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"July collections were \$(88.9) million below the forecast".

Summary

July General Fund revenue collections were \$638.8 million, or (7.3)% below July 2007. July collections were \$(88.9) million below forecast. *(See Table 1 and page 11 for more information).* July represents the tenth consecutive month in which revenues fell below the same month in the prior year.

While there were declines in all 3 major revenue categories, sales tax represents the largest dollar decline:

- July sales tax collections were down (9.3)% compared to July 2007 and were \$(60.2) million short of the monthly forecast. July reflects the largest monthly drop during the current downturn. Given the loss of discretionary income associated with rising gas prices and the collapse of the real estate sector, retail sales fell (10.4)% and contracting receipts were down (19.3)%.
- July individual income tax collections were down (1.0)% compared to July 2007 and were \$(19.3) million below forecast.
- July corporate income tax collections were down (31.1)% from July 2007, which was \$(10.3) million below forecast.

FY 2009 Revenue Forecast

The enacted FY 2009 budget assumed base revenue growth (excluding tax law changes and one-time revenues) of 1.9% above the FY 2008 forecast.

Based on preliminary collections, however, FY 2008 revenue growth was much lower than anticipated. While the April FY 2008 budget revisions were based on a (0.9)% base revenue decline, the actual FY 2008 drop was (4.6)%. As a result of this shortfall, FY 2009 base revenues will now have to grow by 6.1% to meet the enacted revenue level of \$9.98 billion.

Given the FY 2008 experience and current economic conditions, 6.1% growth seems highly unlikely. We will need several months of revenue data, however, before attempting to forecast a revision in FY 2009 revenues. A Finance Advisory Committee meeting is currently planned for October 15th and will assist in that process.

Early FY 2009 revenues, however, show larger declines than FY 2008. The July 2007 shortfall was \$(24.5) million, whereas July 2008 has a revenue loss of \$(90) million.

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Summary (Continued)

JLBC/JCCR Meetings – The Monthly Fiscal Highlights include a summary of the August JLBC meeting (*page 6*). There was no JCCR meeting in August.

(Tim Everill, Marge Zylla and Richard Stavneak contributed to this section. We are adding the relevant JLBC analyst and economist names to each section of the Monthly Fiscal Highlights to identify the staff resource more readily.)

July Revenues

“Rapidly escalating gas prices may be a factor in the (10.4)% decline in retail sales in July”.

Table 1

| July General Fund Revenues Compared to Enacted Forecast and FY 2008 Collections (\$ in Millions) | | |
|---|--|------------------------------------|
| <u>FY 2009 Collections</u> | <u>Difference From Chapter 53 Forecast</u> | <u>Difference From FY 2008</u> |
| \$638.8 | \$(88.9) | \$(50.1) |

Sales Tax collections were \$356.3 million in July. This amount was down (9.3)% compared to last July, and was \$(60.2) million below forecast.

The housing market collapse continues to drag down the contracting sector of the sales tax, as contracting taxes dropped (19.3)% from July 2007.

Rapidly escalating gas prices may be a factor in the (10.4)% decline in retail sales. July collections represent June sales, and gas prices in the state peaked the second half of June. With high gas prices, consumers have less discretionary income for other taxable purchases. While gas prices have slowly begun to decrease, the relatively high price levels may continue to impact retail sales negatively.

Table 2 displays the July growth rates for the largest categories.

| Table 2 July Sales Tax Growth Rates | |
|--|---------|
| Retail | (10.4)% |
| Contracting | (19.3)% |
| Utilities | (3.5)% |
| Use | 1.3% |
| Restaurant & Bar | (7.3)% |

(Tim Everill, Marge Zylla)

Individual Income Tax collections were \$265.4 million in July, or (1.0)% below last year. July collections were \$(19.3) million less than forecast. Table 3 displays the July growth rates for individual categories.

| Table 3 July Individual Income Tax Growth Rates | |
|---|-------|
| Withholding | 0.9% |
| Estimated + Final Payments | 13.9% |
| Refunds | 30.9% |

July’s withholding increase of 0.9% marked the 11th consecutive month with a growth rate less than the same month in the prior year. The increase in estimated/final payments and refunds of 13.9% and 30.9%, respectively, was attributable to the ongoing processing of 2007 income tax returns. (Hans Olofsson)

Corporate Income Tax collections were \$23.3 million, which is (31.1)% below last year. This amount is \$(10.3) below forecast for the month of July. (Martin Lorenzo)

Recent Economic Indicators

NATIONAL

According to the Bureau of Economic Analysis' revised estimate of the real **Gross Domestic Product (GDP)**, the economy grew at an annual rate of 3.3% in the 2nd quarter of 2008. This is a 1.4% increase from the advance GDP estimate of 1.9% for the 2nd quarter we reported last month. The largest contributors to real GDP growth continue to be personal consumption expenditures and net exports.

