

Finance Advisory Committee

Briefing Materials

October 5, 2016

JLBC

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Finance Advisory Committee

Revenue and Budget Update

October 5, 2016

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Summary of Current Budget Status

- ❑ The October Baseline estimate provides an updated forecast of General Fund revenues and statutory spending
- ❑ Over the next 2 years, base revenue growth is projected to remain near 4%
- ❑ '18 Baseline spending growth is expected to be flat – largely due to the elimination of \$200 M of one-time '17 spending
- ❑ The projected '18 cash balance is \$101 M, but the structural balance is only \$24 M
- ❑ Prior to any discretionary '18 changes, '19 cash and structural balance are both projected at \$146 M

Key Elements In Constructing An '18 Budget

- ❑ Decision 1: Is structural balance an '18 budget goal?
- ❑ Decision 2: What is the target for the State's level of reserves?
 - Reserves represent the cash balance plus the Budget Stabilization Fund
 - The BSF has a \$460 M balance, or 4.8% of the '18 budget. The statutory cap is 7%.
 - When adding the \$101 M Baseline cash balance, total reserves would be 5.8% of the '18 budget

Recommended Reserve Benchmarks

- ❑ The conventional standard has been 5% of a state's budget
- ❑ Moody's Rating Agency has the following guidelines:
 - Aaa Standard = Reserves exceed 10%
 - Aa1 Standard = Reserves 5% to 10%
 - Aa2 Standard = Reserves 0% to 5%
- ❑ Arizona currently has a Aa2 rating in general
 - Higher reserves would not guarantee a higher rating as it is only one of several factors considered by rating agencies.
- ❑ Standard and Poor's gives the highest score to states with balances above 8%.

The State's Reserves Protect Against Risks

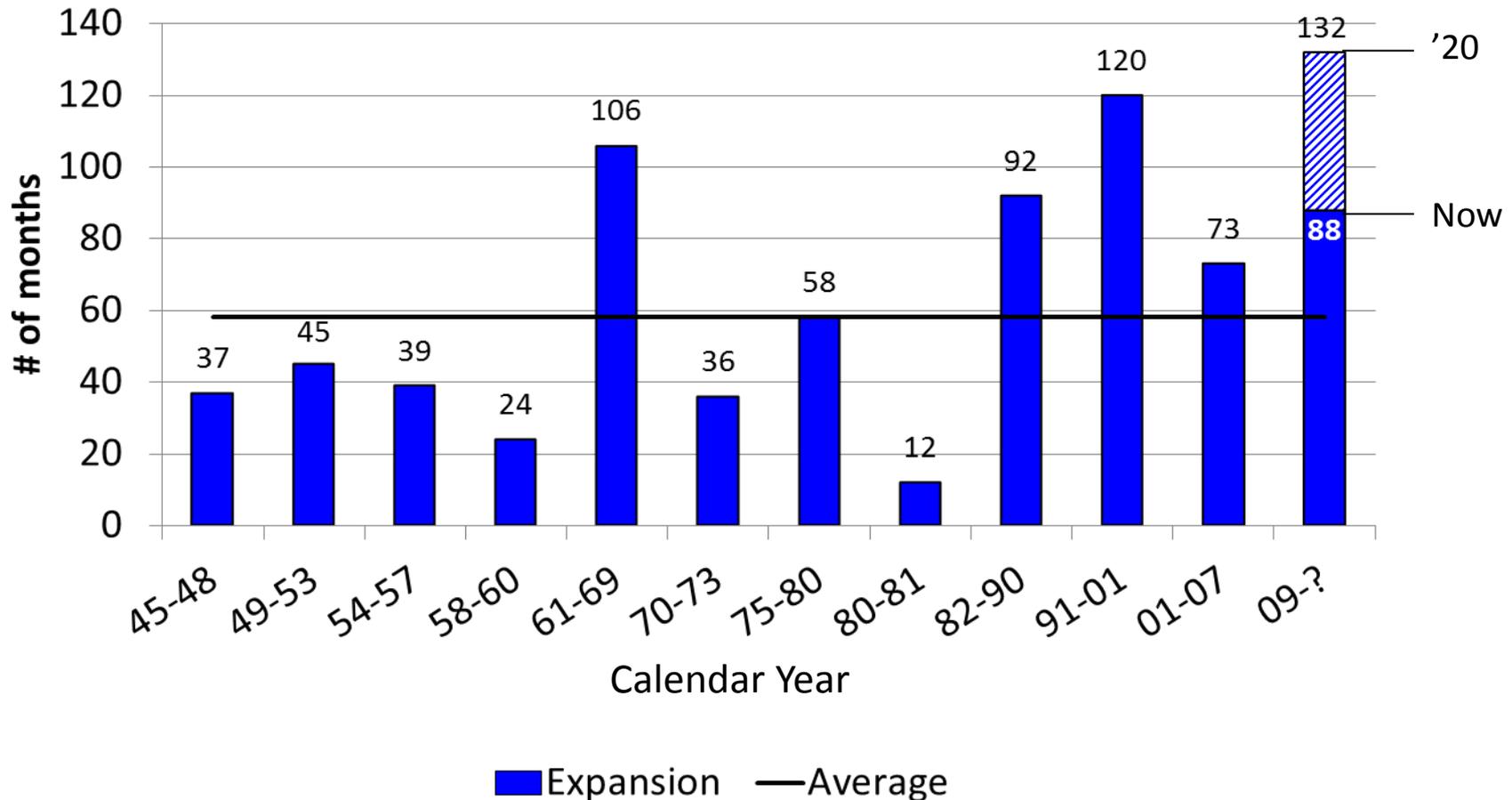
- ❑ 1% Variance in revenue estimates yields \$625 M over 3 years – exceeds current reserves
- ❑ Conflicting economic signals generates revenue uncertainty
- ❑ Pending litigation could significantly affect spending

Forecast Risks – Conflicting Economic Signals

- ❑ Generally improving job market both in Arizona and US - but underemployment levels remain high
- ❑ Housing construction is up in Arizona, but not envisioned to return to pre-recession average
- ❑ Slow US GDP growth - may have inhibited some interstate migration
- ❑ Low oil and gas prices continue to help the economy outside of the energy states
- ❑ Major uncertainties:
 - Federal Reserve Board interest rate policy
 - US presidential election
 - Length of current recovery

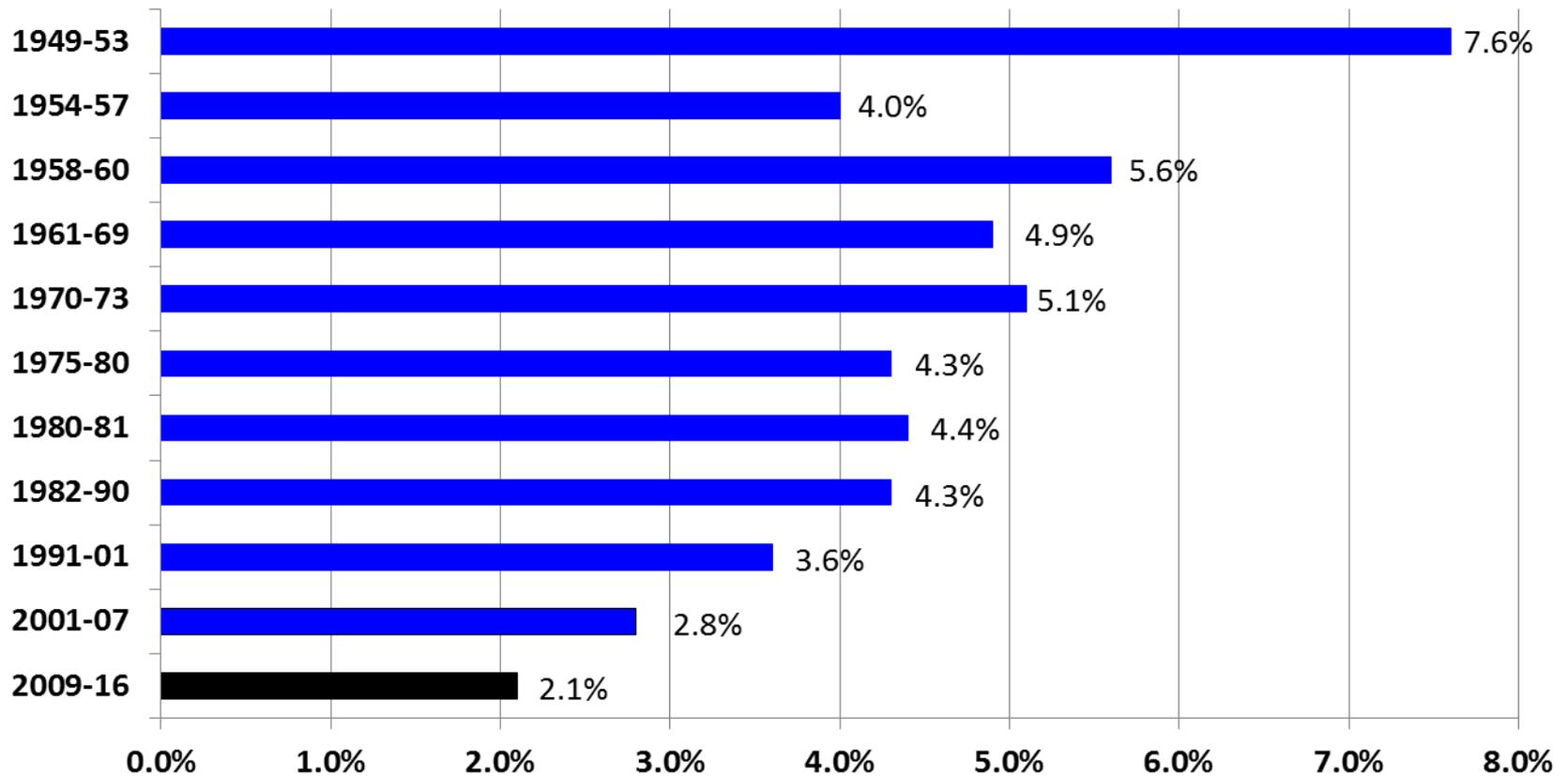
Current Expansion Exceeds Historical Average

Length of US Economic Expansions



Current Recovery is Weakest in Post WWII Economy - May Permit Longer Expansion

Average Real GDP Growth During Each Expansion



Forecast Risks – Pending Litigation

- ❑ Hospital assessment litigation – If the appellate courts rule that the Medicaid assessment required 2/3rds vote, the State would lose \$250 M from that funding source.
- ❑ Rental car surcharge litigation – Superior Court ruling limits the car rental tax to transportation rather than for stadium subsidies. Potential cost of \$150 M.
- ❑ Foster care litigation – The State is currently being sued in Federal Court over inadequate foster care services. Too early to estimate a potential cost.

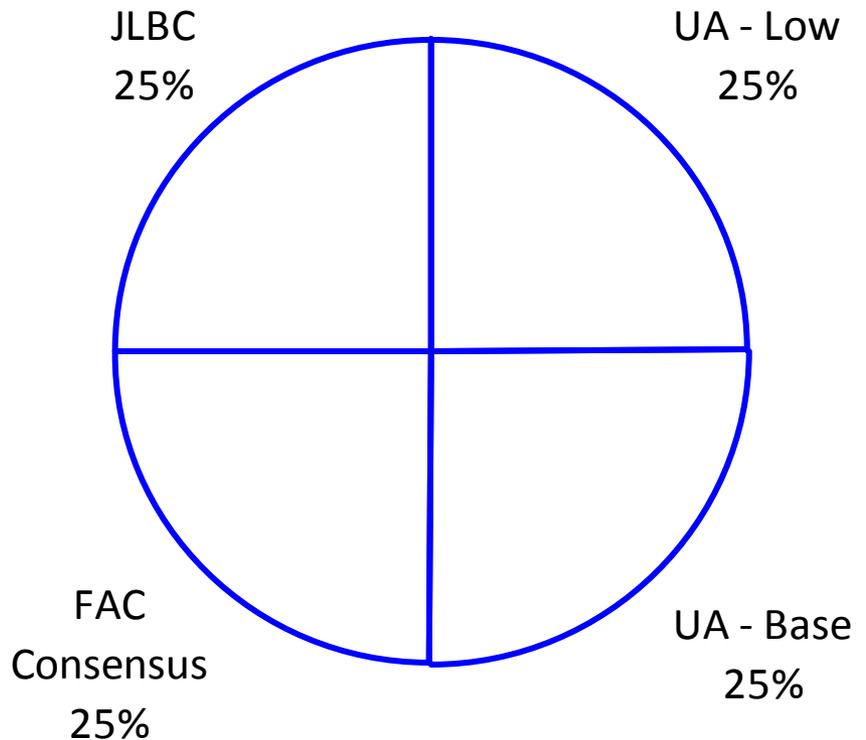
Revenue Forecast

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:

- Finance Advisory Committee
- UofA model – base
- UofA model – low
- JLBC Staff forecast
- Remaining revenues (5%) are JLBC Staff forecast



* Includes Big 4 categories of sales tax, individual and corporate income taxes, and insurance premium taxes

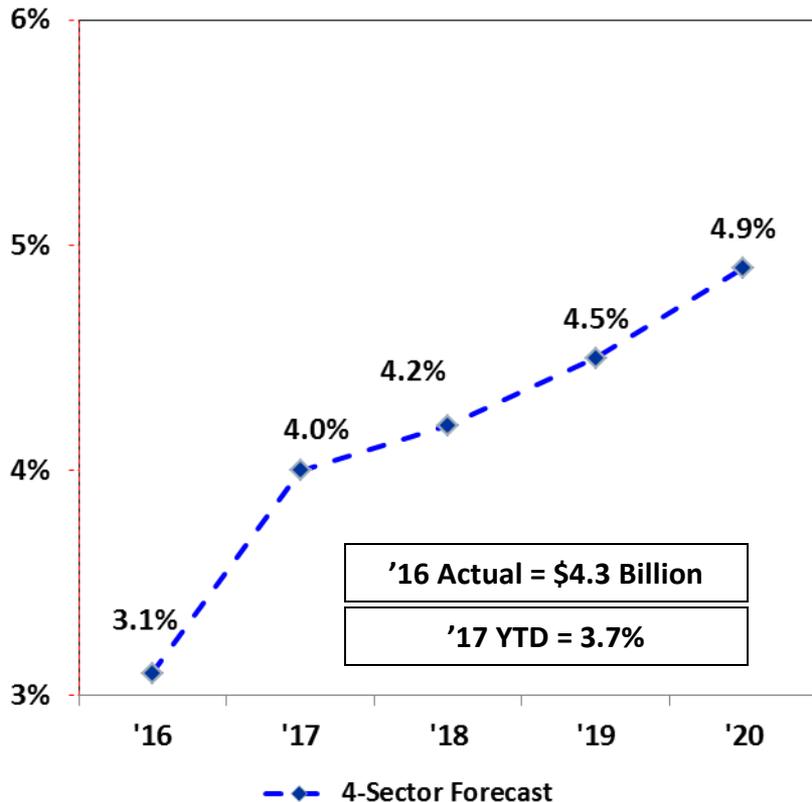
'17 YTD Continues Slow '16 Revenue Growth

	<u>'16 Actual</u>	<u>'17 YTD</u>
Sales	2.9%	3.7%
Individual Income	5.5%	4.0%
Corporate Income	(13.9)%	(31.3)%
Insurance Premium	9.9%	12.6%
Other	11.1%	134.0%
Overall	3.5%	3.5%

- Includes preliminary September estimates
- Revenues exclude fund transfers and urban revenue sharing
- Through September, year-to-date revenues \$18 M above forecast

Sales Tax

- Projected Growth of 4.0% in '17 and 4.2% in '18



Percent Change in Base Revenue Excluding Statutory Changes and 1-Cent Sales Tax

- '16 was lowest growth since '11
- Overall US retail sales growth is slowing
- E-Commerce doubled over the last 5 years

'16 Sales Tax Growth by Category

	<u>'16 Growth by Category</u>	
Retail	5.6%	<input type="checkbox"/> TPT shifted from contracting to retail in 2015
Contracting	(10.0)%	
Use	0.8%	<input type="checkbox"/> Magnitude of shift cannot be determined
Restaurant/Bar	5.5%	
Utilities	1.7%	<input type="checkbox"/> Contracting decline likely caused by shift
Other	<u>3.3%</u>	
Total	2.9%*	

*Reflects net growth after tax law changes

TPT Simplification Revenue Impact

- JLBC Staff Statutorily Required Report

(\$ Millions)

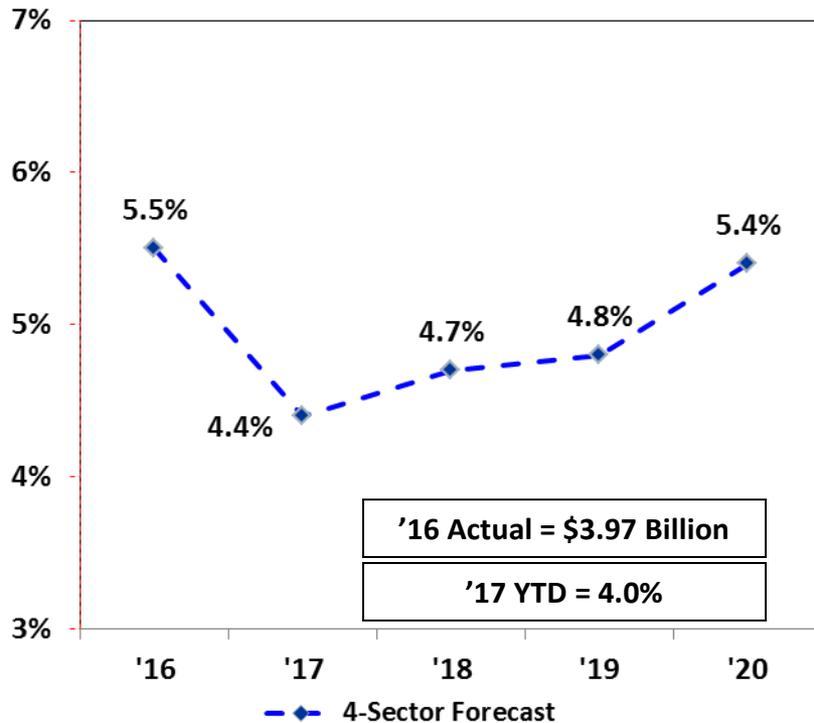
<u>Chapter 255 Provisions</u>	<u>General Fund Revenue</u>	<u>County-Shared Revenue</u>	<u>City-Shared Revenue</u>	<u>Total State Sales Tax</u>	<u>County Excise Taxes</u>
Eliminate Contracting Tax on MRRRA Projects*	\$(49.0)	\$(4.6)	\$(2.8)	\$(56.4)	\$(8.0)
Apply Retail TPT to MRRRA Materials	\$23.4	\$5.2	\$3.2	\$31.8	\$4.4
Apply Use Tax to MRRRA Materials	Small Gain	0	0	Small Gain	0
Eliminate Builder-Owner TPT	\$(4.3)	\$(0.4)	\$(0.3)	\$(5.0)	Unknown
Eliminate Nonresident Shipping Retail Exemptions	←————— Unknown Gain —————→				
Clarify Sourcing Statutes for Remote Sales	DOR originally estimated impact at \$25 M, but DOR now says it has no impact				
TOTAL**	←————— Unknown —————→				

*MRRRA = maintenance, repair, replacement, or alteration of real property

**While some provisions can be roughly estimated, others cannot. As a result, adding only the provisions with an estimated impact would lead to a false conclusion concerning the bill's impact.

Individual Income Tax

- Projected Growth of 4.4% in '17 and 4.7% in '18



- 5.2% withholding growth in second half of '16 reflects improving job market
- Payment growth slowed last 5 months of '16
- 2nd half of '16 trends are stronger YTD in '17

Percent Change in Base Revenue Excluding Statutory Changes and One-Time Changes

YTD '17 Results Amplify Late '16 Trends

Percent Gain Above Prior Year		
	<u>'16</u>	<u>YTD '17</u>
Withholding	4.0%	6.5%
Payments	8.9%	(6.3)%
Refunds	4.6%	15.2%
Total	<u>5.5%</u>	<u>4.0%</u>

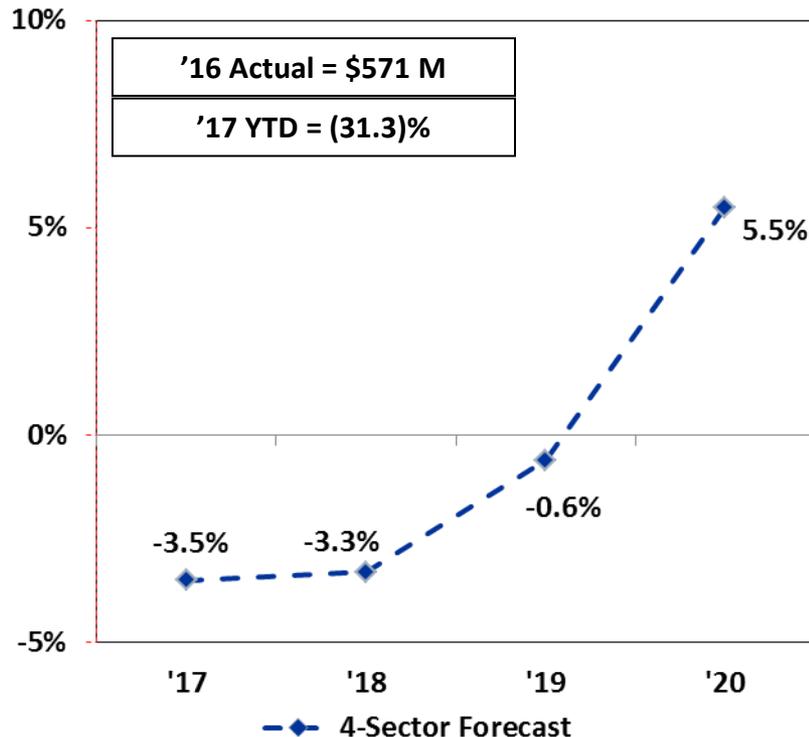
- ❑ 4% withholding in '16 highest since '11
- ❑ '17 YTD withholding growth accelerated to 6.5% — may be a timing issue
- ❑ '16 payment growth slowed from 24% in 1st 7 months to 1.1% last 5 months
- ❑ Payments declined (6.3)% in 1st Quarter

Will DOR Staffing Decision Reduce Revenues?

- DOR has reduced its collection/audit staff by one-third
- Revenue impact is unknown
- 78 FTEs and contracted collectors added in '11 were budgeted to increase revenue by \$53 M
- DOR says it is focusing on improving voluntary compliance
- Revenue forecast has not been significantly adjusted for the impact of this staff reduction

Corporate Income Tax

- Projected Decline of (3.5)% in '17 and (3.3)% in '18

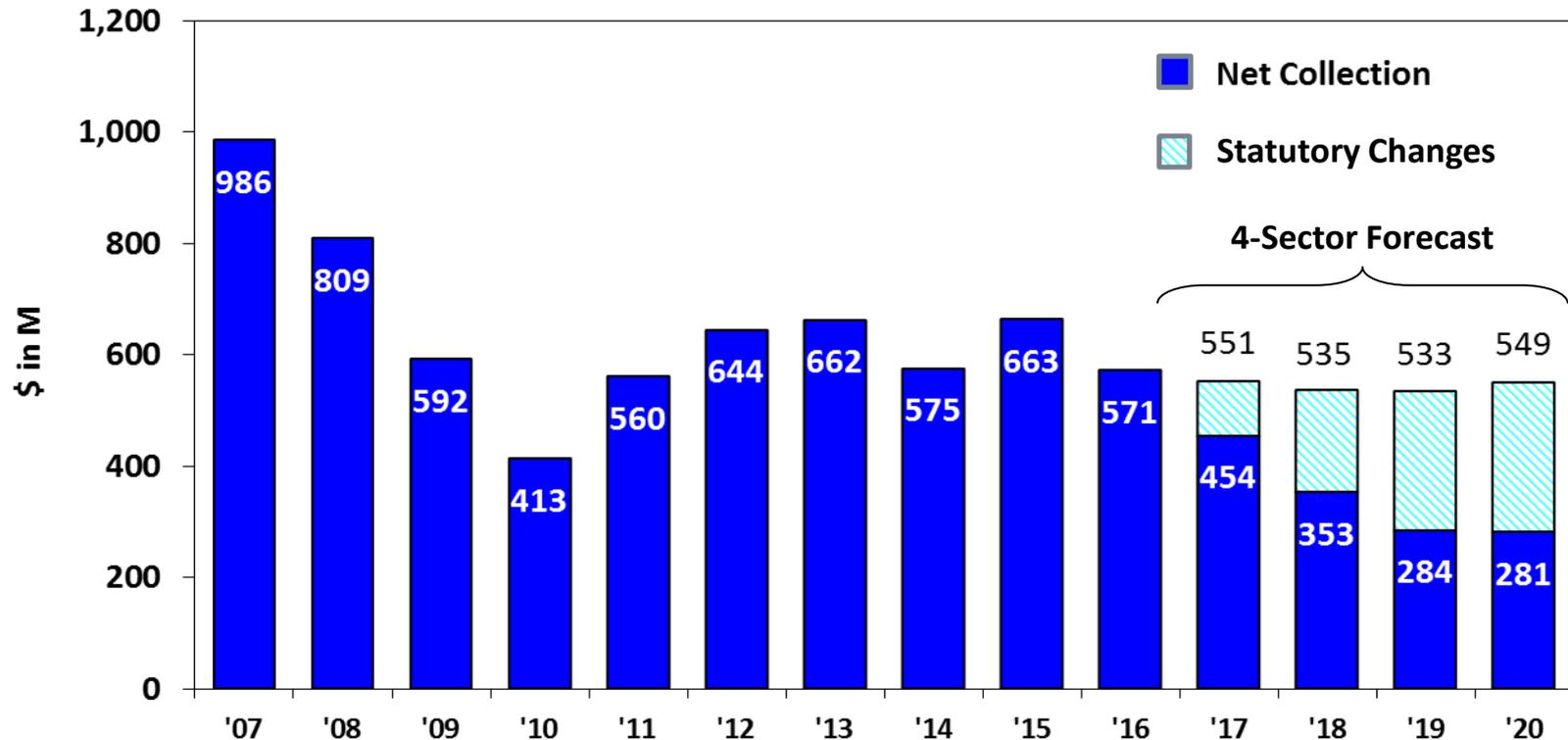


Percent Change in Base Revenue Excluding
Statutory Changes and One-Time Changes

- ❑ In 23 of last 29 years, annual change has been > +/- 10%
- ❑ National before-tax profits have declined for 5 consecutive quarters
- ❑ Nationwide, state corporate tax collections declined in last 2 quarters

'20 CIT Projected to be \$281 M

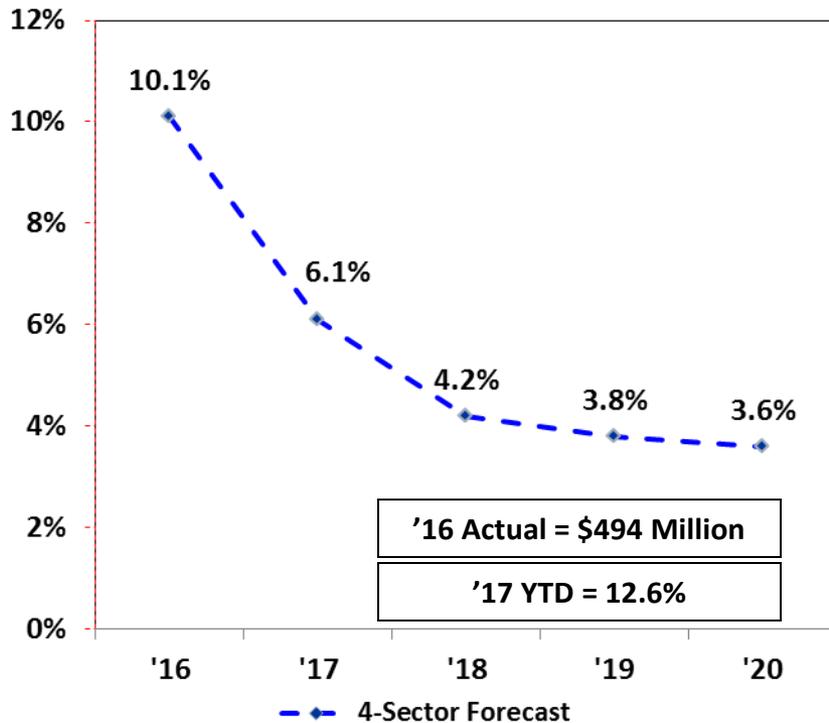
- Primary Reductions are 2% Rate Cut and 100% Sales Factor



Given taxpayer confidentiality, timing of tax reductions highly uncertain

Insurance Premium Tax

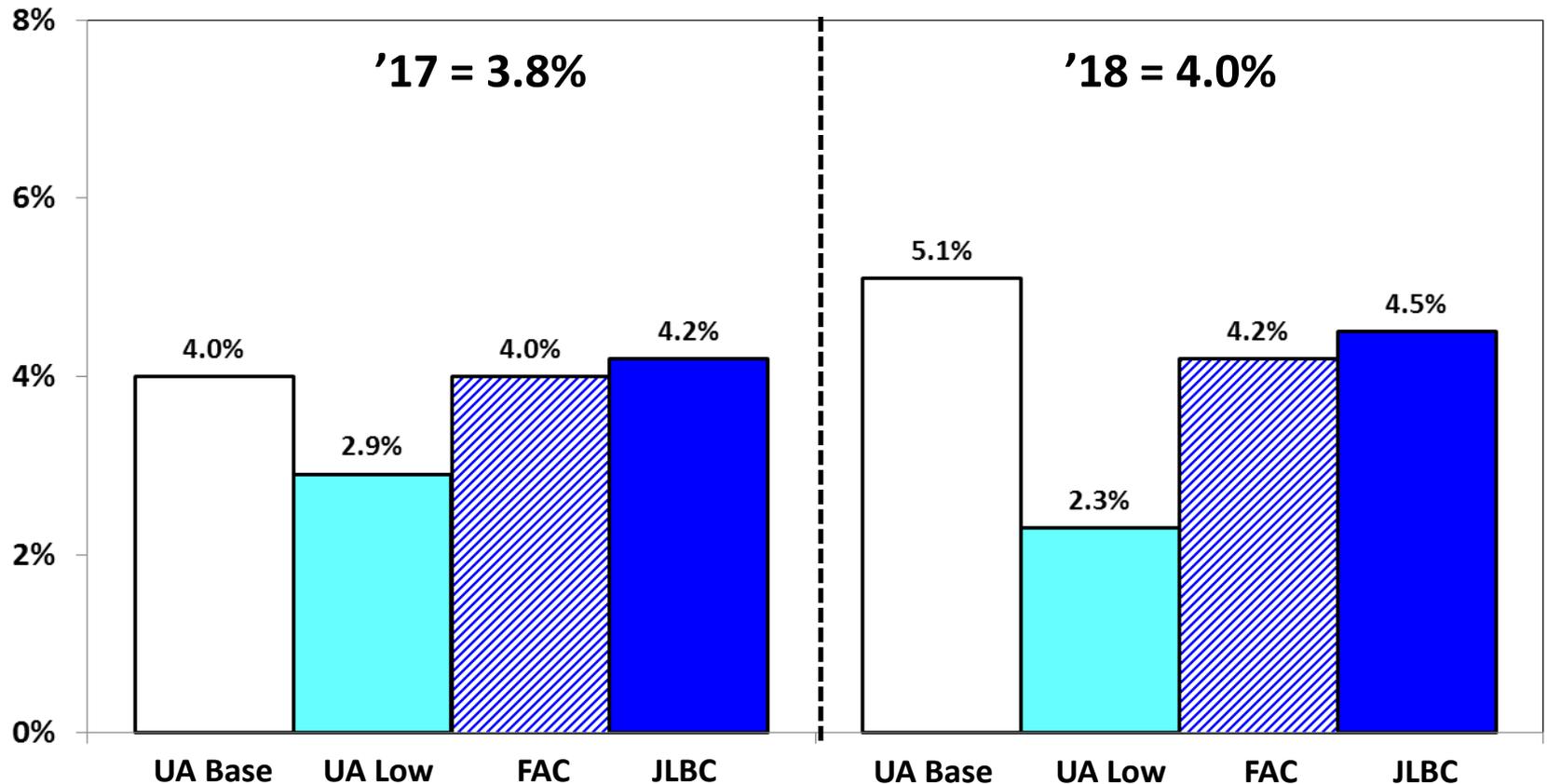
- Projected Growth of 6.1% in '17 and 4.2% in '18



- ❑ IPT (\$516 M) expected to exceed CIT (\$454 M) in '17
- ❑ As a result, IPT is now included in FAC and UA forecasts
- ❑ IPT grew 27.7% in total over last 3 years
- ❑ Federal AHCCCS expansion driving recent year increases

Percent Change in Base Revenue Excluding Statutory Changes and One-Time Changes

4-Sector Base Growth is 3.8% in '17 & 4.0% in '18



Details in Appendix A

Prior to adjusting for small tax categories, the Big 4 base growth rate is 3.9% in '17 and 4.0% in '18

