167,464,043	6.2%
	Jan 2007	215,189,656	1.0%
	Feb 2007	157,706,055	6.0%
	Mar 2007	158,858,656	2.0%
	Apr 2007	181,559,289	3.5%
	May 2007	177,671,344	5.0%
	June 2007	166,994,609	-0.7%

Arizona Sales Tax - Contracting General Fund Collections

		Year-to-Year Collections (\$)	% Change	Year-to-Date % Change	
FY 2003	↑	July 2002	43,600,297	-6.6%	-6.6%
		Aug 2002	42,237,580	-0.5%	-3.7%
		Sept 2002	41,384,993	-3.8%	-3.7%
		Oct 2002	40,871,642	-1.5%	-3.2%
		Nov 2002	42,715,897	1.2%	-2.3%
		Dec 2002	41,150,382	-8.2%	-3.3%
		Jan 2003	47,086,527	3.0%	-2.4%
		Feb 2003	35,905,236	-6.7%	-2.9%
		Mar 2003	38,834,842	-3.2%	-2.9%
		Apr 2003	40,770,387	-3.8%	-3.0%
		May 2003	43,287,761	2.5%	-2.5%
		June 2003	43,987,882	0.3%	-2.3%
FY 2004	↑	July 2003	48,134,741	10.4%	10.4%
		Aug 2003	45,929,526	8.7%	9.6%
		Sept 2003	47,083,613	13.8%	10.9%
		Oct 2003	48,219,491	18.0%	12.7%
		Nov 2003	49,324,030	15.5%	13.2%
		Dec 2003	43,970,907	6.9%	12.2%
		Jan 2004	52,042,704	10.5%	11.9%
		Feb 2004	41,840,685	16.5%	12.4%
		Mar 2004	44,020,667	13.4%	12.5%
		Apr 2004	51,032,178	25.2%	13.8%
		May 2004	50,115,540	15.8%	13.9%
		June 2004	49,842,749	13.3%	13.9%
FY 2005	↑	July 2004	56,625,508	17.6%	17.6%
		Aug 2004	53,051,419	15.5%	16.6%
		Sept 2004	56,478,418	20.0%	17.7%
		Oct 2004	56,912,069	18.0%	17.8%
		Nov 2004	54,698,652	10.9%	16.4%
		Dec 2004	55,495,541	26.2%	17.9%
		Jan 2005	64,083,984	23.1%	18.7%
		Feb 2005	48,999,303	17.1%	18.5%
		Mar 2005	53,376,960	21.3%	18.8%
		Apr 2005	64,008,264	25.4%	19.5%
		May 2005	61,389,981	22.5%	19.8%
		June 2005	66,300,608	33.0%	21.0%
FY 2006	↑	July 2005	73,449,566	29.7%	29.7%
		Aug 2005	65,280,791	23.1%	26.5%
		Sept 2005	69,736,836	23.5%	25.5%
		Oct 2005	71,875,989	26.3%	25.7%
		Nov 2005	65,866,408	20.4%	24.6%
		Dec 2005	73,197,845	31.9%	25.8%
		Jan 2006	83,495,930	30.3%	26.6%
		Feb 2006	65,409,736	33.5%	27.3%
		Mar 2006	70,980,348	33.0%	27.9%
		Apr 2006	82,734,326	29.3%	28.1%
		May 2006	76,269,575	24.2%	27.7%
		June 2006	82,977,855	25.2%	27.5%
FY 2007	↑	July 2006	89,602,967	22.0%	22.0%
		Aug 2006	75,238,759	15.3%	18.8%
		Sept 2006	80,938,291	16.1%	17.9%
		Oct 2006	87,594,136	21.9%	18.9%
		Nov 2006	80,499,919	22.2%	19.5%
		Dec 2006	76,849,517	5.0%	17.0%
		Jan 2007	95,496,438	14.4%	16.6%
		Feb 2007	73,418,261	12.2%	16.1%
		Mar 2007	70,403,512	-0.8%	14.2%
		Apr 2007	81,956,142	-0.9%	12.5%
		May 2007	76,125,717	-0.2%	11.3%
		June 2007	80,475,472	-3.0%	9.9%

Arizona Sales Tax - Utilities General Fund Collections

		Year-to-Year	Year-to-Date
	Collections (\$)	% Change	% Change
FY 2003	July 2002	24,023,330	-1.6%
	Aug 2002	28,103,321	7.8%
	Sept 2002	26,732,261	2.2%
	Oct 2002	26,828,727	3.0%
	Nov 2002	23,355,879	1.1%
	Dec 2002	17,773,840	0.9%
	Jan 2003	18,741,804	-2.2%
	Feb 2003	20,284,326	-3.8%
	Mar 2003	17,814,285	-9.1%
	Apr 2003	17,665,389	-1.0%
	May 2003	17,711,968	5.5%
	June 2003	19,087,828	-1.1%
FY 2004	July 2003	26,176,823	9.0%
	Aug 2003	28,509,948	1.4%
	Sept 2003	29,336,072	9.7%
	Oct 2003	29,307,263	9.2%
	Nov 2003	24,724,948	5.9%
	Dec 2003	18,604,298	4.7%
	Jan 2004	19,831,633	5.8%
	Feb 2004	21,735,545	7.2%
	Mar 2004	21,098,647	18.4%
	Apr 2004	19,424,570	10.0%
	May 2004	18,972,977	7.1%
	June 2004	21,672,854	13.5%
FY 2005	July 2004	27,013,184	3.2%
	Aug 2004	30,325,703	6.4%
	Sept 2004	31,741,960	8.2%
	Oct 2004	30,740,200	4.9%
	Nov 2004	25,266,623	2.2%
	Dec 2004	20,437,208	9.9%
	Jan 2005	22,887,268	15.4%
	Feb 2005	23,568,912	8.4%
	Mar 2005	21,093,834	0.0%
	Apr 2005	20,088,226	3.4%
	May 2005	19,934,242	5.1%
	June 2005	23,163,752	6.9%
FY 2006	July 2005	30,123,635	11.5%
	Aug 2005	33,750,711	11.3%
	Sept 2005	35,125,817	10.7%
	Oct 2005	33,780,817	9.9%
	Nov 2005	29,135,783	15.3%
	Dec 2005	22,091,021	8.1%
	Jan 2006	27,326,797	19.4%
	Feb 2006	25,560,400	8.4%
	Mar 2006	22,568,311	7.0%
	Apr 2006	24,117,190	20.1%
	May 2006	22,105,984	10.9%
	June 2006	27,844,657	20.2%
FY 2007	July 2006	34,298,139	13.9%
	Aug 2006	35,017,585	3.8%
	Sept 2006	43,094,371	22.7%
	Oct 2006	37,109,678	9.9%
	Nov 2006	31,261,217	7.3%
	Dec 2006	24,939,936	12.9%
	Jan 2007	27,586,109	0.9%
	Feb 2007	32,562,551	27.4%
	Mar 2007	29,526,457	30.8%
	Apr 2007	25,414,142	5.4%
	May 2007	24,034,224	8.7%
	June 2007	29,476,016	5.9%