After falling to a 16-year low in June, the Conference Board's **U.S. Consumer Confidence Index** increased for the second straight month – to a reading of 56.9 in August. The 9.6% month-over-month increase is believed to reflect a belief that better times may be ahead, while still indicating current conditions remain weak. At its current level, the index is down (46.1)% from last year's reading.

The Conference Board's **U.S. Index of Leading Economic Indicators** fell by (0.7)% in July, the largest decline since August 2007. The July reading was a departure from the prior 5 months during which time the index remained largely unchanged. Five of the 10 components that make up the composite index decreased in July. Of these components, building permits, stock prices, and new unemployment claims were by far the strongest negative contributors to July's reading of 101.2. Two components – the interest spread (between the yield on 10-year Treasury bonds and the federal funds rate) and consumer expectations – helped offset some of the index's decline in July.

The **U.S. Consumer Price Index** (3-month moving average) increased by 0.8% in July. The year-over-year increase was 4.8%. Compared to the 3 month average, July consumer prices increased year-over-year by 5.6%, the largest such increase since January 1991. Most of the increase was attributable to the price of energy (especially gasoline and natural gas), which as of July 2008 was 29.3% higher than in the same month last year.

ARIZONA

Arizona economic indicators remain largely negative, especially with regard to employment, housing, and consumer confidence.

Arizona's **unemployment rate** was a reported 5.1% in July. This is an increase of 0.3% over June and 1.4% over July in the prior year. The state has not experienced a year-over-year increase of such magnitude since July 2002.

The Research Administration of the Arizona Department of Commerce has expanded its labor market information to include data of unemployment insurance (UI) claims. The most recent reports indicate that there were a total of 24,509 initial claims for jobless benefits filed in June. This was an increase of 21.8% compared to the same month last year. The month of June also marked the 20th consecutive month with year-over-year increases in initial UI claims.

July total statewide **non-farm employment** decreased month over month by (1.4)%, and year-over-year by (1.6)%. The last time the state experienced a larger year-over-year job loss (in percentage terms) was in September 1982.

Construction employment decreased by (1.5)% in July and by (15.1)% year-over-year. The construction sector now employs about the same number of workers as in June 2004.

Manufacturing employment for July was down by (0.1)% compared to the prior month and (2.0)% compared to the prior year. July was the 21st consecutive month with year-over-year job losses.

Between April and May, the number of authorized building permits (3-month moving average) statewide totaled 2,855, including 2,024 **single-family residential building permits** and 831 **multi-family building permits**. Month-over-month, the number of permits authorized in the single family and multi-family segments have increased 3.0% and 17.6%, respectively. Year-over-year authorized permits in the single family segment are down (48.8)%, while permits in the multi-family segment are up 10.0%. However, permitting activity in the multi-family segment remains volatile.

"The last time the state experienced a larger year-over-year job loss (in percentage terms) was in September 1982".

Recent Economic Indicators (Continued)

The Real Estate Center at Arizona State University reported statistics for July that reflect both traditional transactions and foreclosed transactions.

Based on the report, the Greater Phoenix **single-family median resale home price** in July for traditional and foreclosed properties was \$200,750 and \$159,200, respectively. The number of **single-family homes sold** increased 15.1% from a year ago in the traditional market, to 4,695 homes. While July sales were only 2.8% above June, they were significantly above the 4,080 homes sold in July of 2007. Sales of foreclosed homes totaled 3,470 - an increase of 425.8% from a year ago.

In July, the **townhouse-condominium median price** was \$160,700 for traditional transactions and \$125,800 for foreclosed transactions. At these levels, the median price for traditional and foreclosed sales declined (11.0%) and (23.9%), respectively, from a year ago. Year-over-year, the number of **townhouse-condominium units** changing ownership included 590 traditional sales and 280 foreclosed sales. The 870 combined transactions fell (19.8)% from July 2007 levels.