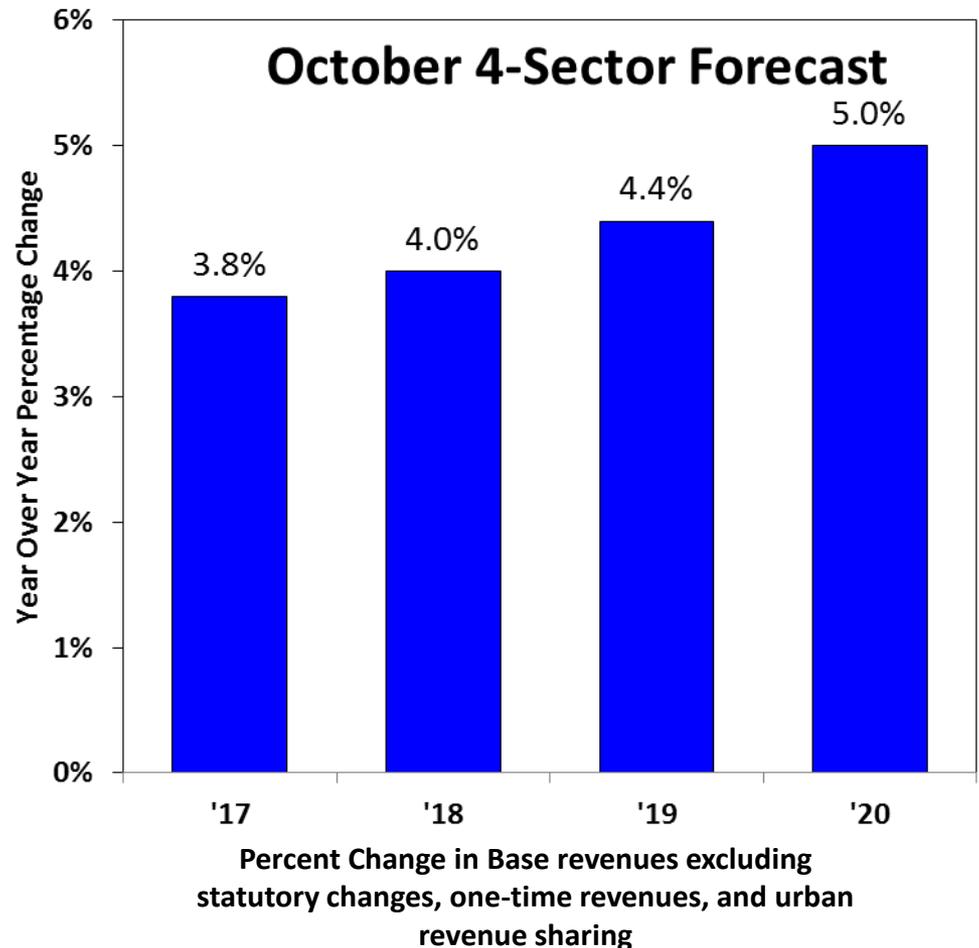
Growth Accelerates Through '20

Chance of Exceeding Forecast

65%

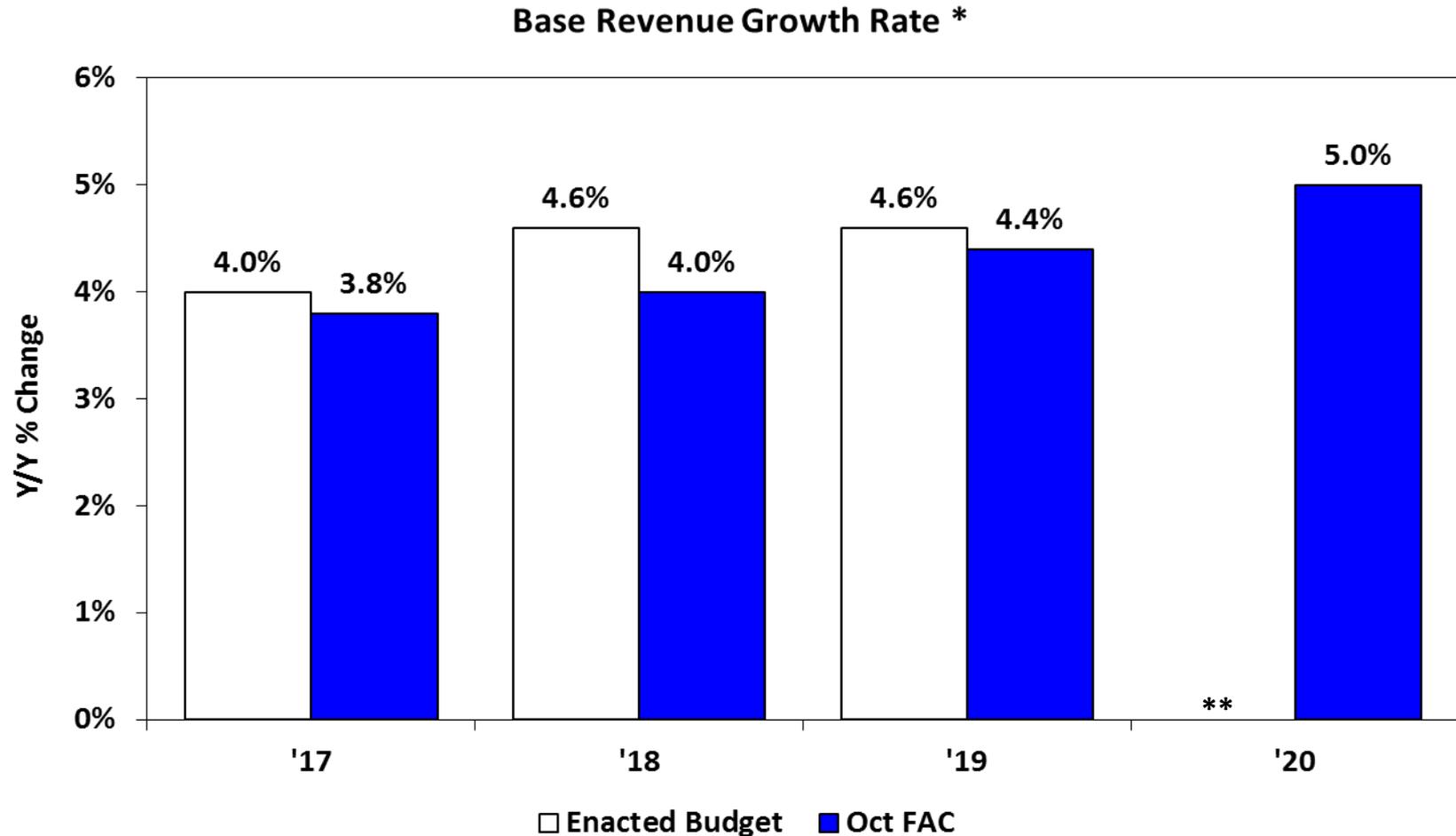
Long Run Average Growth

4.75%



Details in Appendix A

Current Forecast Versus Enacted Budget



*Excludes one-time revenues, tax law changes, and urban revenue sharing

** Enacted '17 budget did not include a '20 estimate

Components of the Revenue Forecast

- Excludes Change in Beginning Balance

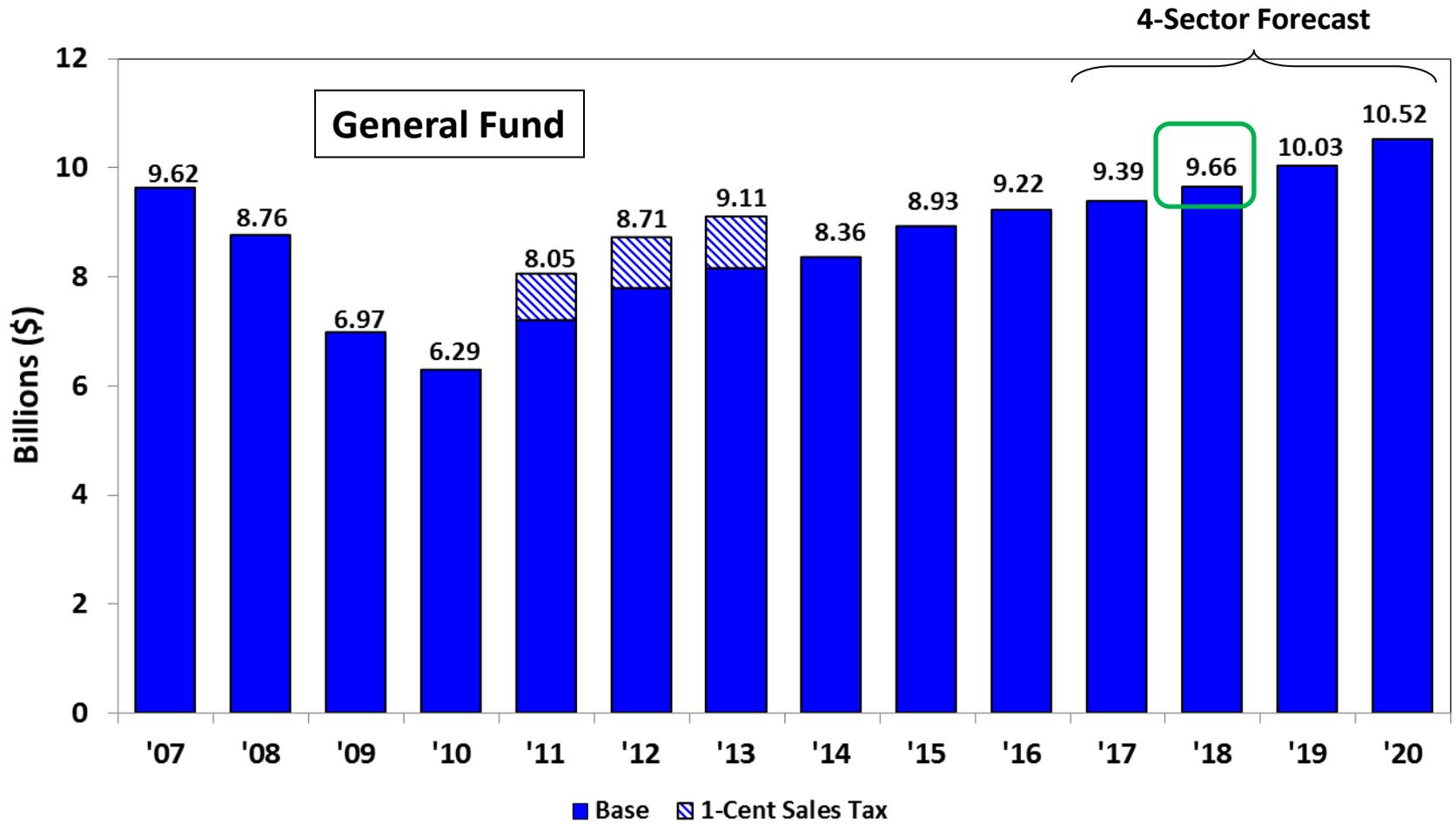
	\$ in M			
	<u>'17</u>	<u>'18</u>	<u>'19</u>	<u>'20</u>
Base Revenue Growth (3.8%/4.0%/4.4%/5.0%)	371	401	455	534
One-Time Fund Transfers	(141)	(79)	0	0
Remove '16 Tax Amnesty Revenues	(47)	0	0	0
Previously Enacted Tax Legislation	(135)	(119)	(78)	(31)
Urban Revenue Sharing	(58)	(12)	(7)	(13)
Total	(10)	191	370	490
% Change	(0.1)%	2.0%	3.8%	4.9%

Phase-In of \$228 M of Enacted Tax Reductions

	\$ in M*		
	<u>'18</u>	<u>'19</u>	<u>'20</u>
Corporate Rate Reduction/Sales Factor	(74)	(52)	(0)
Corporate/IPT School Tuition Indexing	(12)	(15)	(18)
Bonus Depreciation Full Conformity	(8)	(0)	(0)
Manufacturing Electricity Exemption	(12)	(0)	(0)
Other	<u>(13)</u>	<u>(11)</u>	<u>(13)</u>
Total	(119)	(78)	(31)

*By '20, revenue base is \$(228) M lower than in '17

Forecast Reaches Pre-Recession Level in '18



Excludes balance forward and other one-time revenues. Includes tax law changes and urban revenue sharing.

Spending Forecast

'17 – '20 Baseline Spending Projections

- ❑ Baseline reflects changes to active statutory and other funding formulas - no discretionary additions
- ❑ Continues annual suspension of \$493 M of inactive formulas
- ❑ Continues \$931 M in K-12 “rollover” payments
- ❑ Assumes spending classified as one-time or expiring in '17 budget does not continue
- ❑ Baseline excludes \$350 M in '18 discretionary increases requested by state agencies

Projected Spending Changes

- \$200 M In '18 Statutory Spending Offset By Elimination Of 1-Times

	\$ in M Above Prior Year		
	'18	'19	'20
K-12 – Formula	110	134	167
K-12 – Expiring Statutory Provisions	(43)	0	0
AHCCCS	60	118	144
DES	22	27	30
Corrections	7	1	2
Universities	(15)	0	(3)
DCS	0	0	0
SFB	(1)	(35)	32
DPS – Border Task Force Equipment	(15)	0	0
Counties – Cost Sharing Offset	(8)	0	0
Capital – \$8 M ADOA/\$10 M Vets Home	(18)	0	0
Capital – ADOT Highway Projects	(87)	0	0
Other	(11)	3	1
Total Spending Changes	1	248	373
Total Spending	\$9,639	\$9,887	\$10,260
% Change	0.0%	2.6%	3.8%

Projected Ending Balance Estimates

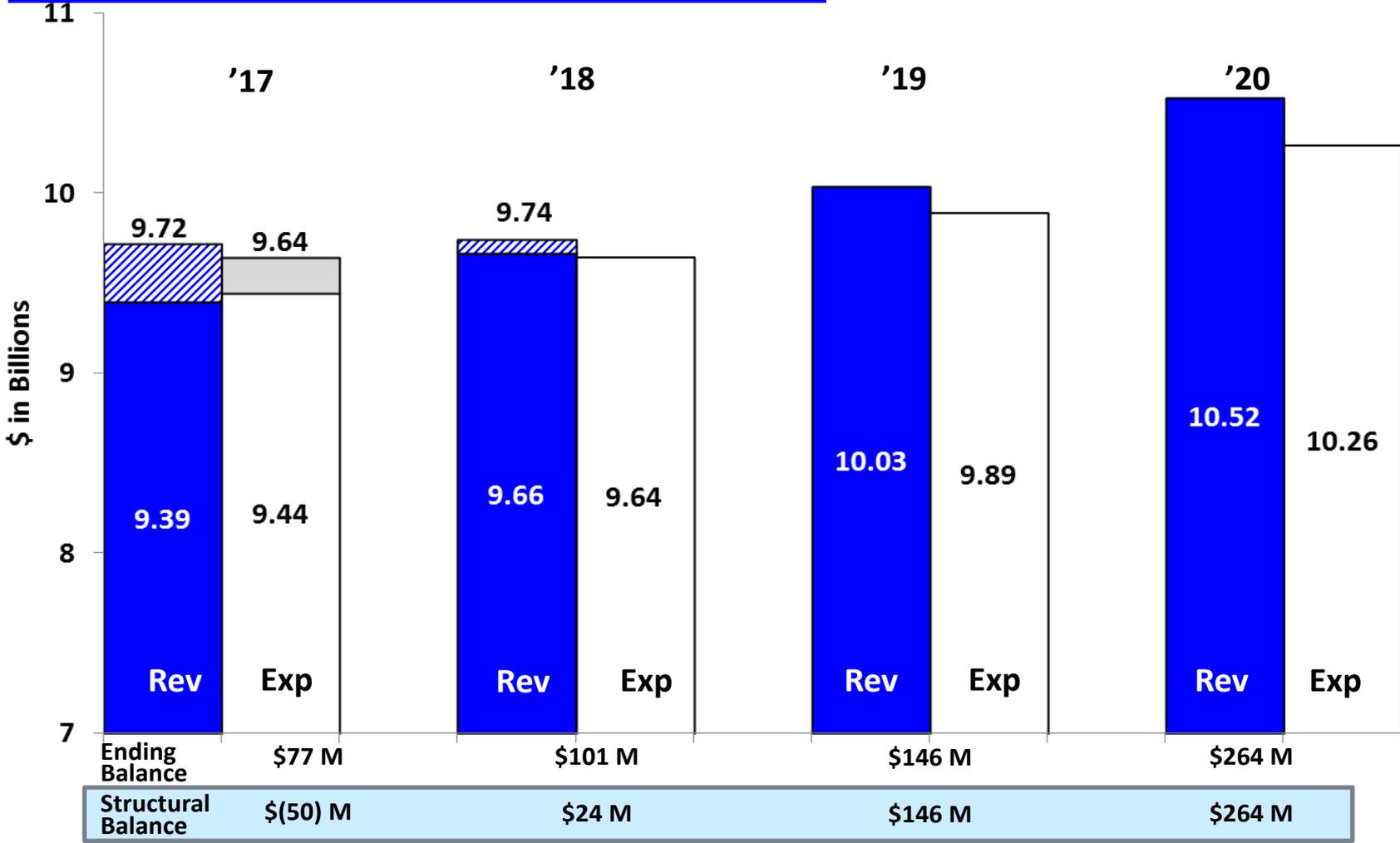
'18 Cash Balance Exceeds Structural Balance

- ❑ '17 now forecast to have \$(50) M structural shortfall
- ❑ '18 would be first structurally balanced budget since '06
- ❑ Excludes \$460 M Rainy Day Fund Balance

FY 2018 Baseline Projection	
	<u>(\$ in M)</u>
Balance Forward	\$ 77
Ongoing Revenues	9,663
Ongoing Spending	(9,639)
Cash Balance	\$ 101

9,663
(9,639) } \$24 M Structural Balance

Projected General Fund Revenues & Expenditures

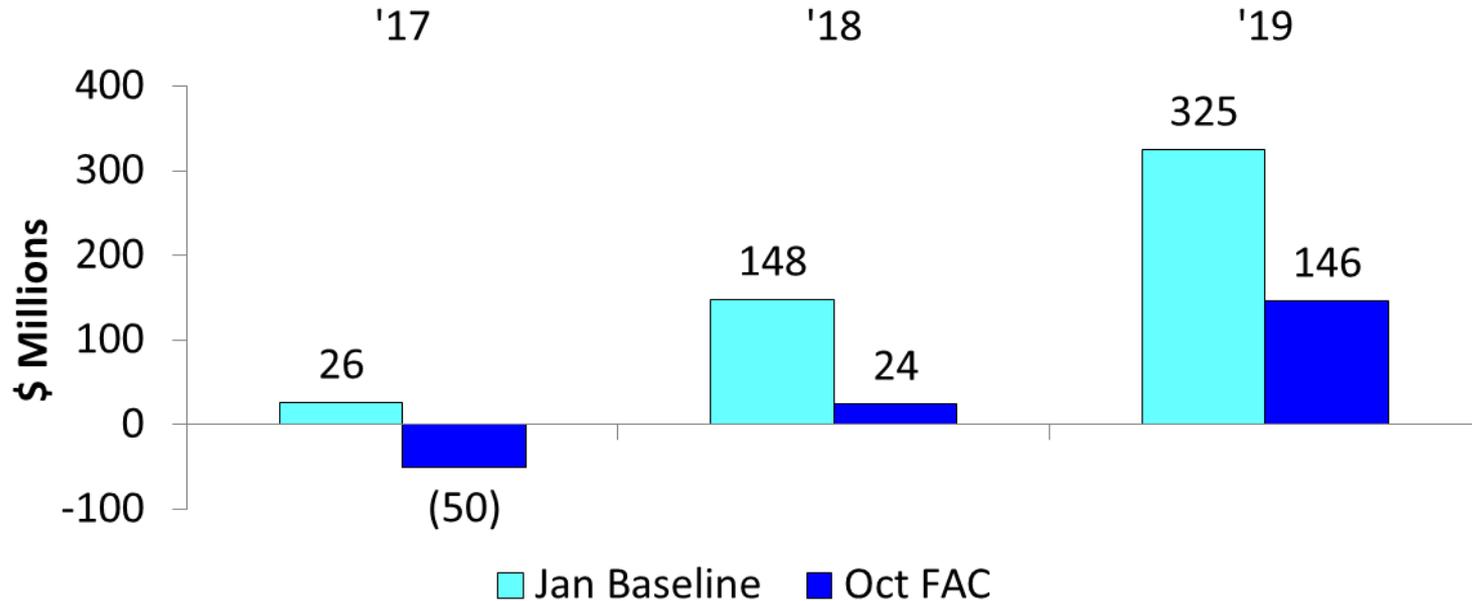


■ Base Revenue
 ▨ Cash Balance / One-Time
 Ongoing Expenditures
 One-Time Expenditures

Projected ending balances assumed to be allocated as part of the budget process



Interpreting The Baseline Structural Balance



- ❑ Improving balances could provide more flexibility, but...
- ❑ Based on highly unlikely assumption of no discretionary changes in next 3 years and no change in the revenue forecast
- ❑ For example, lower revenues and higher spending reduced projected '18 balance from \$148 M to \$24 M in 9 months.

Appendix A: October 2016 4-Sector Forecast

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Sales Tax				
JLBC Forecast	4.2%	4.1%	4.0%	4.0%
UA – Low	3.3%	2.7%	4.6%	5.8%
UA – Base	4.2%	6.0%	5.7%	5.2%
FAC	4.3%	4.2%	3.8%	4.5%
Average:	4.0%	4.2%	4.5%	4.9%
Individual Income Tax				
JLBC Forecast	4.6%	5.1%	5.4%	5.3%
UA – Low	3.7%	3.3%	4.1%	5.9%
UA – Base	4.8%	5.9%	5.1%	5.2%
FAC	4.6%	4.3%	4.5%	5.1%
Average:	4.4%	4.7%	4.8%	5.4%
Corporate Income Tax				
JLBC Forecast	1.7%	4.6%	3.5%	1.3%
UA – Low	-7.4%	-14.1%	-6.8%	13.1%
UA – Base	-3.4%	-6.3%	-2.9%	1.6%
FAC	-4.9%	1.5%	1.5%	9.2%
Average:	-3.5%	-3.3%	-0.6%	5.5%
Insurance Premium Tax				
JLBC Forecast	5.4%	4.0%	3.8%	3.3%
UA – Low	5.6%	2.9%	2.7%	2.2%
UA – Base	5.6%	2.8%	2.6%	2.6%
FAC	7.9%	7.1%	6.0%	6.1%
Average:	6.1%	4.2%	3.8%	3.6%

JLBC Weighted Average	4.3%	4.6%	4.6%	4.5%
UA Low Weighted Average	3.0%	2.2%	4.0%	5.8%
UA Base Weighted Average	4.1%	5.2%	5.0%	5.0%
FAC Consensus Weighted Average	4.1%	4.3%	4.1%	5.0%
“Big-4” Weighted Average	3.9%	4.0%	4.3%	4.9%
Consensus Weighted Average*	3.8%	4.0%	4.4%	5.0%
Adjusted Consensus Weighted Average**	2.4%	2.8%	3.6%	4.7%

* Represents ongoing revenue adjusted for small revenue categories.

** Represents ongoing revenue adjusted for tax law changes; excludes urban revenue sharing.

JLBC Staff - October 2016 Revenue and Budget Update

Summary of the General Fund Budget Outlook

- The October Baseline estimate provides an updated forecast of General Fund revenues and statutory spending through Fiscal Year (FY) 2020.
- Unlike last year when the prior year ending balance was \$445 million higher than anticipated, the FY 2016 book closing appears close to the budgeted level. Compared to a budgeted FY 2016 balance of \$225 million, the current projection is \$243 million.
- Over the next 2 years, base revenue growth is projected to remain near 4%. By FY 2020, growth is forecast to reach 5.0%. The 4-year projection is generally in line with the performance of the post-recession economy.
- FY 2018 statutory spending growth is expected to be nearly flat -- largely due to \$200 million of new formula spending being offset by the elimination of a like amount of one-time FY 2017 spending. This latter amount includes \$43 million of K-12 statutory spending scheduled to expire at the end of FY 2017.
- The projected FY 2018 cash balance is \$101 million. The structural balance – ongoing revenue versus ongoing spending – is only \$24 million. In FY 2019, both the structural and cash balance are projected to be \$146 million.
- Given significant revenue and spending uncertainties, the FY 2019 balance estimates are very uncertain. While the FY 2018 structural balance now stands at \$24 million, the comparable estimate was \$148 million in January. The balance has fallen due to slower than projected revenue growth and higher spending.

Key Elements in Constructing an FY 2018 Budget

In developing an FY 2018 budget, the Legislature will need to consider 2 key parameters:

- Is structural balance an FY 2018 budget goal?

If structural balance is FY 2018 goal, this October update suggests that there is \$24 million to allocate for permanent initiatives. If the structural balance is a deferred goal, then \$100 million would become available for these purposes. The Legislature, however, would have to consider the second parameter as well:

- What is the target for the state's level of reserves?

The state's reserves include both the ending cash balance as well as the Budget Stabilization Fund. With \$101 million in the former and \$460 million in the latter, the projected FY 2018 Baseline reserve would be \$561 million prior to the allocation of any monies for new tax reductions or spending initiatives.

At \$561 million, the reserves would be 5.8% of the budget. Financial analysts typically recommend that these balances be at least 5% and potentially higher than 10%. In rating financial capacity, Standard and Poor's recommends that states strive for an 8% reserve. Moodys believes that reserves of at least 10% are a characteristic of an Aaa-rated entity (although achieving that reserve level does not in and of itself guarantee an Aaa rating).

The level of reserves should also be viewed in the context of a state's particular level of risk. In Arizona, there are uncertainties surrounding both the economic forecast as well as outstanding litigation.

Forecast Risks - Conflicting Economic Signals

There are a number of conflicting signals regarding future economic growth at both the state and federal level:

- The job market is generally improving in both Arizona and the US. While the unemployment rate has fallen to 5.8% in Arizona, the combined unemployment and underemployment rate remains high at 11.3%.
- A longtime driver of the Arizona economy – single family housing permits – is up. After falling to 10,300 annual permits in the recession, permits are projected to be 24,000 in 2016. They remain, however, far below the long term annual average permits of 35,000.
- US Gross Domestic Product (GDP) continues to grow at a slow pace. That slow growth may be inhibiting interstate migration, another key factor which influences Arizona's economy.
- At least 2 major factors may be inhibiting the current expansion at the national level: uncertainty regarding both the Federal Reserve Board's policy on interest rates and the outcome of the US Presidential election.

Several other considerations may affect state policy as the FY 2018 budget is being crafted:

- While economic expansions do not die solely because of old age, the law of averages may eventually catch up with the economy in terms of an unexpected recession-inducing shock. The current forecast does not anticipate a recession through FY 2020. A recession is typically associated with at least 2 consecutive quarters of decline in US GDP. We are now in the 88th month of the current recovery. The average post-1982 expansion is 95 months and the longest is 120 months. We would reach the 120-month mark at the end of FY 2019.
- Long term budget forecasts are subject to considerable change. A 1% projection error over 3 years has a \$625 million impact on the ending balance. With an existing Budget Stabilization Fund balance of \$460 million and a \$101 million ending balance, the state would have insufficient reserves to weather that type of projection error.

Forecast Risks – Litigation

In addition to economic factors, pending litigation may result in significant impacts to future budgets:

- If appellate courts rule that the Medicaid hospital assessment required a two-thirds vote, it would cost about \$250 million General Fund yearly to replace the assessment.
- A Superior Court judge has ruled that the Arizona Sports and Tourism Authority's car rental tax should have been limited to transportation uses rather than for stadium subsidies and other purposes. The court also ruled that the state is liable for the repayment. The ruling, if upheld, would cost about \$150 million in one-time monies.
- The state is currently being sued in federal court over inadequate services to foster care children. No ruling has been issued, however, and it is too early to estimate a potential cost.

Reporting Requirements

The FY 2017 General Appropriation Act requires JLBC Staff to report by October 15, 2016 as to whether FY 2017's General Fund revenues and ending balance are projected to change by more than \$50 million from the budgeted levels. The FY 2017 projected ending balance is now \$77 million, or \$11 million higher than the budgeted \$66 million level.

In addition, A.R.S. § 35-125 requires the Legislature to provide 3-year estimates in each year's budget bill. In fulfilling these requirements, the JLBC Staff has reviewed the preliminary FY 2016 ending balance estimates and updated its 4-sector revenue projections in conjunction with the October 5th FAC meeting. In addition, the JLBC Staff has revised its spending projections through FY 2020 based on current statutory funding formulas.

Updated FY 2016 Estimates

The enacted budget's FY 2016 projected ending balance of \$225 million is now projected to reach \$243 million. The \$18 million gain in the ending balance estimates was generated from \$54 million in higher revenue and \$36 million in additional spending. The Arizona Department of Administration will publish a final FY 2016 ending balance figure by December 1.

Excluding beginning balances, FY 2016 net revenues grew by 5.3% rather than the budgeted increase of 4.7%. The resulting \$54 million in revenues above forecast was most significantly driven by Individual Income and Insurance Premium Taxes. The above-budget spending is the result of lower-than-expected "revertments". Each year during the budget process, the projected spending levels assume a certain level of revertments, which are unspent appropriations.

The FY 2016 revenue results were mixed across the state's major revenue categories. Collections were \$(46) million and \$(33) million lower than budgeted in Sales and Corporate Income Tax categories, respectively, while collections were \$64 million and \$30 million higher than budgeted in Individual Income Tax and Insurance Premium Tax categories. *Table 1* displays the performance of these revenue categories as compared to the enacted forecast. In addition to the major categories, revenues in small categories collectively exceeded budgeted amounts by \$40 million. This small category increase was driven by higher reconciliation

payments from the Department of Economic Security’s Developmental Disabilities Long Term Care program and by growth in unclaimed property proceeds.

	<u>Budgeted</u>	<u>Actual</u>	<u>Above Forecast</u>
Sales	4.0%	2.9%	\$(46) M
Individual Income	3.8%	5.5%	\$64 M
Corporate Income	(8.9)%	(13.9)%	\$(33) M
Insurance Premium	1.5%	9.9%	\$30 M

Individual Income Tax

Individual Income Tax grew by 5.5% in FY 2016 and ended up \$64 million above the enacted budget forecast. Most of this forecast overage related to Individual Income Tax withholding, which grew by 4.0%, the fastest growth rate since FY 2011.

Individual Income Tax payments, which are often driven by capital gains, increased 8.9% during FY 2016. While this level of increase represents a healthy growth rate for this revenue source, it is still lower than the double digit increases of the last several years.

Growth in payments slowed in the second half of FY 2016. The growth rate fell from 24.0% during the first 7 months of the fiscal year through January 2016 to 1.0% during the last 5 months. A portion of the payment growth earlier in the fiscal year likely represents a carryover of strong gains from Tax Year 2014. In addition to generating higher final income tax payments in April 2015, those Tax Year 2014 gains likely increased final payments of filers that extended their filing date through October 2015. In response to the higher final payments in April and October 2015, taxpayers may have also increased their estimated payments through the end of the calendar year (CY).

In CY 2015, the S&P 500 posted its first annual loss since the recession during CY 2008. As a result, April 2016 final payments and estimated payments in the second half of 2016 did not grow as quickly.

Sales Tax

During FY 2016, the Sales Tax category posted a modest growth of 2.9% and a forecast loss of \$(46) million, the largest loss of any of the state’s revenue categories. The FY 2016 growth rate was the lowest since FY 2011, when sales tax collections increased by 1.9%. The reasons for the lower-than-expected sales tax growth in FY 2016 are difficult to determine with available data.

However, a recent report from the Rockefeller Institute of Government indicates that Arizona is only one of many states nationwide that have experienced a slowing trend in the growth of

sales tax revenues. The report attributes this trend at least in part to consumers' increased use of electronic commerce, under which some online retail sales transactions go untaxed. The report's authors did not attempt to quantify the lost tax dollars from online sales.

Another explanation for the slower growth in sales tax collections is that consumers appear to have become more cautious in their discretionary spending in the post-Great Recession period, especially as it relates to "big-ticket" items. In addition, national data indicates that consumers are increasingly spending their income on services, which are not generally subject to state sales taxation.

Apart from national trends with respect to consumer behavior, there are also other conditions unique to Arizona. As an example, the 2013 "TPT Simplification" legislation may have had a net negative impact on Arizona sales tax growth in FY 2016. Among other provisions, the "TPT Simplification" law, which became effective in January 2015, shifted the taxation of materials used in smaller building projects from prime contracting to retail. As a result, contracting tax collections declined whereas retail sales tax collections increased. It is not clear, however, whether the increase in retail collections was enough to offset the (10)% decline of the contracting tax.

Corporate Income Tax

The category posting the second largest forecast loss was the Corporate Income Tax, which declined by (13.9)% for the year and came in at \$(33) million below the enacted budget forecast in FY 2016. The Corporate Income Tax is the most volatile revenue source among the "Big 4" and the reasons for these fluctuations are difficult to determine without access to corporate tax return data. However, one factor in the significant decrease is the decline in the Corporate Income Tax rate that is being phased in through Tax Year (TY) 2017.

Even states with stable corporate tax rates, however, are seeing declines in their tax collections. To provide some perspective, the Rockefeller Institute of Government reports that among the 46 states that have a corporate income tax, 25 states reported year-over-year declines in the first quarter of 2016. These losses were attributed to lower corporate profitability. While we lack Arizona-specific data, national before-tax profits have been declining.

The federal Bureau of Economic Analysis (BEA) and IHS Global Insight, an economic consulting firm, report that national corporate profits declined (year-over-year) in each of the last 5 quarters. The decline in corporate profits followed the record high levels reported by BEA from the second through the fourth calendar year quarters of 2014.

As a result, Arizona's FY 2016 corporate collections decline can probably be attributed to both the effects of previously-enacted corporate tax reductions and an overall decline in corporate profitability.

Insurance Premium Tax

Insurance Premium Tax collections grew by 9.9% in FY 2016 and ended up \$30 million above the enacted budget forecast. The category continued its recent trend of strong growth, which has led to a 27.7% cumulative increase in collections over the last 3 years.

Based on estimates prepared by the Department of Insurance, the FY 2016 increase was primarily driven by collections from the AHCCCS Contractor insurance line. The AHCCCS line made up about 40% of all Insurance Premium Tax revenues collected to the General Fund in FY 2016. Since eligibility for the AHCCCS program was expanded on January 1, 2014, insurance premium tax collections from this line have grown by 10.7% in FY 2014, 23.7% in FY 2015, and 17.2% in FY 2016.

FY 2016 revenue was also bolstered by collections growth of 18.4% for the accident and health insurance line and 6.2% for the vehicle insurance line. These 2 lines collectively accounted for about 37% of Insurance Premium Tax revenues to the General Fund in FY 2016.

FY 2017 - 1st Quarter

The enacted FY 2017 budget assumed base revenue growth of 4.0% prior to tax law changes, urban revenue sharing and one-time adjustments. After adjusting for the new tax laws, the budgeted FY 2017 net revenue growth rate is 2.7%. Based on preliminary September projections, first quarter FY 2017 revenues are growing at a rate of 3.5% over last year (excluding urban revenue sharing and fund transfers). In terms of the main categories, preliminary collections were as follows:

	<u>% Change</u>
• Sales Tax	3.7%
• Individual Income Tax	4.0%
• Corporate Income Tax	(31.3)%
• Insurance Premium Tax	12.6%

While overall revenue growth has been slow during the first quarter of FY 2017, results have been mixed across the state’s major revenue categories. Following its lowest year of growth since FY 2011, sales tax collection growth has slightly improved to 3.7% year-to-date (YTD). Insurance Premium Tax collection growth of 12.6% YTD is also above the category’s prior year rate. However, collection growth has slowed for Individual Income Tax, due primarily to a (6.3)% drop in payments. Corporate Income Tax collections declined (31.3)% in the first quarter, potentially due to the phase-in of tax law reductions and reduced profitability.

Even with the low preliminary net growth rate for the year, collections through September are \$18 million above the May enacted budget forecast.

FY 2017 – FY 2020 Revenue Projections

The FY 2017 – FY 2020 forecast is based on input from the following 4 sectors (each equally weighted): members of the FAC panel, University of Arizona’s “base” and “low” econometric revenue models, and JLBC Staff.

The 4-sector forecast has previously incorporated Sales Tax, Individual Income Tax and Corporate Income Tax collections. The JLBC Staff then estimated the remaining 10% of small

category revenue. In FY 2017, however, the Insurance Premium Tax (IPT) is likely to exceed Corporate Income Tax collections. As a result, IPT is now part of the 4-sector forecast. The JLBC Staff will continue to forecast the remaining small categories, now estimated to be 5% of the forecast.

Under the October 4-sector forecast, base General Fund revenues are projected to grow by 3.8% in FY 2017. This rate is slightly lower than the 4.0% rate assumed in the FY 2017 budget. Despite the lower percentage increase, the ongoing base revenue in the October 4-sector forecast for FY 2017 is \$23 million higher than in the FY 2017 budget. The reason for this is that the actual FY 2016 base revenue was higher than the estimate used in the FY 2017 enacted budget.

In FY 2018, the projected 4-sector revenue growth rate is 4.0%. The growth rate steadily improves to 4.4% in FY 2019 and 5.0% in FY 2020. Details of the October 2016 4-sector forecast are summarized in *Attachment A*.

In addition to the consensus forecast for base revenues, the budget projections also make adjustments for other factors:

- Elimination of Fund Transfers: The enacted FY 2017 budget included a provision that transfers \$79 million to the General Fund from the State Employee Health Insurance Trust Fund (HITF) in FY 2017. The FY 2018 Baseline removes this one-time transfer.
- Previously Enacted Tax Legislation: Based on prior legislation, \$228 million of tax law reductions are being phased in between FY 2018 and FY 2020, including \$(119) million in FY 2018 alone. *See Attachment C*. These reductions primarily involve the 4-year phase in of a 2% Corporate Income Tax rate reduction and a 100% sales factor option. Both policies were effective as of January 1, 2014.

Excluding the state's beginning cash balance, total available General Fund revenue is expected to increase from \$9.47 billion in FY 2017 to \$9.66 billion in FY 2018. The projected FY 2019 and FY 2020 revenue estimates are \$10.03 billion and \$10.52 billion, respectively.

