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“November collections were \$(131.4) million below forecast”.

Summary

November General Fund revenue collections were \$492.7 million, or (13.7)% below November 2007. November collections were \$(131.4) million below forecast.

For the first 5 months of FY 2009, General Fund collections are down (9.8)% when compared to last year (excluding Urban Revenue Sharing and one-time transfers). The year-to-date shortfall through the first 5 months of the fiscal year is \$(573.7) million. *(See Table 1 and page 2 for more information).*

The state’s two largest revenues categories experienced double digit percent declines:

- November sales tax collections were down (13.3)% compared to November 2007 and were \$(67.5) million short of the monthly forecast. November marked the 11th consecutive month of year-over-year reductions. The November results, which reflect October sales, were not surprising. Since the steep decline in the national economy in mid-September, consumer confidence has dropped substantially. The November numbers reflect the first full month of collections since the downturn accelerated.
- November individual income tax collections were down (14.8)% compared to November 2007 and were \$(50.1) million below forecast.

Revenues would need to grow by 6.1% for the entire year to meet the budget forecast. Given the decline of (9.8)% in the first 5 months, revenues will fall significantly short of forecast. As reported previously, the FY 2009 General Fund shortfall is estimated to be \$(1.2) billion. The shortfall estimate will be updated when the Finance Advisory Committee meets again in mid-January.

Economic Indicators – The job market in Arizona continues to weaken *(see page 3)*. The state shed (83,100) jobs year-over-year in November. This figure represents a decline of (3.1)%, the largest year-over-year reduction of the Arizona work force since July 1975. Personal income in the 3rd quarter of 2008 grew by 2.2% compared to the same time period last year. The personal income growth rate has not been so low since 1954.

JLBC/JCCR Meetings – The Monthly Fiscal Highlights include a summary of the December JLBC meeting (page 7). There was no JCCR meeting in December.

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November Revenues

Table 1

November General Fund Revenues Compared to Enacted Forecast and FY 2008 Collections

(\$ in Millions)

| | <u>FY 2009 Collections</u> | <u>Difference From June '08 Forecast</u> | <u>Difference From FY 2008</u> |
|--------------|--------------------------------|--|------------------------------------|
| November | \$492.7 | \$(131.4) | \$(78.5) |
| Year-to-Date | \$3,375.9 | \$(573.7) | \$(178.1) |

Sales Tax collections were \$317.5 million in November. These revenues were down (13.3)% compared to last November, and were \$(67.5) million below forecast. *Table 2* displays the November growth rates for the largest categories.

Individual Income Tax collections were \$200.3 million in November, or (14.8)% below last year. November collections were \$(50.1) million less than forecast. *Table 4* displays November and year-to-date growth rates for individual categories.

“Sales Tax collections were...down (13.3)% compared to last November, and were \$(67.5) million below forecast”.

Table 2

Sales Tax Growth Rates Compared to Prior Year

| | <u>Oct</u> | <u>YTD</u> |
|------------------|------------|------------|
| Retail | (15.1)% | (9.7)% |
| Contracting | (19.9)% | (18.3)% |
| Utilities | 1.3% | 6.1% |
| Use | (15.5)% | (3.4)% |
| Restaurant & Bar | (6.0)% | (5.2)% |

Table 4

Individual Income Tax Growth Rates Compared to Prior Year

| | <u>November</u> | <u>YTD</u> |
|-------------------------------|-----------------|------------|
| Withholding | (6.3)% | (1.9)% |
| Estimated + Final Payments | (28.6)% | (19.7)% |
| Refunds | (26.4)% | 6.9% |

As noted in previous months, retail and contracting together account for two-thirds of all sales tax revenues. The retail sector decreased by (15.1)% and contracting fell by (19.9)%.

There were 2 fewer processing days in November this year than in the same month last year. December has 2 more processing days, and based on preliminary numbers, it appears that some of the revenue loss from last month will be made up in December. (Hans Olofsson)

For October (the latest available subcategory data), taxable sales in the retail category are down (8.4)% from the prior year. The largest subcategory within retail is the General Merchandise and Miscellaneous Retail category, which is down (3.1)%. The largest subcategory decline is in Motor Vehicles, which represents over 21.5% of the total, and is down (28.9)% compared to the prior year. Taxable retail sales by category are shown in *Table 3*. (Eric Jorgensen)

Corporate Income Tax gross collections were \$(2.5) million less than refunds in November. Total net collections were \$(5.7) million below forecast for the month. Although November is not a large collection month for corporate income tax, the monthly decrease brings the category to \$(115.5) million below forecast for the first 5 months of the fiscal year. (Martin Lorenzo)

Table 3

October Taxable Retail Sales by Subcategory

| | <u>% of Total Sales</u> | <u>% Change Over FY 2008</u> |
|-----------------------------|-----------------------------|----------------------------------|
| General/Misc. Merchandise | 30.1% | (3.1)% |
| Motor Vehicles/Misc. Auto. | 21.5% | (28.9)% |
| Bldg Materials and Supplies | 7.5% | (11.6)% |
| Food and Liquor Stores | 7.3% | (0.7)% |
| Furniture, Home Furnishings | 6.9% | (12.1)% |
| Clothing and Accessories | 5.8% | (10.1)% |
| Manufacturing | 5.6% | (5.4)% |
| Other Subcategories | <u>15.3%</u> | <u>9.2%</u> |
| Total | 100.0% | (8.4)% |

November Revenues (Continued)

The **Lottery Commission** reports that ticket sales for the month of November were (10.7)% lower than November of last year. Year-to-date, ticket sales are down (3.3)% compared to last year. Based on Laws 2008, Chapter 287, the

General Fund is expected to receive a total of \$57 million in lottery revenue distributions in FY 2009. Through November, a total of \$22.5 million has been deposited into the General Fund.