An alternative method to gauge changes in housing prices in the Phoenix Metropolitan area is the **S&P/Case-Shiller Home Price Index**. This index tracks repeat sales of the same home, thereby eliminating the impact changes in the average square feet of sold homes has on prices. In June, the index for Phoenix stood at 153.19, or (27.9)% below June 2007 levels. Of the metropolitan areas tracked, only Las Vegas and Miami saw higher year-over-year declines of (28.6)% and (28.3)%, respectively.

The Phoenix metropolitan area **single-family supply of housing** indicator totaled 10 months in July, which is (0.8) of a month below June and (2.8) months below levels a year ago. The measure is a ratio between the number of single-family homes listed for sale on the Arizona Regional Multiple Listing Service (ARMLS) and the seasonally adjusted number of homes sold. Using a seasonally adjusted sales figure reflects the variations in sales activity throughout the year. For example, sales in the summer months have historically been higher than those in the winter months.

The **Phoenix Sky Harbor International Airport** publishes passenger statistics monthly. In June, a total of 3,431,977 passengers entered and exited aircraft, (1.6)% less than May totals and (6.3)% fewer than the number of passengers in June 2007.

In August, **AHCCCS caseloads** increased by 0.32%, or 3,608 members from July levels, to a total caseload of 1,118,242. The AHCCCS population is 5.3% greater than in August 2007. The FY 2009 budget funded a projected caseload growth of 2.6%, or a total of 1,189,224 members.

There were a reported 76,465 **TANF recipients** in the state in June, a (3.5)% decrease from May levels. Year-over-year, caseload is down (3.1)%. The FY 2009 budget assumes the TANF caseload will grow by 2.5% during the fiscal year.

The **Department of Corrections' (ADC) inmate population** increased by an average of 96 inmates per month between May and July, to an average population of 38,866 inmates. In FY 2009, ADC received funding for an average monthly increase of 180 net new inmates per month. In July however, ADC's population decreased by 15 inmates. (Hans Olofsson, Martin Lorenzo)



"...the median price for traditional and foreclosed sales declined (11.0)% and (23.9)%, respectively, from a year ago".

Recent Economic Indicators (Continued)

Table 5

| RECENT ECONOMIC INDICATORS | | | | |
|---|------------------------------|----------------------|---------------------------------|-------------------------------|
| <u>Indicator</u> | <u>Time Period</u> | <u>Current Value</u> | <u>Change From Prior Period</u> | <u>Change From Prior Year</u> |
| Arizona | | | | |
| - Unemployment Rate | July | 5.1% | 0.3% | 1.4% |
| - Initial Unemployment Insurance Claims | June | 24,509 | 13.8% | 21.8% |
| - Non-Farm Employment – Total | July | 2.57 million | (1.4)% | (1.6)% |
| Manufacturing | July | 177,900 | (0.1)% | (2.0)% |
| Construction | July | 192,600 | (1.5)% | (15.1)% |
| - Contracting Tax Receipts (3-month average) | May-July | \$68.5 million | 1.2% | (14.9)% |
| - Retail Sales Tax Receipts (3-month average) | May-July | \$154.7 million | (4.3)% | (9.6)% |
| - Residential Building Permits (3-month moving average) | | | | |
| Single-unit | April-June | 2,024 | 3.0% | (48.8)% |
| Multi-unit | April-June | 831 | 17.6% | 10.0% |
| - Greater Phoenix Existing Home Sales | | | | |
| Single-Family, Traditional Sales | July | 4,695 | 2.8% | 15.1% |
| Single-Family, Foreclosed Sales | July | 3,470 | 6.0% | 425.8% |
| Townhouse/Condominium, Traditional Sales | July | 590 | (5.6)% | (42.7)% |
| Townhouse/Condominium, Foreclosed Sales | July | 280 | 21.7% | 409.1% |
| - Greater Phoenix Median Home Sales Price | | | | |
| Single-Family, Traditional Sales | July | \$200,750 | (7.9)% | (25.6)% |
| Single-Family, Foreclosed Sales | July | \$159,200 | (6.3)% | (27.7)% |
| Townhouse/Condominium, Traditional Sales | July | \$160,000 | (3.0)% | (11.0)% |
| Townhouse/Condominium, Foreclosed Sales | July | \$125,800 | (5.6)% | (23.9)% |
| S&P/Case-Shiller Home Price Index | June | 153.19 | (2.6)% | (27.9)% |
| - Months Supply of Housing (ARMLS) | July | 10.0 months | (0.8) months | (2.8) months |
| - Phoenix Sky Harbor Air Passengers | June | 3.4 million | (1.6)% | (6.2)% |
| - Arizona Average Natural Gas Price (\$ per thousand cubic feet) | May | \$9.92 | N/A | 19.5% |
| - Consumer Confidence Index | 1 st Quarter 2008 | 73.4 | (8.0)% | (31.0)% |
| - Business Leaders Confidence Index | 3 rd Quarter 2008 | 38.5 | 4.3% | (23.8)% |
| - Arizona Personal Income | 1 st Quarter 2008 | \$213.9 billion | 1.1% | 3.8% |
| - Arizona Population | July 1, 2007 | 6.34 million | 173,066 | 2.8% |
| - AHCCCS Recipients | August | 1,118,242 | 0.32 | 5.3% |
| - TANF Recipients | June | 76,465 | (3.5)% | (3.1)% |
| - DOC Inmate Growth (3-month average) | May-July | 38,866 | 96 inmates | 1,846 inmates |
| United States | | | | |
| - Real Gross Domestic Product (seasonally adjusted annual growth rate) | 2 nd Quarter 2008 | \$11.7 trillion | 3.3% | 2.2% |
| - Consumer Confidence Index | August | 56.9 | 9.6% | (46.1)% |
| - Leading Indicators Index | July | 101.2 | (0.7)% | (3.3)% |
| - U.S. Semiconductor Billings (3-month moving average) | Apr-Jun | \$3.40 billion | 0.7% | 2.8% |
| - Consumer Price Index, SA (3-month moving average) | May-Jul | 217.2 | 0.8% | 4.8% |