Future Year Spending Estimates

As part of the October FAC meeting, the JLBC Staff has updated its FY 2017 – FY 2020 Baseline spending estimates. The Baseline reflects the projected spending changes associated with statutory and other active funding formulas. In addition, it reflects changes that were assumed in the FY 2017 enacted budget's 3-year spending plan.

Overall spending is projected to remain essentially flat in FY 2018 (0.0% growth), as approximately \$200 million of formula spending growth will be offset by the elimination of approximately \$200 million of one-time FY 2017 spending. This latter amount includes \$43 million of K-12 statutory spending scheduled to expire at the end of FY 2017. In terms of future years, spending is projected to grow by \$248 million in FY 2019 (2.6%) and \$373 million in FY 2020 (3.8%).

With the updated October estimates, total General Fund spending is projected to be \$9.64 billion in FY 2017, or \$30 million higher than originally forecast in last year's budget due to an anticipated supplemental to the Department of Education.

The estimates incorporate the following specific adjustments:

Statutory Formula Spending

- K-12 state aid spending is projected to increase by \$110 million in FY 2018, \$134 million in FY 2019 and \$167 million in FY 2020. The growth reflects the following components: 1) 1.4% annual student growth in each year; 2) new annual inflation adjustments, which includes 1.38% for FY 2018 and 2.0% in both FY 2019 and FY 2020; and 3) additional property taxes from new construction.
- AHCCCS funding is projected to grow by \$60 million in FY 2018. This adjustment is based on 1.5% enrollment growth, a higher federal match rate and 2.5% capitation rate growth. This relatively low growth rate for FY 2018 is caused by the federal government's 1-year suspension of the Affordable Care Act health insurer fee, thereby saving the state General Fund \$24 million. In future years, AHCCCS spending is estimated to increase by \$118 million in FY 2019 and \$144 million in FY 2020.
- Department of Economic Security spending for the Developmentally Disabled (DD) program is projected to increase by \$22 million in FY 2018, followed by increases of \$27 million in FY 2019 and \$30 million in FY 2020. These increases are based on 4.5% enrollment growth, a higher federal match rate in each successive year, and 2.5% capitation rate growth.
- The Department of Corrections budget would grow by \$7 million in FY 2018, which includes the following adjustments: 1) the annualization of the costs for opening 1,000 new private beds which began to open in July 2016; 2) savings from the refinance of the Kingman private prison facility which was favorably reviewed by Joint Committee on Capital Review in June 2016; 3) the allocation of a portion of those refinance savings to the Maricopa Regional Center (MRC) and for Inmate Health Care costs.
- The updated projections also assume the continued annual suspension of any inactive formulas. Each year, the Legislature enacts certain provisions that serve to only suspend, not repeal, certain statutory formulas. If those inactive formulas were counted, spending would increase by approximately \$493 million, according to the most recent estimate of the costs of these formulas. K-12 accounts for most of the inactive formulas.

One-Time Spending/Expiring Statutory Provisions

- In the enacted FY 2017 budget 3-year spending plan, the Legislature identified certain expenditures that would not continue beyond FY 2017. These include a significant amount of one-time spending that would occur in FY 2017 only, along with certain K-12 formula provisions that would be discontinued beginning in FY 2018. These total approximately \$200 million, and essentially offset the entire formula spending growth for FY 2018. The major components of these items are described below.
- The updated FAC spending estimates assume a decline of \$(43) million due to the expiration of certain one-time K-12 statutory provisions at the end of FY 2017. They

include: 1) \$(31) million for ending a current year funding backfill; 2) \$(11) million for the elimination of small school funding weights for multi-site charters; and 3) \$(1) million relating to the elimination of district-sponsored charter schools.

- The discontinuation of one-time capital funding provided during FY 2017. This amount is comprised of: 1) \$87 million for Department of Transportation highway construction projects; 2) \$8 million for ADOA building renewal; 3) \$10 million for the construction of a new Veterans' Home in Flagstaff.
- The removal of \$15 million of one-time funding for equipment for the newly-created Department of Public Safety Border Strike Task Force.
- The removal of \$8 million of one-time funding distributed to the counties. This funding was intended to partially offset county contributions to the Department of Juvenile Corrections.

Future Year Balance Projections

Given the \$243 million ending balance carried forward from FY 2016, along with FY 2017 ongoing revenues of \$9.39 billion and one-time fund transfers of \$79 million, total FY 2017 revenues are estimated to be \$9.72 billion. Comparing this revenue level to \$9.64 billion of spending translates into a projected FY 2017 ending balance of \$77 million.

Looking forward to FY 2018, combining this \$77 million carry forward with \$9.66 billion in new FY 2018 revenue, results in total FY 2018 revenues of \$9.74 billion. With projected spending of \$9.64 billion in FY 2018, the estimated FY 2018 balance is \$101 million.

In terms of the structural balance, with ongoing revenues of \$9.66 billion and ongoing spending of \$9.64 billion, the FY 2018 structural balance is \$24 million. The structural balance increases in FY 2018 and FY 2019 as projected revenues are expected to exceed statutory funding formula requirements. The projected structural balances for FY 2019 and FY 2020 are \$146 million and \$264 million, respectively. (See Table 2 and Attachment B.)

	Baseline Ending Balance Projections			
	Fiscal Year			
	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>
Balance Forward/Other	\$ 0.32 B	\$ 0.08 B	\$ 0.00 B	\$ 0.00 B
Ongoing Baseline Revenues	9.39 B	9.66 B	10.03 B	10.52 B
Less:				
Ongoing Baseline Spending	9.44 B	(9.64) B	(9.89) B	(10.26) B
One-Time Spending	<u>0.20 B</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Cash Balance	\$77 M	\$101 M*	\$146 M*	\$264 M
Structural Balance	\$(50) M	\$24 M	\$146 M	\$264 M

* The ending balance is presumed allocated as part of the FY 2018 budget process.

October 5, 2016 FAC 4-Sector Consensus

	FY 2017	FY 2018	FY 2019	FY 2020
<u>Sales Tax</u>				
JLBC Forecast (9/16/2016)	4.2%	4.1%	4.0%	4.0%
UA - Low (9/16/2016)	3.3%	2.7%	4.6%	5.8%
UA - Base (9/16/2016)	4.2%	6.0%	5.7%	5.2%
FAC (9/16/2016)	4.3%	4.2%	3.8%	4.5%
Average:	4.0%	4.2%	4.5%	4.9%
<u>Individual Income Tax</u>				
JLBC Forecast (9/16/2016)	4.6%	5.1%	5.4%	5.3%
UA - Low (9/16/2016)	3.7%	3.3%	4.1%	5.9%
UA - Base (9/16/2016)	4.8%	5.9%	5.1%	5.2%
FAC (9/16/2016)	4.6%	4.3%	4.5%	5.1%
Average:	4.4%	4.7%	4.8%	5.4%
<u>Corporate Income Tax</u>				
JLBC Forecast (9/16/2016)	1.7%	4.6%	3.5%	1.3%
UA - Low (9/16/2016)	-7.4%	-14.1%	-6.8%	13.1%
UA - Base (9/16/2016)	-3.4%	-6.3%	-2.9%	1.6%
FAC (9/16/2016)	-4.9%	1.5%	1.5%	9.2%
Average:	-3.5%	-3.3%	-0.6%	5.5%
<u>Insurance Premium Tax</u>				
JLBC Forecast (9/16/2016)	5.4%	4.0%	3.8%	3.3%
UA - Low (9/16/2016)	5.6%	2.9%	2.7%	2.2%
UA - Base (9/16/2016)	5.6%	2.8%	2.6%	2.6%
FAC (9/16/2016)	7.9%	7.1%	6.0%	6.1%
Average:	6.1%	4.2%	3.8%	3.6%
JLBC Weighted Average:	4.3%	4.5%	4.6%	4.5%
UA Low Weighted Average:	3.0%	2.2%	4.0%	5.8%
UA Base Weighted Average:	4.1%	5.2%	5.0%	5.0%
FAC Consensus Weighted Average:	4.1%	4.3%	4.1%	5.0%
"Big-4" Weighted Average:	3.9%	4.0%	4.3%	4.9%
Consensus Weighted Average: *	3.8%	4.0%	4.4%	5.0%
Adj. Consensus Weighted Average: **	2.4%	2.8%	3.6%	4.7%

* Represents ongoing revenue adjusted for small revenue categories

** Represents ongoing revenue adjusted for tax law changes; excludes Urban Revenue Sharing

October Finance Advisory Committee
Statement of General Fund Revenues and Expenditures 1/
With One-Time Financing Sources

	FY 2016 Actual	FY 2017 October FAC	FY 2018 October FAC	FY 2019 October FAC	FY 2020 October FAC
REVENUES					
Ongoing Revenues	\$9,820,850,300	\$10,056,304,900	\$10,458,548,100	\$10,793,358,200	\$11,249,454,200
Previously Enacted Changes			(119,000,000)	(77,600,000)	(31,000,000)
Urban Revenue Sharing	(605,634,300)	(663,582,200)	(675,982,200)	(682,639,000)	(695,239,700)
Net On-going Revenues	\$9,215,216,000	\$9,392,722,700	\$9,663,565,900	\$10,033,119,200	\$10,523,214,500
One-time Financing Sources					
Balance Forward	\$312,276,000	\$243,114,000	\$76,929,300		
Tax Amnesty	47,048,500				
Fund Transfers	220,296,600	79,361,600			
Subtotal One-time Revenues	\$579,621,100	\$322,475,600	\$76,929,300	\$0	\$0
Total Revenues	\$9,794,837,100	\$9,715,198,300	\$9,740,495,200	\$10,033,119,200	\$10,523,214,500
EXPENDITURES					
Operating Budget Appropriations	\$9,230,421,600	\$9,453,362,300	\$9,682,195,900	\$9,931,275,700	\$10,303,799,700
Supplementals	50,621,300	30,000,000			
Administrative Adjustments	85,000,000	70,000,000	70,000,000	70,000,000	70,000,000
Revertments	(73,649,800)	(110,682,500)	(112,868,300)	(114,260,700)	(114,260,700)
Subtotal Ongoing Expenditures	\$9,292,393,100	\$9,442,679,800	\$9,639,327,600	\$9,887,015,000	\$10,259,539,000
One-time Expenditures					
Capital Outlay	\$6,200,000	\$18,000,000			
Eliminate DCS/DES/Univ. Rollover	232,000,000				
Transportation Funding		86,500,000			
Other One-Time Spending	21,130,000	91,089,200			
Subtotal One-time Expenditures	\$259,330,000	\$195,589,200	\$0	\$0	\$0
Total Expenditures	\$9,551,723,100	\$9,638,269,000	\$9,639,327,600	\$9,887,015,000	\$10,259,539,000
Ending Balance <u>2/</u>	\$243,114,000	\$76,929,300	\$101,167,600 <u>3/</u>	\$146,104,200 <u>3/</u>	\$263,675,500
<i>Structural Balance <u>4/</u></i>	(\$77,177,100)	(\$49,957,100)	\$24,238,300	\$146,104,200	\$263,675,500

1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.

2/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

3/ The projected ending balance is presumed to be allocated as part of the FY 2018 budget process.

4/ This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments. Excludes any Budget Stabilization Fund balance.

October 2016 Revenue and Budget Update
Marginal Dollar Impact of Enacted Tax Law Changes ^{1/}
(\$ in millions)

Legislation	FY2016	FY2017	FY2018	FY2019	FY2020
<u>Laws 2006, Chapters 14 & 325</u>					
STO Credit for Low-Income Students	(8.6)	(10.3)	(12.4)	(14.9)	(17.8)
<u>Laws 2011, 2nd Special Session, Chapter 1</u>					
Increases small businesses eligibility for 35% "angel" investment credit from \$2m to \$10m in assets through FY 2016	4.5	0.0	0.0	0.0	0.0
Phases down corporate tax rate from 6.968% to 4.9% over 4 years, beginning in TY 2014	(48.5)	(47.4)	(47.4)	(35.4)	0.0
Phases in corporate sales factor from 80% to 100% over 4 years, beginning in TY 2014	(32.5)	(29.4)	(26.6)	(16.5)	0.0
Creates annual \$3,000 3-year new job credit with conditions	(4.2)	(3.1)	0.0	0.0	0.0
Sub-Total	(80.7)	(79.9)	(74.0)	(51.9)	0.0
<u>Laws 2012, Chapter 343</u>					
Phases in (over 3 years) a 25% reduction of long-term capital gains on assets purchased after CY 2011 (TY 2013)	(11.3)	0.0	0.0	0.0	0.0
Extends the net operating loss (NOL) carry forward from 5 years to 20 years (TY 2012)	0.0	0.0	0.0	(3.7)	(8.5)
Creates a new income tax credit for capital investments in new or expanded manufacturing facilities, commercial headquarters, or research facilities (TY 2013)	(4.0)	(4.0)	(4.0)	(2.8)	0.0
Sub-Total	(15.3)	(4.0)	(4.0)	(6.5)	(8.5)
<u>Laws 2013, 1st Special Session, Chapter 9</u>					
Exempts data center equipment from TPT (Sep. 1, 2013)	(1.9)	0.0	0.0	0.0	0.0
<u>Laws 2014, Chapter 7</u>					
Exempts electricity and natural gas purchased by manufacturers from TPT (Aug. 1, 2014)	(3.6)	0.0	0.0	0.0	0.0
<u>Laws 2014, Chapter 8</u>					
Credit for investment in new facilities that produce energy for self-consumption using renewable energy sources (Jul. 24, 2014)	(3.0)	(7.0)	0.0	0.0	0.0
<u>Laws 2014, Chapter 10 & Laws 2015, Chapter 91</u>					
Inflation adjustment of individual income tax rate brackets, beginning in TY 2015	(6.1)	0.0	0.0	0.0	0.0
<u>Laws 2014, Chapter 68</u>					
Requires individual income tax-filers claiming the Proposition 301 low-income sales tax credit to provide a valid SSN (Jan. 1, 2015)	1.5	0.0	0.0	0.0	0.0
<u>Laws 2015, Chapter 6</u>					
Exempts International Operations Centers from TPT on Electricity Consumption	0.0	(1.3)	0.0	0.0	0.0
<u>Laws 2015, Chapter 8</u>					
DOR - Fraud Detection and Prevention	9.3	6.0	0.0	0.0	0.0

Legislation	FY2016	FY2017	FY2018	FY2019	FY2020
<u>Laws 2015, Chapter 8</u>					
Ongoing Judiciary Fund Transfer to General Fund	6.0	0.0	0.0	0.0	0.0
<u>Laws 2015, Chapter 10</u>					
DOI - Fraud Assessment	0.5	0.0	0.0	0.0	0.0
<u>Laws 2015, Chapter 14</u>					
Increases Disproportionate Share Cap	5.5	0.0	0.0	0.0	0.0
<u>Laws 2015, Chapter 184</u>					
Exempts Retaliatory Insurance Premium Taxes	(1.5)	0.0	0.0	0.0	0.0
<u>Laws 2015, Chapter 220</u>					
Phases Down Insurance Premium Tax Rate from 2.0% to 1.7% over 11 Years	0.0	(1.3)	0.0	0.0	0.0
<u>Laws 2016, Chapter 109</u>					
Increases maximum tax credit for contributions to charitable organizations	0.0	(11.0)	0.0	0.0	0.0
<u>Laws 2016, Chapter 117</u>					
Decreases ongoing Judiciary Fund Transfer to General Fund	0.0	(1.0)	(2.0)	0.0	0.0
<u>Laws 2016, Chapter 118</u>					
Increases state income tax deduction from 10% to 100% of federal bonus depreciation over 2 years, beginning in TY 2016	0.0	(8.0)	(8.0)	0.0	0.0
<u>Laws 2016, Chapter 181</u>					
Exempts aerial application aircraft from TPT	0.0	(0.0)	0.0	0.0	0.0
<u>Laws 2016, Chapter 192</u>					
Diverts certification fees from General Fund to ADEQ	0.0	(0.4)	0.0	0.0	0.0
<u>Laws 2016, Chapter 221</u>					
Eliminates pest management fee deposit into General Fund	0.0	(0.2)	0.0	0.0	0.0
<u>Laws 2016, Chapter 223</u>					
Exempts the leasing or renting of billboards from TPT	0.0	(0.0)	0.0	0.0	0.0
<u>Laws 2016, Chapter 309</u>					
Extends due date to claim tax credit for contributions to charitable organizations	0.0	(1.7)	0.0	0.0	0.0
<u>Laws 2016, Chapter 357</u>					
Exempts gas transportation services provided to manufacturing and smelting facilities from TPT	0.0	(0.9)	0.0	0.0	0.0
<u>Laws 2016, Chapter 358</u>					
Accelerates 0.3% phase-down of insurance premium tax rate from 11 years to 6 years	0.0	(3.0)	(4.1)	(4.3)	(4.7)
<u>Laws 2016, Chapter 359</u>					
Exempts propane purchased by manufacturing and smelting facilities from TPT	0.0	(0.1)	0.0	0.0	0.0
<u>Laws 2016, Chapter 361</u>					
Exempts agricultural feed for use in noncommercial boarding of livestock from TPT	0.0	(1.0)	0.0	0.0	0.0

Legislation**Laws 2016, Chapter 367**

Exempts aircraft and aircraft equipment operated by charter airlines from TPT

FY2016 **FY2017** **FY2018** **FY2019** **FY2020**

0.0 0.0 (2.3) 0.0 0.0

Laws 2016, Chapter 368

Exempts sale of fine art to nonresidents for use outside the state from TPT

0.0 (1.3) 0.0 0.0 0.0

Laws 2016, Chapter 374

Modifies existing TPT exemption for electricity and natural gas purchased by manufacturing and smelting facilities

0.0 (8.7) (12.2) 0.0 0.0

Total General Fund Revenue Impact over Prior Year**(97.9)** **(135.0)** **(119.0)** **(77.6)** **(31.0)**1/ Each year represents the dollar value of the provision compared to the prior year.

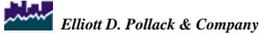


2017: Same Anemia, Same Craziness.

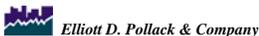
Finance Advisory Committee

October 5th, 2016

Presented By:
Elliott D. Pollack
CEO, Elliott D. Pollack & Company

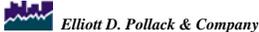


Can the Expansion Last?



2

Yes!



3

Is the Sky Falling?

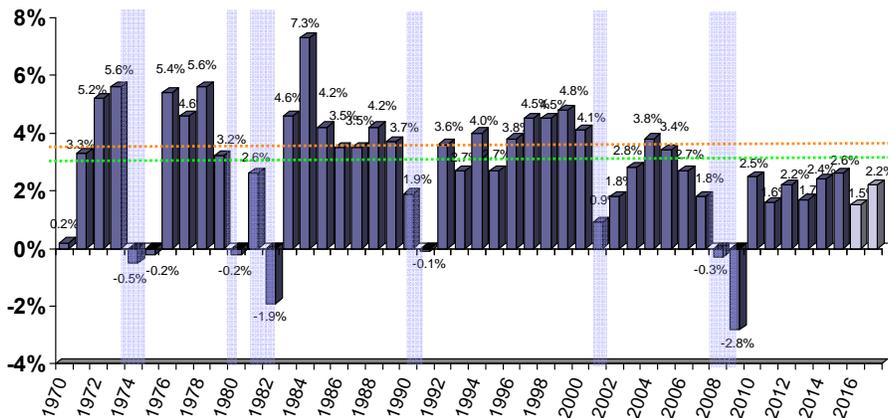


4

Most Likely, No.

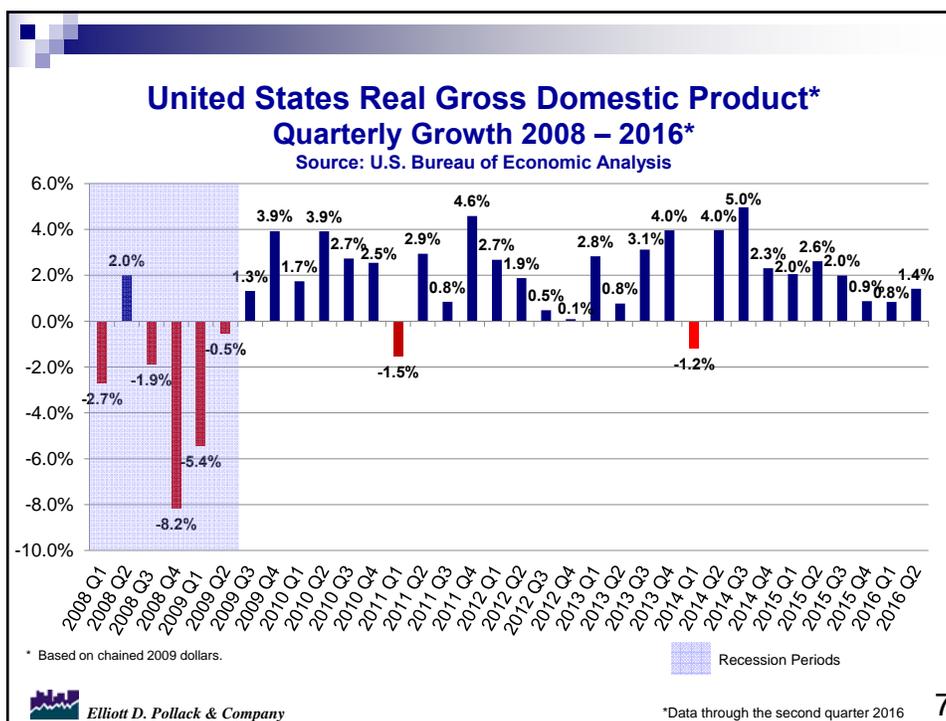
United States Real Gross Domestic Product* Annual Growth 1970 - 2017**

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



* Based on chained 2009 dollars.

** 2016 and 2017 are a forecast from the Blue Chip Economic Indicators, September 2016.



RISKS

- Higher now that we are deeper into the expansion.
- The Election - Assume both major-party candidates are lying.

8

Long term growth is negatively affected by:

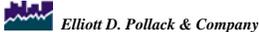
- Higher Tax Rates
- Burdensome and Capricious Regulation
- Barriers to International Trade
- Barriers to Credit Creation



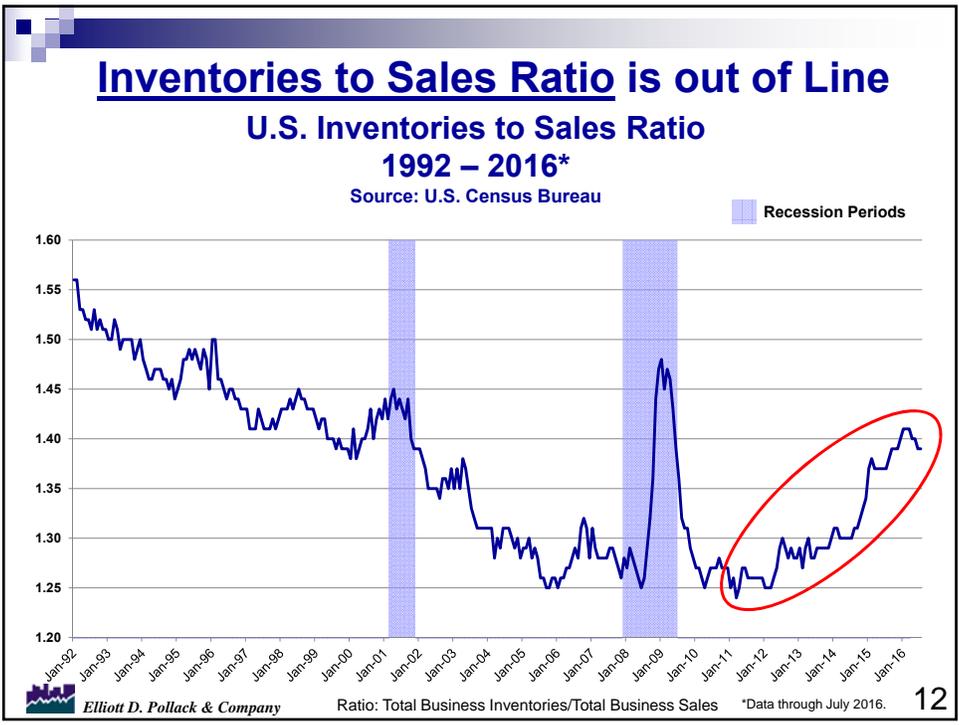
So, it's time to be cautious.



But, the Expansion can last.



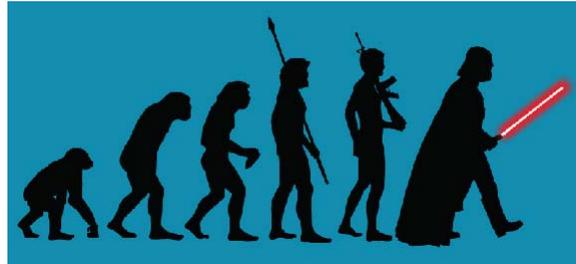
11



Where We Stand—

- The expansion is starting to show signs of middle age.

**YOU ARE
SOMEWHERE
AROUND HERE**



Excess inventory, mainly in autos.



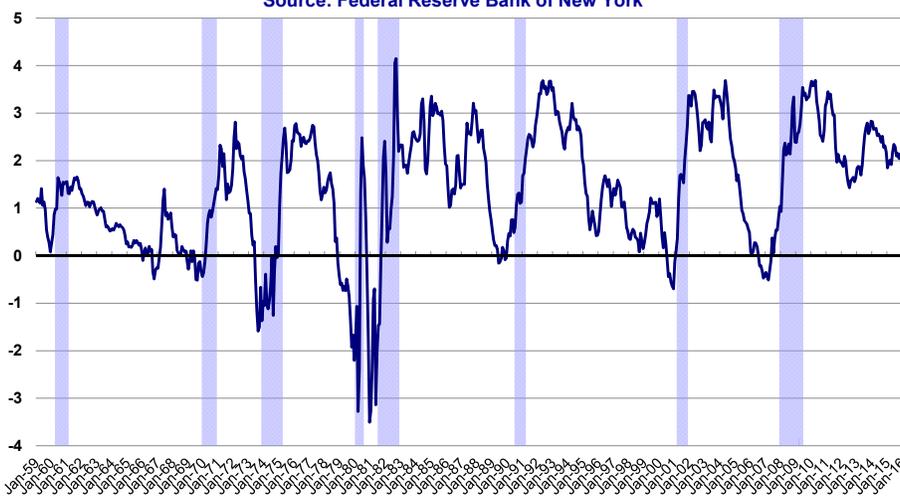
Average Age of Auto Fleet (all light vehicles)

- 2015 – 11.5 years
- 2014 – 11.4 years
- 2013 – 11.3 years
- 2010 – 10.6 years
- 2005 – 9.5 years
- 2000 – 8.9 years
- 1995 – 8.4 years

Source: R.L. Polk Company, IHS

Treasury Spread: 10 year bond rate less 3 month bill rate 1959 – 2016*

Source: Federal Reserve Bank of New York



Conclusion

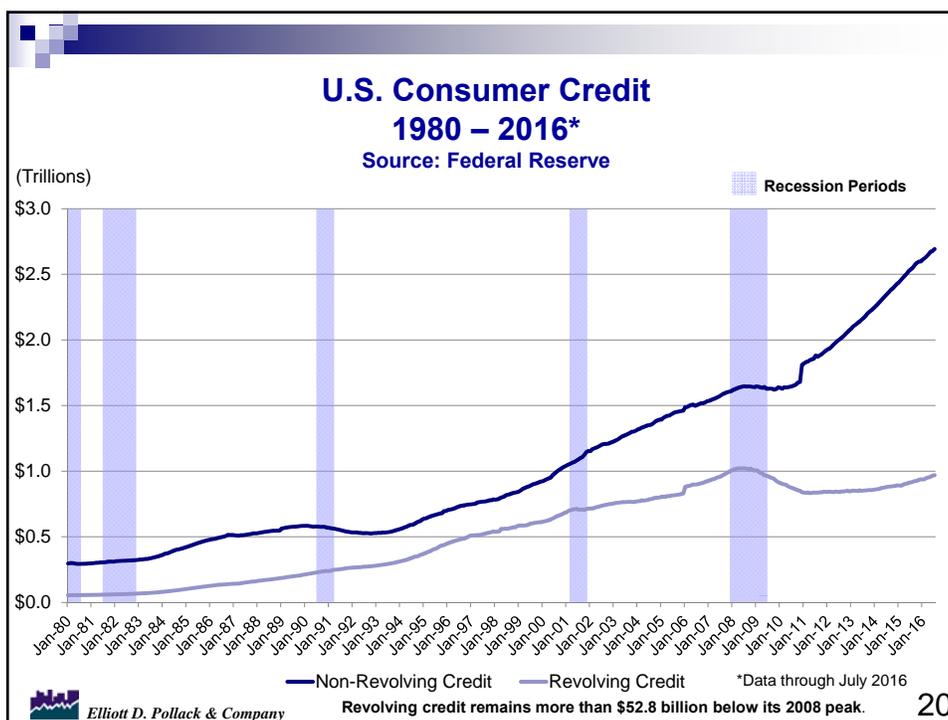
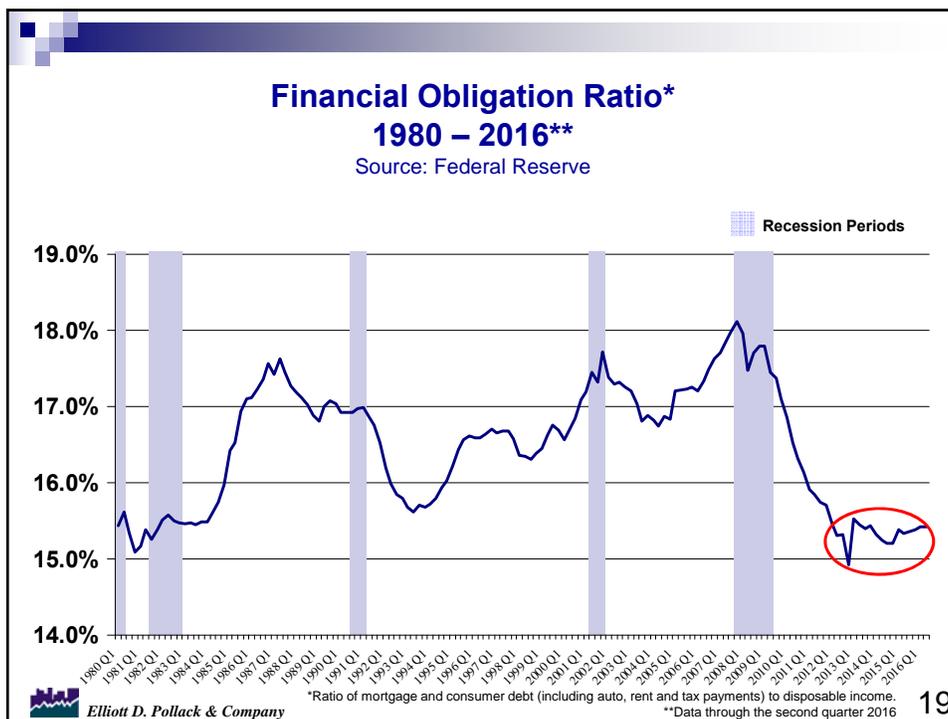
- The odds still favor continued (albeit slower) growth.



Consumers

- Debt burden low





Consumer Confidence Strong

Consumer Confidence 1978 – 2016*

Source: The Conference Board



*Data through September 2016

- No irrational exuberance



- Net worth improved

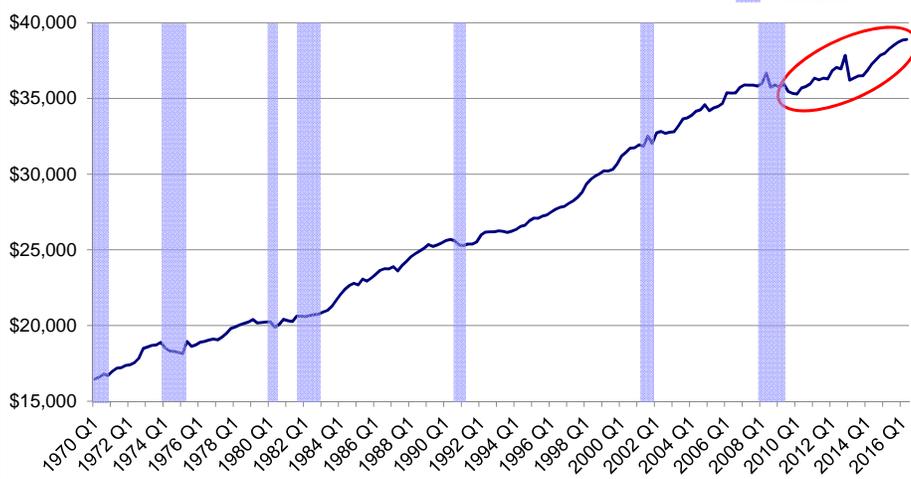


- Real income growth



Real Disposable Personal Income Per Capita 1970-2016*

Source: Bureau of Economic Analysis



- Inflation low



Daily Crude Oil Prices: West Texas Intermediate 1994 - 2016*

Source: U.S. Energy Information Administration



- Oil prices low

- 1) In 2005, about 60% of consumption was imported.
- 2) In 2013, about 35% was imported.
- 3) In 2015, the Department of Energy estimates about 21% will be imported.

- No capacity issues



Government

- Not a drag on economy



- Fed policy still expansive



Housing

- Prices up, but modestly



Expansions don't die of old age.

They die because the economy becomes vulnerable to shocks, asset bubbles or a tight FED policy.



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**Average Annualized Quarterly Growth Rates
During Economic Expansions
1954 – 2016***

Source: Bureau of Economic Analysis, National Bureau of Economic Research

<u>Expansion Period</u>	<u>Avg. Growth Rate</u>
May 1954 – August 1957	3.8%
April 1958 – April 1960	6.2%
February 1961 – December 1969	4.9%
November 1970 – November 1973	4.4%
March 1975 - January 1980	4.5%
July 1980 – July 1981	3.2%
November 1982 – July 1990	4.3%
March 1991 – March 2001	3.6%
November 2001 – December 2007	2.8%
June 2009 - Present	2.1%



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*Data through the second quarter 2016

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NATIONAL ECONOMY –

**Continued subpar growth.
But, expansion should
continue.**



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**Greater Phoenix
(73% total non-farm Employment
in the state)**



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Employment Growth From Bottom of Recession to Now Seasonally Adjusted Source: BLS

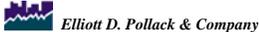
Area	% Change	% of Arizona Growth	2015 Annual Wages
United States	10.9%		\$52,876
Arizona	13.7%	100.0%	\$47,492
Greater Phoenix	16.7%	86.2%	\$49,903
Greater Tucson	7.1%	7.7%	\$41,676
Balance of State	6.0%	6.2%	\$35,733

Arizona—

The State has had a significant recovery in both absolute and relative terms.

It is only when we compare ourselves to previous Arizona recoveries that we look so bad.

The World has Changed...



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Arizona Employment Growth Arizona's Rank Out of 50 States

Source: Arizona State University, U.S. Bureau of Labor Statistics

Year	Rank	Year	Rank
1993	5	2005	2
1994	2	2006	2
1995	2	2007	17
1996	2	2008	46
1997	2	2009	49
1998	1	2010	49
1999	2	2011	27
2000	5	2012	8
2001	9	2013	9
2002	10	2014	17
2003	4	2015	11
2004	2	2016*	8



*YTD August 2016 vs. YTD August 2015 42

Phoenix-Mesa-Scottsdale Employment Growth

(Ranking among all metro areas greater than 1,000,000)
Source: Arizona State University, U.S. Bureau of Labor Statistics

Year	Rank	# MSA's	Year	Rank	# MSA's
1993	2	19	2005	1	26
1994	1	19	2006	1	27
1995	1	20	2007	10	29
1996	1	21	2008	25	29
1997	2	22	2009	23	24
1998	1	23	2010	23	23
1999	3	24	2011	14	25
2000	7	25	2012	10	28
2001	7	26	2013	7	29
2002	5	25	2014	15	31
2003	3	25	2015	11	32
2004	3	25	2016*	6	32

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Why has Arizona growth in this cycle been subpar relative to its historical norm?