Arizona Sales Tax - Restaurants and Bars General Fund Collections

		Year-to-Year Collections (\$)	% Change	Year-to-Date % Change	
FY 2003	↑	July 2002	20,263,979	4.7%	4.7%
		Aug 2002	17,595,315	0.1%	2.5%
		Sept 2002	18,007,473	1.0%	2.0%
		Oct 2002	19,165,701	6.6%	3.1%
		Nov 2002	20,187,558	2.8%	3.1%
		Dec 2002	19,885,230	5.7%	3.5%
		Jan 2003	21,295,087	4.8%	3.7%
		Feb 2003	20,990,794	8.5%	4.3%
		Mar 2003	20,941,438	1.5%	4.0%
		Apr 2003	24,259,076	3.4%	3.9%
		May 2003	20,983,003	-3.2%	3.2%
		↓	June 2003	21,982,554	6.8%
FY 2004	↑	July 2003	20,792,336	2.6%	2.6%
		Aug 2003	19,298,370	9.7%	5.9%
		Sept 2003	19,651,921	9.1%	6.9%
		Oct 2003	20,622,120	7.6%	7.1%
		Nov 2003	20,860,459	3.3%	6.3%
		Dec 2003	21,904,960	10.2%	7.0%
		Jan 2004	22,636,406	6.3%	6.9%
		Feb 2004	22,798,497	8.6%	7.1%
		Mar 2004	23,967,651	14.5%	8.0%
		Apr 2004	26,173,173	7.9%	8.0%
		May 2004	23,684,814	12.9%	8.4%
		↓	June 2004	23,349,956	6.2%
FY 2005	↑	July 2004	22,708,857	9.2%	9.2%
		Aug 2004	21,278,820	10.3%	9.7%
		Sept 2004	21,320,496	8.5%	9.3%
		Oct 2004	21,984,775	6.6%	8.6%
		Nov 2004	23,818,505	14.2%	9.8%
		Dec 2004	22,326,535	1.9%	8.4%
		Jan 2005	26,300,293	16.2%	9.6%
		Feb 2005	24,490,839	7.4%	9.3%
		Mar 2005	26,750,839	11.6%	9.6%
		Apr 2005	27,538,659	5.2%	9.1%
		May 2005	27,671,032	16.8%	9.8%
		↓	June 2005	26,359,625	12.9%
FY 2006	↑	July 2005	25,760,478	13.4%	13.4%
		Aug 2005	23,621,671	11.0%	12.3%
		Sept 2005	24,552,209	15.2%	13.2%
		Oct 2005	25,332,188	15.2%	13.7%
		Nov 2005	26,717,800	12.2%	13.4%
		Dec 2005	26,402,748	18.3%	14.2%
		Jan 2006	28,524,262	8.5%	13.3%
		Feb 2006	27,902,255	13.9%	13.3%
		Mar 2006	29,389,750	9.9%	12.9%
		Apr 2006	31,522,229	14.5%	13.1%
		May 2006	30,057,423	8.6%	12.6%
		↓	June 2006	29,045,199	10.2%
FY 2007	↑	July 2006	28,025,509	8.8%	8.8%
		Aug 2006	25,406,213	7.6%	8.2%
		Sept 2006	25,474,093	3.8%	6.7%
		Oct 2006	27,567,943	8.8%	7.3%
		Nov 2006	32,249,878	20.7%	10.1%
		Dec 2006	28,295,767	7.2%	9.6%
		Jan 2007	30,950,667	8.5%	9.4%
		Feb 2007	30,649,098	9.8%	9.5%
		Mar 2007	29,694,899	1.0%	8.4%
		Apr 2007	34,392,336	9.1%	8.5%
		May 2007	31,957,682	6.3%	8.3%
		↓	June 2007	29,936,887	3.1%