JLBC Meeting

At its August 12, 2008 meeting, the Joint Legislative Budget Committee considered the following issues:

Attorney General – Review of Allocation of Settlement Monies – State v. Bill Heard Chevrolet – The Committee gave a favorable review to the AG’s allocation plan for the \$225,000 that the AG will receive for attorney’s fees and investigative costs, consumer fraud education, and for investigations and enforcement of the Consumer Fraud Act. The settlement is a result of Bill Heard Chevrolet’s alleged failures to fully disclose auto sale terms and conditions and honor advertised discounts. Bill Heard Chevrolet is required to review and resolve consumer complaints filed with the AG on a case-by-case basis.

Attorney General – Review of Allocation of Settlement Monies – State v. Express Scripts – The Committee gave a favorable review to the AG’s allocation plan for the \$250,700 that Arizona will receive as a result of the multistate suit brought against Express Scripts, a pharmacy benefit management company. Of the settlement amount, \$185,700 will be used by nonprofit organizations to benefit lower-income, disabled, or elderly consumers concerning the cost differences among medications or for similar purposes. In addition, the AG will receive \$65,000 for attorney’s fees and investigative costs, consumer fraud education, and for investigations and enforcement of the Consumer Fraud Act.

Department of Education – Review of FY 2008 Expenditure Plan for Workforce Investment Act Monies – The Committee gave a favorable review of ADE’s spending plan for \$1.1 million of the discretionary portion of federal Workforce Investment Act (WIA) monies. Recipients include the Department of Economic Security, Department of Commerce, Local Workforce Investment Areas, and ADE.

Department of Education – Review of Qwest Settlement – The Committee gave a favorable review of ADE’s plan to provide \$12.5 million in corrected Basic State Aid funding to school districts statewide to settle a recent judgment in the Arizona Tax Court regarding Qwest Corporation’s overpayment of prior year property taxes.

Department of Education – Review Providing Funding to Displaced Pupils Choice Grants Programs and Arizona Scholarship for Pupils with Disabilities Program – The Committee favorably reviewed transferring up to \$5.0 million from the FY 2009 Basic State Aid appropriation to the Displaced Pupil Choice Grants and Arizona Scholarship for Pupils with Disabilities Program. The Department of Administration has approved this transfer. This transfer will allow these programs to continue to function in FY 2009. These grant and scholarship programs funded a combined total of approximately 380 children in FY 2008.

Department of Health Services – Review of Behavioral Health Title XIX Capitation Rate Changes – The Committee gave an unfavorable review to the department’s capitation rate. The proposed capitation rates exceed the budgeted amount by a net of \$2.0 million due to program expansions that primarily address litigation requirements.

Administrative Office of the Courts – Review of Reimbursement of Appropriated Funds – The Committee gave a favorable review to the use of \$3.9 million in projected reimbursements. The reimbursements are monies received by AOC for services provided to local courts and their personnel.