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- (1) Sub normal national recovery
- (2) Slowdown in population flows
- (3) Local factors

What has changed?



Growth itself is an economic driver in Arizona–

People moving to the State creates demand for goods and services that create more jobs.

When you grow at 1.8% instead of 3.2%, the part of the economy that is based on servicing new people shrinks.



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**Fewer people mean fewer houses
& less commercial construction.**



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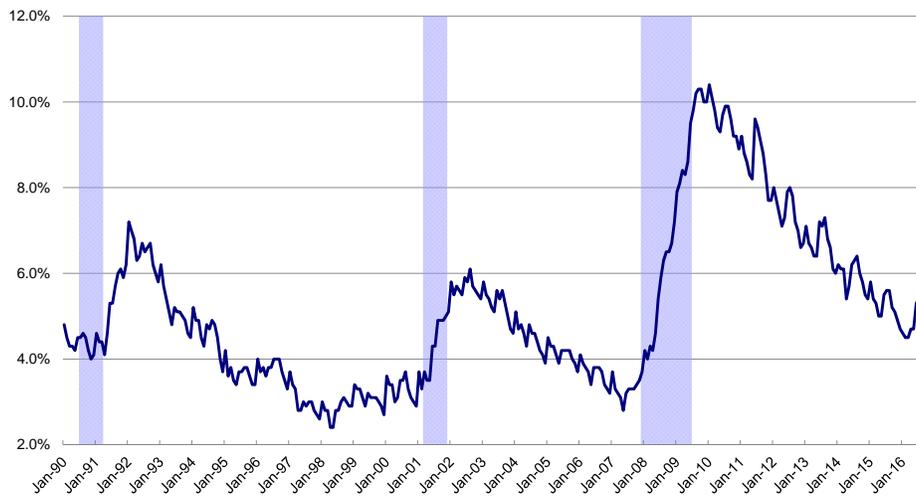
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Less need for migrants (international and national) chasing jobs.

Greater Phoenix Unemployment Rate 1990 – 2016*

Source: Bureau of Labor Statistics

 Recession Periods



Employment Growth

From Bottom of Recession (Start of Recovery)
Greater Phoenix Employment, Seasonally Adjusted

Source: BLS

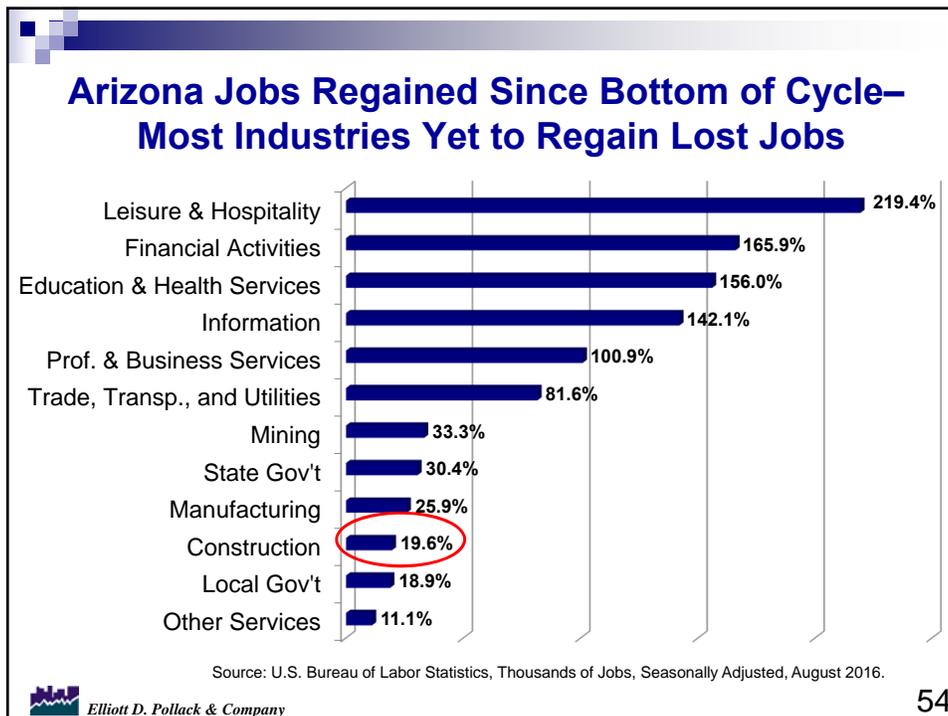
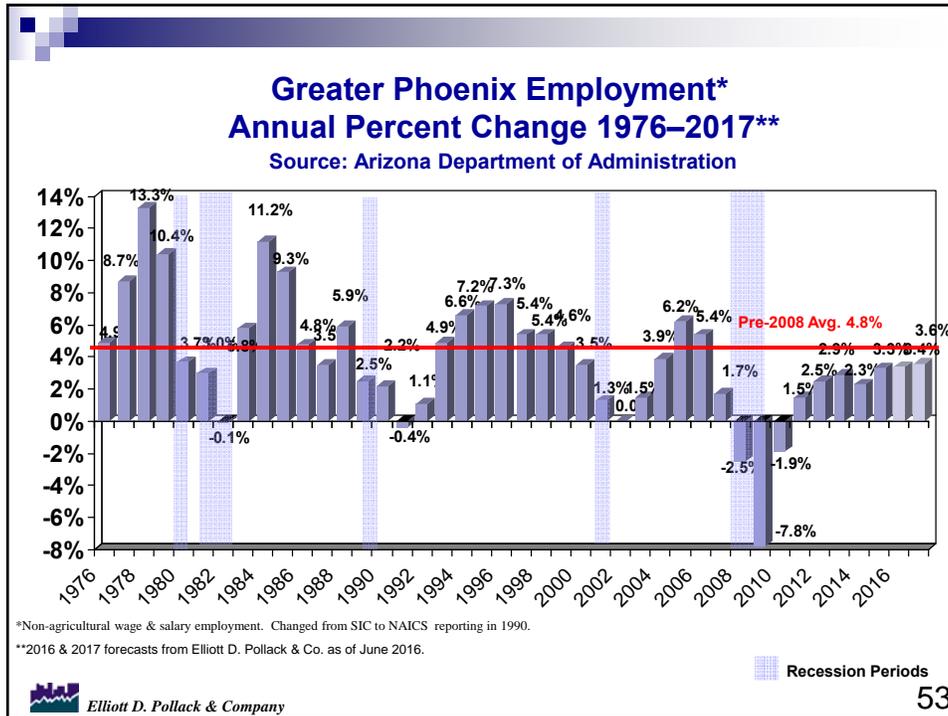
Recession	Emp. Trough	71 mos. Later	% Growth	Avg. Monthly Gain
1974-1975	Dec-74	Nov-80	45.7%	0.64%
1981-1982	Sep-82	Aug-88	43.6%	0.61%
1991	Aug-91	Jul-97	37.9%	0.53%
2001	Dec-01	Nov-07	21.6%	0.30%
2007-2009	Sep-10	Aug-16	16.7%	0.23%

Population Growth after Recessions

Greater Phoenix

Source: ADOA

Start of Recovery	Population	Population 6 years later	% Growth
1975	1,337,700	1,658,988	20.4%
1981	1,658,988	2,102,571	26.7%
1991	2,301,825	2,900,325	26.0%
2001	3,360,062	4,087,390	21.6%
2009	4,186,130	4,482,906	7.1%



Share of Total Non-farm Employment

Source: Bureau of Labor Statistics, U of A Forecasting Project

Industry	Manufacturing		Professional and Business Services		Educational and Health Services	
	U.S.	Greater Phoenix	U.S.	Greater Phoenix	U.S.	Greater Phoenix
1975	21.9%	17.4%	7.8%	9.5%	7.1%	7.1%
1980	20.7%	17.2%	8.3%	9.0%	7.8%	7.1%
1985	18.3%	15.0%	9.1%	10.4%	8.9%	7.6%
1990	16.2%	13.4%	9.9%	10.9%	10.1%	9.0%
1995	14.7%	12.1%	10.9%	13.7%	11.4%	9.2%
2000	13.1%	10.2%	12.6%	16.7%	11.6%	8.7%
2005	10.6%	7.6%	12.6%	16.5%	13.2%	10.4%
2010	8.8%	6.5%	12.8%	16.0%	15.3%	14.1%
2015	8.7%	6.3%	13.9%	16.8%	15.5%	14.7%

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2015 Average Annual Wages

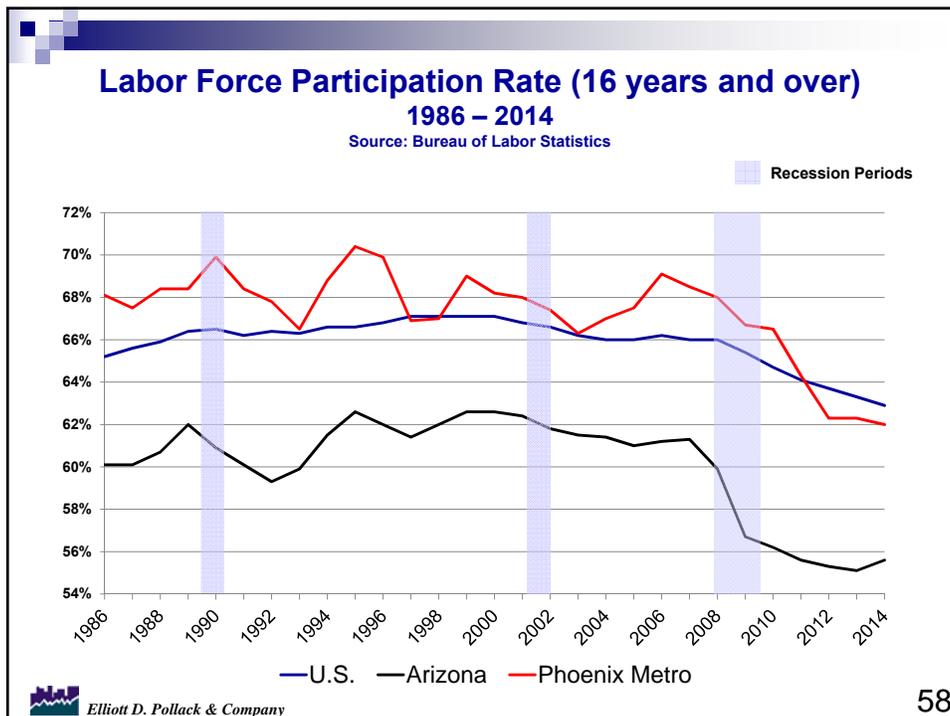
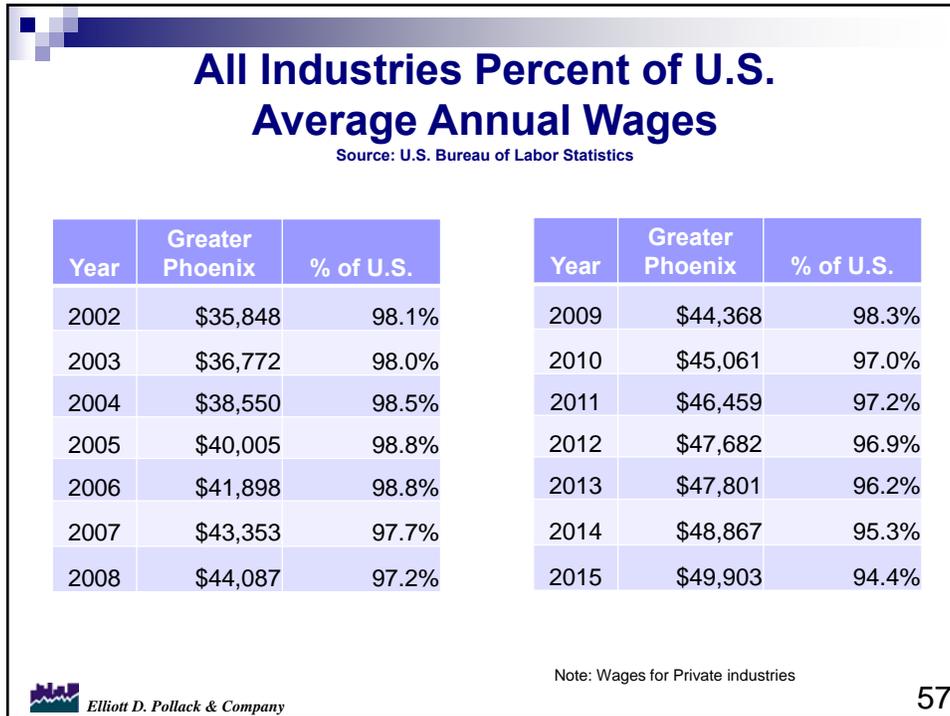
Source: U.S. Bureau of Labor Statistics

Industry	U.S.	Greater Phoenix	% of U.S.
All Industries	\$52,876	\$49,903	94.4%
Natural resources and mining	\$58,461	\$48,385	82.8%
Construction	\$57,009	\$52,223	91.6%
Trade, trans., and utilities	\$64,305	\$73,002	113.5%
Manufacturing	\$44,321	\$45,549	102.8%
Information	\$95,098	\$67,060	70.5%
Financial activities	\$87,915	\$67,235	76.5%
Professional and business services	\$69,270	\$54,947	79.3%
Education and health services	\$47,383	\$49,911	105.3%
Leisure and hospitality	\$21,807	\$23,309	106.9%
Other services	\$35,116	\$35,142	100.1%

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Note: Wages for Private industries

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Where are the Inflows of Population?



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For the U.S. as a Whole

- 2001 – 2005
- 2011 – 2015

Total Movers down 25.9%

- Movers from abroad (down 21.3%)
- Movers from other states (down 35.9%)
- Movers from other counties
in the state (down 16.2%)



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Note: Does not include in-state movers

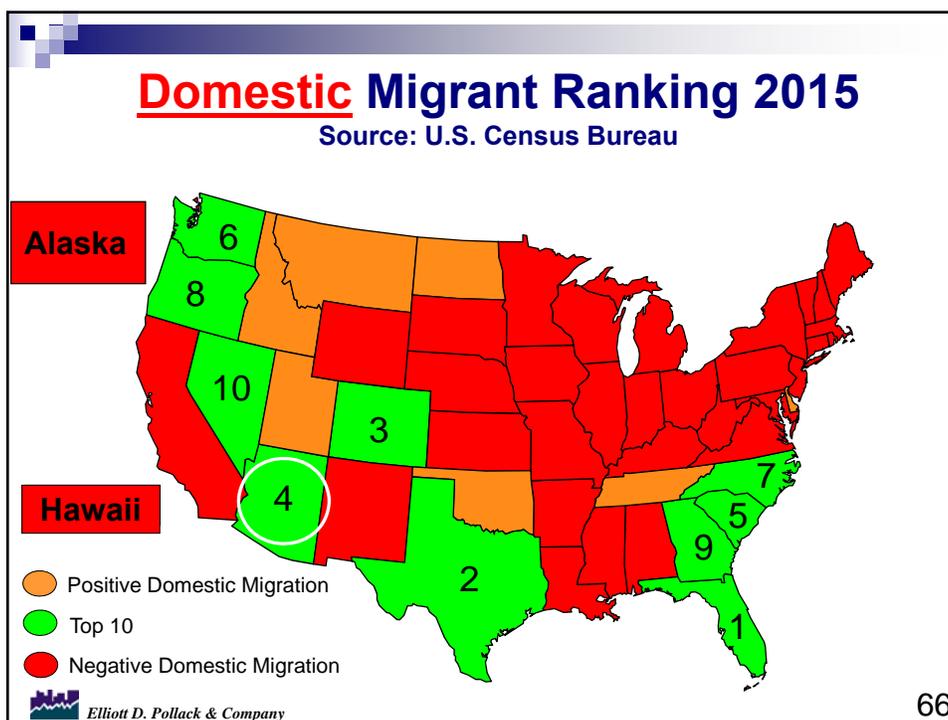
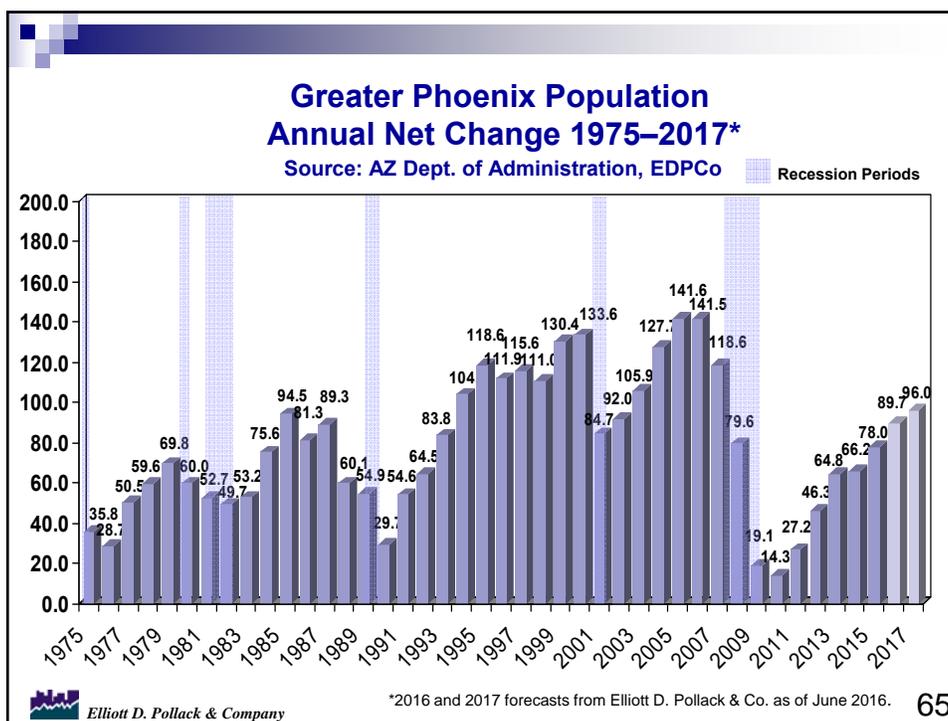
60

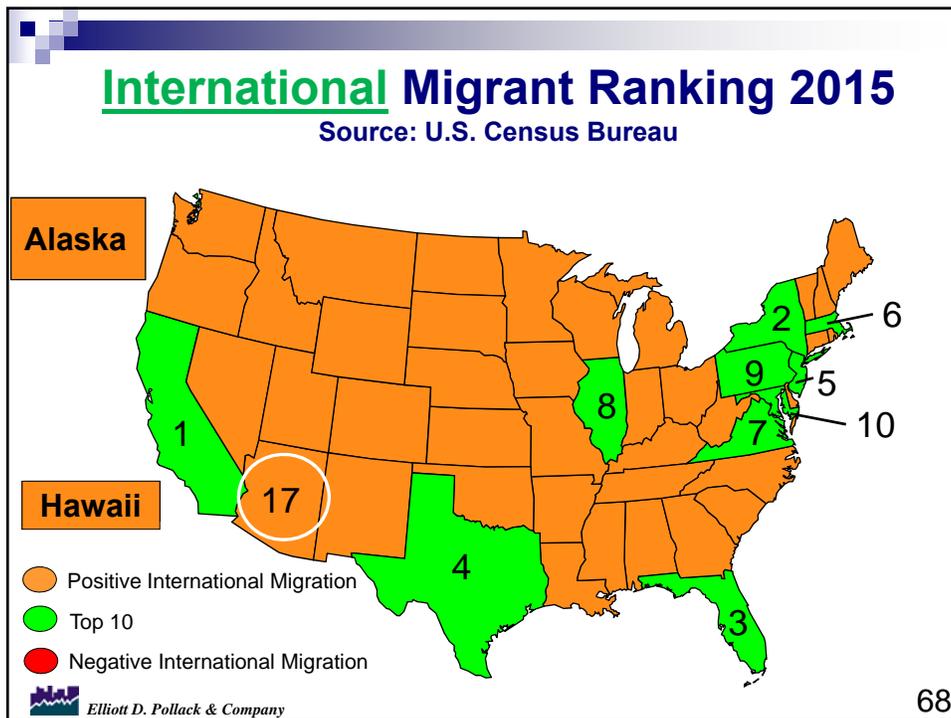
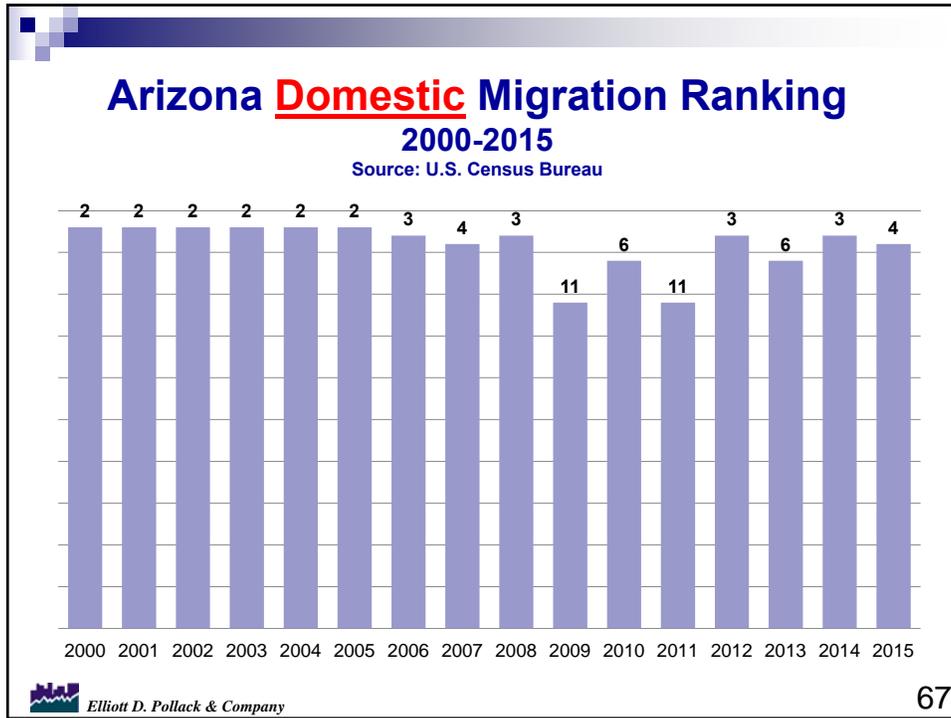
Arizona Capture Rate (from abroad and between states)

- 2001 – 2005 = 7.6%
- 2011 – 2015 = 3.2%

Conclusion:

- Due to the lack of national, international, and in state population flows:
 1. Jobs that would have been created by the domestic demand from people moving here has also been reduced.
 2. It has taken longer to absorb the excess inventory of single family, office, etc. Construction employment has suffered.





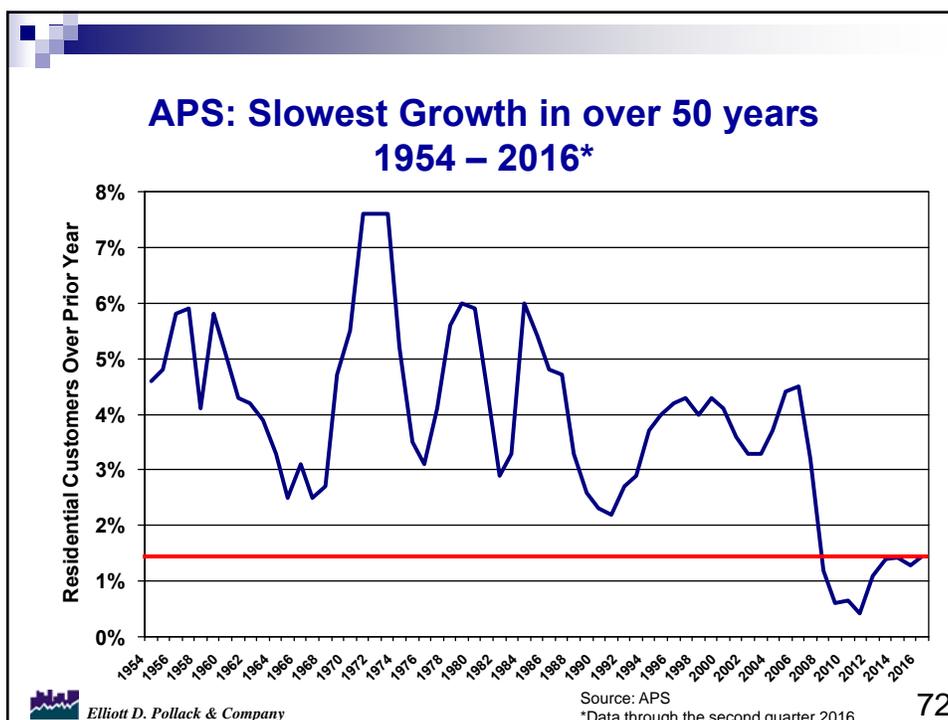
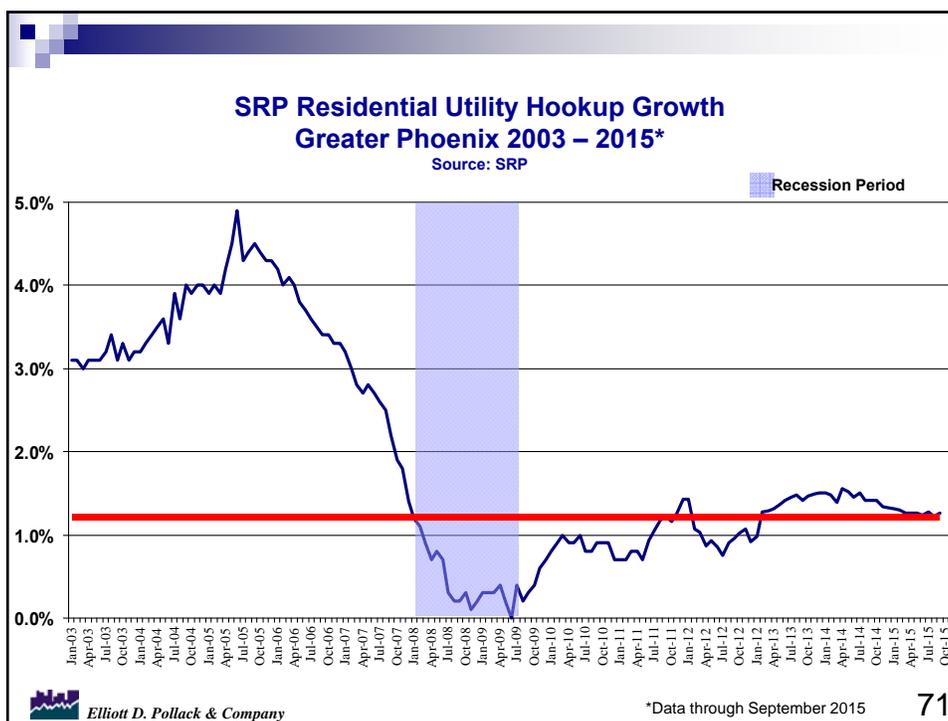


U.S. Population Flows

Source: U.S. Census Bureau

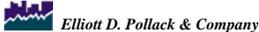
YEAR	% of Pop Moved	% of Movers in the Same County	% of Movers From Abroad	% of Movers From Other States	% of Movers From Other Counties in State
2000	16.1%	56.2%	4.0%	19.4%	20.3%
2005	13.9%	57.0%	4.7%	18.7%	19.7%
2010	12.5%	69.2%	2.6%	11.5%	16.6%
2015	11.6%	63.1%	4.6%	14.0%	18.3%

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SLOWLY!



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Greater Phoenix Population

Source: U.S. Census Bureau; AZ Dept. of Administration; University of Arizona Forecasting Project; EDPCo

Greater Phoenix Population Estimates and Projections			
Population	2015	2016	2017
EDPCo			
Forecast as of June 2016	4,482,906	4,572,564	4,668,588
Net Change	78,018	89,658	96,024
% Change	1.8%	2.0%	2.1%
U of A Forecasting Project			
Forecast as of 2016 Q3	4,482,906	4,567,426	4,661,325
Net Change	78,018	84,520	93,899
% Change	1.8%	1.9%	2.1%
Arizona Dept. of Administration			
Forecast as of 2015 Q4	4,482,906	4,569,800	4,661,600
Net Change	78,018	86,894	91,800
% Change	1.8%	1.9%	2.0%



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Greater Phoenix Population

Source: U.S. Bureau of Census; Arizona Department of Administration; University of Arizona Forecasting Project

YEAR	POPULATION	APR
1960	726,183	6.9%
1970	1,039,807	3.7%
1980	1,600,093	4.4%
1990	2,238,498	3.4%
2000	3,251,876	3.8%
2010	4,192,887	2.6%
2015	4,482,906	1.3%
2020*	4,956,480	2.0%
2025*	5,444,540	1.9%



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*Forecasts as of 2016 Q3

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**If you believe that
population forecast,
it implies an average of
about 20,000 single family units will
be built each year
from 2015 through 2020.**



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How quickly will housing recover?

Parade of Horribles for Housing is Less Scary



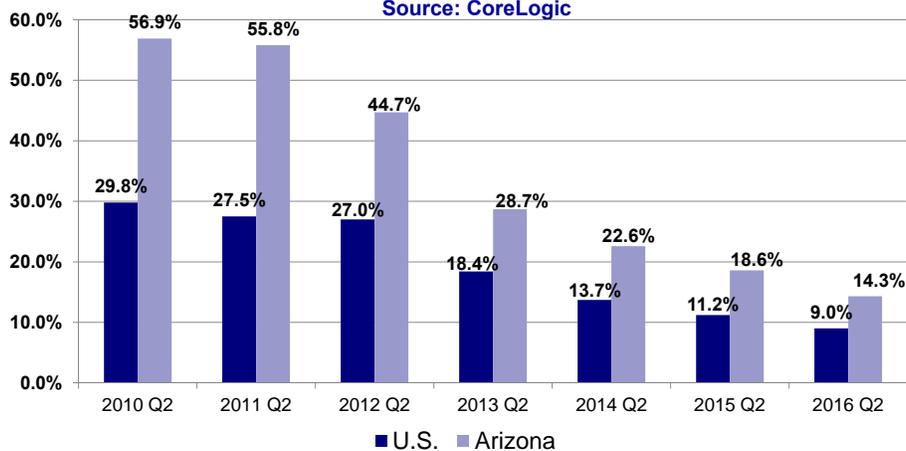
What is keeping potential buyers out of the housing market?