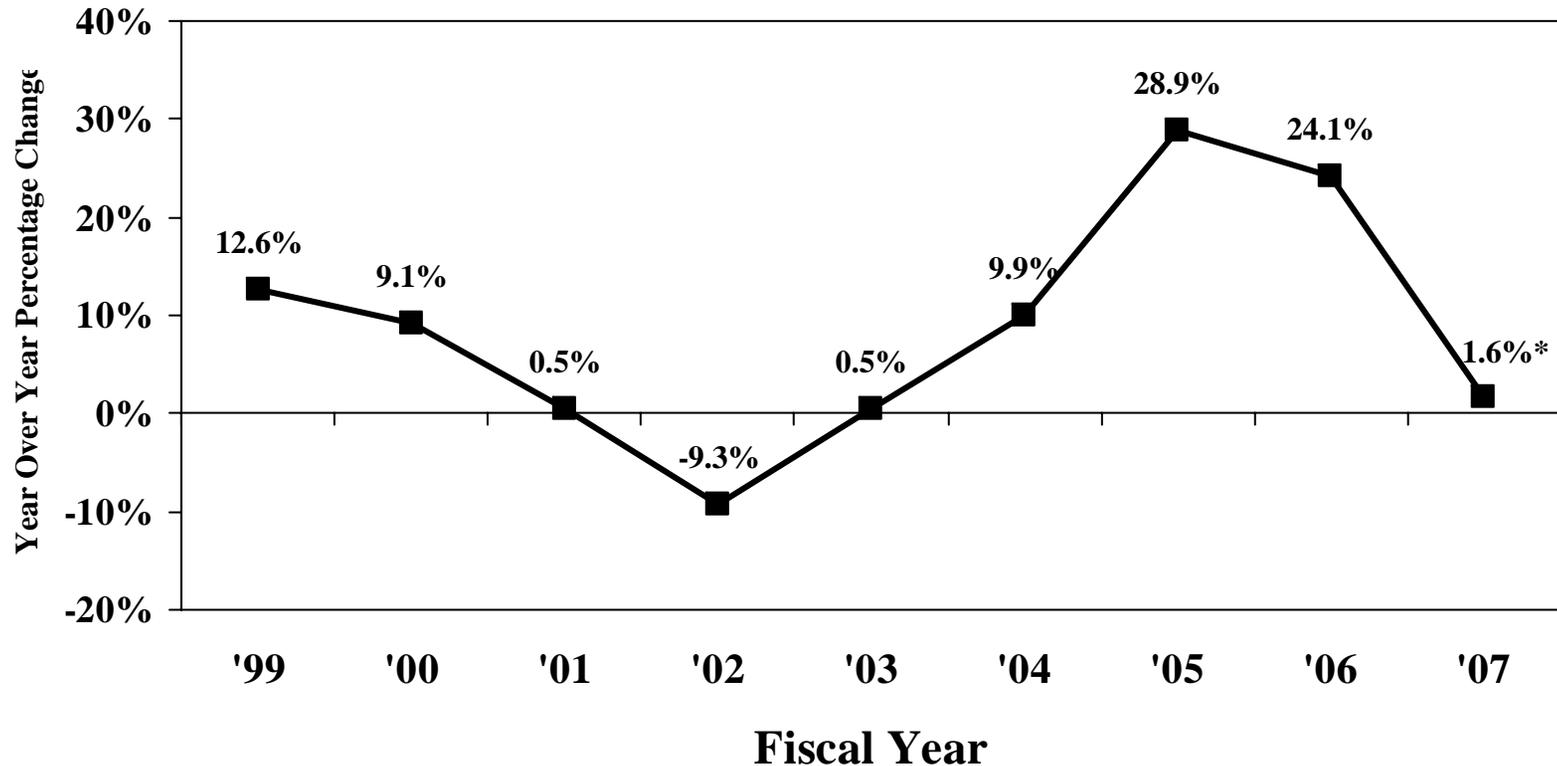
Arizona Use Tax

General Fund Collections

		Year-to-Year	Year-to-Date
	Collections (\$)	% Change	% Change
FY 2003	July 2002	13,486,051	-15.0%
	Aug 2002	15,996,222	13.1%
	Sept 2002	17,055,343	19.2%
	Oct 2002	15,641,877	8.1%
	Nov 2002	14,773,282	21.7%
	Dec 2002	12,193,679	354.3%
	Jan 2003	20,579,434	28.7%
	Feb 2003	15,481,115	12.2%
	Mar 2003	14,424,659	8.4%
	Apr 2003	17,247,879	22.3%
	May 2003	15,227,411	-7.4%
	June 2003	17,577,568	18.9%
FY 2004	July 2003	17,860,978	32.4%
	Aug 2003	19,887,972	24.3%
	Sept 2003	19,482,321	14.2%
	Oct 2003	18,728,981	19.7%
	Nov 2003	20,488,151	38.7%
	Dec 2003	18,658,810	53.0%
	Jan 2004	19,912,056	-3.2%
	Feb 2004	17,630,604	13.9%
	Mar 2004	17,707,908	22.8%
	Apr 2004	21,218,819	23.0%
	May 2004	19,055,304	25.1%
	June 2004	21,584,318	22.8%
FY 2005	July 2004	22,547,132	26.2%
	Aug 2004	22,557,101	13.4%
	Sept 2004	22,229,731	14.1%
	Oct 2004	20,607,802	10.0%
	Nov 2004	21,355,148	4.2%
	Dec 2004	19,586,986	5.0%
	Jan 2005	24,134,289	21.2%
	Feb 2005	21,758,390	23.4%
	Mar 2005	18,691,567	5.6%
	Apr 2005	22,354,083	5.4%
	May 2005	21,652,224	13.6%
	June 2005	22,141,203	2.6%
FY 2006	July 2005	23,872,256	5.9%
	Aug 2005	26,621,874	18.0%
	Sept 2005	25,990,396	16.9%
	Oct 2005	28,124,088	36.5%
	Nov 2005	25,350,591	18.7%
	Dec 2005	25,520,731	30.3%
	Jan 2006	31,316,999	29.8%
	Feb 2006	26,149,998	20.2%
	Mar 2006	26,624,546	42.4%
	Apr 2006	26,326,619	17.8%
	May 2006	21,682,845	0.1%
	June 2006	18,617,865	-15.9%
FY 2007	July 2006	28,987,773	21.4%
	Aug 2006	25,431,547	-4.5%
	Sept 2006	28,561,796	9.9%
	Oct 2006	28,527,152	1.4%
	Nov 2006	27,484,263	8.4%
	Dec 2006	23,756,958	-6.9%
	Jan 2007	31,899,499	1.9%
	Feb 2007	23,123,752	-11.6%
	Mar 2007	22,628,801	-15.0%
	Apr 2007	27,021,534	2.6%
	May 2007	6,153,618	-71.6%
	June 2007	29,434,170	58.1%

Individual Income Tax

Individual Income Tax Growth Rate



* The '07 increase of 1.6% includes the impact of the 5% rate reduction passed by the Legislature, and implemented in tax year 2006. Adjusting for the rate reduction, '07 growth would have been 6.3%.

