

**ARIZONA**  
**MONTHLY FISCAL HIGHLIGHTS**  
**April 2004**

General Fund revenue collections were very strong in April. The state collected \$759.2 million, which was 21.9% above April 2003. The growth in revenues was broad based: sales tax was up 13.4%; corporate income collections increased 15.9%; and individual income estimated and final tax payments rose by 19.8%. After making adjustments for one-time monies, year-to-date collections are 8.9% higher than last year.

April collections result in a year-to-date surplus of \$150.7 million above the JLBC's January forecast estimates. The recently approved budget, as transmitted to the Governor, assumed a FY 2004 forecast level equivalent to the Governor's budget, which was \$78.0 million above the January estimates. The budget also includes "triggers," which dedicate revenue for certain purposes above the \$78 million level.

The actual enactment of the FY 2004 triggers will depend on revenues through the end of June. If the current revenue surplus holds for the remaining two months of the year, we would end \$72.7 million above the "transmitted" budget forecast (the difference between the current \$150.7 million surplus and the budgeted \$78.0 million surplus). This level of surplus would result in the enactment of the first set of triggers, which would add a total of \$50.0 million in funding for School Facilities Board Building Renewal, Child Care and State Employer Health Insurance charges. Additional triggers would also be enacted if revenues further exceed the forecast during the rest of FY 2004 and the first 6 months of FY 2005.

**General Fund Revenues**  
**Compared to Original and Revised FY 2004 Forecasts and FY 2003 Collections**  
(\$ in Millions)

	<u>FY 2004 Collections</u>	<u>Difference From 6/03 Forecast</u> <sup>1/</sup>	<u>Difference From 1/04 Forecast</u> <sup>2/</sup>	<u>Difference From 5/04 Forecast</u> <sup>3/</sup>	<u>Difference From FY 2003</u> <sup>4/</sup>
April	\$ 759.2	\$ 111.6	\$ 94.4	N/A	\$ 130.8
Year-to-Date	\$ 5,327.7	\$ 325.3 <sup>5/</sup>	\$ 150.7	\$ 72.7	\$ 451.0

<sup>1/</sup> Original FY 2004 forecast (June 2003).

<sup>2/</sup> Revised FY 2004 forecast (January 2004).

<sup>3/</sup> Revised FY 2004 forecast (May budget transmitted to Governor).

<sup>4/</sup> Excludes federal cash assistance grant, URS, judicial enhancement and amnesty deposit.

<sup>5/</sup> By the end of the fiscal year, amnesty may generate an additional \$22 million above the original budget forecast.

**Sales Tax** revenue in April increased by 13.4% (based on preliminary numbers), bringing the year-to-date growth rate up to 8.5%. Due to its new computer system, the Department of Revenue does not have final April receipts.

**Individual Income Tax** collections in April were significantly above last year. Withholding tax collections were slightly lower than last year, decreasing by \$1.4 million or (0.7)%. However, estimated payments were up \$9.2 million over last April, and final payments were up \$44.1 million. In addition, refunds were \$36.3 million less than last year, a 14.8% decline.

Some growth in estimated and final payments was expected due to underwithholding in the first half of the fiscal year, but the 19.8% increase in estimated and final payments clearly exceeds that level. The size of the increase may be due to the

growth in taxation on capital gains as the economic recovery continues.

**Corporate Income Tax** revenue increased by \$13.4 million in April compared to last year. Year-to-date corporate income tax revenue was almost 25% above last year's results.

**Recent Economic Indicators:** The statistics on the economy showed steady improvement. **U.S. Gross Domestic Product (GDP)** continued to expand at a rapid clip in 2004's first quarter. Inflation-adjusted GDP increased 4.9% from the prior year, with defense expenditures and equipment and software investment among the leading categories. Additional evidence surfaced in the high-technology manufacturing sector. **U.S. Semiconductor Billings** (three-month moving average) surged almost 5% from the prior period and stood more than 25% higher than a year ago.

**JLBC**

Rising consumer confidence reflected the economy’s growing strength. The Conference Board’s **Consumer Confidence Index** increased to 92.9 in April, a 5 percent jump from March. The improvement was fueled by a better assessment of current conditions and by rising expectations for future growth.

The nation’s **Index of Leading Economic Indicators** edged up 0.1% in April. Building permits and stock prices were among the positive contributors. Meanwhile, the **U.S. Consumer Price Index (CPI)** was pushed higher by rising fuel costs. The energy component soared at a 28.3% annual rate through the first four months of 2004. Overall, the CPI (three-month moving average) advanced just 1.9% from a year ago.