Arizona State Retirement System – Review of FY 2009 Information Technology Expenditure Plan – The Committee gave a favorable review of the \$2.7 million IT Expenditure Plan for FY 2009 expenses associated with upgrades to the IT system. Implementation began in FY 2002 and is planned to reach completion in September of 2008.

Department of Revenue – Review of Business Re-Engineering/Integrated Tax System (BRITS) Contract Amendment – The Committee gave a favorable review of the \$3.2 million contract amendment for support of BRITS systems through June 2009. BRITS is the computer system being implemented by DOR to integrate their separate tax systems, improve enforcement, and increase revenues to the state.

Department of Transportation – Review of Third Party Progress Report – The Committee gave a favorable review of the Department of Transportation’s (DOT) semiannual progress



JLBC Meeting

report regarding increasing third party transactions. Motor Vehicle Division (MVD) third parties allow the public to conduct certain transactions through the private sector. With the exception of traffic survival

schools, DOT continues to increase its number of third parties.

Summary of Recent Agency Reports

AHCCCS – Report on Graduate Medical Education Residency Positions – Pursuant to A.R.S. § 36-2903.01, the Arizona Health Care Cost Containment System has submitted its annual report on the number of new residency positions funded by local, county, or tribal governments. This new report discusses the positions created by anticipated contributions from Maricopa and Pima counties. The agency indicates that these contributions in FY 2008 will provide partial funding for an additional 546 residency positions. These positions will be located at Maricopa Medical Center, University Medical Center, and University Physicians Healthcare Hospital. The positions will be funded by local contributions of \$9,727,076 and a federal match of \$19,110,979, resulting in \$28,838,055 total new funding. (Blake Riley)

Office of the Attorney General – Report on Incarceration Costs Offset by Monetary Judgments – Pursuant to A.R.S. § 31-238, the Office of the Attorney General is required to report semi-annually on the use of monetary judgments awarded to inmates to offset the costs of incarceration. According to the statute, if an inmate obtains a monetary judgment against the state, and the state offsets the cost of incarceration from the total amount of the judgment, 70% of the monies set off are transferred to the General Fund and 30% are transferred to the Attorney General's office to cover the cost of litigation. From January 1, 2008 to June 30, 2008, the state did not exercise its right to offset the costs of incarcerating inmates under this statute, since no monetary judgments were awarded during this time period. The agency does, however, indicate that it believes the existing statute results in reduced negotiated settlement amounts, which also discourages the filing of frivolous lawsuits. (Marge Zylla)

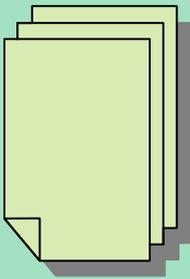
Department of Health Services – Report on AIDS Drug Assistance Program Expenditures – Pursuant to Executive Orders 97-10 and 98-3, the Department of Health Services has submitted the 3rd and 4th quarter reports on the expenditures from its AIDS Drug Assistance Program in FY 2008. According to the reports, the program served an average of 888 clients a month in FY 2008. This is an increase of 45 clients a month, or 5.3%, from FY 2007 levels. The average money spent per participant in FY 2008 was \$1,008, up 5% from FY 2007 levels.

In total the program spent \$10,714,000 on medications in FY 2008. This includes \$9,610,400 from Federal Funds and \$1,103,600 in General Fund monies. In comparison, the program expended \$9,908,300 in FY 2007. (Art Smith)

Department of Health Services – Report on Arnold v. Sarn – Pursuant to a footnote in the FY 2008 General Appropriation Act, the Department of Health Services (DHS) has submitted the 4th quarter report (April-June 2008) on settling the *Arnold v. Sarn* lawsuit.

DHS reports that the parties, Court Monitor, and Magellan (the Maricopa County contractor) have had several meetings and agreed to a Performance Improvement Plan (PIP) that was adopted on April 22, 2008. The contractor is required to submit a progress report on the goals outlined in the PIP on or before the 15th of each month. The plan was developed to address the results of the 2007 Court Monitor's Audit and focuses on the following 4 factors:

- Training for staff
- Improvement of treatments plans
- Improvement of clinical supervision by and for leadership
- Improvement of staff competency



Summary of Recent Agency Reports (Continued)

DHS reports that while the contractor has made some progress in meeting the goals outlined in the PIP, it has not demonstrated full compliance in several service areas such as Individualized Service Plan quality, adequate clinical supervision and staff feedback. Additionally, the contractor has not demonstrated that it has met adequate staff-to-customer ratios estimates. DHS states that it expects the August 15, 2008 submission to show improvement in these areas. The parties and the Court Monitor have agreed to meet on August 25, 2008 to discuss the status of the PIP and compliance with court orders.