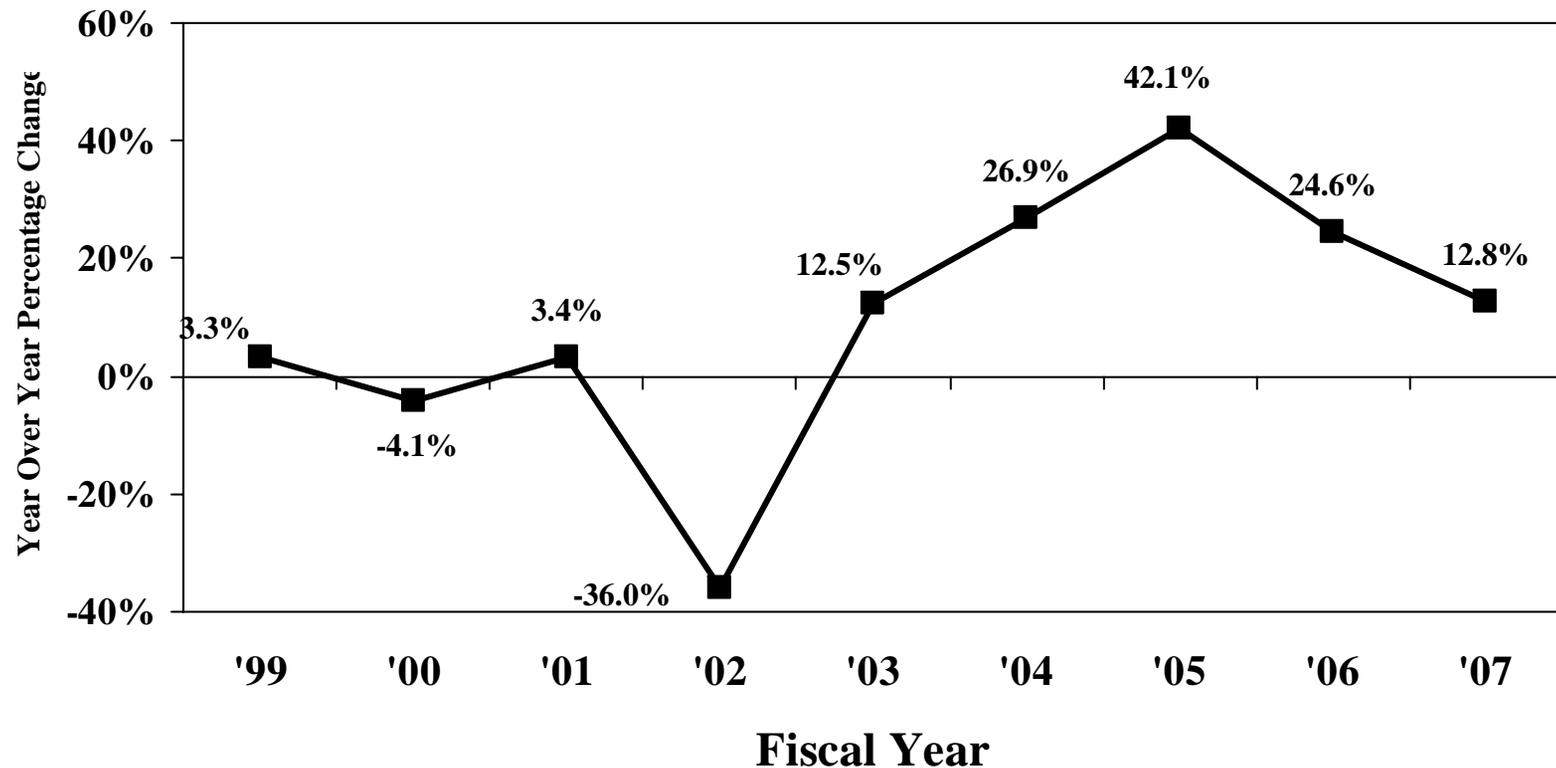
INDIVIDUAL INCOME TAX

% Change From Prior Year

		FYTD			FYTD			Est. & Final	Y/Y	FYTD		Y/Y	FYTD
	Total PIT	Y/Y Chg.	Chg.	Withholdings	Y/Y Chg.	Chg.	Payments	Chg.	Chg.	Refunds	Chg.	Chg.	
FY 2003	Jul-02	171,839,366	-5.0%	-5.0%	186,097,356	-1.5%	-1.5%	9,784,426	0.5%	0.5%	(24,042,416)	35.1%	35.1%
	Aug	174,349,570	-11.3%	-8.3%	180,450,199	-10.4%	-6.1%	11,039,878	-23.0%	-13.5%	(17,140,507)	-11.2%	11.0%
	Sep	232,995,593	0.5%	-4.9%	174,722,202	3.2%	-3.3%	68,951,388	-9.8%	-10.7%	(10,677,997)	-22.9%	1.8%
	Oct	181,663,248	-8.0%	-5.7%	185,218,851	-8.3%	-4.6%	19,702,835	-14.8%	-11.5%	(23,258,438)	-16.3%	-4.6%
	Nov	190,711,424	3.4%	-4.0%	195,524,645	-0.2%	-3.7%	6,765,849	-14.0%	-11.6%	(11,579,070)	-40.1%	-11.6%
	Dec	242,258,006	-0.3%	-3.3%	209,371,110	0.2%	-3.0%	48,809,634	27.0%	-2.9%	(15,922,737)	258.1%	0.1%
	Jan	266,560,326	-8.6%	-4.3%	208,974,170	3.6%	-2.0%	73,610,601	-24.5%	-10.8%	(16,024,445)	111.8%	7.8%
	Feb	66,647,477	-3.7%	-4.3%	192,708,648	-3.0%	-2.2%	10,017,378	10.7%	-10.1%	(136,078,548)	-1.8%	2.4%
	Mar	28,478,867	514.3%	-2.8%	200,798,157	7.4%	-1.2%	26,043,526	16.3%	-8.1%	(198,362,815)	-3.1%	-0.1%
	Apr	214,035,005	-12.8%	-4.1%	187,450,892	1.3%	-0.9%	272,037,025	-10.3%	-9.2%	(245,452,913)	1.0%	0.3%
	May	98,627,660	13.4%	-3.3%	190,796,090	-2.5%	-1.1%	30,970,547	39.6%	-7.5%	(123,138,977)	-5.9%	-0.7%
	Jun	229,588,326	48.3%	0.5%	194,218,952	12.9%	0.0%	62,895,078	-3.9%	-7.1%	(27,525,704)	-66.7%	-6.7%
FY 2004	Jul-03	165,870,019	-3.5%	-3.5%	168,192,384	-9.6%	-9.6%	9,818,564	0.3%	0.3%	(12,140,929)	-49.5%	-49.5%
	Aug	181,887,528	4.3%	0.5%	179,843,713	-0.3%	-5.1%	13,138,440	19.0%	10.2%	(11,094,625)	-35.3%	-43.6%
	Sep	230,980,848	-0.9%	-0.1%	179,587,853	2.8%	-2.5%	71,246,053	3.3%	4.9%	(19,853,058)	85.9%	-16.9%
	Oct	185,796,530	2.3%	0.5%	187,639,147	1.3%	-1.5%	21,360,425	8.4%	5.6%	(23,203,042)	-0.2%	-11.8%
	Nov	182,342,949	-4.4%	-0.5%	194,612,408	-0.5%	-1.3%	8,398,521	24.1%	6.6%	(20,667,980)	78.5%	0.3%
	Dec	260,146,909	7.4%	1.1%	213,979,177	2.2%	-0.7%	56,932,488	16.6%	9.6%	(10,764,756)	-32.4%	-4.8%
	Jan	267,064,993	0.2%	0.9%	204,879,796	-2.0%	-0.9%	79,187,113	7.6%	9.0%	(17,001,915)	6.1%	-3.3%
	Feb	65,487,978	-1.7%	0.8%	205,968,930	6.9%	0.1%	12,119,201	21.0%	9.5%	(152,600,153)	12.1%	4.9%
	Mar	89,513,594	214.3%	4.7%	220,645,285	9.9%	1.2%	36,041,044	38.4%	12.2%	(167,172,735)	-15.7%	-4.1%
	Apr	302,321,741	41.2%	9.1%	186,126,178	-0.7%	1.0%	325,396,679	19.6%	15.9%	(209,201,115)	-14.8%	-7.9%
	May	135,278,064	37.2%	10.6%	195,496,444	2.5%	1.2%	46,712,145	50.8%	17.8%	(106,930,525)	-13.2%	-8.6%
	Jun	239,484,015	4.3%	9.9%	195,929,652	0.9%	1.2%	77,177,113	22.7%	18.2%	(33,622,750)	22.2%	-7.6%
FY 2005	Jul-04	180,258,486	8.7%	8.7%	185,359,849	10.2%	10.2%	7,982,042	-18.7%	-18.7%	(13,083,405)	7.8%	7.8%
	Aug	208,007,549	14.4%	11.6%	206,338,811	14.7%	12.5%	17,256,736	31.3%	9.9%	(15,587,998)	40.5%	23.4%
	Sep	258,308,001	11.8%	11.7%	184,456,860	2.7%	9.2%	85,967,739	20.7%	18.0%	(12,116,599)	-39.0%	-5.3%
	Oct	203,622,310	9.6%	11.2%	187,072,940	-0.3%	6.7%	27,192,307	27.3%	19.8%	(10,642,937)	-54.1%	-22.4%
	Nov	218,542,604	19.9%	12.9%	222,360,341	14.3%	8.3%	11,359,321	35.3%	20.8%	(15,177,058)	-26.6%	-23.4%