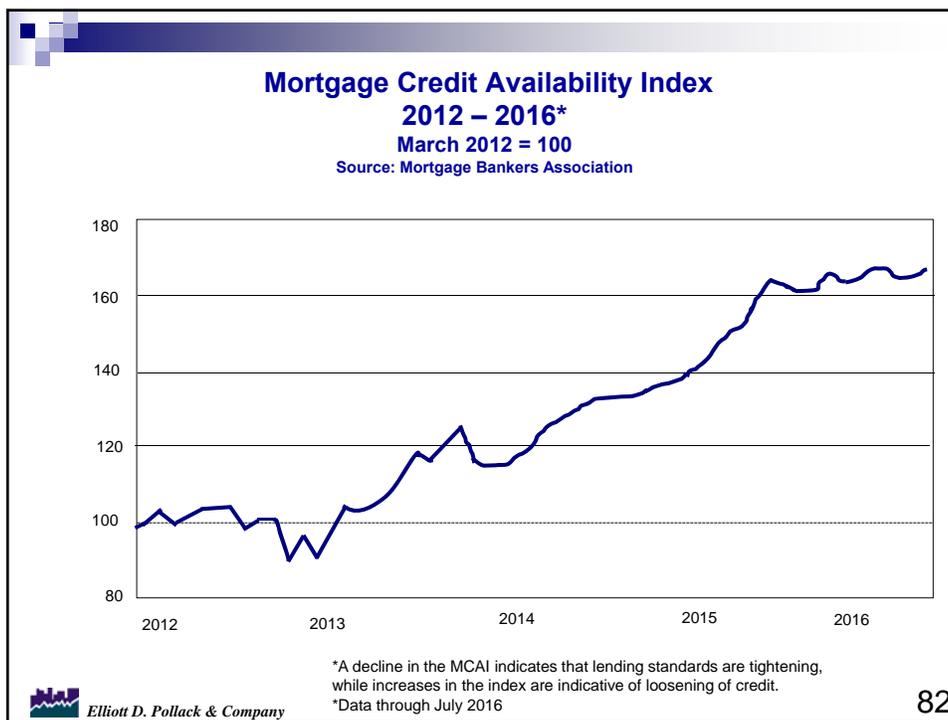
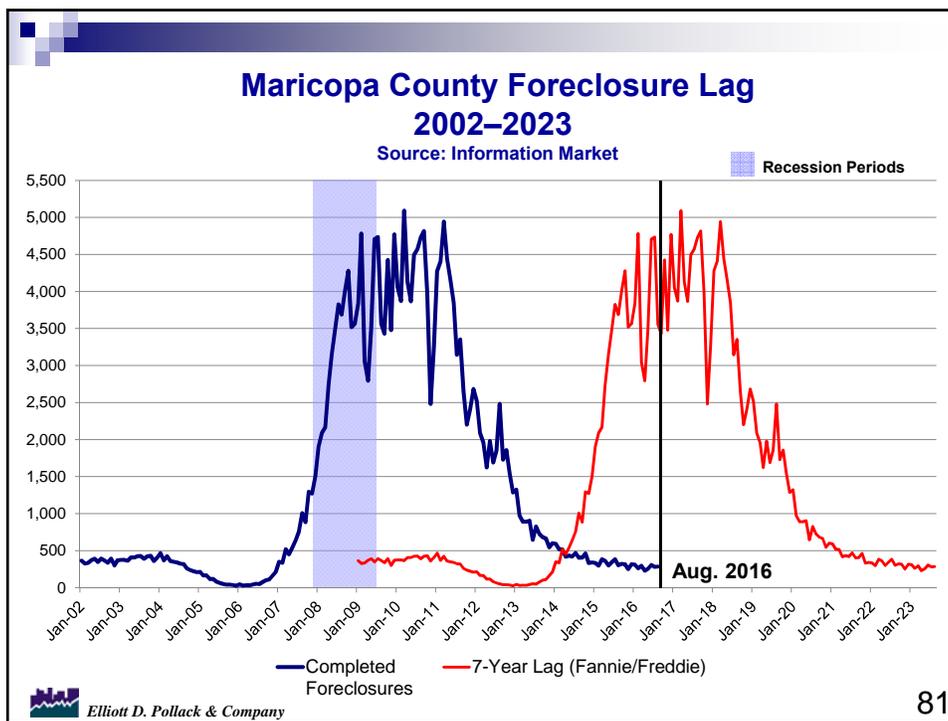
Parade of horrors:

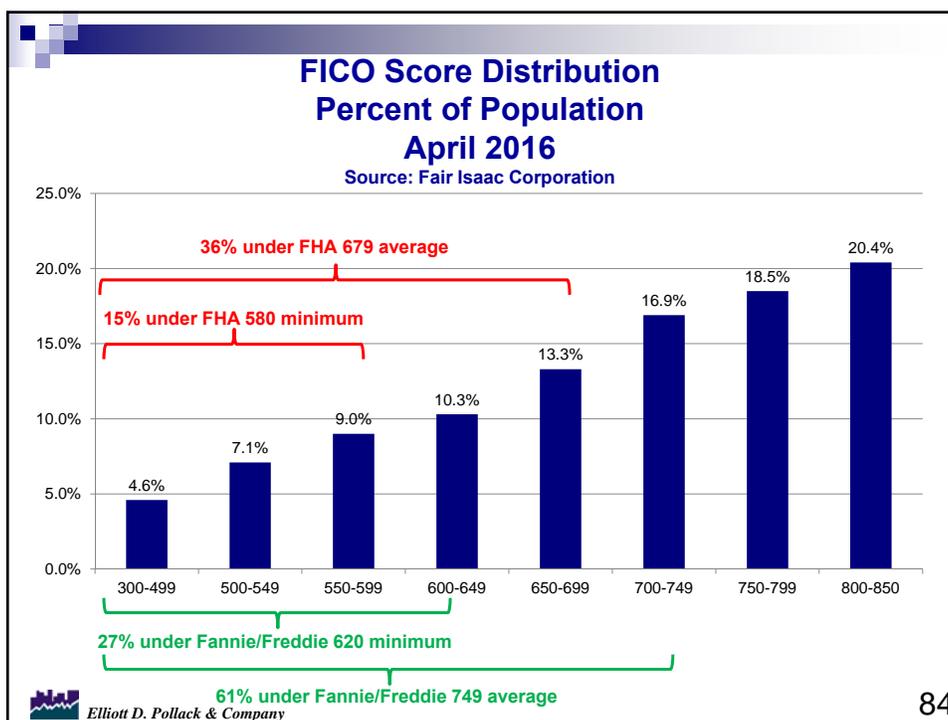
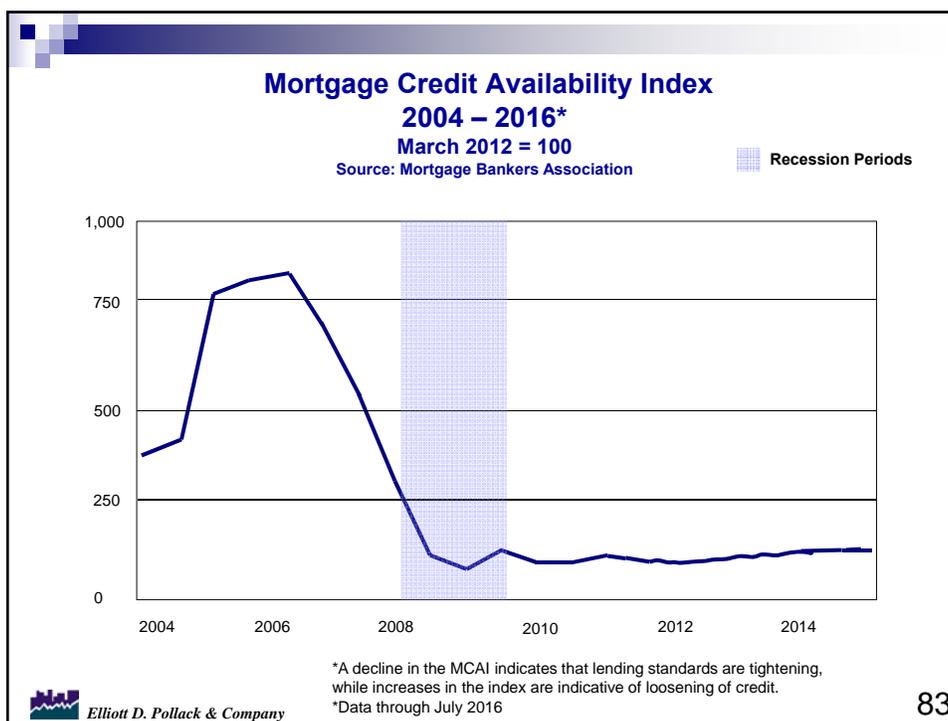
- (1) Negative Equity
- (2) FHA Loan Limit
- (3) Foreclosures
- (4) Short Sales
- (5) Millennials
- (6) Student Loans
- (7) Tougher Loan Standards

U.S. and Arizona Negative Equity Share Plus Near Negative Equity Share 2010–2016

Source: CoreLogic





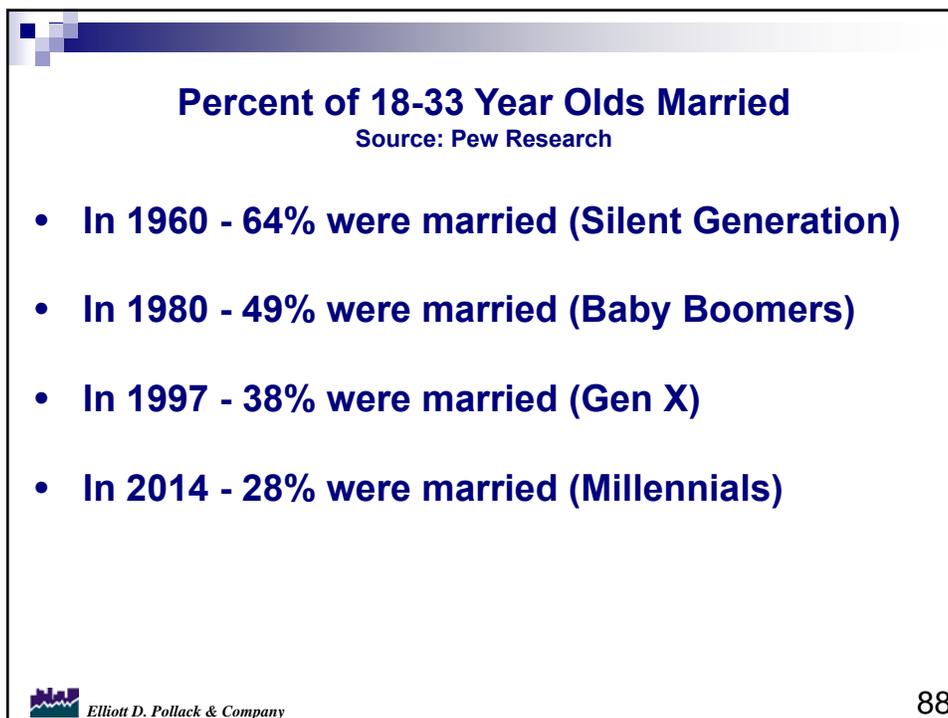
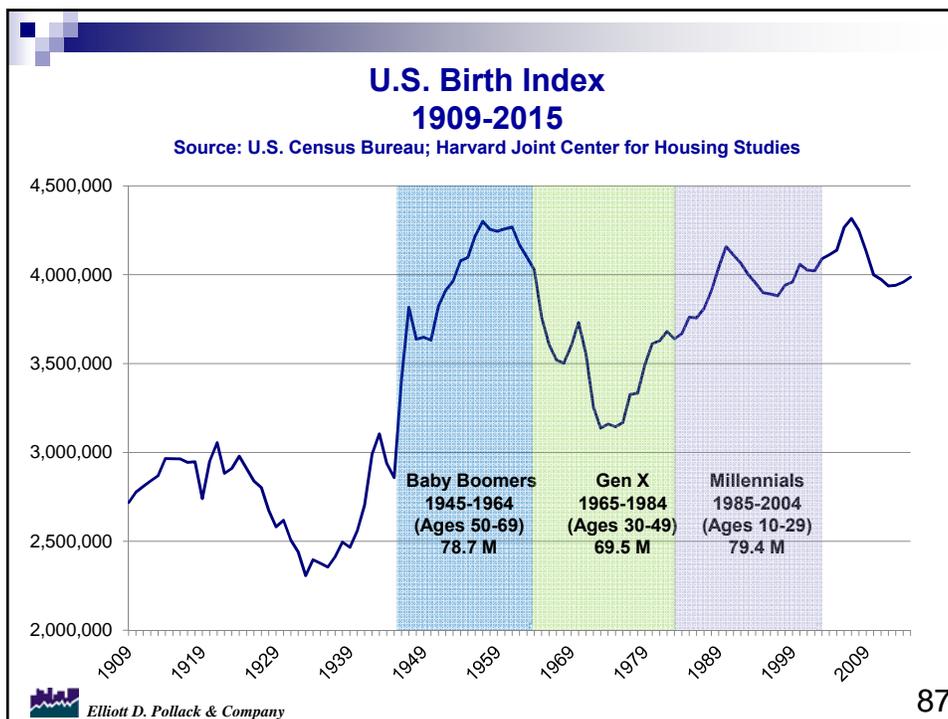


Good news for housing.

- (1) Economic growth is good in Greater Phoenix
- (2) Mortgage rates are low & lending is loosening up a bit
- (3) Affordability is still good

Millennials





**When you delay marriage you
delay children. That delays
housing. That delays demand for
housing “stuff”.**



**Total Student Loan Debt Has
Quadrupled!**

Total Student Loan Balances Billions of Dollars

Source: Federal Reserve Bank of New York Consumer Credit Panel / Equifax

Year	TOTAL
2004 Q2	\$262.9
2005 Q2	\$374.4
2006 Q2	\$438.9
2007 Q2	\$514.0
2008 Q2	\$586.3
2009 Q2	\$675.4
2010 Q2	\$761.7
2011 Q2	\$851.4
2012 Q2	\$914.0
2013 Q2	\$994.0
2014 Q2	\$1,118.0
2015 Q2	\$1,190.0
2016 Q2	\$1259.0

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Expenses that Delayed Saving for a Down Payment or Home Purchase - 2015 By Age

Source: National Association of Realtors 2015

	All Buyers	35 and younger	35 to 50	51 to 60	61 to 69	70 to 90
Student Loans	51%	53%	31%	9%	5%	3%
Credit Card Debt	47%	35%	44%	36%	23%	19%
Car Loan	35%	31%	20%	17%	7%	6%
Child Care Expenses	18%	14%	18%	6%	2%	*
Health Care Costs	13%	10%	9%	13%	13%	11%
Other	17%	17%	24%	46%	62%	71%
Median Years Delayed	3	3	4	5	6	5

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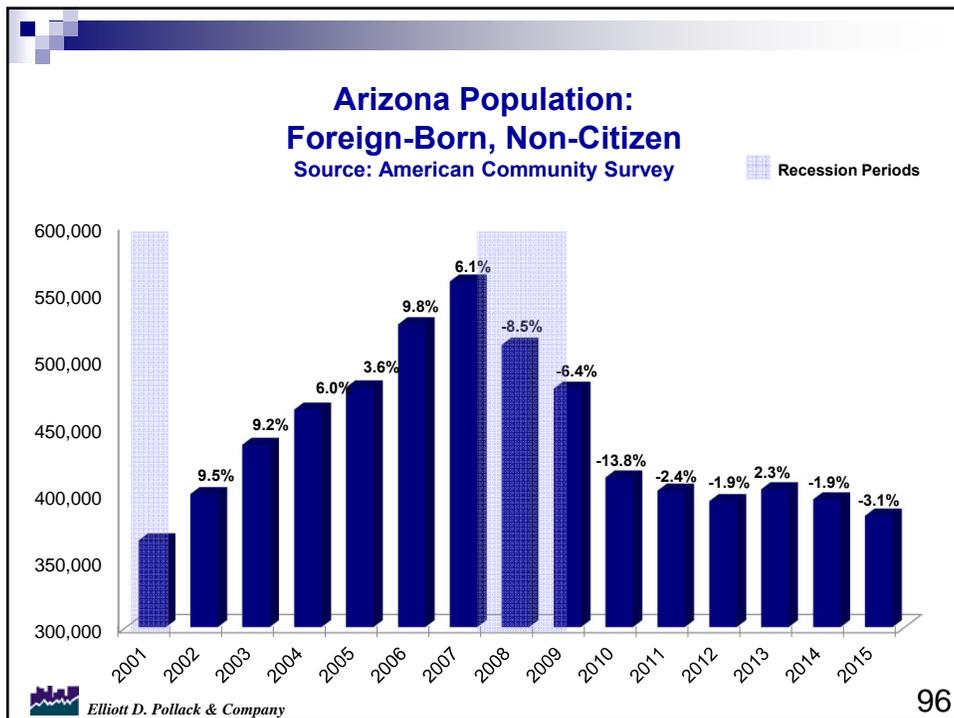
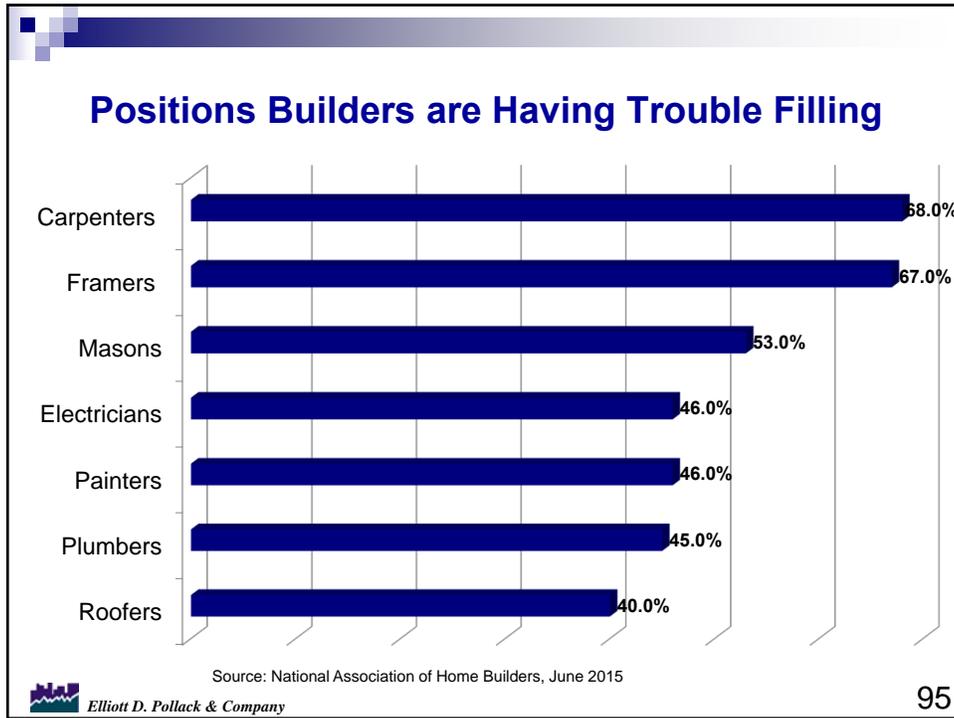
Student Loan Impact on Economy

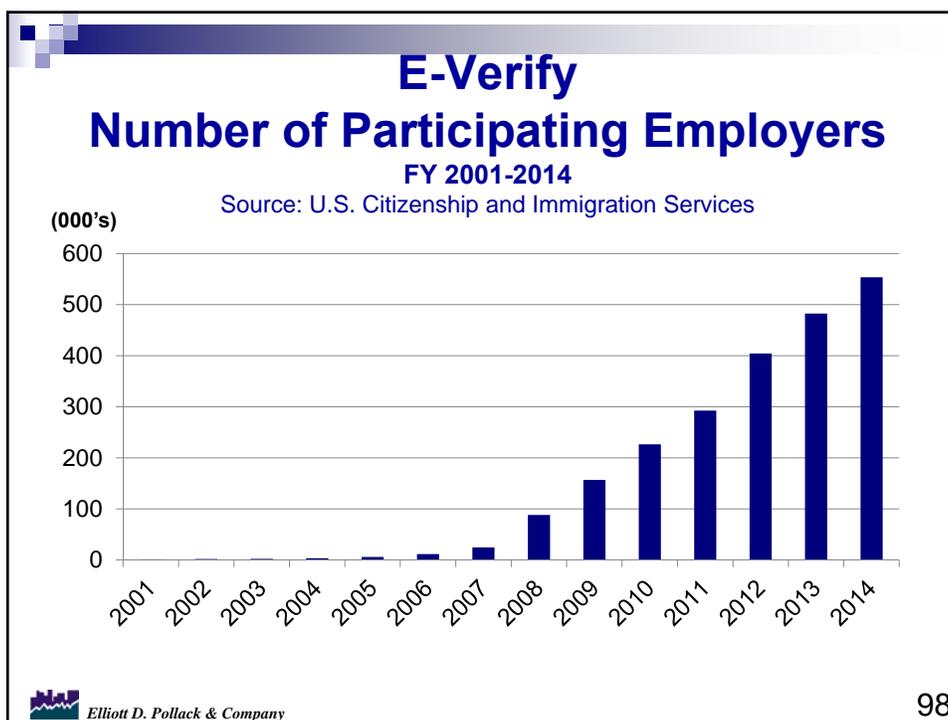
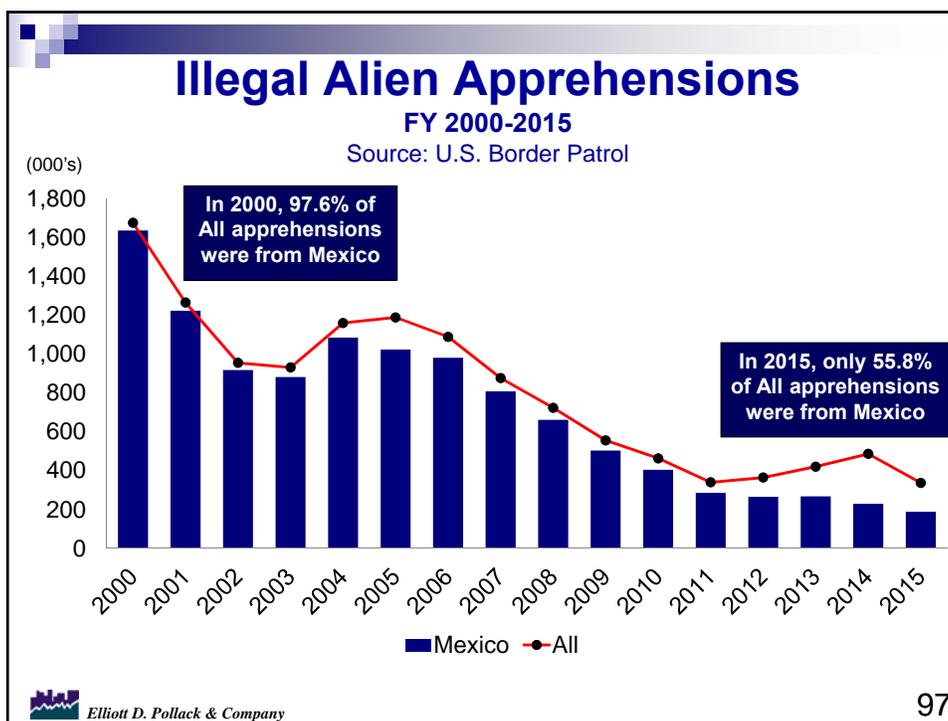
If people are paying student loan debt, they are not buying houses, furniture, beers, etc. Unless incomes are higher because of their degree.



Who do we hire if there is a construction labor shortage?



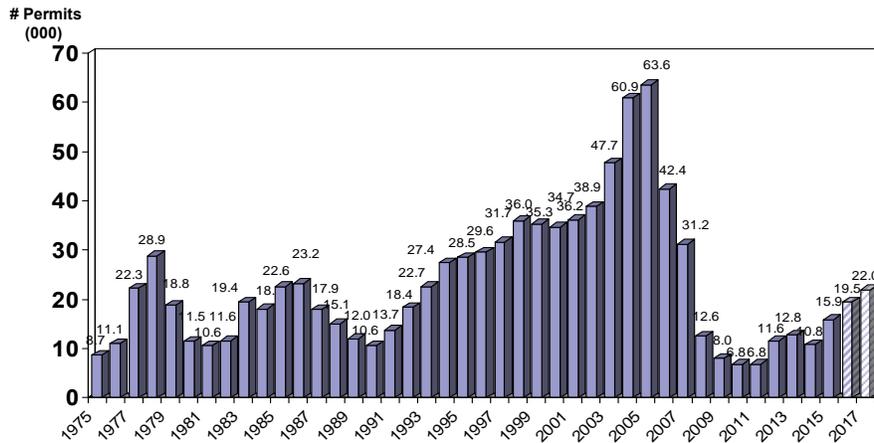




The housing recovery is likely to continue.

Single Family Permits Greater Phoenix 1975–2017*

Source: RL Brown & Elliott D. Pollack & company



*2016 and 2017 forecast is from Elliott D. Pollack & Company as of second quarter 2016.

Multi-Family

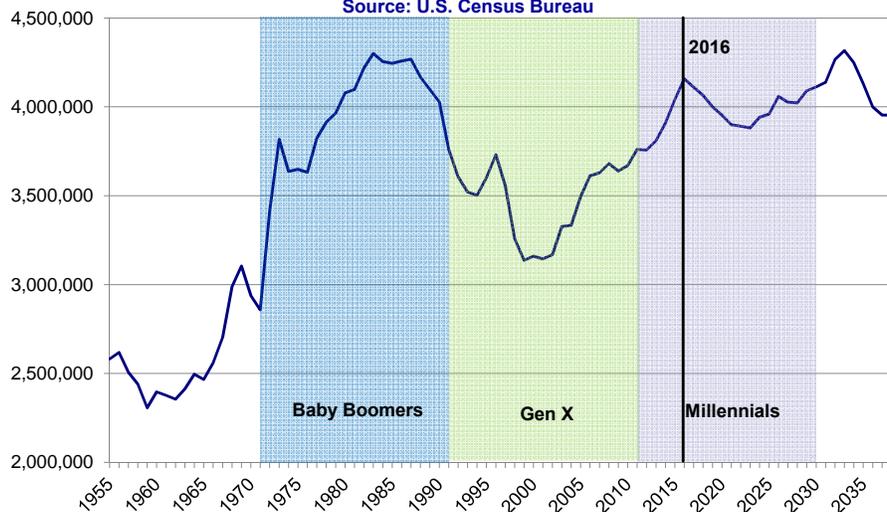


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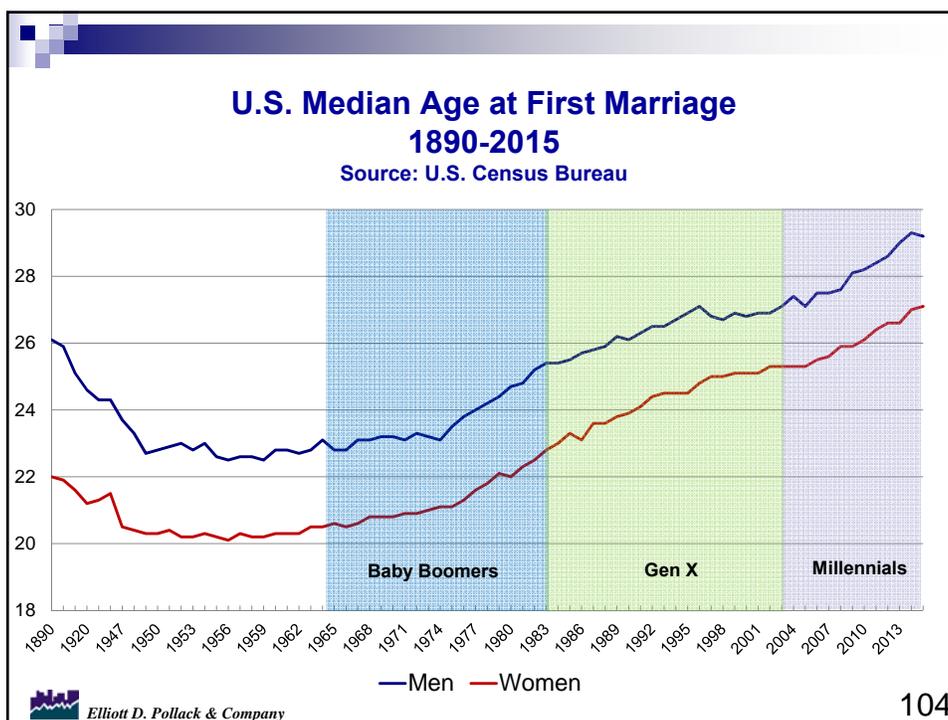
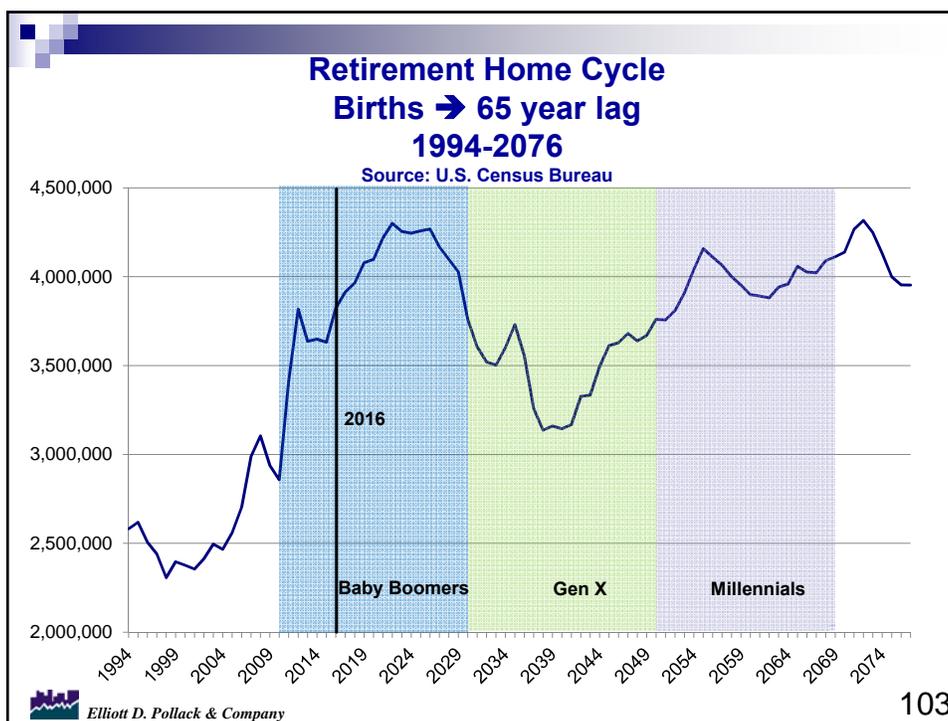
Apartments Births → 26 year lag 1955-2038

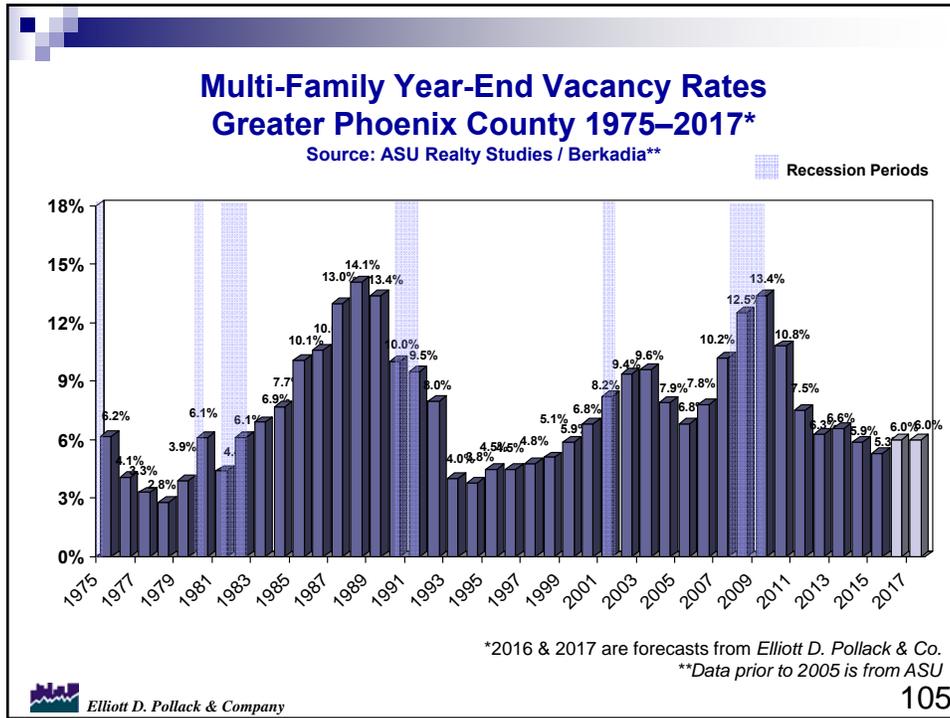
Source: U.S. Census Bureau



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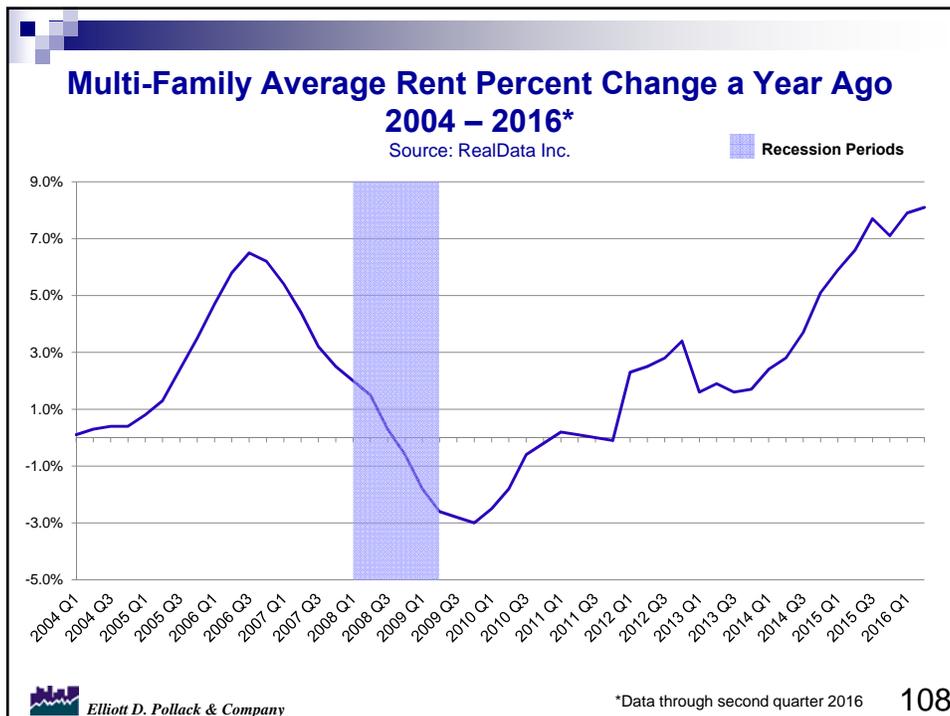
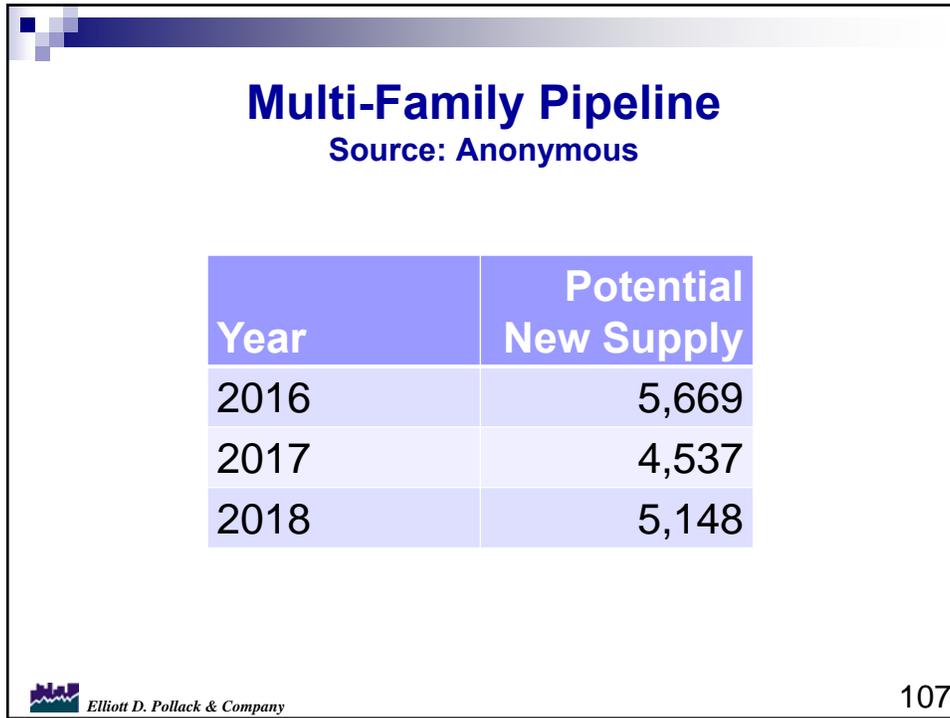


Multi-Family Housing Market

Source: PMHS, Kasten Long, and RealData

	<u>Absorption</u>	<u>Completions</u>
2007	(5,846)	4,637
2008	(4,466)	7,037
2009	(5,319)	6,737
2010	20,743	698
2011	2,154	910
2012	3,028	2,031
2013	4,822	4,452
2014	4,716	5,658
2015	3,728	6,720

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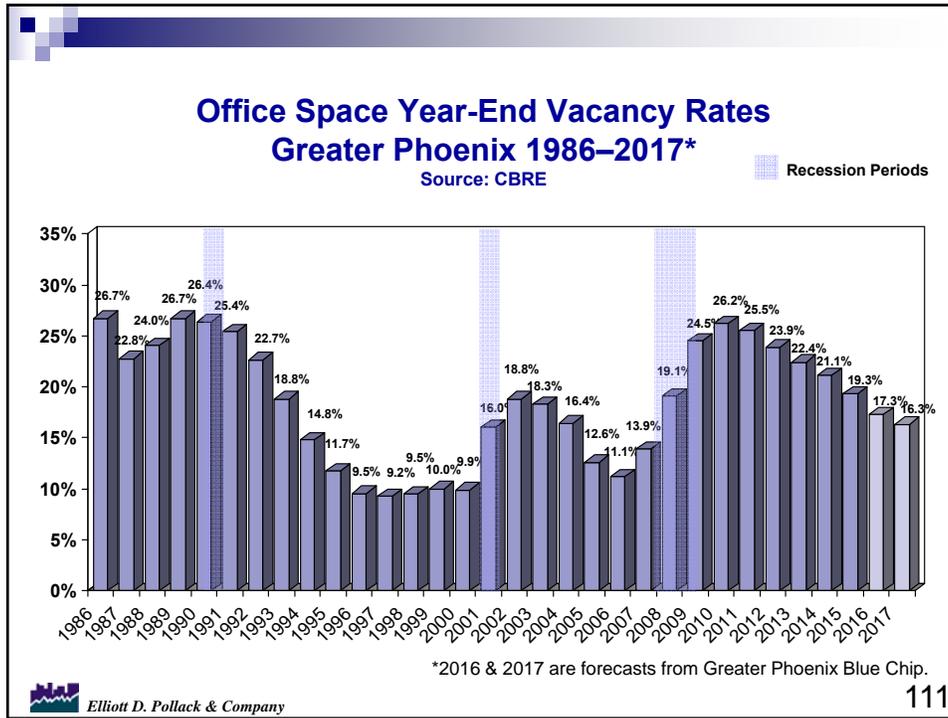


Multi-Family Outlook

Higher population growth and continued weak homeownership suggests the outlook for apartments is excellent.

OFFICE





Greater Phoenix Office Market*

Source: CBRE

Year	Absorption (sf)	Chg in Inventory (sf)
2005	3,119,293	7,987
2006	3,245,888	2,320,302
2007	1,500,704	4,905,374
2008	(603,112)	3,402,646
2009	(667,329)	1,798,415
2010	233,670	2,011,404
2011	1,857,433	3,144,910
2012	2,020,529	973,282
2013	1,721,366	(35,566)
2014	1,969,716	1,107,906
2015	3,779,039	3,763,828
2016**	2,003,933	451,206

*All Leased multi-tenant space greater than 10,000 SF.
** Data through the second quarter 2016

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As of the second quarter 2016, there were 1.8 million square feet of total office space under construction including 987,605 square feet of speculative office space.