The state economy continued to post steady gains. The **Arizona Business Conditions Index (BCI)** jumped 5.1% in April, with delivery times, employment, and inventories pushing the index higher. The **Arizona Tourism Barometer** reached its highest level since September 2001. February’s 99.6 reading reflected a 5.1% improvement over the previous twelve months.

**Arizona personal income** totaled \$153.7 billion (seasonally adjusted annual rate) during fourth quarter 2003, which yielded an annual increase of 5.8%. The state’s 2.0% quarterly gain ranked fourth in the nation.

The **Arizona unemployment rate** increased from 4.9% to 5.4% in April due to an unusually large influx of job seekers

into the labor force. At the same time, the state’s employers were adding workers to their payrolls. Overall, **non-farm employment** increased 2.5% on a year-over-year basis, with construction and health care contributing much of the increase.

The **Arizona Index of Leading Economic Indicators** dipped (0.2)% in March. Hours worked in manufacturing and sensitive materials prices were among the factors that pushed the index lower.

The most recent statistics from AHCCCS and DES continue to show declining enrollments. The number of acute-care **AHCCCS clients** declined (2.2)% during the last three months and stood (7.8)% below the budgeted level. The **Proposition 204 caseload** decreased (2.2)% during the latest three-month period, but the number of clients remained 9.4% higher than a year ago.

The **number of TANF recipients** (three-month average) declined to 121,131 in March, a (4.9)% drop from the previous three months. The caseload was (1.1)% below last year’s level and (4.7)% below the forecast, but average payments per client were 6.1% above the forecast for the year to date.

The **Department of Corrections’ inmate population** (three-month average) expanded by an average of 173 inmates per month from February through April, which was well ahead of the budgeted rate of 118 new inmates (net) per month. The head count was bolstered by an unusually large number of inmates entering the system in March.

<b>RECENT ECONOMIC INDICATORS</b>				
<b>Indicator</b>	<b>Time Period</b>	<b>Current Value</b>	<b>Change From Prior Period</b>	<b>Change From Prior Year</b>
<b>Arizona</b>				
-Unemployment Rate	April	5.4%	0.5%	(0.5)%
-Jobs	April	2.348 million	0.4%	2.5%
-Contracting Tax Receipts (3 month average)	January-March	\$46.0 million	(2.6)%	13.2%
-Retail Sales Tax Receipts (3 month average)	January-March	\$138.0 million	12.4%	8.6%
-Arizona Tourism Barometer	February	99.6	2.6%	5.1%
-Leading Indicators Index	March	124.2	(0.2)%	4.1%
-Business Conditions Index (>50 signifies expansion)	April	66.0	5.1%	32.6%
-Arizona Personal Income	4 <sup>th</sup> Quarter 2003	\$153.7 billion	2.0%	5.8%
<b>-AHCCCS Recipients (3 month average)</b>				
Regular	February-April	563,560	(1.4)%	2.0%
Proposition 204		169,590	(2.2)%	9.4%
-TANF Recipients (3 month average)	January-March	121,131	(4.9)%	(1.1)%
-DOC Inmate Growth (3 month average)	February-April	31,661	173 inmates	1,275 inmates
<b>U.S.</b>				
-Gross Domestic Product	1 <sup>st</sup> Quarter 2004	\$10.709 trillion	1.0%	4.9%
-Consumer Confidence Index	April	92.9	5.0%	14.7%
-Leading Indicators Index	April	115.9	0.1%	4.9%
-U.S. Semiconductor Billings (3 month moving average)	January-March	\$3.076 billion	4.9%	25.1%
-Consumer Price Index (3 month moving average)	February-April	186.3	0.5%	1.9%