DHS and the contractor are currently preparing for the October 2008 audit. DHS estimates that approximately 400 cases will be reviewed and audited between September 29, 2008 and October 31, 2008. (Art Smith)

Department of Health Services – Report on MethSMART Prevention Program – Pursuant to a FY 2008 General Appropriation Act footnote, the Department of Health Services (DHS) has submitted its 4th quarter report on youth methamphetamine programs. DHS issued a request for proposals for the \$500,000 appropriation in September 2007. The FY 2008 General Appropriations Act specifies that this money is expected to be awarded to a statewide alliance of community-based organizations with a proven track record in providing substance abuse programming to children.

On February 8, 2008, \$499,800 of these monies were awarded to 3 contractors: The Arizona Alliance of Boys & Girls Club (\$400,000), South Eastern Arizona Behavioral Health Services (\$60,800) and Apache County Public Health Services District (\$39,000). DHS has indicated that during the months of April through June 2008, the 3

contractors served 6,923 participants and expended \$335,300 of the monies awarded. The appropriation has not been fully expended as a result of bills that still need to be sent to DHS by the contractors. Additionally, the contracts have not yet expired. DHS states that a summary of outcomes will be provided in its next quarterly report. (Art Smith)

State Mine Inspector - Report on Mine Reclamation Funds - Pursuant to A.R.S. § 27-935 and 27-1234, the State Mine Inspector is required to report to the JLBC regarding monies paid to private consultants from both the General Fund and the Aggregate Mining Reclamation Fund. These consultants assist the Mine Inspector in reviewing reclamation plans and determining whether these plans conform to existing laws and regulations. The Mine Inspector only used monies from the Aggregate Mining Reclamation Fund and reported total payments of \$228,150 to 9 different consulting firms in FY 2008. (Jack Brown)

Arizona Department of Public Safety – Quarterly Report on GIITEM – Pursuant to Laws 2007, Chapter 255 (General Appropriation Act), the Arizona Department of Public Safety (DPS) is required to report quarterly on the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM).

DPS Personnel

In the fourth quarter of FY 2008, DPS spent or encumbered \$2.5 million of the \$10 million appropriation for the 100 DPS immigration staff. For the fiscal year, DPS spent a total of \$8.4 million from this appropriation. As of June 30, 2008, 62 of the 100 DPS positions were filled.

Local Law Enforcement Efforts (Multi-Jurisdictional Task Force)

In FY 2008, DPS spent or encumbered \$288,900 of the \$10 million for FY 2008 local law

enforcement grants. For the fiscal year, DPS expended a total of \$6,745,400 on local grants. Of this amount, \$6,465,500 is from FY 2007 and \$288,900 is from FY 2008 funding. As of June 30, 2008, 14 agencies statewide contributed one detention officer to the Detention Liaison (DLO) Program that assists with collection of gang and human smuggling intelligence information at various correctional facilities. Currently, 25 federal, county and local law enforcement agencies provide 72 officers to GIITEM efforts. This represents an increase of 2 agencies contributing GIITEM officers and a total of 21 new officers over the third quarter. Another 8 agencies, an increase of 2 over the third quarter, have agreements but are unable to provide GIITEM staff. (Kim Cordes-Sween)

Arizona Department of Public Safety – Report on Sworn Personnel Staffing – Pursuant to Laws 2007, Chapter 255 (General Appropriation Act), the Arizona Department of Public Safety (DPS) is required to report quarterly on sworn personnel staffing levels. As of June 30, 2008, DPS had 1,355 authorized sworn full-time positions, including 100 authorized sworn/civilian positions for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). Of the 1,355 authorized sworn positions, 1,191 (or 88%) are currently filled, representing a net decrease of 16 positions in the 4th quarter. (Kim Cordes-Sween)

Department of Racing – Report on Boxing Events and Revenue – Pursuant to a General Appropriation Act footnote, the Department of Racing is required to report annually on the number of boxing events, gross receipts, state revenues, and license fee collections. The department submitted its FY 2008 annual report on August 7, 2008.