Source: CBRE



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Under any reasonable employment growth scenario, we believe it will be at least 2017-2018 before any significant office construction occurs (although some sub-markets like Tempe will be sooner).



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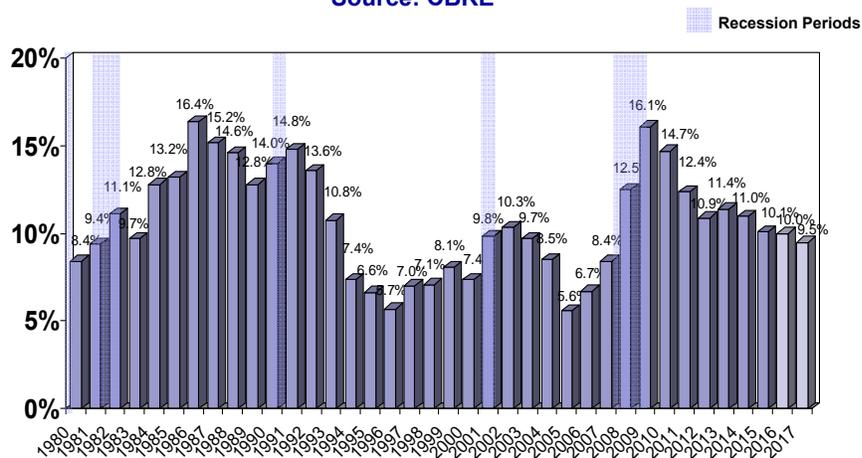
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INDUSTRIAL



Industrial Space Vacancy Rates Greater Phoenix 1980 – 2017*

Source: CBRE



Greater Phoenix Industrial Market

Source: CBRE

Year	Absorption (sf)	Chg in Inventory (sf)
2005	13,349,129	7,072,477
2006	6,032,175	7,829,959
2007	8,359,835	13,914,181
2008	629,838	13,467,215
2009	(4,649,352)	4,753,218
2010	4,455,097	2,451,202
2011	7,753,111	2,842,185
2012	7,405,168	3,358,724
2013	8,783,982	8,902,571
2014	6,214,680	6,791,313
2015	7,046,663	3,966,434
2016*	5,021,394	2,492,687



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*Data through the second quarter 2016

117

**As of the second quarter 2016,
there was 3.5 million square feet
of total industrial space under
construction including
2.1 million square feet
of speculative industrial space.**

Source: CBRE



Elliott D. Pollack & Company

118

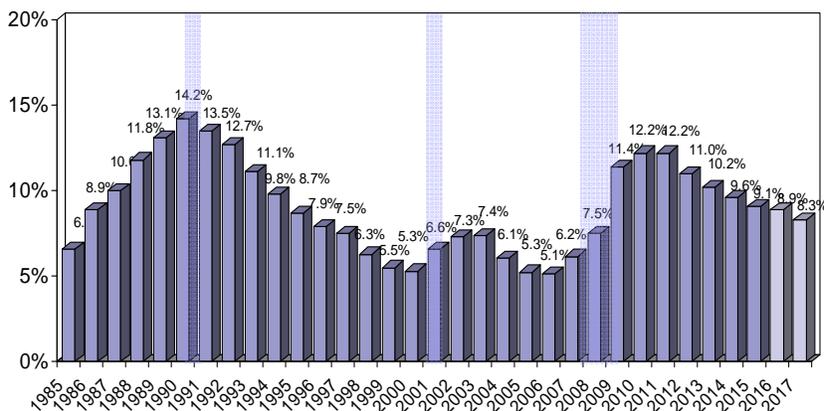
RETAIL



Retail Space Vacancy Rates Greater Phoenix 1985–2017*

Source: CBRE**

Recession Periods



*2016 & 2017 are forecasts from the Greater Phoenix Blue Chip

** Data prior to 1992 is from Grubb & Ellis

Greater Phoenix Retail Market

Source: CBRE

Year	Absorption (sf)	Chg in Inventory (sf)
2005	6,708,155	6,248,789
2006	5,244,597	4,582,618
2007	9,424,362	11,104,865
2008	3,395,986	6,229,205
2009	(1,117,100)	4,405,985
2010	(75,352)	902,380
2011	(152,647)	24,543
2012	1,879,005	184,932
2013	1,579,202	(325,959)
2014	1,487,313	(49,225)
2015	1,150,192	164,859
2016*	521,159	421,077



Elliott D. Pollack & Company

*Data through the second quarter 2016

121

**As of the second quarter 2016,
there were 918,961 square feet
of total retail space
under construction and 0
square feet of speculative retail
construction.**

Source: CBRE



Elliott D. Pollack & Company

122

CONCLUSIONS: How will it all turn out?

 MEN	 WOMEN
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 Elliott D. Pollack & Company 123

The World has Changed...


Whichever

 Elliott D. Pollack & Company 124

Economy should continue to grow.



Arizona–

No traditional boom in Arizona until population increases more rapidly.



Given where we are in the cycle, this could be the new “Boom!”

“The time to repair the roof is when the sun is shining.”

[State of the Union Address January 11, 1962]

— John F. Kennedy



**For this cycle this is
“shining”**

Arizona Forecasts

	Actuals		Forecast	
	2014	2015	2016	2017
Population	1.3%	1.4%	1.8%	1.8%
Employment	1.9%	2.6%	2.8%	2.9%
Construction Employment	1.3%	2.0%	7.0%	10.0%
Manufacturing Employment	0.7%	1.0%	1.0%	2.0%
Retail Sales	4.4%	8.3%	4.0%	4.0%
Permits	-3.7%	28.0%	18.0%	10.0%
Personal Income	4.7%	4.5%	4.9%	5.1%



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FINANCE ADVISORY COMMITTEE CASH FLOW UPDATE

October 2016

OFFICE OF THE STATE
TREASURER

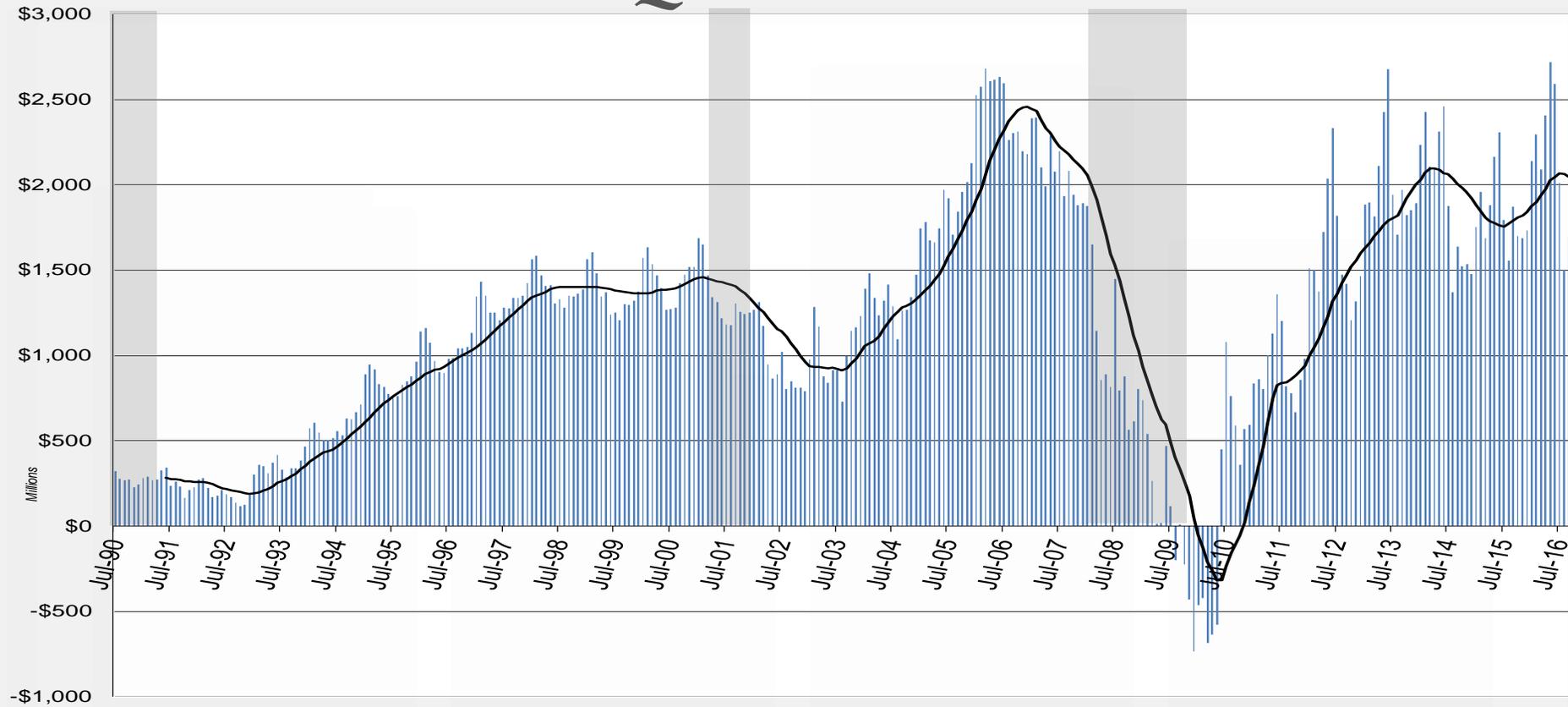
THE HONORABLE JEFF DEWIT



STATE CASH FLOW

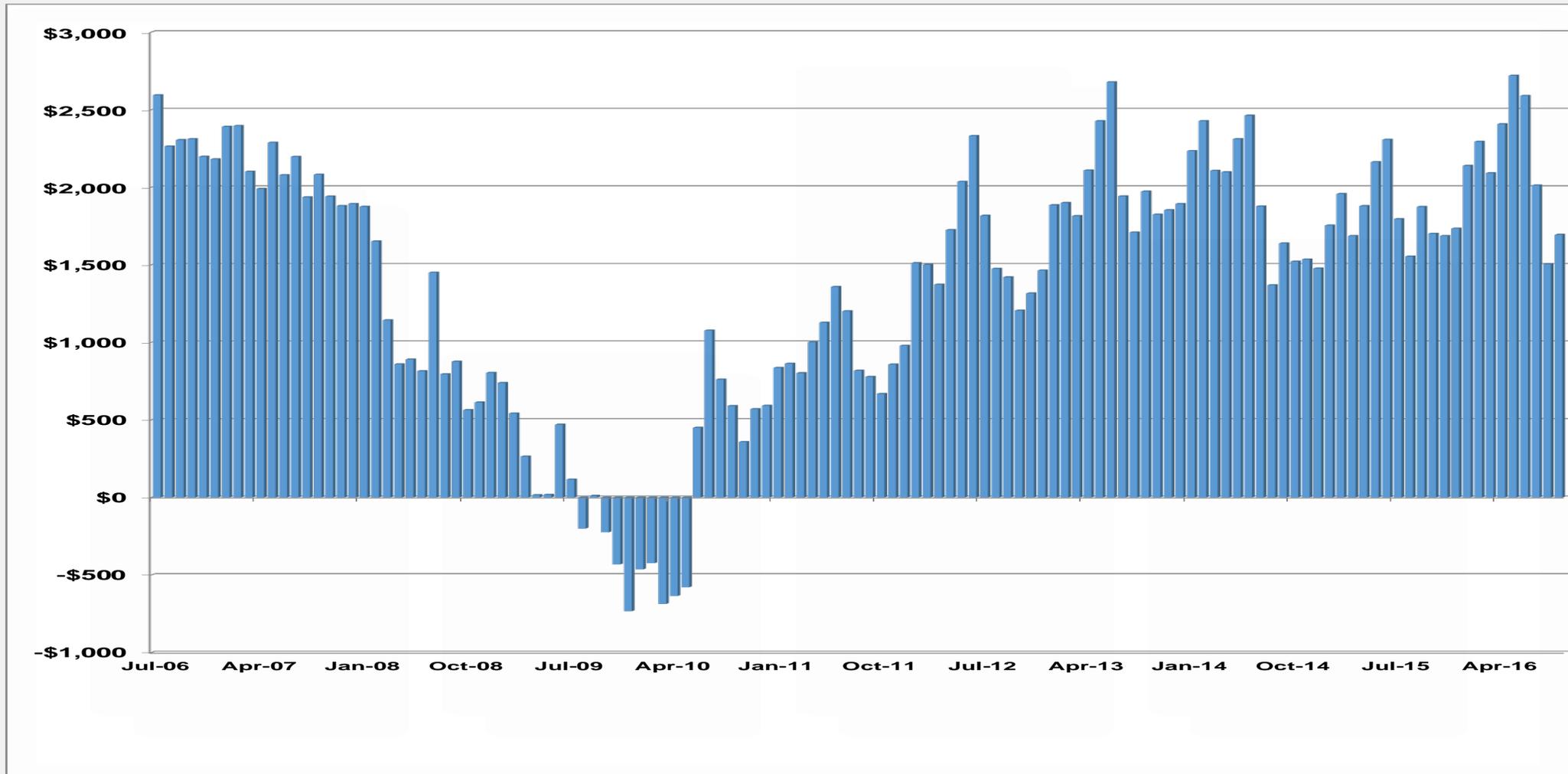
TOTAL OPERATING ACCOUNT AVERAGE MONTHLY BALANCE

Flat in Q1 FY 2017 YOY



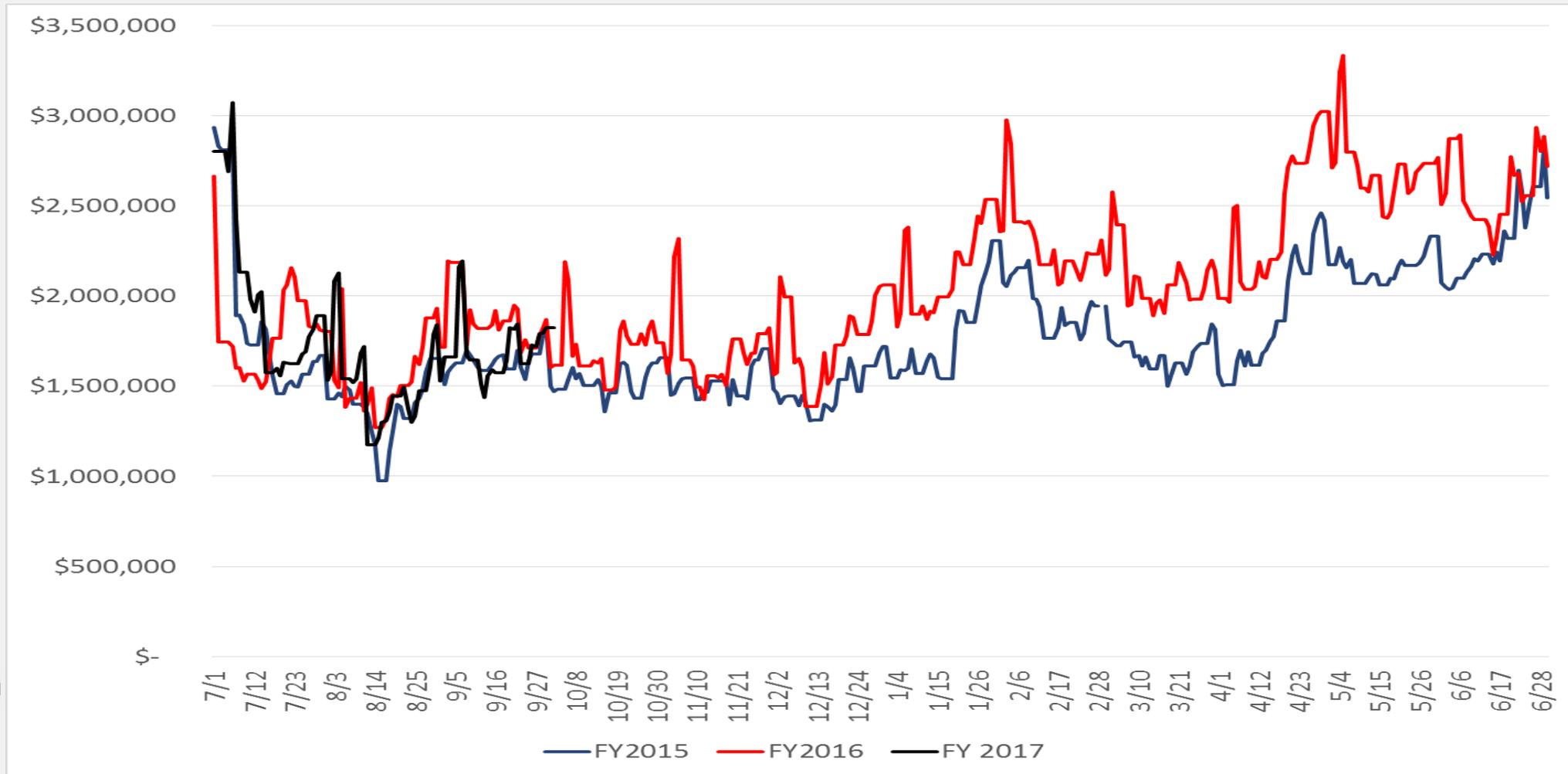
STATE CASH FLOW

State Operating Balance FY 2007 - FY 2017 YTD



STATE CASH FLOW

YTD FY 2017 Cash Flow vs. Last Two Fiscal Years



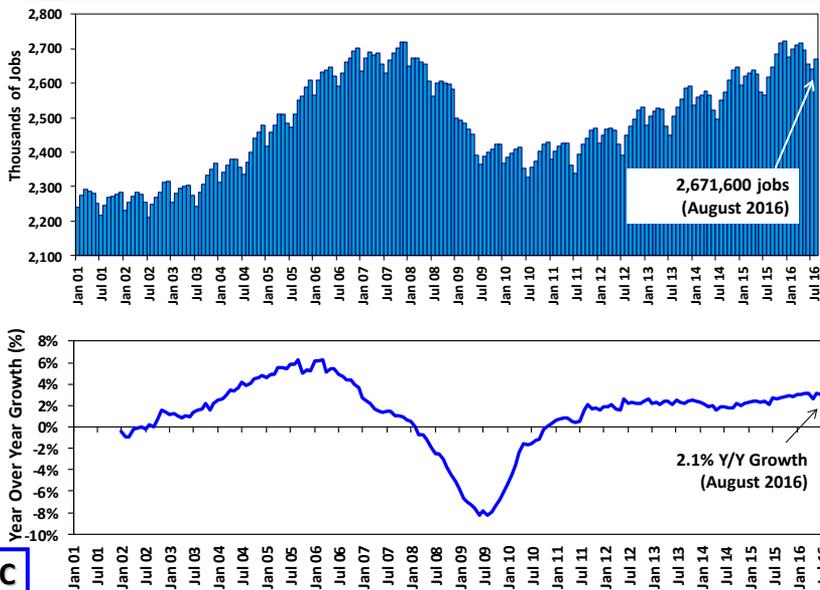
Arizona Economic Trends

September 2016

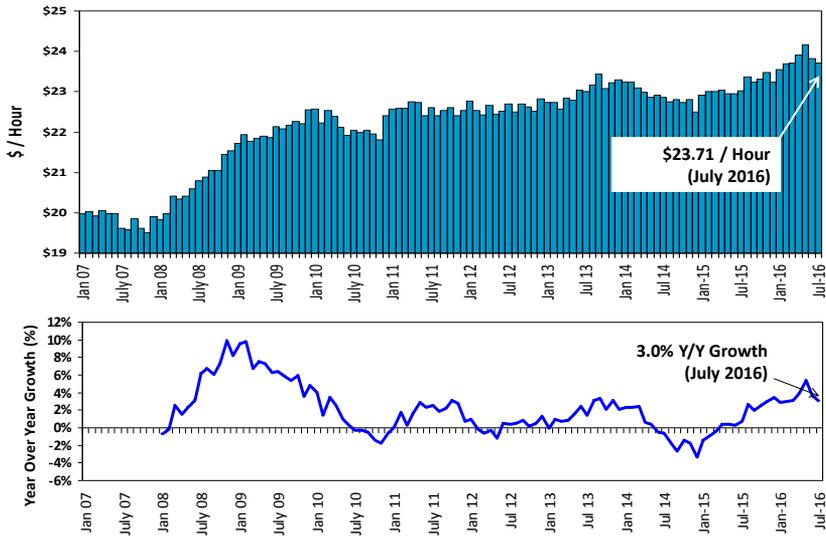
Page:

- 2.....Total Non-Farm Employment
- 3.....Average Hourly Earnings – Private Sector
- 4.....Initial Claims for Unemployment Insurance
- 5.....State Sales Tax Collections – Retail Category
- 6.....State Sales Tax Collections – Contracting Category
- 7.....Residential Building Permits
- 8.....Economic Activity Index

Total Non-Farm Employment



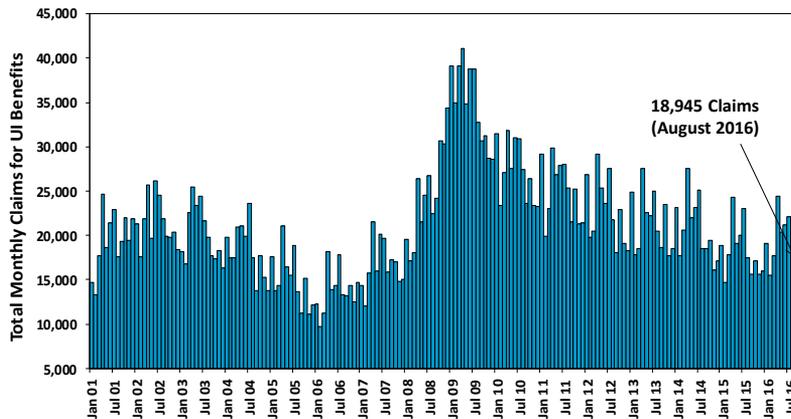
Average Hourly Earnings – Private Sector



JLBC

3

Initial Claims for Unemployment Insurance

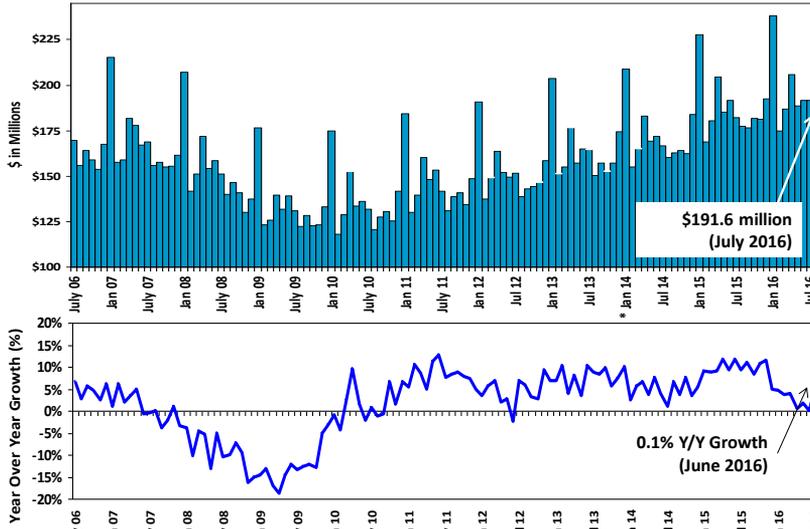


Not seasonally adjusted

JLBC

4

State Sales Tax Collections – Retail Category



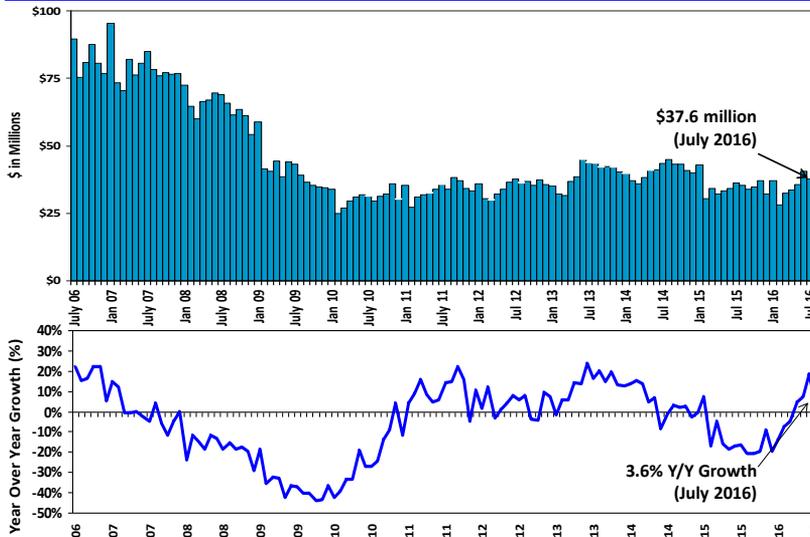
JLBC

Excludes temporary 1 ¢ sales tax

* January 2014 estimate adjusted downward by \$30 million to reflect one-time category shift.

5

State Sales Tax Collections – Contracting Category

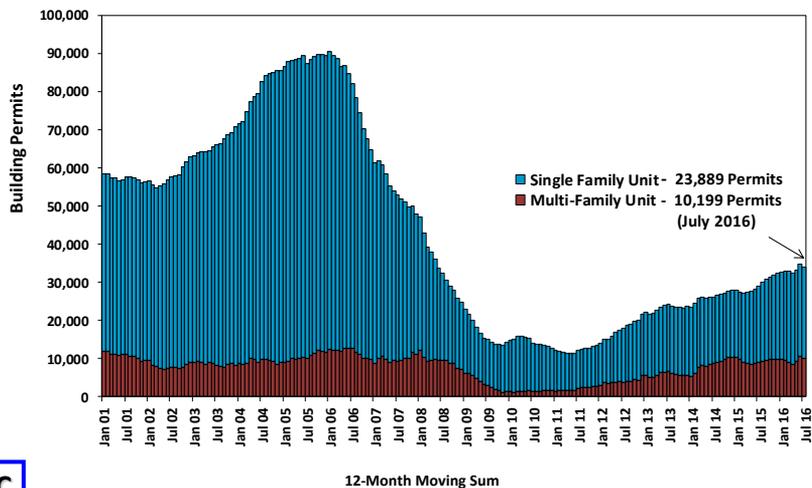


JLBC

Excludes temporary 1 ¢ sales tax

6

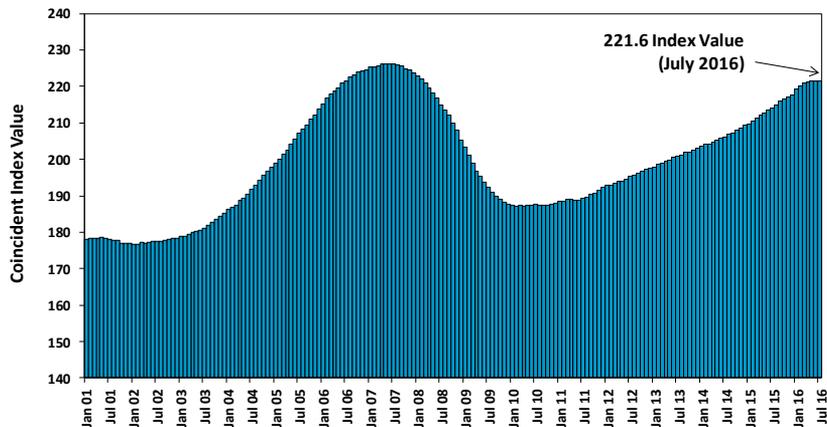
Residential Building Permits



JLBC

7

Economic Activity Index



JLBC

Source: Coincident Index – Federal Reserve Bank of Philadelphia. Combines four state-level indicators (employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements) to summarize current economic conditions.

8

Sales Tax

Arizona Sales Tax - Total (excl. 1% Tax)

General Fund Collections

		Year-to-Year %		Year-to-Date		
		Collections (\$)	Change	Collections (\$)	Change	
FY 2012	↑	July 2011	306,929,173	9.0%	306,929,173	9.0%
		Aug 2011	293,482,631	5.7%	600,411,804	7.3%
		Sep 2011	299,647,673	6.2%	900,059,477	6.9%
		Oct 2011	303,049,504	7.4%	1,203,108,981	7.1%
		Nov 2011	286,297,169	-0.1%	1,489,406,151	5.6%
		Dec 2011	294,279,967	7.2%	1,783,686,117	5.9%
		Jan 2012	347,418,964	2.5%	2,131,105,081	5.3%
		Feb 2012	287,779,634	5.7%	2,418,884,716	5.3%
		Mar 2012	297,171,837	3.3%	2,716,056,553	5.1%
		Apr 2012	324,812,322	4.5%	3,040,868,875	5.1%
		May 2012	306,889,871	7.6%	3,347,758,745	5.3%
		↓	June 2012	304,406,910	13.5%	3,652,165,655
FY 2013	↑	July 2012	321,889,184	4.9%	321,889,184	4.9%
		Aug 2012	302,649,584	3.1%	624,538,768	4.0%
		Sep 2012	314,805,532	5.1%	939,344,300	4.4%
		Oct 2012	304,390,327	0.4%	1,243,734,627	3.4%
		Nov 2012	308,743,822	7.8%	1,552,478,449	4.2%
		Dec 2012	308,624,715	4.9%	1,861,103,164	4.3%
		Jan 2013	358,061,324	3.1%	2,219,164,488	4.1%
		Feb 2013	308,634,610	7.2%	2,527,799,098	4.5%
		Mar 2013	298,125,466	0.3%	2,825,924,564	4.0%
		Apr 2013	341,689,456	5.2%	3,167,614,020	4.2%
		May 2013	322,843,958	5.2%	3,490,457,978	4.3%
		↓	June 2013	288,405,767	-5.3%	3,778,863,745
FY 2014	↑	July 2013	339,218,789	5.4%	339,218,789	5.4%
		Aug 2013	330,453,883	9.2%	669,672,672	7.2%
		Sep 2013	335,831,770	6.7%	1,005,504,442	7.0%
		Oct 2013	328,875,700	8.0%	1,334,380,142	7.3%
		Nov 2013	323,933,003	4.9%	1,658,313,145	6.8%
		Dec 2013	327,109,813	6.0%	1,985,422,958	6.7%
		Jan 2014	367,609,390	2.7%	2,353,032,348	6.0%
		Feb 2014	314,441,338	1.9%	2,667,473,686	5.5%
		Mar 2014	325,993,542	9.3%	2,993,467,228	5.9%
		Apr 2014	358,451,112	4.9%	3,351,918,340	5.8%
		May 2014	336,552,864	4.2%	3,688,471,204	5.7%
		↓	June 2014	297,410,376	3.1%	3,985,881,580
FY 2015	↑	July 2014	338,895,000	-0.1%	338,895,000	-0.1%
		Aug 2014	345,173,344	4.5%	684,068,344	2.1%
		Sep 2014	344,660,464	2.6%	1,028,728,808	2.3%
		Oct 2014	346,093,136	5.2%	1,374,821,944	3.0%
		Nov 2014	334,326,797	3.2%	1,709,148,741	3.1%
		Dec 2014	344,265,049	5.2%	2,053,413,790	3.4%
		Jan 2015	399,861,665	8.8%	2,453,275,455	4.3%
		Feb 2015	325,308,761	3.5%	2,778,584,216	4.2%
		Mar 2015	347,376,257	6.6%	3,125,960,473	4.4%
		Apr 2015	373,027,607	4.1%	3,498,988,080	4.4%
		May 2015	345,591,019	2.7%	3,844,579,099	4.2%
		↓	June 2015	344,684,398	15.9%	4,189,263,497
FY 2016	↑	July 2015	348,679,583	2.9%	348,679,583	2.9%
		Aug 2015	353,211,446	2.3%	701,891,029	2.6%
		Sep 2015	354,610,905	2.9%	1,056,501,934	2.7%
		Oct 2015	353,108,793	2.0%	1,409,610,727	2.5%
		Nov 2015	358,253,367	7.2%	1,767,864,094	3.4%
		Dec 2015	348,345,894	1.2%	2,116,209,988	3.1%
		Jan 2016	402,238,930	0.6%	2,518,448,918	2.7%
		Feb 2016	337,829,144	3.8%	2,856,278,062	2.8%
		Mar 2016	353,054,649	1.6%	3,209,332,711	2.7%
		Apr 2016	379,860,032	1.8%	3,589,192,743	2.6%
		May 2016	357,578,877	3.5%	3,946,771,620	2.7%
		↓	June 2016	367,170,974	6.5%	4,313,942,594
FY 2017	↑	July 2016	366,675,509	5.2%	366,675,509	5.2%
		Aug 2016	363,148,373	2.8%	729,823,882	4.0%
		Sep 2016	366,652,069	3.4%	1,096,475,951	3.8%
		Oct 2016	<i>September amount is a preliminary estimate</i>			
		Nov 2016				
		Dec 2016				
		Jan 2017				
		Feb 2017				
		Mar 2017				
		↓	Apr 2017			
	May 2017					
	↓	June 2017				

Arizona Sales Tax - Retail

General Fund Collections

		Year-to-Year %		Year-to-Date		
		Collections (\$)	Change	Collections (\$)	Change	
FY 2012	↑	July 2011	141,789,976	7.5%	141,789,976	7.5%
		Aug 2011	130,998,912	8.4%	272,788,888	7.9%
		Sep 2011	138,796,056	8.8%	411,584,944	8.2%
		Oct 2011	140,704,804	7.8%	552,289,747	8.1%
		Nov 2011	134,310,400	7.2%	686,600,147	7.9%
		Dec 2011	148,448,948	4.9%	835,049,095	7.4%
		Jan 2012	190,783,275	3.5%	1,025,832,370	6.7%
		Feb 2012	137,359,143	5.5%	1,163,191,513	6.5%
		Mar 2012	149,239,726	6.8%	1,312,431,239	6.6%
		Apr 2012	163,530,770	2.0%	1,475,962,009	6.0%
		May 2012	152,085,022	2.6%	1,628,047,031	5.7%
		↓	June 2012	149,658,784	-2.5%	1,777,705,815
FY 2013	↑	July 2012	151,463,092	6.8%	151,463,092	6.8%
		Aug 2012	138,759,047	5.9%	290,222,139	6.4%
		Sep 2012	143,091,966	3.1%	433,314,105	5.3%
		Oct 2012	144,377,418	2.6%	577,691,523	4.6%
		Nov 2012	146,630,896	9.2%	724,322,419	5.5%
		Dec 2012	158,506,351	6.8%	882,828,770	5.7%
		Jan 2013	203,719,359	6.8%	1,086,548,129	5.9%
		Feb 2013	151,345,992	10.2%	1,237,894,121	6.4%
		Mar 2013	154,953,692	3.8%	1,392,847,813	6.1%
		Apr 2013	176,752,554	8.1%	1,569,600,367	6.3%
		May 2013	157,321,133	3.4%	1,726,921,500	6.1%
		↓	June 2013	165,064,316	10.3%	1,891,985,816
FY 2014	↑	July 2013	164,753,436	8.8%	164,753,436	8.8%
		Aug 2013	150,159,878	8.2%	314,913,314	8.5%
		Sep 2013	157,089,858	9.8%	472,003,172	8.9%
		Oct 2013	152,652,197	5.7%	624,655,369	8.1%
		Nov 2013	157,213,539	7.2%	781,868,908	7.9%
		Dec 2013	174,512,641	10.1%	956,381,549	8.3%
		Jan 2014	238,163,840	16.9%	1,194,545,389	9.9%
		Feb 2014	154,943,150	2.4%	1,349,488,539	9.0%
		Mar 2014	165,184,759	6.6%	1,514,673,298	8.7%
		Apr 2014	183,203,353	3.6%	1,697,876,651	8.2%
		May 2014	169,355,304	7.6%	1,867,231,955	8.1%
		↓	June 2014	171,659,444	4.0%	2,038,891,399
FY 2015	↑	July 2014	166,500,721	1.1%	166,500,721	1.1%
		Aug 2014	160,123,060	6.6%	326,623,781	3.7%
		Sep 2014	162,832,950	3.7%	489,456,731	3.7%
		Oct 2014	164,102,161	7.5%	653,558,892	4.6%
		Nov 2014	162,348,834	3.3%	815,907,726	4.4%
		Dec 2014	183,953,206	5.4%	999,860,932	4.5%
		Jan 2015	227,712,434	-4.4%	1,227,573,366	2.8%
		Feb 2015	168,761,459	8.9%	1,396,334,825	3.5%
		Mar 2015	180,268,868	9.1%	1,576,603,693	4.1%
		Apr 2015	204,887,908	11.8%	1,781,491,601	4.9%
		May 2015	185,048,795	9.3%	1,966,540,396	5.3%
		↓	June 2015	191,636,921	11.6%	2,158,177,317
FY 2016	↑	July 2015	181,983,659	9.3%	181,983,659	9.3%
		Aug 2015	177,572,945	10.9%	359,556,604	10.1%
		Sep 2015	176,407,614	8.3%	535,964,218	9.5%
		Oct 2015	181,672,247	10.7%	717,636,465	9.8%
		Nov 2015	181,414,557	11.7%	899,051,022	10.2%
		Dec 2015	193,199,628	5.0%	1,092,250,650	9.2%
		Jan 2016	238,324,426	4.7%	1,330,575,076	8.4%
		Feb 2016	175,073,310	3.7%	1,505,648,386	7.8%
		Mar 2016	187,103,137	3.8%	1,692,751,523	7.4%
		Apr 2016	206,371,088	0.7%	1,899,122,611	6.6%
		May 2016	188,457,429	1.8%	2,087,580,040	6.2%
		↓	June 2016	191,829,949	0.1%	2,279,409,989
FY 2017	↑	July 2016	192,271,338	5.7%	192,271,338	5.7%
		Aug 2016	184,367,350	3.8%	376,638,688	4.8%
		Sep 2016	<i>September category data is not yet available</i>			
		Oct 2016				
		Nov 2016				
		Dec 2016				
		Jan 2017				
		Feb 2017				
		Mar 2017				
		↓	Apr 2017			
	May 2017					
	↓	June 2017				