	Dec	296,768,719	14.1%	13.1%	233,620,890	9.2%	8.5%	81,181,241	42.6%	27.7%	(18,033,413)	67.5%	-13.4%
	Jan	357,209,039	33.8%	16.9%	249,542,466	21.8%	10.5%	119,604,915	51.0%	34.8%	(11,938,341)	-29.8%	-15.8%
	Feb	95,639,793	46.0%	18.1%	239,830,618	16.4%	11.3%	12,489,817	3.1%	33.4%	(156,680,643)	2.7%	-5.3%
	Mar	108,697,181	21.4%	18.3%	245,076,317	11.1%	11.3%	39,089,384	8.5%	30.5%	(175,468,521)	5.0%	-1.3%
	Apr	534,861,186	76.9%	27.5%	209,608,264	12.6%	11.4%	512,208,256	57.4%	44.3%	(186,955,334)	-10.6%	-4.4%
	May	229,122,033	69.4%	30.2%	244,198,666	24.9%	12.7%	84,231,869	80.3%	46.8%	(99,308,501)	-7.1%	-4.7%
	Jun	282,679,372	18.0%	28.9%	215,867,519	10.2%	12.4%	106,817,719	38.4%	45.9%	(40,005,867)	19.0%	-3.7%
FY 2006	Jul-05	223,953,189	24.2%	24.2%	221,317,607	19.4%	19.4%	15,395,021	92.9%	92.9%	(12,759,440)	-2.5%	-2.5%
	Aug	263,697,095	26.8%	25.6%	253,061,649	22.6%	21.1%	25,713,368	49.0%	62.9%	(15,077,922)	-3.3%	-2.9%
	Sep	322,958,721	25.0%	25.4%	217,514,066	17.9%	20.1%	118,564,270	37.9%	43.6%	(13,119,615)	8.3%	0.4%
	Oct	244,717,144	20.2%	24.1%	233,132,229	24.6%	21.2%	27,206,826	0.1%	35.0%	(15,621,911)	46.8%	10.0%
	Nov	246,397,916	12.7%	21.8%	251,199,672	13.0%	19.3%	16,055,089	41.3%	35.5%	(20,856,845)	37.4%	16.3%
	Dec	366,228,870	23.4%	22.1%	275,574,553	18.0%	19.1%	111,812,195	37.7%	36.3%	(21,157,877)	17.3%	16.5%
	Jan	461,569,947	29.2%	23.6%	289,016,657	15.8%	18.5%	182,419,323	52.5%	41.8%	(9,866,032)	-17.4%	12.3%
	Feb	104,975,664	9.8%	22.9%	269,407,378	12.3%	17.7%	18,041,261	44.4%	41.9%	(182,472,975)	16.5%	14.9%
	Mar	75,235,164	-30.8%	19.9%	271,172,800	10.6%	16.8%	43,912,674	12.3%	39.0%	(239,850,310)	36.7%	23.8%
	Apr	621,374,286	16.2%	19.1%	221,762,700	5.8%	15.7%	618,672,832	20.8%	28.8%	(219,061,246)	17.2%	21.8%
	May	423,818,481	85.0%	24.7%	276,966,197	13.4%	15.5%	259,114,481	207.6%	43.9%	(112,262,197)	13.0%	20.6%
	Jun	334,443,992	18.3%	24.1%	256,634,913	18.9%	15.8%	145,568,069	36.3%	43.2%	(67,758,989)	69.4%	23.2%
FY 2007	Jul-06	232,882,593	4.0%	4.0%	233,180,431	5.4%	5.4%	17,937,645	16.5%	16.5%	(18,235,483)	42.9%	42.9%
	Aug	283,590,385	7.5%	5.9%	277,224,789	9.5%	7.6%	23,419,716	-8.9%	0.6%	(17,054,119)	13.1%	26.8%
	Sep	355,502,457	10.1%	7.6%	216,332,499	-0.5%	5.0%	157,891,625	33.2%	24.8%	(18,721,667)	42.7%	31.9%
	Oct	305,050,149	24.7%	11.5%	263,987,122	13.2%	7.1%	65,184,764	139.6%	41.5%	(24,121,738)	54.4%	38.1%
	Nov	249,526,954	1.3%	9.6%	259,238,972	3.2%	6.3%	31,853,112	98.4%	46.0%	(41,565,130)	99.3%	54.6%
	Dec	360,467,690	-1.6%	7.1%	308,908,979	12.1%	7.4%	90,557,275	-19.0%	22.9%	(38,998,564)	84.3%	61.0%
	Jan	544,268,647	17.9%	9.5%	339,575,980	17.5%	9.1%	239,701,160	31.4%	26.0%	(35,008,493)	254.8%	78.6%
	Feb	83,536,034	-20.4%	8.1%	292,673,483	8.6%	9.0%	18,072,039	0.2%	25.1%	(227,209,488)	24.5%	44.7%
	Mar	106,837,038	42.0%	9.2%	291,407,424	7.5%	8.8%	45,377,904	3.3%	23.4%	(229,948,290)	-4.1%	22.6%
	Apr	603,667,191	-2.8%	6.6%	253,149,529	14.2%	9.3%	642,965,695	3.9%	13.2%	(292,448,033)	33.5%	25.8%
	May	310,268,127	-26.8%	2.4%	289,463,997	4.5%	8.8%	172,843,132	-33.3%	4.8%	(152,039,001)	35.4%	27.0%
	Jun	311,735,821	-6.8%	1.6%	249,174,420	-2.9%	7.8%	138,268,468	-5.0%	3.9%	(75,707,066)	11.7%	25.9%