Summary of Recent Agency Reports (Continued)

During FY 2008, a total of 25 boxing events were held in Arizona. During that period, the total gross tax receipts, fines, and license fee collections were \$19,400. The state received \$45,000 of additional revenue from Intergovernmental Agreements with Indian tribes. (Caitlin Acker)

Arizona Department of Transportation – Quarterly Report on Motor Vehicle Division Wait Times – A FY 2008 General Appropriation Act footnote requires the Arizona Department of Transportation (ADOT) to report to the Legislature quarterly on customer wait times in Motor Vehicle Division (MVD) field offices and vehicle registration renewal by mail turnaround times. Customer wait time from receiving a ticket until arriving at the counter decreased from 13.6 minutes in the 3rd quarter of FY 2008 to 11.1 minutes in the 4th quarter. Customer wait times in metropolitan areas ranged from 6.5 minutes in the Mesa office to 23.7 minutes in the Glendale office.

For FY 2008, the footnote also required ADOT to report the amount of time it takes to receive a numbered ticket. ADOT reports that they have been unable to reliably document the wait time to get a numbered ticket from an MVD employee, despite trying several different methods. (Juan Beltran)

Arizona Board of Regents/University of Arizona College of Medicine – Report on Phoenix Update – Pursuant to a General Appropriation Act footnote, the Arizona Board of Regents (ABOR) is required to provide an update on the University of Arizona (UA) Phoenix Medical Campus (PMC) and general efforts to curb the statewide physician shortage.

The Legislature first provided funding for the operation of the PMC in FY 2006. In early August 2007, the PMC welcomed its first class of 24 students; and a second class of 48 students started in the fall 2008. The campus is comprised of the Translational Genomics Research Institute (TGen) research building, the 3 former Phoenix Union High School buildings in which medical students take classes, and the Arizona Biomedical Collaborative research building (ABC 1). ABC 1, which opened in July 2007, houses researchers from the Arizona State University (ASU) Department of Biomedical Informatics on the first 2 floors and UA researchers and lab space on the top 2 floors.

The report submitted by ABOR on August 15, 2008 includes updated information on the following topics:

Phoenix Biomedical Campus Construction – The Stimulus Plan for Economic and Educational Development will provide \$470 million for new construction on the Phoenix Biomedical campus. This will fund phase 2 building plans, which consist of a Health Sciences Education Building (HSEB) and a second research building (ABC 2). HSEB will include classrooms, laboratories, offices, a simulation center, pre-clinical training suites, and a library. ABC 2 will house approximately 50 researchers from the UA, ASU, and Northern Arizona University. Both projects are estimated to be completed by fall 2013; however, ABOR indicates that Phase 2 building plans are not expected to meet all future needs.

Expanding Residency Positions – During the past 18 months, the Graduate Medical Education Consortium has sought accreditation for 7 residency programs. Four of the original 7 residency programs, internal medicine, radiology, neurology,

and psychiatry, have received initial accreditation. Internal medicine and psychiatry began their first residents in July 2008, while neurology and radiology are scheduled to begin residency classes within the next 1 to 2 years. The 3 remaining residencies, ophthalmology, emergency medicine, and family medicine, are awaiting final responses or resubmitting applications with some modifications for accreditation. According to ABOR, the goal is to have all 7 programs accredited and started by July 2010.

Additional Reporting Requirements – ABOR’s report does not include further updates on partnerships with private medical schools, the availability of clinical rotations for medical students, and the attraction of out-of-state medical students to practice in Arizona. The UA College of Medicine believes that by establishing additional residency positions, more out-of-state medical students will be able to choose Arizona to complete their residencies, after which the UA estimates that one-half would be expected to practice in Arizona. (Leah Kritzer)

Department of Water Resources – Report on Assured and Adequate Water Supply Program Fees – Pursuant to a FY 2008 General Appropriation Act footnote, the Department of Water Resources (DWR) has submitted its quarterly report on the amount of fees collected by the Assured and Adequate Water Supply (AAWS) program.

Laws 2005, Chapter 217 established the fund to provide for the costs and expenses incurred by DWR when determining and declaring assured and adequate water supplies. The AAWS Administration Fund consists of monies that are paid to the DWR for applications related to assured and adequate

Summary of Recent Agency Reports (Continued)

water supplies. Previously, fees were deposited into the General Fund.