Arizona Sales Tax - Contracting

General Fund Collections

		Year-to-Year %		Year-to-Date	Year-to-Date %	
		Collections (\$)	Change	Collections (\$)	Change	
FY 2012	↑	July 2011	35,776,963	13.8%	35,776,963	13.8%
		Aug 2011	33,820,730	14.5%	69,597,693	14.1%
		Sep 2011	38,262,770	21.9%	107,860,463	16.7%
		Oct 2011	37,113,776	15.5%	144,974,240	16.4%
		Nov 2011	34,175,119	-5.2%	179,149,359	11.6%
		Dec 2011	33,388,990	10.4%	212,538,349	11.4%
		Jan 2012	35,855,441	1.3%	248,393,790	9.8%
		Feb 2012	30,456,508	12.0%	278,850,298	10.0%
		Mar 2012	29,964,165	-3.5%	308,814,463	8.6%
		Apr 2012	32,221,194	0.8%	341,035,657	7.8%
		May 2012	33,942,224	4.2%	374,977,881	7.4%
		↓	June 2012	36,413,050	7.5%	411,390,931
FY 2013	↑	July 2012	37,753,076	5.5%	37,753,076	5.5%
		Aug 2012	36,341,199	7.5%	74,094,275	6.5%
		Sep 2012	36,839,194	-3.7%	110,933,469	2.8%
		Oct 2012	35,393,045	-4.6%	146,326,514	0.9%
		Nov 2012	37,312,920	9.2%	183,639,434	2.5%
		Dec 2012	35,713,978	7.0%	219,353,412	3.2%
		Jan 2013	35,124,507	-2.0%	254,477,919	2.4%
		Feb 2013	32,158,384	5.6%	286,636,303	2.8%
		Mar 2013	31,657,711	5.7%	318,294,014	3.1%
		Apr 2013	36,740,970	14.0%	355,034,984	4.1%
		May 2013	38,500,752	13.4%	393,535,736	4.9%
		↓	June 2013	45,057,304	23.7%	438,593,040
FY 2014	↑	July 2013	43,907,390	16.3%	43,907,390	16.3%
		Aug 2013	43,618,684	20.0%	87,526,074	18.1%
		Sep 2013	42,416,407	15.1%	129,942,481	17.1%
		Oct 2013	42,304,040	19.5%	172,246,521	17.7%
		Nov 2013	42,121,860	12.9%	214,368,381	16.7%
		Dec 2013	40,208,342	12.6%	254,576,723	16.1%
		Jan 2014	39,820,300	13.4%	294,397,023	15.7%
		Feb 2014	36,970,395	15.0%	331,367,418	15.6%
		Mar 2014	35,930,174	13.5%	367,297,592	15.4%
		Apr 2014	38,358,105	4.4%	405,655,697	14.3%
		May 2014	40,976,805	6.4%	446,632,502	13.5%
		↓	June 2014	41,235,619	-8.5%	487,868,121
FY 2015	↑	July 2014	43,352,211	-1.3%	43,352,211	-1.3%
		Aug 2014	44,742,964	2.6%	88,095,175	0.7%
		Sep 2014	42,952,525	1.3%	131,047,700	0.9%
		Oct 2014	43,244,905	2.2%	174,292,605	1.2%
		Nov 2014	40,986,820	-2.7%	215,279,425	0.4%
		Dec 2014	39,871,833	-0.8%	255,151,258	0.2%
		Jan 2015	42,972,458	7.9%	298,123,716	1.3%
		Feb 2015	30,554,137	-17.4%	328,677,853	-0.8%
		Mar 2015	34,360,251	-4.4%	363,038,104	-1.2%
		Apr 2015	32,942,126	-14.1%	395,980,230	-2.4%
		May 2015	33,214,280	-18.9%	429,194,510	-3.9%
		↓	June 2015	34,170,202	-17.1%	463,364,712
FY 2016	↑	July 2015	36,244,878	-16.4%	36,244,878	-16.4%
		Aug 2015	35,425,169	-20.8%	71,670,047	-18.6%
		Sep 2015	33,896,253	-21.1%	105,566,300	-19.4%
		Oct 2015	34,716,856	-19.7%	140,283,156	-19.5%
		Nov 2015	37,175,735	-9.3%	177,458,891	-17.6%
		Dec 2015	32,070,329	-19.6%	209,529,220	-17.9%
		Jan 2016	37,035,354	-13.8%	246,564,574	-17.3%
		Feb 2016	28,219,746	-7.6%	274,784,320	-16.4%
		Mar 2016	32,563,862	-5.2%	307,348,182	-15.3%
		Apr 2016	33,730,627	2.4%	341,078,808	-13.9%
		May 2016	35,593,205	7.2%	376,672,014	-12.2%
		↓	June 2016	40,503,059	18.5%	417,175,073
FY 2017	↑	July 2016	37,587,296	3.7%	37,587,296	3.7%
		Aug 2016	36,989,252	4.4%	74,576,547	4.1%
		Sep 2016	<i>September category data is not yet available</i>			
		Oct 2016				
		Nov 2016				
		Dec 2016				
		Jan 2017				
		Feb 2017				
		Mar 2017				
		↓	Apr 2017			
	May 2017					
	↓	June 2017				

Arizona Sales Tax - Utilities

General Fund Collections

		Year-to-Year %		Year-to-Date		
		Collections (\$)	Change	Collections (\$)	Change	
FY 2012	↑	July 2011	40,111,460	11.8%	40,111,460	11.8%
		Aug 2011	40,875,038	-9.1%	80,986,498	0.2%
		Sep 2011	46,646,194	1.7%	127,632,693	0.7%
		Oct 2011	45,842,935	6.3%	173,475,628	2.2%
		Nov 2011	34,149,040	-10.2%	207,624,668	-0.1%
		Dec 2011	29,540,842	6.2%	237,165,510	0.6%
		Jan 2012	29,367,167	1.6%	266,532,677	0.8%
		Feb 2012	30,658,712	-1.8%	297,191,389	0.5%
		Mar 2012	30,060,136	4.4%	327,251,525	0.8%
		Apr 2012	27,244,798	1.9%	354,496,323	0.9%
		May 2012	27,485,601	3.2%	381,981,924	1.1%
		↓	June 2012	30,111,966	-1.9%	412,093,890
FY 2013	↑	July 2012	40,616,330	1.3%	40,616,330	1.3%
		Aug 2012	49,307,716	20.6%	89,924,046	11.0%
		Sep 2012	47,859,208	2.6%	137,783,254	8.0%
		Oct 2012	42,673,986	-6.9%	180,457,240	4.0%
		Nov 2012	36,906,904	8.1%	217,364,144	4.7%
		Dec 2012	28,508,254	-3.5%	245,872,398	3.7%
		Jan 2013	28,206,985	-4.0%	274,079,383	2.8%
		Feb 2013	32,772,398	6.9%	306,851,781	3.3%
		Mar 2013	26,578,715	-11.6%	333,430,496	1.9%
		Apr 2013	28,651,138	5.2%	362,081,634	2.1%
		May 2013	33,388,984	21.5%	395,470,618	3.5%
		↓	June 2013	35,131,617	16.7%	430,602,235
FY 2014	↑	July 2013	41,253,785	1.6%	41,253,785	1.6%
		Aug 2013	51,118,922	3.7%	92,372,707	2.7%
		Sep 2013	48,310,422	0.9%	140,683,129	2.1%
		Oct 2013	45,404,017	6.4%	186,087,146	3.1%
		Nov 2013	36,096,400	-2.2%	222,183,546	2.2%
		Dec 2013	27,804,876	-2.5%	249,988,422	1.7%
		Jan 2014	31,282,441	10.9%	281,270,863	2.6%
		Feb 2014	32,556,099	-0.7%	313,826,962	2.3%
		Mar 2014	29,363,515	10.5%	343,190,477	2.9%
		Apr 2014	27,967,873	-2.4%	371,158,350	2.5%
		May 2014	28,121,488	-15.8%	399,279,838	1.0%
		↓	June 2014	34,601,911	-1.5%	433,881,749
FY 2015	↑	July 2014	41,601,907	0.8%	41,601,907	0.8%
		Aug 2014	49,989,617	-2.2%	91,591,524	-0.8%
		Sep 2014	48,229,626	-0.2%	139,821,150	-0.6%
		Oct 2014	44,471,489	-2.1%	184,292,639	-1.0%
		Nov 2014	37,725,941	4.5%	222,018,580	-0.1%
		Dec 2014	28,145,342	1.2%	250,163,922	0.1%
		Jan 2015	30,408,913	-2.8%	280,572,835	-0.2%
		Feb 2015	32,737,055	0.6%	313,309,890	-0.2%
		Mar 2015	28,943,534	-1.4%	342,253,424	-0.3%
		Apr 2015	27,649,839	-1.1%	369,903,263	-0.3%
		May 2015	28,456,871	1.2%	398,360,134	-0.2%
		↓	June 2015	31,971,972	-7.6%	430,332,106
FY 2016	↑	July 2015	39,027,451	-6.2%	39,027,451	-6.2%
		Aug 2015	50,033,607	0.1%	89,061,058	-2.8%
		Sep 2015	50,425,149	4.6%	139,486,207	-0.2%
		Oct 2015	46,253,806	4.0%	185,740,013	0.8%
		Nov 2015	39,930,072	5.8%	225,670,085	1.6%
		Dec 2015	29,220,557	3.8%	254,890,642	1.9%
		Jan 2016	31,225,862	2.7%	286,116,504	2.0%
		Feb 2016	33,549,225	2.5%	319,665,729	2.0%
		Mar 2016	30,311,776	4.7%	349,977,505	2.3%
		Apr 2016	27,673,120	0.1%	377,650,625	2.1%
		May 2016	27,958,125	-1.8%	405,608,750	1.8%
		↓	June 2016	31,963,250	0.0%	437,572,001
FY 2017	↑	July 2016	40,572,348	4.0%	40,572,348	4.0%
		Aug 2016	50,159,882	0.3%	90,732,230	1.9%
		Sep 2016	<i>September category data is not yet available</i>			
		Oct 2016				
		Nov 2016				
		Dec 2016				
		Jan 2017				
		Feb 2017				
		Mar 2017				
		↓	Apr 2017			
	May 2017					
	↓	June 2017				

Arizona Sales Tax - Restaurants and Bars

General Fund Collections

		Year-to-Year %		Year-to-Date	Year-to-Date %	
		Collections (\$)	Change	Collections (\$)	Change	
FY 2012	↑	July 2011	28,571,695	8.9%	28,571,695	8.9%
		Aug 2011	28,045,076	12.4%	56,616,771	10.6%
		Sep 2011	26,869,234	3.8%	83,486,005	8.3%
		Oct 2011	27,981,394	8.2%	111,467,399	8.3%
		Nov 2011	29,374,335	4.9%	140,841,734	7.5%
		Dec 2011	28,945,330	9.9%	169,787,063	7.9%
		Jan 2012	32,174,741	6.2%	201,961,804	7.6%
		Feb 2012	30,980,041	12.8%	232,941,845	8.3%
		Mar 2012	33,375,882	4.1%	266,317,727	7.8%
		Apr 2012	37,166,563	8.3%	303,484,290	7.8%
		May 2012	33,272,286	6.3%	336,756,577	7.7%
		↓	June 2012	32,106,240	4.0%	368,862,817
FY 2013	↑	July 2012	30,991,504	8.5%	30,991,504	8.5%
		Aug 2012	28,325,088	1.0%	59,316,592	4.8%
		Sep 2012	30,672,616	14.2%	89,989,208	7.8%
		Oct 2012	29,940,956	7.0%	119,930,164	7.6%
		Nov 2012	31,090,860	5.8%	151,021,024	7.2%
		Dec 2012	30,148,220	4.2%	181,169,244	6.7%
		Jan 2013	34,217,130	6.3%	215,386,374	6.6%
		Feb 2013	32,491,480	4.9%	247,877,854	6.4%
		Mar 2013	33,615,420	0.7%	281,493,274	5.7%
		Apr 2013	38,809,996	4.4%	320,303,270	5.5%
		May 2013	34,819,505	4.7%	355,122,775	5.5%
		↓	June 2013	33,945,211	5.7%	389,067,986
FY 2014	↑	July 2013	31,505,076	1.7%	31,505,076	1.7%
		Aug 2013	29,178,727	3.0%	60,683,803	2.3%
		Sep 2013	30,873,488	0.7%	91,557,291	1.7%
		Oct 2013	31,126,606	4.0%	122,683,897	2.3%
		Nov 2013	32,648,090	5.0%	155,331,987	2.9%
		Dec 2013	32,901,765	9.1%	188,233,752	3.9%
		Jan 2014	34,330,457	0.3%	222,564,209	3.3%
		Feb 2014	34,099,887	5.0%	256,664,096	3.5%
		Mar 2014	36,748,460	9.3%	293,412,556	4.2%
		Apr 2014	41,454,544	6.8%	334,867,100	4.5%
		May 2014	36,761,375	5.6%	371,628,475	4.6%
		↓	June 2014	37,409,895	10.2%	409,038,370
FY 2015	↑	July 2014	33,177,148	5.3%	33,177,148	5.3%
		Aug 2014	30,626,101	5.0%	63,803,249	5.1%
		Sep 2014	35,433,944	14.8%	99,237,193	8.4%
		Oct 2014	34,065,936	9.4%	133,303,129	8.7%
		Nov 2014	34,295,091	5.0%	167,598,220	7.9%
		Dec 2014	37,300,003	13.4%	204,898,223	8.9%
		Jan 2015	40,253,761	17.3%	245,151,984	10.1%
		Feb 2015	34,897,943	2.3%	280,049,927	9.1%
		Mar 2015	40,367,437	9.8%	320,417,364	9.2%
		Apr 2015	42,793,319	3.2%	363,210,683	8.5%
		May 2015	40,616,830	10.5%	403,827,513	8.7%
		↓	June 2015	40,921,999	9.4%	444,749,512
FY 2016	↑	July 2015	34,696,347	4.6%	34,696,347	4.6%
		Aug 2015	34,101,403	11.3%	68,797,750	7.8%
		Sep 2015	34,560,586	-2.5%	103,358,336	4.2%
		Oct 2015	34,887,605	2.4%	138,245,941	3.7%
		Nov 2015	38,478,451	12.2%	176,724,392	5.4%
		Dec 2015	38,160,598	2.3%	214,884,990	4.9%
		Jan 2016	39,570,273	-1.7%	254,455,263	3.8%
		Feb 2016	40,972,671	17.4%	295,427,934	5.5%
		Mar 2016	42,914,197	6.3%	338,342,131	5.6%
		Apr 2016	45,975,299	7.4%	384,317,430	5.8%
		May 2016	43,247,827	6.5%	427,565,257	5.9%
		↓	June 2016	41,602,194	1.7%	469,167,451
FY 2017	↑	July 2016	37,820,186	9.0%	37,820,186	9.0%
		Aug 2016	38,025,269	11.5%	75,845,454	10.2%
		Sep 2016	<i>September category data is not yet available</i>			
		Oct 2016				
		Nov 2016				
		Dec 2016				
		Jan 2017				
		Feb 2017				
		Mar 2017				
		↓	Apr 2017			
	May 2017					
	↓	June 2017				

Arizona Use Tax General Fund Collections

		Year-to-Year %		Year-to-Date	
		Collections (\$)	Change	Collections (\$)	Change
FY 2012	July 2011	26,807,003	24.0%	26,807,003	24.0%
	Aug 2011	26,502,905	4.9%	53,309,908	13.7%
	Sep 2011	19,608,030	-9.1%	72,917,938	6.5%
	Oct 2011	20,899,310	12.2%	93,817,248	7.7%
	Nov 2011	19,867,161	-22.5%	113,684,410	0.9%
	Dec 2011	21,515,513	58.8%	135,199,923	7.1%
	Jan 2012	26,209,693	2.6%	161,409,616	6.3%
	Feb 2012	21,029,980	1.6%	182,439,595	5.8%
	Mar 2012	18,120,799	-5.6%	200,560,395	4.6%
	Apr 2012	22,167,741	28.8%	222,728,136	6.6%
	May 2012	22,419,432	11.2%	245,147,569	7.0%
	June 2012	18,576,830	13991.7%	263,724,398	15.1%
FY 2013	July 2012	26,218,405	-2.2%	26,218,405	-2.2%
	Aug 2012	21,982,606	-17.1%	48,201,011	-9.6%
	Sep 2012	23,898,844	21.9%	72,099,855	-1.1%
	Oct 2012	18,897,488	-9.6%	90,997,343	-3.0%
	Nov 2012	22,730,129	14.4%	113,727,472	0.0%
	Dec 2012	20,981,295	-2.5%	134,708,767	-0.4%
	Jan 2013	22,119,839	-15.6%	156,828,606	-2.8%
	Feb 2013	22,758,853	8.2%	179,587,459	-1.6%
	Mar 2013	15,893,011	-12.3%	195,480,470	-2.5%
	Apr 2013	19,896,328	-10.2%	215,376,798	-3.3%
	May 2013	23,040,151	2.8%	238,416,949	-2.7%
	June 2013	19,482,364	4.9%	257,899,313	-2.2%
FY 2014	July 2013	26,397,599	0.7%	26,397,599	0.7%
	Aug 2013	24,203,511	10.1%	50,601,110	5.0%
	Sep 2013	26,287,246	10.0%	76,888,356	6.6%
	Oct 2013	24,821,300	31.3%	101,709,656	11.8%
	Nov 2013	21,943,914	-3.5%	123,653,570	8.7%
	Dec 2013	18,718,007	-10.8%	142,371,577	5.7%
	Jan 2014	(9,552,488)	-143.2%	132,819,089	-15.3%
	Feb 2014	19,752,297	-13.2%	152,571,386	-15.0%
	Mar 2014	17,749,979	11.7%	170,321,365	-12.9%
	Apr 2014	23,853,143	19.9%	194,174,508	-9.8%
	May 2014	22,918,205	-0.5%	217,092,713	-8.9%
	June 2014	18,892,220	-3.0%	235,984,933	-8.5%
FY 2015	July 2014	23,695,049	-10.2%	23,695,049	-10.2%
	Aug 2014	26,617,042	10.0%	50,312,091	-0.6%
	Sep 2014	24,458,282	-7.0%	74,770,373	-2.8%
	Oct 2014	28,121,689	13.3%	102,892,062	1.2%
	Nov 2014	23,980,614	9.3%	126,872,676	2.6%
	Dec 2014	22,181,223	18.5%	149,053,899	4.7%
	Jan 2015	25,217,821	N/A	174,271,720	31.2%
	Feb 2015	21,325,444	8.0%	195,597,164	28.2%
	Mar 2015	21,142,410	19.1%	216,739,574	27.3%
	Apr 2015	21,079,611	-11.6%	237,819,185	22.5%
	May 2015	22,368,346	-2.4%	260,187,531	19.9%
	June 2015	20,956,202	10.9%	281,143,733	19.1%
FY 2016	July 2015	24,622,847	3.9%	24,622,847	3.9%
	Aug 2015	22,022,588	-17.3%	46,645,435	-7.3%
	Sep 2015	28,693,187	17.3%	75,338,622	0.8%
	Oct 2015	23,728,706	-15.6%	99,067,328	-3.7%
	Nov 2015	26,167,390	9.1%	125,234,718	-1.3%
	Dec 2015	22,114,197	-0.3%	147,348,915	-1.1%
	Jan 2016	24,173,367	-4.1%	171,522,282	-1.6%
	Feb 2016	22,047,800	3.4%	193,570,082	-1.0%
	Mar 2016	22,534,763	6.6%	216,104,845	-0.3%
	Apr 2016	21,261,858	0.9%	237,366,703	-0.2%
	May 2016	24,657,632	10.2%	262,024,335	0.7%
	June 2016	21,327,736	1.8%	283,352,071	0.8%
FY 2017	July 2016	25,897,373	5.2%	25,897,373	5.2%
	Aug 2016	20,601,846	-6.5%	46,499,220	-0.3%
	Sep 2016	<i>September category data is not yet available</i>			
	Oct 2016				
	Nov 2016				
	Dec 2016				
	Jan 2017				
	Feb 2017				
	Mar 2017				
	Apr 2017				
May 2017					
June 2017					

Individual Income Tax

Arizona Individual Income Tax General Fund Collections

	Total				Withholding				Payments				Refunds				
	Y/Y Chg.	Year-to-Date Total	YTD Chg.	YTD %	Y/Y Chg.	Year-to-Date Total	YTD Chg.	YTD %	Y/Y Chg.	Year-to-Date Total	YTD Chg.	YTD %	Y/Y Chg.	Year-to-Date Total	YTD Chg.	YTD %	
FY 2012	Jul-11	258,103,165	8.6%	258,103,165	8.6%	259,065,966	4.6%	259,065,966	4.6%	13,992,743	4.6%	13,992,743	4.6%	(14,955,544)	-35.8%	(14,955,544)	-35.8%
	Aug	279,592,728	8.7%	537,695,894	8.6%	280,171,827	6.9%	539,237,793	5.8%	16,559,244	16.4%	30,551,987	10.7%	(17,138,342)	-10.3%	(32,093,886)	-24.3%
	Sep	316,659,381	10.3%	854,355,275	9.3%	247,943,193	3.7%	787,180,985	5.1%	84,818,311	12.0%	115,370,298	11.6%	(16,102,122)	-42.0%	(48,196,008)	-31.3%
	Oct	262,716,665	28.9%	1,117,071,940	13.3%	282,818,923	7.9%	1,069,999,908	5.8%	43,943,506	27.4%	159,313,804	15.6%	(64,045,764)	-31.1%	(112,241,772)	-31.2%
	Nov	256,509,482	-3.6%	1,373,581,421	9.7%	262,800,934	-2.5%	1,332,800,842	4.1%	15,341,441	30.5%	174,655,244	16.8%	(21,632,893)	43.1%	(133,874,665)	-24.9%
	Dec	352,348,784	2.9%	1,725,930,205	8.2%	299,066,473	0.6%	1,631,867,315	3.4%	55,737,868	12.3%	230,393,113	15.6%	(2,455,557)	-44.7%	(136,330,222)	-25.3%
	Jan-12	423,694,950	16.9%	2,149,625,156	9.8%	305,562,054	1.8%	1,937,429,369	3.2%	158,056,550	74.9%	388,449,663	34.1%	(39,923,654)	41.1%	(176,253,876)	-16.4%
Feb	(72,643,496)	N/A	2,076,981,660	3.4%	287,173,008	3.7%	2,224,602,377	3.2%	19,637,403	4.0%	408,087,065	32.3%	(379,453,906)	55.6%	(95,707,782)	22.2%	
Mar	72,291,368	N/A	2,149,273,028	7.2%	282,629,550	2.5%	2,507,231,927	3.1%	46,931,963	8.7%	455,019,028	29.4%	(257,270,144)	-20.5%	(812,977,927)	4.5%	
Apr	376,806,890	23.1%	2,526,079,918	9.3%	282,750,884	11.6%	2,789,982,811	3.9%	435,563,902	11.2%	890,582,930	19.8%	(341,507,896)	0.7%	(1,154,485,823)	3.3%	
May	231,767,419	-3.7%	2,757,847,337	8.1%	283,775,292	-2.4%	3,073,758,103	3.3%	17,542,908	-10.6%	908,125,837	19.0%	(69,550,780)	0.0%	(1,224,036,603)	3.1%	
Jun	328,290,025	5.0%	3,086,137,363	7.8%	258,805,077	2.5%	3,332,563,180	3.3%	87,703,250	7.7%	995,829,088	17.9%	(18,218,301)	-15.3%	(1,242,254,905)	2.8%	
FY 2013	Jul-12	287,855,519	11.5%	287,855,519	11.5%	284,466,614	9.8%	284,466,614	9.8%	14,974,662	7.0%	14,974,662	7.0%	(11,585,757)	-22.5%	(11,585,757)	-22.5%
	Aug	274,914,437	-1.7%	562,769,956	4.7%	271,669,187	-3.0%	556,135,801	3.1%	17,096,635	3.2%	32,071,297	5.0%	(13,851,385)	-19.2%	(25,437,142)	-20.7%
	Sep	330,473,379	4.4%	893,243,335	4.6%	248,348,191	0.2%	804,483,992	2.2%	95,989,949	13.2%	128,061,246	11.0%	(13,864,761)	-13.9%	(39,301,903)	-18.5%
	Oct	275,896,569	5.0%	1,169,139,904	4.7%	308,266,817	9.0%	1,112,750,809	4.0%	46,536,943	5.9%	174,598,189	9.6%	(78,907,191)	23.2%	(118,209,094)	5.3%
	Nov	277,808,005	8.3%	1,446,947,909	5.3%	267,761,759	1.9%	1,380,512,568	3.6%	14,844,599	-3.2%	189,442,788	8.5%	(4,798,353)	-77.8%	(123,007,447)	-8.1%
	Dec	410,181,568	16.4%	1,857,129,477	7.6%	339,842,366	13.6%	1,720,354,934	5.4%	72,572,642	30.2%	262,015,430	13.7%	(2,233,440)	-9.0%	(125,240,887)	-8.1%
	Jan-13	441,613,843	4.2%	2,298,743,320	6.9%	311,036,015	1.8%	2,031,390,949	4.8%	136,860,873	-13.4%	398,876,303	2.7%	(6,283,045)	-84.3%	(131,523,932)	-25.4%
Feb	(46,521,111)	N/A	2,252,222,209	8.4%	275,040,693	-4.2%	2,306,431,642	3.7%	16,973,052	-13.6%	415,849,355	1.9%	(338,534,856)	-10.8%	(470,058,788)	-15.4%	
Mar	65,790,080	-9.0%	2,318,012,289	7.9%	294,703,420	4.3%	2,601,135,062	3.7%	52,690,755	12.3%	468,540,110	3.0%	(281,604,095)	9.5%	(751,662,883)	-7.5%	
Apr	159,783,007	37.9%	2,837,795,296	12.3%	301,485,031	6.6%	2,902,620,093	4.0%	558,676,700	28.3%	1,027,216,810	15.3%	(340,378,724)	-0.3%	(1,092,041,607)	-5.4%	
May	229,188,191	-1.1%	3,066,983,487	11.2%	296,381,110	4.4%	3,199,001,203	4.1%	27,141,047	54.7%	1,054,357,857	16.1%	(94,333,966)	35.6%	(1,186,375,573)	-3.1%	
Jun	330,561,646	0.7%	3,397,545,133	10.1%	251,495,781	-2.8%	3,450,496,984	3.5%	103,594,739	18.1%	1,157,952,596	16.3%	(24,528,874)	34.6%	(1,210,904,447)	-2.5%	
FY 2014	Jul-13	306,584,861	6.5%	306,584,861	6.5%	306,632,890	7.8%	306,632,890	7.8%	19,029,100	27.1%	19,029,100	27.1%	(19,077,129)	64.7%	(19,077,129)	64.7%
	Aug	274,573,097	-0.1%	581,157,958	3.3%	267,905,132	-1.4%	574,538,022	3.3%	19,245,061	12.6%	38,274,161	19.3%	(12,577,096)	-9.2%	(31,654,225)	24.4%
	Sep	371,782,566	12.5%	952,940,524	6.7%	275,796,364	11.1%	850,334,386	5.7%	111,317,014	16.0%	149,591,175	16.8%	(15,330,812)	10.6%	(46,985,037)	19.5%
	Oct	300,662,202	9.0%	1,253,602,726	7.2%	302,374,318	-1.9%	1,152,708,704	3.6%	66,530,526	43.0%	162,121,701	23.8%	(68,242,642)	-13.5%	(115,227,679)	-2.5%
	Nov	281,831,479	1.4%	1,535,434,205	6.1%	280,378,107	4.7%	1,433,086,811	3.8%	16,737,041	12.7%	232,858,742	22.9%	(15,283,669)	218.5%	(130,511,348)	6.1%
	Dec	384,210,008	-6.3%	1,919,644,213	3.4%	317,295,026	-6.6%	1,700,381,837	1.7%	69,847,905	-3.8%	302,706,647	15.5%	(2,932,923)	31.3%	(133,444,271)	6.6%
	Jan-14	434,280,368	-1.7%	2,353,924,581	2.4%	324,311,016	4.3%	2,074,692,853	2.1%	112,567,170	-17.8%	415,273,817	4.1%	(2,597,818)	-58.7%	(136,042,089)	3.4%
Feb	(31,870,667)	N/A	2,322,053,914	3.1%	294,065,551	6.9%	2,368,758,404	2.7%	20,498,934	8.8%	435,772,751	4.8%	(346,435,152)	2.3%	(482,477,241)	2.6%	
Mar	118,392,716	80.0%	2,440,446,630	5.3%	323,134,788	9.6%	2,691,893,192	3.5%	57,035,644	20.2%	492,808,395	5.2%	(744,254,957)	-7.0%	(744,254,957)	-1.0%	
Apr	394,440,392	-24.1%	2,834,887,022	-0.1%	302,096,159	0.2%	2,993,989,351	3.1%	500,356,470	-10.4%	993,164,865	-3.3%	(408,012,237)	19.9%	(1,152,267,194)	5.5%	
May	267,284,787	16.6%	3,102,171,809	1.1%	293,892,915	-0.8%	3,287,882,266	2.8%	20,860,216	-23.1%	1,014,025,081	-3.8%	(47,468,344)	-49.7%	(1,199,735,538)	1.1%	
Jun	360,210,187	9.0%	3,462,381,996	1.9%	280,788,999	11.6%	3,568,671,265	3.4%	104,259,821	0.6%	1,118,284,902	-3.4%	(24,838,633)	1.3%	(1,224,574,171)	1.1%	
FY 2015	Jul-14	307,979,480	0.5%	307,979,480	0.5%	303,667,985	-1.0%	303,667,985	-1.0%	21,354,109	12.2%	21,354,109	12.2%	(17,042,614)	-10.7%	(17,042,614)	-10.7%
	Aug	277,051,357	0.9%	585,030,837	0.7%	269,976,357	0.8%	573,644,342	-0.2%	18,694,259	-2.9%	40,048,368	4.6%	(11,619,259)	-7.6%	(28,661,873)	-9.5%
	Sep	391,176,578	5.2%	976,207,415	2.4%	288,262,398	4.5%	861,906,740	1.4%	117,688,025	5.7%	157,736,393	5.4%	(14,773,845)	-3.6%	(43,435,718)	-7.6%
	Oct	299,910,716	-0.2%	1,276,118,131	1.8%	320,304,415	5.9%	1,182,211,155	2.6%	60,134,205	-9.6%	217,870,598	0.8%	(80,527,904)	18.0%	(123,963,622)	7.6%
	Nov	283,967,357	0.8%	1,560,085,488	1.6%	280,397,837	0.0%	1,462,608,992	2.1%	17,555,850	4.9%	235,426,448	1.1%	(13,986,330)	-8.5%	(137,949,952)	5.7%
	Dec	421,259,858	9.6%	1,981,345,346	3.2%	337,372,433	6.3%	1,799,981,425	2.8%	83,167,608	19.1%	318,594,056	5.2%	719,817	N/A	(137,230,135)	2.8%
	Jan-15	433,302,725	-0.2%	2,414,648,071	2.6%	313,745,758	-3.3%	2,113,727,183	1.9%	120,273,142	6.8%	438,867,198	5.7%	(716,174)	-72.4%	(137,946,309)	1.4%
Feb	36,808,028	N/A	2,451,456,099	5.6%	309,285,533	5.2%	2,423,012,716	2.3%	20,393,366	-0.5%	459,260,564	5.4%	(292,870,871)	-15.5%	(430,817,180)	-10.7%	
Mar	135,296,012	14.3%	2,586,752,111	6.0%	350,211,775	8.4%	2,773,224,491	3.0%	66,961,424	17.4%	526,221,987	6.8%	(281,877,186)	7.7%	(712,694,367)	-4.2%	
Apr	543,319,360	37.7%	3,130,071,471	10.4%	319,280,583	5.7%	3,092,505,074	3.3%	606,080,226	21.1%	1,132,302,213	14.0%	(382,041,449)	-6.4%	(1,094,735,816)	-5.0%	
May	237,238,950	-11.2%	3,367,310,420	8.5%	293,092,224	-0.3%	3,385,597,298	3.0%	21,718,764	4.1%	1,154,020,977	13.8%	(77,572,039)	63.4%	(1,172,307,855)	-2.3%	
Jun	393,567,675	9.3%	3,760,878,095	8.6%	305,671,016	8.9%	3,691,268,314	3.4%	129,816,206	24.5%	1,283,837,183	14.8%	(41,919,548)	68.8%	(1,214,227,402)	-0.8%	
FY 2016	Jul-15	314,515,790	2.1%	314,515,790	2.1%	314,430,681	3.5%	314,430,681	3.5%	19,164,953	-10.3%	19,164,953	-10.3%	(19,079,844)	12.0%	(19,079,844)	12.0%
	Aug	317,132,476	14.5%	631,648,266	8.0%	305,157,231	13.0%	619,587,912	8.0%	23,246,287	24.3%	42,411,240	5.9%	(11,271,042)	-3.0%	(30,350,886)	5.9%
	Sep	393,705,665	0.6%	1,025,353,931	5.0%	273,973,325	-5.0%	893,561,237	3.7%	132,426,221	12.5%	174,837,461	10.8%	(12,693,881)	-14.1%	(43,044,766)	-0.9%
	Oct	319,034,350	6.4%	1,344,388,281	5.3%	302,810,632	-5.5%	1,196,371,869	1.2%	76,738,000	27.6%	251,575,461	15.5%	(60,514,282)	-24.9%	(103,559,049)	-16.5%
	Nov	323,541,738	13.9%	1,667,930,018	6.9%	320,077,580	14.2%	1,516,449,449	3.7%	22,178,860	26.3%	273,754,321	16.3%	(18,714,702)	33.8%	(122,273,751	

Corporate Income Tax

Insurance Premium Tax

INSURANCE PREMIUM TAX

WHO PAYS

All authorized insurers are subject to the insurance premium tax. Additionally, the tax applies to health care service organizations, prepaid dental plan organizations, and prepaid legal insurance corporations. [A.R.S. § 20-206, A.R.S. § 20-224, A.R.S. § 20-401.05, A.R.S. § 20-416, A.R.S. § 20-837, A.R.S. § 20-1010, A.R.S. § 20-1060, A.R.S. § 20-1097.07].