Corporate Income Tax

Corporate Income Tax Growth Rate



Arizona Corporate Income Tax General Fund Collections

		Gross		Year-to-Year		Year-to-Date		Year-to-Year		Year-to-Date		Net		Year-to-Year		Year-to-Date	
		Revenue (\$)	% Change	% Change	% Change	Refunds (\$)	% Change	% Change	Revenue (\$)	% Change	% Change	Revenue (\$)	% Change	% Change			
FY 2003	July 2002	26,661,773		15.7%	15.7%	(10,431,027)	-2.7%	-2.7%	16,230,746		31.7%	31.7%					
	Aug 2002	17,612,202		14.5%	15.2%	(7,498,520)	133.6%	28.8%	10,113,682		-16.9%	7.6%					
	Sept 2002	76,944,404		-20.5%	-10.3%	(4,604,463)	-52.9%	-4.9%	72,339,941		-16.8%	-11.5%					
	Oct 2002	25,324,611		-23.3%	-12.9%	(7,050,147)	84.7%	7.5%	18,274,464		-37.4%	-16.9%					
	Nov 2002	11,280,385		-11.4%	-12.8%	(14,721,660)	-60.4%	-31.5%	(3,441,275)		-85.9%	-2.3%					
	Dec 2002	67,811,163		-26.9%	-17.6%	(29,360,620)	-27.4%	-29.9%	38,450,543		-26.6%	-9.9%					
	Jan 2003	21,054,501		15.5%	-15.5%	(8,321,051)	-28.7%	-29.8%	12,733,450		94.1%	-6.0%					
	Feb 2003	8,063,919		-11.9%	-15.4%	(6,668,466)	-43.4%	-31.1%	1,395,453		-153.3%	-3.7%					
	Mar 2003	52,912,894		50.1%	-8.5%	(10,039,885)	24.5%	-27.8%	42,873,009		57.7%	4.6%					
	Apr 2003	94,116,613		7.8%	-5.2%	(10,102,573)	-36.6%	-28.7%	84,014,040		17.8%	8.1%					
May 2003	27,164,813		29.3%	-3.5%	(14,536,060)	79.4%	-23.2%	12,628,753		-2.1%	7.6%						
June 2003	86,051,935		31.9%	1.0%	(2,244,003)	-22.6%	-23.2%	83,807,932		34.5%	12.5%						
FY 2004	July 2003	23,301,575		-12.6%	-12.6%	(6,333,153)	-39.3%	-39.3%	16,968,422		4.5%	4.5%					
	Aug 2003	11,271,363		-36.0%	-21.9%	(4,015,351)	-46.5%	-42.3%	7,256,012		-28.3%	-8.0%					
	Sept 2003	94,502,857		22.8%	6.5%	(6,579,280)	42.9%	-24.9%	87,923,577		21.5%	13.6%					
	Oct 2003	37,166,100		46.8%	13.4%	(19,666,477)	179.0%	23.7%	17,499,623		-4.2%	10.8%					
	Nov 2003	28,413,161		151.9%	23.3%	(18,047,246)	22.6%	23.3%	10,365,915		-401.2%	23.3%					
	Dec 2003	108,992,703		60.7%	34.6%	(23,791,682)	-19.0%	6.5%	85,201,021		121.6%	48.2%					
	Jan 2004	20,205,126		-4.0%	31.3%	(2,157,873)	-74.1%	-1.7%	18,047,254		41.7%	47.7%					
	Feb 2004	9,833,589		21.9%	31.0%	(12,420,688)	86.3%	4.9%	(2,587,099)		-285.4%	44.9%					
	Mar 2004	42,492,506		-19.7%	22.3%	(15,059,660)	50.0%	9.5%	27,432,846		-36.0%	28.3%					
	Apr 2004	100,133,690		6.4%	18.5%	(2,765,216)	-72.6%	1.9%	97,368,474		15.9%	24.7%					
May 2004	39,082,901		43.9%	20.2%	(1,084,383)	-92.5%	-9.3%	37,998,517		200.9%	32.0%						
June 2004	94,099,134		9.4%	18.3%	(3,528,826)	57.3%	-8.1%	90,570,308		8.1%	26.9%						
FY 2005	July 2004	25,278,574		8.5%	8.5%	(4,286,201)	-32.3%	-32.3%	20,992,373		23.7%	23.7%					
	Aug 2004	23,683,196		110.1%	41.6%	(2,429,217)	-39.5%	-35.1%	21,253,979		192.9%	74.4%					
	Sept 2004	128,929,320		36.4%	37.8%	(6,570,919)	-0.1%	-21.5%	122,358,400		39.2%	46.8%					
	Oct 2004	41,115,100		10.6%	31.7%	(6,005,157)	-69.5%	-47.3%	35,109,943		100.6%	54.0%					
	Nov 2004	17,598,692		-38.1%	21.6%	(11,805,464)	-34.6%	-43.1%	5,793,228		-44.1%	46.8%					
	Dec 2004	148,651,887		36.4%	26.9%	(11,419,097)	-52.0%	-45.8%	137,232,790		61.1%	52.2%					
	Jan 2005	26,481,318		31.1%	27.1%	(4,271,547)	98.0%	-41.9%	22,209,771		23.1%	50.0%					
	Feb 2005	18,432,601		87.4%	28.9%	(11,908,414)	-4.1%	-36.9%	6,524,188		-352.2%	54.3%					
	Mar 2005	67,086,220		57.9%	32.2%	(3,257,603)	-78.4%	-42.7%	63,828,617		132.7%	62.4%					
	Apr 2005	108,261,223		8.1%	27.1%	(7,157,472)	158.8%	-37.6%	101,103,751		3.8%	46.8%					