DWR reports the total revenue for FY 2008 amounted to approximately \$579,100. This amount is \$(197,500), or (25) % below total collections in FY 2007. The department previously estimated total FY 2008 revenues of \$1.1 million. (Leah Kritzer)

State of Arizona

General Fund Revenue: Change from Previous Year and Enacted Forecast July 2008

| | Current Month | | | | | FY 2009 YTD (One Month) | | | | |
|------------------------------------|----------------------|-----------------------|----------------|-----------------------|-----------------|-------------------------|-----------------------|----------------|-----------------------|-----------------|
| | Actual July 2008 | Change From | | | | Actual July 2008 | Change from | | | |
| | | July 2007 | | Forecast | | | July 2007 | | Forecast | |
| | | Amount | Percent | Amount | Percent | | Amount | Percent | Amount | Percent |
| Taxes | | | | | | | | | | |
| Sales and Use | \$356,253,718 | (\$36,636,104) | (9.3) % | (\$60,181,682) | (14.5) % | \$356,253,718 | (\$36,636,104) | (9.3) % | (\$60,181,682) | (14.5) % |
| Income - Individual | 265,360,890 | (2,668,647) | (1.0) | (19,324,910) | (6.8) | 265,360,890 | (2,668,647) | (1.0) | (19,324,910) | (6.8) |
| - Corporate | 23,294,778 | (10,508,431) | (31.1) | (10,313,922) | (30.7) | 23,294,778 | (10,508,431) | (31.1) | (10,313,922) | (30.7) |
| Property | 167,867 | (103,923) | (38.2) | (117,633) | (41.2) | 167,867 | (103,923) | (38.2) | (117,633) | (41.2) |
| Luxury | 5,242,668 | 463,615 | 9.7 | 405,768 | 8.4 | 5,242,668 | 463,615 | 9.7 | 405,768 | 8.4 |
| Insurance Premium | 42,100,314 | 1,231,165 | 3.0 | 964,914 | 2.3 | 42,100,314 | 1,231,165 | 3.0 | 964,914 | 2.3 |
| Estate | 3,048 | (219,808) | (98.6) | 3,048 | -- | 3,048 | (219,808) | (98.6) | 3,048 | -- |
| Other Taxes | 56,842 | (7,649) | (11.9) | 4,342 | 8.3 | 56,842 | (7,649) | (11.9) | 4,342 | 8.3 |
| Sub-Total Taxes | \$692,480,125 | (\$48,449,782) | (6.5) % | (\$88,560,075) | (11.3) % | \$692,480,125 | (\$48,449,782) | (6.5) % | (\$88,560,075) | (11.3) % |
| Other Revenue | | | | | | | | | | |
| Lottery | 0 | 0 | -- | 0 | -- | 0 | 0 | -- | 0 | -- |
| License, Fees and Permits | 1,900,378 | (50,365) | (2.6) | (457,622) | (19.4) | 1,900,378 | (50,365) | (2.6) | (457,622) | (19.4) |
| Interest | (114,884) | (746,131) | -- | (114,884) | -- | (114,884) | (746,131) | -- | (114,884) | -- |
| Sales and Services | 1,925,915 | (72,216) | (3.6) | (664,085) | (25.6) | 1,925,915 | (72,216) | (3.6) | (664,085) | (25.6) |
| Other Miscellaneous | 2,385,790 | 2,346,195 | -- | 1,044,090 | 77.8 | 2,385,790 | 2,346,195 | -- | 1,044,090 | 77.8 |
| Disproportionate Share | 0 | 0 | -- | 0 | -- | 0 | 0 | -- | 0 | -- |
| Transfers and Reimbursements | 892,118 | 417,807 | 88.1 | (107,882) | (10.8) | 892,118 | 417,807 | 88.1 | (107,882) | (10.8) |
| Sub-Total Other Revenue | 6,989,317 | 1,895,290 | 37.2 % | (300,383) | (4.1) % | 6,989,317 | 1,895,290 | 37.2 % | (300,383) | (4.1) % |
| TOTAL BASE REVENUE | \$699,469,442 | (\$46,554,492) | (6.2) % | (\$88,860,458) | (11.3) % | \$699,469,442 | (\$46,554,492) | (6.2) % | (\$88,860,458) | (11.3) % |
| Other Adjustments | | | | | | | | | | |
| Urban Revenue Sharing | (60,639,783) | (3,594,873) | 6.3 | 0 | 0.0 | (60,639,783) | (3,594,873) | 6.3 | 0 | 0.0 |
| Sub-Total Other Adjustments | (60,639,783) | (3,594,873) | 6.3 % | 0 | 0.0 % | (60,639,783) | (3,594,873) | 6.3 % | 0 | 0.0 % |
| TOTAL REVENUE | \$638,829,659 | (\$50,149,365) | (7.3) % | (\$88,860,458) | (12.2) % | \$638,829,659 | (\$50,149,365) | (7.3) % | (\$88,860,458) | (12.2) % |