DISTRIBUTION

Except for a portion of the tax on fire insurance premiums and an additional tax paid on vehicle insurance premiums, these tax revenues are deposited in the state's General Fund [A.R.S. § 20-227].

Eighty-five percent of the fire insurance premium tax is transferred to cities and towns and legally organized fire districts which procure the services of private fire companies and to cities and towns which have their own fire department or legally organized fire district. The proceeds are to be used to assist in funding pension plans for fire fighting personnel. The other 15% is deposited into the state's General Fund [A.R.S. § 20-224, A.R.S. § 9-951, and A.R.S. § 9-952].

An additional tax of 0.4312% paid on insurance carried on vehicles is separately accounted for and transferred to the Public Safety Personnel Retirement System for deposit in the Highway Patrol Account to assist in funding the pension plan for highway patrol personnel [A.R.S. § 20-224.01].

REVENUE BASE

The tax applies to premiums paid for insurance covering liabilities that exist within the state. The tax is levied on the net premium income, which is defined as the total amount received from premiums after deducting cancellations, returned premiums, policy dividends, and refund reductions. The specific types of insurance that are taxed are described in the *Taxable Lines of Insurance* section.

TAX RATE

The insurance premium tax rate on life, vehicle, and other property and casualty lines of insurance is 1.95% in calendar year (CY) 2016. Over the following 5 years, Laws 2016, Chapter 358 decreases the tax rate by (0.05)% annually until it is phased down to 1.70% in CY 2021 and later years. Except for fire insurance and surplus line insurance, the tax rate for most other types of insurance is 2.0% of net premium income [A.R.S. § 20-224].

The tax rate for fire insurance is 0.66% for insurance on properties located in an incorporated city or town which procures the services of a private fire company. The rate on all other fire insurance is 2.2% [A.R.S. § 20-224].

The tax rate on premiums paid to brokers selling surplus line insurance and industrial insurance contracts procured from unauthorized insurers is 3% of the net premium income [A.R.S. § 20-401.07 and A.R.S. § 20-416].

PAYMENT SCHEDULE

Payment of the preceding calendar year's insurance premium tax liability is due on or before March 1 of each year. [A.R.S. § 20-224].

Any insurer which paid or is required to pay a tax of \$2,000 or more for the preceding calendar year is required to pay an "installment" payment of 15% of that amount on or before the 15th day of each month from March through August. These installment payments are then credited against the insurance premium tax due on March 1 of the following year [A.R.S. § 20-224].

AHCCCS health contractors make separate quarterly estimated payments for taxes on Medicaid capitation payments. Estimated payments are due on March 15, June 15, September 15 and December 15 of each year. The Department of Insurance (DOI) bills (refunds) the insurer for any balance of liability (overpayment) that remains on April 1 of the following year. [A.R.S. § 36-2944.01].

TAXABLE LINES OF INSURANCE

The table at the end of this section lists the Insurance Premium Tax revenue collections to the General Fund from FY 2010 to FY 2016, by line item. Each of the insurance lines in the table is described below.

AHCCCS Contractors: The Arizona Health Care Cost Containment System (AHCCCS) makes predetermined monthly capitation payments to managed care organizations that provide Medicaid health insurance to qualifying low income individuals. The state and federal government share in the costs of the program. With some exceptions, the state's Medicaid program covers individuals with family incomes up to 133% of the federal poverty level (about \$32,300 for a family of 4).

Since FY 2004, capitation payments to AHCCCS contractors have been subject to Insurance Premium Tax. Both the state and federal portions of capitation payments are subject to the tax. Tax collections from this line were about 40% of Insurance Premium Tax General Fund revenues in FY 2016. The revenue growth of 11% in FY 2014, 24% in FY 2015, and 17.2% in FY 2016 in this line was largely driven by the expansion of eligible income levels for the program on January 1, 2014.

Accident and Health: Includes insurance policies for medical risks and accidental injury or death. Much of this line consists of personal and employer-sponsored health insurance plans. Federal law, though, exempts employer self-insured plans from state insurance premium tax. Collections from the line made up about 20% of Insurance Premium Tax General Fund revenues in FY 2016. Revenue growth of this line in recent years has been bolstered by increased health plan enrollment following the January 1, 2014 implementation of federal health exchanges and an individual mandate to have health insurance.

Vehicle: This line consists of insurance against damage to vehicles and accidental injury or death or damage to non-vehicle property caused while using a vehicle. According to DOI, private passenger automobile insurance accounts for 90% of this line's premiums while insurance for commercial risks account for the remaining 10% of premiums. Collections from this line were 17% of Insurance Premium Tax General Fund revenues in FY 2016.

Other Property and Casualty: Consists of numerous types of property and casualty insurance that together were 11% of Insurance Premium Tax General Fund revenue in FY 2016. The largest sub-category of insurance in this line is homeowners insurance, which makes up about one-third of the line's

taxable premiums. Some other major sub-categories of this line include property in transit, commercial multi-peril, and medical professional liability.

Life: Includes temporary or permanent policies that insure human life. Collections from this line made up about 8% of Insurance Premium Tax General Fund revenues in FY 2016.

Surplus Lines: Includes types of insurance that are not sufficiently offered by authorized insurers and therefore may be procured from an unauthorized out-of-state insurer. Collections from this line were 2% of Insurance Premium Tax General Fund revenues in FY 2016.

Fire: Includes insurance against damage or loss from fire, beyond the level of coverage from other forms of property insurance. Collections from this line were about 1% of Insurance Premium Tax General Fund revenues in FY 2016.

Retaliatory Payments: Out-of-state insurers pay the greater of the Arizona insurance premium tax or the tax imposed by their home state on Arizona insurers. Retaliation applies to taxes, fees, assessments or other charges levied in the insurance company's home state. Collections from this line were 1% of Insurance Premium Tax General Fund revenues in FY 2016.

Tax Credits: Tax revenues from the insurance lines above are reduced by Insurance Premium Tax credits. Growth of tax credit use in recent years has largely been driven by the 20% annual increases in the cap on Private School Tuition Organization - Low Income Students credits. Dollar impacts of the specific Insurance Premium Tax credits in FY 2016 are listed in the table below.

FY 2016 INSURANCE PREMIUM TAX CREDITS	
(\$ in millions)	
	Annual Cost
Credits:	
Health Insurance Premium ^{1/}	\$ 3.6
Military Reuse Zone	0.0
New Employment	4.1
Private School Tuition Organization - Low Income Students ^{2/}	22.8
Private School Tuition Organization - Disabled/Displaced Students ^{3/}	<u>3.0</u>
Total Value of Credits	\$33.5
<hr/>	
^{1/}	Credit is capped at \$5.0 million annually.
^{2/}	Credit was capped at \$51.6 million in FY 2016 between corporate and insurance premium taxpayers.
^{3/}	Credits is capped at \$5.0 million annually between corporate income and insurance premium taxpayers.

**Insurance Premium Tax Revenue by Insurance Line ^{1/}
General Fund Collections**

(\$ in Millions)

Insurance Line	FY 2010		FY 2011		FY 2012		FY 2013		FY 2014		FY 2015		FY 2016	
	Revenue	Y/Y Chg.												
AHCCCS Contractors	157.4	4.4%	164.3	4.4%	141.4	-13.9%	130.0	-8.1%	144.0	10.7%	178.1	23.7%	208.6	17.2%
Accident and Health	80.1	-5.7%	75.5	-5.7%	78.2	3.6%	79.8	2.0%	82.3	3.1%	87.6	6.4%	103.7	18.4%
Vehicle ^{2/}	77.4	-4.3%	74.1	-4.3%	72.8	-1.8%	75.0	3.0%	79.4	5.9%	84.3	6.2%	89.5	6.2%
Other Property and Casualty	50.5	1.2%	51.1	1.2%	50.6	-1.0%	52.8	4.3%	56.0	6.0%	60.8	8.6%	60.2	-0.9%
Life	35.6	4.2%	37.1	4.2%	38.4	3.5%	38.7	0.8%	39.2	1.2%	39.7	1.3%	43.7	10.2%
Surplus	9.0	-0.7%	8.9	-0.7%	8.8	-1.6%	9.8	11.5%	11.1	13.6%	12.3	10.2%	11.6	-5.3%
Fire ^{3/}	2.0	-6.7%	1.9	-6.7%	1.9	2.4%	2.0	4.7%	2.2	8.2%	2.1	-1.4%	2.6	21.7%
Retaliatory Payments	4.3	86.0%	8.0	86.0%	7.0	-12.5%	10.6	51.4%	8.9	-16.0%	10.7	19.7%	6.9	-35.2%
Tax Credits	(5.3)	-9.4%	(4.8)	-9.4%	(6.3)	31.3%	(11.3)	79.4%	(18.6)	64.6%	(27.8)	49.5%	(33.5)	20.5%
Cash Flow Adjustments ^{4/}	(5.4)	--	(2.3)	--	1.2	--	(0.6)	--	7.3	--	3.2	--	0.8	--
Total Fiscal Year Revenues ^{5/}	\$ 405.6	2.0%	\$ 413.8	2.0%	\$ 394.0	-4.8%	\$ 386.8	-1.8%	\$ 411.6	6.4%	\$ 450.7	9.5%	\$ 494.1	9.6%

Notes

^{1/} Revenue amounts reflect line item estimates by the Department of Insurance.

^{2/} Amounts exclude revenue from an additional 0.4312% tax on vehicle line premiums that is dedicated for funding the Public Safety Retirement System.

^{3/} Amounts exclude the 85% of fire line collections that are transferred to cities, towns and fire districts to assist in funding pension plans of fire fighting personnel.

^{4/} Amounts reflect differences between tax liability and tax payments within the year.

^{5/} JLBC reports General Fund revenues were \$411.8 M in FY 2014 and \$449.5 M in FY 2015. Amounts in this table reflect estimates by the Department of Insurance.

Source: Department of Insurance

Arizona Insurance Premium Tax General Fund Collections

		Year-to-Date				
		Revenue	Y/Y Chg.	Revenue	YTD Chg.	
FY 2007	↑	July 2006	32,395,952	-9.9%	32,395,952	-9.9%
		Aug 2006	50,207,660	15.1%	82,603,612	3.8%
		Sept 2006	21,970,669	-25.9%	104,574,281	-4.3%
		Oct 2006	9,738,387	3959.4%	114,312,668	4.4%
		Nov 2006	203,992	87.0%	114,516,660	4.5%
		Dec 2006	29,248,209	5.7%	143,764,869	4.8%
		Jan 2007	527,737	364.2%	144,292,606	5.1%
		Feb 2007	3,958,613	192.1%	148,251,219	6.9%
		Mar 2007	99,883,905	-3.3%	248,135,124	2.5%
		Apr 2007	42,019,030	25.4%	290,154,154	5.3%
		May 2007	37,587,305	46.1%	327,741,459	8.8%
		June 2007	72,075,585	-0.5%	399,817,044	7.0%
FY 2008	↑	July 2007	40,869,149	26.2%	40,869,149	26.2%
		Aug 2007	45,888,890	-8.6%	86,758,038	5.0%
		Sept 2007	31,468,468	43.2%	118,226,506	13.1%
		Oct 2007	2,717,831	-72.1%	120,944,337	5.8%
		Nov 2007	(377,697)	-285.2%	120,566,640	5.3%
		Dec 2007	31,678,231	8.3%	152,244,870	5.9%
		Jan 2008	187,293	-64.5%	152,432,163	5.6%
		Feb 2008	6,708,514	69.5%	159,140,677	7.3%
		Mar 2008	81,182,866	-18.7%	240,323,544	-3.1%
		Apr 2008	57,471,361	36.8%	297,794,905	2.6%
		May 2008	33,741,695	-10.2%	331,536,600	1.2%
		June 2008	75,506,395	4.8%	407,042,995	1.8%
FY 2009	↑	July 2008	42,100,314	3.0%	42,100,314	3.0%
		Aug 2008	44,381,026	-3.3%	86,481,340	-0.3%
		Sept 2008	38,373,912	21.9%	124,855,252	5.6%
		Oct 2008	2,073,115	-23.7%	126,928,367	4.9%
		Nov 2008	226,955	-160.1%	127,155,322	5.5%
		Dec 2008	36,260,343	14.5%	163,415,665	7.3%
		Jan 2009	309,663	65.3%	163,725,328	7.4%
		Feb 2009	166,483	-97.5%	163,891,811	3.0%
		Mar 2009	89,883,281	10.7%	253,775,092	5.6%
		Apr 2009	46,576,995	-19.0%	300,352,087	0.9%
		May 2009	30,307,715	-10.2%	330,659,802	-0.3%
		June 2009	80,711,098	6.9%	411,370,900	1.1%
FY 2010	↑	July 2009	41,880,188	-0.5%	41,880,188	-0.5%
		Aug 2009	42,365,510	-4.5%	84,245,698	-2.6%
		Sept 2009	45,583,042	18.8%	129,828,739	4.0%
		Oct 2009	2,887,171	39.3%	132,715,911	4.6%
		Nov 2009	152,609	-32.8%	132,868,520	4.5%
		Dec 2009	40,837,773	12.6%	173,706,293	6.3%
		Jan 2010	51,877	-83.2%	173,758,170	6.1%
		Feb 2010	1,729,689	939.0%	175,487,859	7.1%
		Mar 2010	90,845,362	1.1%	266,333,220	4.9%
		Apr 2010	40,872,325	-12.2%	307,205,546	2.3%
		May 2010	25,947,909	-14.4%	333,153,455	0.8%
		June 2010	72,463,145	-10.2%	405,616,600	-1.4%
FY 2011	↑	July 2010	40,998,702	-2.1%	40,998,702	-2.1%
		Aug 2010	40,413,079	-4.6%	81,411,780	-3.4%
		Sept 2010	53,314,746	17.0%	134,726,526	3.8%
		Oct 2010	1,936,196	-32.9%	136,662,722	3.0%
		Nov 2010	(628,059)	-511.5%	136,034,663	2.4%
		Dec 2010	41,297,192	1.1%	177,331,855	2.1%
		Jan 2011	110,737	113.5%	177,442,593	2.1%
		Feb 2011	1,385,066	-19.9%	178,827,659	1.9%
		Mar 2011	94,458,657	4.0%	273,286,316	2.6%
		Apr 2011	41,029,360	0.4%	314,315,675	2.3%
		May 2011	27,363,519	5.5%	341,679,194	2.6%
		June 2011	72,063,346	-0.6%	413,742,540	2.0%
FY 2012	↑	July 2011	37,617,965	-8.2%	37,617,965	-8.2%
		Aug 2011	37,756,828	-6.6%	75,374,793	-7.4%
		Sept 2011	46,376,199	-13.0%	121,750,992	-9.6%
		Oct 2011	1,490,142	-23.0%	123,241,134	-9.8%
		Nov 2011	310,272	-149.4%	123,551,406	-9.2%
		Dec 2011	36,150,654	-12.5%	159,702,060	-9.9%
		Jan 2012	40,237	-63.7%	159,742,297	-10.0%
		Feb 2012	3,060,016	120.9%	162,802,313	-9.0%
		Mar 2012	86,160,831	-8.8%	248,963,145	-8.9%
		Apr 2012	42,003,825	2.4%	290,966,970	-7.4%
		May 2012	35,763,095	30.7%	326,730,065	-4.4%
		June 2012	67,260,435	-6.7%	393,990,501	-4.8%

Arizona Insurance Premium Tax General Fund Collections

		Year-to-Date				
		Revenue	Y/Y Chg.	Revenue	YTD Chg.	
FY 2013	↑	July 2012	37,508,678	-0.3%	37,508,678	-0.3%
		Aug 2012	41,802,963	10.7%	79,311,640	5.2%
		Sept 2012	34,681,755	-25.2%	113,993,395	-6.4%
		Oct 2012	1,298,932	-12.8%	115,292,327	-6.4%
		Nov 2012	208,825	-32.7%	115,501,152	-6.5%
		Dec 2012	15,984,361	-55.8%	131,485,513	-17.7%
		Jan 2013	17,353,339	43028.0%	148,838,852	-6.8%
		Feb 2013	4,035,695	31.9%	152,874,547	-6.1%
		Mar 2013	67,711,409	-21.4%	220,585,956	-11.4%
		Apr 2013	54,650,143	30.1%	275,236,099	-5.4%
		May 2013	40,903,081	14.4%	316,139,180	-3.2%
		↓	June 2013	70,636,923	5.0%	386,776,103
FY 2014	↑	July 2013	36,604,607	-2.4%	36,604,607	-2.4%
		Aug 2013	46,319,857	10.8%	82,924,464	4.6%
		Sept 2013	29,042,831	-16.3%	111,967,295	-1.8%
		Oct 2013	1,093,890	-15.8%	113,061,185	-1.9%
		Nov 2013	6,037,600	2791.2%	119,098,785	3.1%
		Dec 2013	12,180,601	-23.8%	131,279,386	-0.2%
		Jan 2014	22,108,090	27.4%	153,387,476	3.1%
		Feb 2014	5,047,014	25.1%	158,434,490	3.6%
		Mar 2014	90,260,498	33.3%	248,694,988	12.7%
		Apr 2014	40,437,428	-26.0%	289,132,415	5.0%
		May 2014	42,265,579	3.3%	331,397,994	4.8%
		↓	June 2014	80,362,690	13.8%	411,760,684
FY 2015	↑	July 2014	41,695,140	13.9%	41,695,140	13.9%
		Aug 2014	43,349,179	-6.4%	85,044,319	2.6%
		Sep 2014	44,017,841	51.6%	129,062,160	15.3%
		Oct 2014	1,058,877	-3.2%	130,121,037	15.1%
		Nov 2014	316,650	-94.8%	130,437,687	9.5%
		Dec 2014	11,650,040	-4.4%	142,087,727	8.2%
		Jan 2015	33,853,685	53.1%	175,941,412	14.7%
		Feb 2015	5,144,681	1.9%	181,086,093	14.3%
		Mar 2015	66,254,010	-26.6%	247,340,103	-0.5%
		Apr 2015	69,510,687	71.9%	316,850,791	9.6%
		May 2015	48,248,184	14.2%	365,098,975	10.2%
		↓	June 2015	84,447,779	5.1%	449,546,754
FY 2016	↑	July 2015	43,026,885	3.2%	43,026,885	3.2%
		Aug 2015	42,246,989	-2.5%	85,273,874	0.3%
		Sep 2015	43,520,598	-1.1%	128,794,471	-0.2%
		Oct 2015	9,936,474	838.4%	138,730,946	6.6%
		Nov 2015	48,839	-84.6%	138,779,785	6.4%
		Dec 2015	19,119,526	64.1%	157,899,311	11.1%
		Jan 2016	33,120,213	-2.2%	191,019,524	8.6%
		Feb 2016	2,067,262	-59.8%	193,086,786	6.6%
		Mar 2016	126,501,590	90.9%	319,588,376	29.2%
		Apr 2016	42,865,335	-38.3%	362,453,711	14.4%
		May 2016	40,845,608	-15.3%	403,299,319	10.5%
		↓	June 2016	90,789,917	7.5%	494,089,236
FY 2017	↑	July 2016	21,103,994	-51.0%	21,103,994	-51.0%
		Aug 2016	73,883,134	74.9%	94,987,128	11.4%
		Sep 2016	50,081,084	15.1%	145,068,212	12.6%
		Oct 2016	<i>September amount is a preliminary estimate</i>			
		Nov 2016				
		Dec 2016				
		Jan 2017				
		Feb 2017				
		Mar 2017				
		Apr 2017				
	↓	May 2017				
		June 2017				

NATIONAL

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Real Gross Domestic Product (GDP)** increased at an annual rate of 1.1% in the second quarter of 2016. This estimate represents a modest pickup from the weak growth of 0.8% in the first quarter of 2016. The acceleration relative to the prior quarter was primarily due to growth in consumption and exports and a reduction in drag from low business investment and federal spending. Improved performance in these categories was partly offset by decreases in business inventories, residential investment and state and local government spending. Economists largely agree that the low growth for the quarter is driven by seasonal fluctuations in inventories and may be offset by a higher rate of growth in the third quarter.

The Conference Board's **U.S. Consumer Confidence Index** increased by 4.6% to 101.1 in August, the index's highest reading since September 2015. The monthly increase reflected improved optimism by consumers about economic and job circumstances currently and 6 months in the future. Economists think part of the August increase was a reversal of greater pessimism in July in the aftermath of Britain's vote to leave the European Union.

The Conference Board's **U.S. Leading Economic Index** increased by 0.4% in July and stands (0.1)% below its July 2015 reading. Of the index's 10 components, 8 made positive contributions in July. Manufacturing workers' average work week made its greatest positive contribution since January, rebounding from its June decrease. Stock prices and movement in interest rates were also particularly strong positive components, while average consumer expectations was the sole negative component for the month.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, were unchanged in July and 0.8% above July 2015 prices. Energy prices decreased 1.6% during the month due to a sharp decrease in the gasoline index, ending a four month trend of energy index increases. Core inflation (all items less food and energy) increased by 0.1% during the month. Indexes for shelter, medical care, new vehicles and motor vehicle insurance increased in July. In contrast, indexes for airline fares, used cars and trucks, communication and recreation saw monthly decreases.

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Personal Consumption Expenditure Price Index (PCEPI)** was flat in July, relative to June. The overall index stands 0.8% above the July 2015 level, which is well below the Federal Reserve

Bank's 2% annual inflation target. The low measure is largely due to a (11.7)% year-over-year decrease in energy prices. Annual growth in the core index (all items except food and energy) has grown by a steadier rate of 1.6% through July.

ARIZONA

The Federal Reserve Bank of Philadelphia's **coincident index** gauges current economic activity in each state. The index combines 4 indicators: employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wages.

Arizona's coincident index increased by 3.5% compared to July 2015. Over the same time period, the U.S. coincident index increased by 3.0%. See *Appendix A – Arizona Economic Trends for additional historical information.*

Housing

Single-family housing construction is increasing. Multi-family construction had previously peaked, but has recently started to increase again. Arizona's 12-month total of **single-family building permits** is 23,889, or 19.0% more than a year ago. The comparable single-family permit growth rate for the entire U.S. is 9.2%. See

The 12-month total of multi-family building permits has started to increase again. Arizona's total of 10,199 **multi-family building permits** is 13.0% more than 2015. Arizona's rate of increase is now greater than the comparable multi-family permit growth for the U.S. as a whole, which is (5.9)% lower than 2015.

Employment

According to information released by the Office of Economic Opportunity (OEO), the state added 29,600 net new **nonfarm jobs** in August over July. This was a significantly smaller increase than what is typical for this month. The average employment increase in August in the prior 10 years was 44,200.

Compared to the same month in the prior year, the state added 54,200 nonfarm jobs in August. This represents a net job growth rate of 2.1%, which is the lowest reading since June 2015. The national year-over-year job increase in August was 1.3%.

The state's **unemployment rate** declined from 6.0% in July to 5.8% in August. This means that the state's jobless rate returned to the same level as in June. The U.S. unemployment rate remained unchanged for the third consecutive month in August at 4.9%.

Monthly Indicators *(Continued)*

In July, the **Average Weekly Hours** worked by individuals in Arizona's private sector was 34.4 hours. This workload was equal to the level during the prior month and (0.6)% below the level in July 2015.

The **Average Hourly Earnings** received by private sector workers was \$23.71, which is (0.3)% below the average in the prior month. July earnings were still 3.0% above the average in July 2015, and represent the sixth consecutive month of 3.0% growth or more.

OEO reported that 18,945 **initial claims for unemployment insurance** were filed in August, an increase of 8.8% compared to the same month last year. This was the first year-over-year increase of initial jobless claims for the month of August since 2009.

According to OEO, the state had a total of 35,654 **claimants receiving unemployment insurance benefits** in August, the same amount of claimants as in July. This figure was (5.0)% below the August 2015 level, and represented the lowest number of claimants receiving jobless benefits for the month of August in 10 years.

Tourism

Revenue per available room was \$56.96 in July, which was 6.0% above the amount in July 2015. Year-to-date, revenue per available room is 4.1% above the 2015 year-to-date amount through July. Ridership during July through Phoenix Sky Harbor Airport was down (5.6)% compared to July 2015.

State Agency Data

At the beginning of September 2016, the total **AHCCCS** caseload was 1.8 million members. Since the federal health care expansion in January 2014, the overall AHCCCS population has grown by 582,500 members.

Total monthly enrollment increased by 17,700 members, or 1.0%, during August. The overall August increase was concentrated in the Traditional population of low income parents and children. Enrollment in this population increased 11,200, or 1.0%, in August. At a combined level of 1,267,800 members, the Traditional and Proposition 204 parent populations were 3.8% higher than a year ago.

Laws 2016, Chapter 112 reopened enrollment in the KidsCare program for children with family incomes above those in the Traditional population. Following the enrollment freeze in January 2010, the KidsCare caseload had dropped to 500 members by August 2016. Through September 1, enrollment in the program reached 2,800, or 2,300 more than the prior month's enrollment.

In January 2014, the state started accepting new enrollment to the Proposition 204 childless adults program. In August 2016, the childless adult population increased by 1,700, or 0.5%. At 313,000, this population is 6.7% higher than a year ago.

The state also opted to expand adult Medicaid coverage to 133% of FPL. Their enrollment increased by 400 in August and now totals 80,500 individuals. Enrollment is 12.6% higher than a year ago. The federal government is currently paying 100% of this cost through the end of calendar year 2016.

There were 19,286 **TANF recipients** in the state in August, representing a 4.1% increase from July. The year-over-year number of TANF recipients has declined by (18.8)%. The statutory lifetime limit on cash assistance declined from 24 months to 12 months in July 2016.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In August, 977,333 people received food stamp assistance in the state, representing a 0.9% increase over July caseloads. Compared to August caseloads last year, the level of food stamp participation has declined by (3.2)%.

The **inmate population** was 42,808 as of August 31, 2016. This is a (0.1)% decrease since last August. The population decreased by (0.3)% since July 2016. Laws 2016, Chapter 119 included a provision that if the male inmate count exceeds 39,762 by November 2016, the department may open 1,000 additional private prison beds. As of August 31, 2016, ADC held 38,605 male prisoners.

Based on information the Department of Child Safety provided for May 2016, **reports of child maltreatment** totaled 48,940 over the last 12 months, a decrease of (3.6)% over the prior year. There were 18,622 **children in out-of-home care** as of May 2016, or 4.4% more than in May 2015. Compared to the prior month, the number of out-of-home children decreased by (1.3)%.

Table 4

MONTHLY 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				
<u>Employment</u>				
- Regular Unemployment Rate	August	5.8%	(0.2)%	(0.2)%
- Total Unemployment Rate (discouraged/underemployed)	2 nd Q 2016	11.3%	(0.4)%	(2.5)%
- Initial Unemployment Insurance Claims	August	18,945	(14.5)%	8.8%
- Unemployment Insurance Recipients	August	35,654	0.0%	(5.0)%
- Non-Farm Employment - Total	August	2,671,600	(0.1)%	2.1%
Manufacturing	August	159,100	(0.7)%	(0.3)%
Construction	August	135,600	(3.1)%	4.7%
- Average Weekly Hours, Private Sector	July	34.4	0.0%	(0.6)%
- Average Hourly Earnings, Private Sector	July	\$23.71	(0.3)%	3.0%
<u>Sales</u>				
- Retail Taxable Sales				
Motor Vehicles/Misc. Auto	May	\$1.01 billion	(4.3)%	5.7%
Furniture/Home Furnishings	May	\$333.9 million	1.6%	6.1%
Building Material/Lawn & Garden	May	\$440.2 million	3.7%	(0.9)%
<u>Building</u>				
- Residential Building Permits (12-month avg)				
Single-family	July	23,889	(1.4)%	19.0%
Multi-family	July	10,199	(3.1)%	13.0%
- Maricopa County/Other, Home Sales (ARMLS)				
Single-Family (Pending Sales)	July	5,614	(14.8)%	0.5%
- Maricopa County/Other, Median Home Price (ARMLS)				
Single-Family (Pending Sales)	July	\$243,000	1.3%	10.5%
- Phoenix S&P/C Home Price Index (2000 = 100)	June	160.69	0.7%	5.1%
- Maricopa Pending Foreclosures	July	3,695	(0.2)%	(23.9)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	July	23,627	(4.1)%	3.4%
<u>Tourism</u>				
- Phoenix Sky Harbor Air Passengers	July	3,690,679	(0.8)%	(5.6)%
- National Park Visitors	March	1,114,134	70.9%	(1.3)%
- State Park Visitors	July	282,570	25.4%	10.6%
- Revenue Per Available Hotel Room	July	\$56.96	(8.2)%	6.0%
<u>General Measures</u>				
- Arizona Consumer Confidence Index (1985 = 100)	3 rd Q 2016	88.4	10.5%	4.9%
- Arizona Coincident Index (July 1992 = 100)	July	221.57	0.0%	3.5%
- Arizona Leading Index -- 6 month projected growth	July	0.2%	(0.4)%	(5.0)%
- Arizona Personal Income	1 st Q 2016	\$274.7 billion	1.1%	4.8%
- Arizona Population	July 2015	6,828,065	N/A	1.5%
- State Debt Rating				
Standards & Poor's/Moody's	May	AA / Aa2	N/A	N/A
Outlook	May	Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	September 1 st	1,840,633	1.0%	4.7%
Acute Care Traditional		1,083,907	1.0%	(1.1)%
Prop 204 Childless Adults		312,968	0.5%	6.7%
Other Prop 204		183,897	0.5%	47.3%
Adult Expansion		80,461	0.6%	12.6%
Kids Care I		2,819	433.9%	204.1%
Long-Term Care – Elderly & DD		58,463	0.2%	2.0%
Emergency Services		118,118	1.0%	4.2%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	May 2016	48,940	(0.7)%	(3.6)%
DCS Out-of-Home Children	May	18,622	(1.3)%	4.4%
Filled Caseworkers (1406 Budgeted)	August	1,358	(8)	101
- ADC Inmate Growth	August	42,808	(0.1)%	(0.3)%
- Department of Economic Security				
- TANF Recipients	August	19,286	4.1%	(18.8)%
- SNAP (Food Stamps) Recipients	August	977,333	0.9%	(3.2)%
- Judiciary Probation Caseload				
Non-Maricopa	May	18,525	(42)	229
Maricopa County	May	27,689	(45)	856
United States				
- Gross Domestic Product	2 nd Q, 2016	\$16.6 trillion	1.2%	1.1%
(Chained 2009 dollars, SAAR)	(2 nd Estimate)			
- Consumer Confidence Index (1985 = 100)	August	101.1	4.6%	(0.2)%
- Leading Indicators Index (2010 = 100)	July	124.3	0.4%	(0.1)%
- Consumer Price Index, SA (1982-84 = 100)	July	239.8	0.0%	0.8%
- Personal Consumption Price Index (2009 = 100)	July	110.7	0.0%	0.8%

JLBC FINANCE ADVISORY COMMITTEE (FAC) MEMBERS

Dan Anderson has served as Assistant Executive Director for Institutional Analysis for Arizona Board of Regents since July 2002. From 1975 through June 2002, Mr. Anderson held various positions at the Arizona Department of Economic Security, with most of his time as Research Administrator. He has been a member of the FAC since its inception.

Brian Cary is Manager of Forecasting, Research and Economic Development for Salt River Project (SRP). Prior to joining SRP in September 2007, he served as Principal Economist on the JLBC staff for 4 years. Mr. Cary has been producing forecasts and analysis for more than 25 years, mostly focused on the energy and financial sectors. He joined the FAC in 1989.

State Treasurer Jeff DeWit serves as the Arizona's Chief Banker and Investment Officer overseeing more than \$9.7 billion in state assets. The Treasurer also serves as the Chairman of Arizona's State Board of Investment, and State Loan Commission. He also serves as the State's Surveyor General and is a member of the State Land Selection Board. Since the FAC's inception, the sitting State Treasurer has been a panelist.

George W. Hammond is Director and Research Professor of the Economic and Business Research Center in the Eller College of Management at the University of Arizona. Dr. Hammond brings 17 years of experience in state and local econometric forecasting and regional economic analysis to the Center. He has completed over 50 regional economic studies on topics that include economic and workforce development, energy forecasting, and the impact of higher education on human capital accumulation.

John C. Lucking is President of ECON-LINC, an economic consulting firm. Dr. Lucking also serves as a director for Sanu Resources Ltd., an international mineral exploration company, and as a trustee for several municipal bond mutual funds. Previously, he served as Chief Economist for Bank One Arizona and as the Executive Director of the Governor's Partnership for Economic Development (GSPED). Dr. Lucking has been a member of the FAC since 1987.

Georganna Meyer retired as Chief Economist for the Arizona Department of Revenue in 2014. She is currently working with The Maguire Company. Georganna has been a member of the FAC since 1984.

Lorenzo Romero is the Director of the Governor's Office of Strategic Planning and Budgeting (OSPB). The sitting OSPB Director is always a FAC panelist.

Elliott D. Pollack is President of Elliott D. Pollack and Company in Scottsdale, Arizona, an economic and real estate consulting firm established in 1987. Mr. Pollack served as Chief Economist of Valley National Bank in Arizona for 14 years prior to establishing his consulting firm and is currently a member of the Economic Estimates Commission. He has been a member of the FAC since its inception.

Jim Rounds is President of Rounds Consulting Group. The firm specializes in economic development and tax policy research. Previously, Mr. Rounds served as a Senior Economist and Senior Budget Analyst with the Arizona Joint Legislative Budget Committee, and as Senior Vice President at Elliott D. Pollack & Company.

Martin Shultz is a Senior Policy Director in Brownstein Hyatt Farber Schreck's Phoenix Office. Prior to joining Brownstein, Mr. Schultz was the Vice President of Government Affairs at Pinnacle West Capital Corporation and its subsidiaries. Mr. Shultz has been a member of the FAC since 1984.

Elaine Smith joined the Finance Advisory Committee in 2014. Elaine is a Senior Economist in the Office of Economic Research and Analysis at the Arizona Department of Revenue. She has been with the department for over 25 years.

Randie Stein joined the Investment Banking firm Stone & Youngberg as a Vice President in the Public Finance Department in September 2004. Ms. Stein has 10 years of experience as a fiscal advisor and Finance Committee analyst in the State Senate and as an economist/budget analyst with the Joint Legislative Budget Committee, and is a former staff director of the School Facilities Board. She has been a member of the FAC since 2005.

Steve Taddie joined the Finance Advisory Committee in 2014. Steve was a co-founder of Stellar Capital Management, a Phoenix based investment management firm, and has been its Managing Partner since 2000. He has 30 years of investment experience, has focused on applied economics in the financial markets for the last 15 years, and is a panelist for the NABE Outlook and the Arizona Blue Chip Economic forecasts.

Doug Walls is the Research Administrator for the Office of Employment and Population Statistics at the Arizona Department of Administration.