# State of Arizona

## General Fund Revenue: Change from Previous Year and Revised Forecast

### April, 2004

	Current Month					FY 2004 YTD (Ten Months)				
	Actual April 2004	Change From April 2003		Revised Forecast		Actual April 2004	Change from April 2003		Revised Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b><u>Taxes</u></b>										
Sales and Use	\$299,149,200	\$35,386,764	13.4 %	\$21,805,353	7.9 %	\$2,729,792,710	\$213,095,287	8.5 %	\$54,994,299	2.1 %
Income - Individual	302,321,741	88,286,736	41.2	58,668,450	24.1	1,931,414,261	161,875,379	9.1	96,504,693	5.3
- Corporate	97,368,474	13,354,434	15.9	13,354,434	15.9	365,476,044	72,491,990	24.7	(754,477)	(0.2)
Property	1,923,720	(156,234)	(7.5)	293,795	18.0	23,881,058	3,405,543	16.6	(6,536,155)	(21.5)
Luxury	5,797,490	913,188	18.7	726,915	14.3	50,938,954	(3,195,047)	(5.9)	1,078,405	2.2
Insurance Premium	64,509,202	28,773,424	80.5	65,875	0.1	222,251,997	52,877,555	31.2	5,202,261	2.4
Estate	2,813,280	(515,377)	(15.5)	(414,420)	(12.8)	32,172,933	(49,051,672)	(60.4)	(1,372,934)	(4.1)
Other Taxes	89,941	(2,143,868)	(96.0)	(420,959)	(82.4)	2,687,133	(5,918,387)	(68.8)	(1,055,512)	(28.2)
<b>Sub-Total Taxes</b>	<b>\$773,973,048</b>	<b>\$163,899,067</b>	<b>26.9 %</b>	<b>\$94,079,443</b>	<b>13.8 %</b>	<b>\$5,358,615,090</b>	<b>\$445,580,648</b>	<b>9.1 %</b>	<b>\$148,060,580</b>	<b>2.8 %</b>
<b><u>Other Revenue</u></b>										
Lottery	1,558,200	(607,100)	(28.0)	0	0.0	31,000,000	3,594,400	13.1	0	0.0
License, Fees and Permits	3,672,585	426,219	13.1	832,866	29.3	21,288,428	(89,387)	(0.4)	936,444	4.6
Interest	1,471,087	767,268	109.0	533,414	56.9	22,054,668	9,302,009	72.9	(1,505,493)	(6.4)
Sales and Services	3,288,043	700,133	27.1	564,370	20.7	39,716,036	2,131,488	5.7	208,551	0.5
Other Miscellaneous	5,570,280	1,623,736	41.1	1,994,623	55.8	32,496,088	17,224,169	112.8	5,925,700	22.3
Disproportionate Share	0	0	0.0	0	0.0	5,625,187	5,625,187	0.0	0	0.0
Transfers and Reimbursements	41,386	(35,187,182)	(99.9)	(3,636,903)	(98.9)	13,274,820	(28,149,516)	(68.0)	(3,124,027)	(19.1)
BSF Transfer for Alt. Fuels	0	(857,984)	(100.0)	0	0.0	171,080	(4,181,390)	(96.1)	171,080	0.0
<b>Sub-Total Other Revenue</b>	<b>15,601,581</b>	<b>(33,134,910)</b>	<b>(68.0) %</b>	<b>288,370</b>	<b>1.9 %</b>	<b>165,626,307</b>	<b>5,456,960</b>	<b>3.4 %</b>	<b>2,612,255</b>	<b>1.6 %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$789,574,629</b>	<b>\$130,764,157</b>	<b>19.8 %</b>	<b>\$94,367,813</b>	<b>13.6 %</b>	<b>\$5,524,241,397</b>	<b>\$451,037,608</b>	<b>8.9 %</b>	<b>\$150,672,835</b>	<b>2.8 %</b>
<b><u>One-Time Revenue</u></b>										
Urban Revenue Sharing	(30,422,097)	5,457,824	(15.2)	0	0.0	(304,220,970)	54,578,240	(15.2)	0	0.0
Tax Amnesty	0	0	0.0	0	0.0	15,080,406	15,080,406	0.0	0	0.0
Federal Cash Assistance	0	0	0.0	0	0.0	87,234,214	87,234,214	0.0	0	0.0
Judicial Enhancement	0	0	0.0	0	0.0	5,393,000	5,393,000	0.0	0	0.0
<b>Sub-Total Transfers In</b>	<b>(30,422,097)</b>	<b>5,457,824</b>	<b>(15.2)</b>	<b>0</b>	<b>0.0</b>	<b>(196,513,350)</b>	<b>162,285,860</b>	<b>(45.2)</b>	<b>0</b>	<b>0.0</b>
<b>TOTAL REVENUE</b>	<b>\$759,152,532</b>	<b>\$136,221,981</b>	<b>21.9 %</b>	<b>\$94,367,813</b>	<b>14.2 %</b>	<b>\$5,327,728,047</b>	<b>\$613,323,468</b>	<b>13.0 %</b>	<b>\$150,672,835</b>	<b>2.9 %</b>

VP% = Percent change from comparable period in prior year

VF% = Variance from forecast

F% = Forecast percent change for the fiscal year.

R% = Average percent change from comparable period in prior year which must be attained over remaining months to realize the forecast for year.