May 2005	70,241,233		79.7%	31.1%	(2,192,513)	102.2%	-36.3%	68,048,720		79.1%	49.8%						
June 2005	110,861,193		17.8%	29.1%	(13,192,824)	273.9%	-26.8%	97,668,369		7.8%	42.1%						
FY 2006	July 2005	39,403,420		55.9%	55.9%	(4,125,396)	-3.8%	-3.8%	35,278,025		68.1%	68.1%					
	Aug 2005	25,696,715		8.5%	33.0%	(2,266,943)	-6.7%	-4.8%	23,429,772		10.2%	39.0%					
	Sept 2005	176,288,184		36.7%	35.7%	(5,907,796)	-10.1%	-7.4%	170,380,388		39.2%	39.2%					
	Oct 2005	32,084,843		-22.0%	24.9%	(3,496,533)	-41.8%	-18.1%	28,588,309		-18.6%	29.0%					
	Nov 2005	17,504,745		-0.5%	23.0%	(11,649,227)	-1.3%	-11.7%	5,855,519		1.1%	28.2%					
	Dec 2005	148,830,193		0.1%	14.2%	(13,593,465)	19.0%	-3.5%	135,236,728		-1.5%	16.3%					
	Jan 2006	40,013,321		51.1%	16.5%	(6,007,037)	40.6%	0.6%	34,006,284		53.1%	18.6%					
	Feb 2006	29,206,362		58.4%	18.3%	(26,798,202)	125.0%	25.8%	2,408,160		-63.1%	17.2%					
	Mar 2006	81,512,645		21.5%	18.8%	(6,684,270)	105.2%	30.0%	74,828,375		17.2%	17.2%					
	Apr 2006	164,532,013		52.0%	24.7%	(2,648,528)	-63.0%	20.4%	161,883,485		60.1%	25.3%					
May 2006	56,587,649		-19.4%	20.1%	(3,743,958)	70.8%	21.9%	52,843,691		-22.3%	19.9%						
June 2006	152,469,682		37.5%	22.6%	(2,988,945)	-77.3%	6.4%	149,480,737		53.0%	24.5%						
FY 2007	July 2006	43,353,146		10.0%	10.0%	(4,319,904)	4.7%	4.7%	39,033,242		10.6%	10.6%					
	Aug 2006	36,550,203		42.2%	22.7%	(4,532,437)	99.9%	38.5%	32,017,766		36.7%	21.0%					
	Sept 2006	191,640,170		8.7%	12.5%	(478,252)	-91.9%	-24.1%	191,161,918		12.2%	14.5%					
	Oct 2006	59,655,446		85.9%	21.1%	(5,716,861)	63.5%	-4.7%	53,938,585		88.7%	22.7%					
	Nov 2006	18,008,043		2.9%	20.0%	(12,842,981)	10.2%	1.6%	5,165,061		-11.8%	21.9%					
	Dec 2006	199,892,212		34.3%	24.8%	(30,301,417)	122.9%	41.8%	169,590,795		25.4%	23.1%					
	Jan 2007	40,561,661		1.4%	22.9%	(3,294,750)	-45.2%	30.7%	37,266,911		9.6%	22.0%					
	Feb 2007	22,671,285		-22.4%	20.3%	(1,544,406)	-94.2%	-14.6%	21,126,878		777.3%	26.2%					
	Mar 2007	81,308,195		-0.3%	17.5%	(2,647,466)	-60.4%	-18.4%	78,660,729		5.1%	23.1%					
	Apr 2007	181,878,155		10.5%	16.0%	(4,248,464)	60.4%	-15.9%	177,629,692		9.7%	19.9%					
May 2007	53,261,647		-5.9%	14.4%	(5,508,206)	47.1%	-13.2%	47,753,442		-9.6%	17.7%						
June 2007	138,851,344		-8.9%	10.7%	(6,026,798)	101.6%	-9.4%	132,824,546		-11.1%	12.8%						

Economic Indicators

Recent Economic Indicators

The first estimate of **U.S. Gross Domestic Product (GDP)** for 2007's 2nd quarter showed that the economy's annualized growth rate jumped to 3.4% from just 0.6% in the 1st quarter. The economy's improvement reflected faster growth in net exports, defense spending, and nonresidential fixed investment (primarily buildings). Consumer spending, which led economic growth in recent years, slowed to a 1.3% annual growth pace in the 2nd quarter. The Bureau of Economic Analysis (BEA) also released revised GDP estimates for the previous 3 years. BEA now estimates that GDP advanced by 3.6% in 2004, 3.1% in 2005, and 2.9% in 2006.

Although **U.S. semiconductor billings** climbed by 2.2% in May (the 3-month moving average) from the prior period, they remained (5.6)% below last year's results. While unit sales of the DRAM (dynamic rapid access memory) devices used to power PCs increased by 7% from the prior period, their average selling prices declined by nearly 14%. In a separate report, the Semiconductor Industry Association (SIA) lowered its 2007 forecast for worldwide semiconductor sales growth from 10.0% to 1.8%.

The **U.S. Index of Leading Economic Indicators** dropped (0.3)% in June, reversing the revised 0.2% gain reported the previous month. The decline was driven by weakness in building permits, consumer sentiment, vendor performance, and unemployment insurance claims. Stock prices and new orders for capital goods made positive contributions. The index has fluctuated in a narrow range for more than a year without signaling a significant trend for the economy's growth path.

However, the most recent report on consumer sentiment was much more robust. The Conference Board's **U.S. Consumer Confidence Index** rebounded sharply in July to 112.6, which was up by 6.9% from June and was the highest level recorded since August 2001's reading of 114.0. Consumers' assessment of current conditions, their expectations for the next 6 months, and their view of the labor market all showed marked improvement from the prior month.

The **U.S. Consumer Price Index (CPI)** (3-month moving average) rose 0.5% in June and benefited from some relief in energy prices. The CPI's energy component, which increased sharply during the previous 3 months, dropped(0.5)% in June. Food prices climbed 0.5% from the prior month while housing costs increased 0.3%. Excluding the effects of food and energy prices, the core

CPI increased 0.2% in June and was 2.2% higher than a year ago.

Arizona's job market displayed growing weakness in June. Total **non-farm employment** fell by (40,000), or (1.5)%, from the previous month. While seasonal job losses are expected in June due to the end of the school year, the average June job loss during the last 10 years was just (24,500). The state's job count now stands 2.9% higher than its level from a year ago.

The building industry continued to lose ground. **Construction** employment, which increased by an average of 3,100 jobs in June during the previous 10 years, fell by (600) from the prior month. The (0.2)% decline from June 2006 was the first negative year-over-year change in construction employment reported since October 2002. While the heavy construction-civil engineering component was growing, the remaining segments continued to shrink in response to the housing slump.

Meanwhile, the metal ore mining sector added 400 jobs in June and was up 5.0% from a year ago, with more growth expected in the months ahead. Manufacturing employment was flat in June and was (0.9)% below the level posted in June 2006.

The Realty Studies group at Arizona State University reported that the Greater Phoenix **single-family median sales price** improved slightly from \$262,000 to \$263,145 in June but remained (1.4)% below its level from a year ago. The number of existing **single-family homes sold** decreased (5.9)% in June from May and was (10.1)% below the number sold in June 2006.

The **townhouse-condominium median sales price** decreased (2.0)% in June to \$181,250, which was 3.7% above the June 2006 median sales price. The **number of units sold** declined (9.6)% from the prior month but was 8.7% more than the number sold a year ago.

The **Arizona Business Conditions Index (BCI)** dropped (2.3)% in June to 57.9 but was still above the mark of 50 associated with a growing economy. The new orders component made the strongest showing and reached its highest level since September 2005, while the current production component declined.

Looking ahead, the University of Arizona's **Business Leaders Confidence Index (BLCI)** dipped to 50.5 in 2007's 3rd quarter survey and barely exceeded the mark of 50 associated with a neutral outlook for the economy's

growth prospects. With a reading of 45.6, the national economic outlook component moved firmly into the negative range. The indices for the Arizona economy, profits, and hiring all hovered around the 50 level, while the outlook for sales, with a reading of 55.6, was the most promising.

The **Department of Corrections' inmate population** increased by an average of 249 inmates per month from April through June. The total population grew by 2,228 inmates from a year ago. The budget for FY 2008

anticipates inmate population growth of 1,920, or a net increase of 160 inmates per month.

The number of TANF recipients decreased (0.2)% to 78,549 in May and was (9.9)% below the level reported in May 2006. The FY 2008 budget projects the TANF caseload will grow by 2.5%. The **AHCCCS caseload** climbed 0.4% in July and now stands 1.8% higher than the total from a year ago. The FY 2008 budget projects growth of 1.9% from June 2007 to June 2008.

Table 4

RECENT ECONOMIC INDICATORS

<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
Arizona				
- Unemployment Rate	June	3.4%	(0.2)%	(0.8)%
- Non-Farm Employment – Total	June	2.69 million	(1.5)%	2.9%
Manufacturing	June	186,800	0.0%	(0.9)%
Construction	June	245,500	(0.2)%	(0.2)%
- Contracting Tax Receipts (3-month average)	Apr-Jun	\$79.5 million	(0.3)%	(1.4)%
- Retail Sales Tax Receipts (3-month average)	Apr-Jun	\$175.4 million	(1.0)%	2.6%
- Residential Building Permits (3-month moving average)				
Single-unit	Mar-May	4,150	2.0%	(31.2)%
Multi-unit	Mar-May	819	(43.6)%	(30.1)%
- Greater Phoenix Existing Home Sales				
Single-Family	June	4,910	(5.9)%	(10.1)%
Townhouse/Condominium	June	1,125	(9.6)%	8.7%
- Greater Phoenix Median Home Sales Price				
Single-Family	June	\$263,145	0.4%	(1.4)%
Townhouse/Condominium	June	\$181,250	(2.0)%	3.7%
- Phoenix Sky Harbor Air Passengers	May	3.65 million	1.2%	2.1%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	April	\$7.76	(18.6)%	12.5%
- Leading Indicators Index	April	121.3	0.2%	1.2%
- Business Conditions Index (>50 signifies expansion)	June	57.9	(2.3)%	5.9%
- Consumer Confidence Index	1 st Quarter 2007	106.3	0.9%	(3.7)%
- Business Leaders Confidence Index	3 rd Quarter 2007	50.5	(1.7)%	1.8%
- Arizona Personal Income	1 st Quarter 2007	\$202.3 billion	2.1%	6.2%
- Arizona Population	July 1, 2006	6.17 million	3.6%	3.6%
- AHCCCS Recipients	July	1,053,971	0.4%	1.8%
- TANF Recipients	May	78,549	(0.2)%	(9.9)%
- DOC Inmate Growth (3-month average)	Apr-Jun	36,802	249 inmates	2,228 inmates
United States				
- Gross Domestic Product (seasonally adjusted annual growth rate)	2 nd Quarter 2007	\$11.5 trillion	3.4%	1.8%
- Consumer Confidence Index	July	112.6	6.9%	5.2%
- Leading Indicators Index	June	138.0	0.3%	0.3%
- U.S. Semiconductor Billings (3-month moving average)	Mar-May	\$3.33 billion	2.2%	(5.6)%
- Consumer Price Index (3-month moving average)	Apr-Jun	207.7	0.5%	2.7%