“The U.S.

Consumer Price

Index fell by

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the 61-year

history of the

index”.

Economic Indicators

NATIONAL

The final estimate of 3rd quarter **Gross Domestic Product** growth was (0.5)%, the same as the preliminary estimate released last month. The advance estimate of 4th quarter GDP growth will be released at the end of January and is expected to show a sizeable contraction of the U.S. economy. The consensus forecast among the 50 panelists of the National Blue Chip publication is a 4th quarter decline of (4.1)%.

The Conference Board’s **U.S. Consumer Confidence Index** for December fell to the lowest level since the survey began in 1967. At a reading of 38.0, the index was (15.0)% below the level reported for the prior month and (58.1)% less than a year ago. Consumer confidence has deteriorated rapidly since the onset of the financial crises in September.

The Conference Board’s **U.S. Index of Leading Economic Indicators** declined by (0.4)% in November. Year-over-year, the index is down (3.7)%. Six of the 10 components that make up the composite index declined during the month. Most of the negative pressure on the index came from rising jobless claims and falling stock prices and building permits. The only significant positive contributors to the index were money supply and the interest rate spread. These 2 components have shown large increases in each of the last 3 months due to recent efforts by the Federal Reserve Board to restore liquidity to financial markets.

The **U.S. Consumer Price Index** fell by (1.7)% in November, the largest decline in the 61-year history of the index. The record large decline last month was mainly attributable to a (17.0)% reduction in energy prices. Gasoline prices alone fell by (29.5)% in November. The core CPI, which excludes food and energy prices, was unchanged.

ARIZONA

The state of the Arizona economy has worsened considerably over the last 6 months. The deterioration of economic conditions is no longer limited to the real estate and construction sectors. Signs of economic malaise can be found in most areas of the state’s economy as evidenced by both new employment and personal income statistics.

The Arizona Department of Commerce reported that the state lost (83,100) or (3.1)% of **nonfarm jobs** in November compared to the same month last year. In only 4 months out of the last 48 years did the state record a larger job loss (in percentage terms) than in November. Those job losses occurred between April and July of 1975.

This month’s release of **construction sector** employment shows that the year-over-year loss improved from (17.3)% in October to (16.5)% in November. The year-over-year losses appear to be bottoming out as these figures have stayed largely unchanged over the last 4 months.

While the **manufacturing sector** is also being affected by the deteriorating economy, the job losses are nowhere near the levels recorded during the last recession in 2001. Year-over-year job losses since the start of the current recession (December 2007) have never exceeded (4,400) compared to (21,300) during the 2001/2002 recession. The industry shed 500 jobs from October to November. Its work force is now (1.9)% smaller than this time last year.

Unlike the 1990/1991 and 2001 recessions, the service-providing sectors of the Arizona economy have been far more negatively impacted this time. The state did not

Economic Indicators (Continued)

“The state’s unemployment rate increased to 6.3% from 6.1% in the prior month. The last time the state experienced such a high unemployment rate was in August 1994.”

experience any year-over-year job losses in its service-providing industries during the 1990/1991 recession and the losses never exceeded (5,900) during the 2001 recession. By way of comparison, the job loss in November totaled (44,200) and appears to be accelerating.

November was the 7th consecutive month with rising unemployment. The state’s **unemployment rate** increased to 6.3% from 6.1% in the prior month. The last time the state experienced such a high unemployment rate was in August 1994. The nation’s unemployment rate in October was 6.5%.

The Department of Commerce reported that 30,663 **initial claims for unemployment insurance** were recorded in November, an increase of 104.2% over last year. This was the largest year-over-year increase in initial jobless claims (in percentage terms) since the fall of 1974.

The federal Bureau of Economic Analysis (BEA) has recently released state **personal income** figures for the third quarter of 2008. Quarter over quarter, Arizona personal income declined at a seasonally adjusted annual rate of (0.3)%. Year-over-year, personal income grew by 2.2%, the 48th slowest growth rate in the nation after Florida and Connecticut. The last time Arizona experienced a lower year-over-year growth rate was in the first quarter of 1954. Only Arizona and Utah had negative wage growth in the quarter-over-quarter percent personal income data.

There was ample evidence of continued weakness in the housing market and related permitting activity in November. Between August and October, the number of authorized building permits statewide (3-month moving average) totaled 1,620, including 1,130 **single-family residential building permits** and 490 **multi-family building permits**. Compared to the prior month, permitting activity in the single family and multi-family segments have decreased by (21.1)% and (10.0)%, respectively. Year-over-year, authorized permits in the single family segment are down by (50.6)%, while permits in the more volatile multi-family segment are down by (37.9)%. According to the U.S. Census Bureau, 16,370 single-family permits

were issued statewide in the first 10 months of the current year. Calendar year 2008 is expected to have the lowest number of single-family permits since at least 1991.

While the number of permits have fallen, housing sales continue to recover. According to the National Association of Realtors, Arizona was one of only 4 states in the nation that recorded an increase in existing homes sales in October. The increase in these states (Arizona, California, Nevada, and Virginia) can be attributed to the large volume of foreclosed homes for sale in these markets. Housing data for November released by ASU’s Realty Studies shows that foreclosures continue to constitute an increasing share of the total sales of existing homes in Greater Phoenix. According to Realty Studies, 47.9% of all single-family homes resold in November were foreclosures. The same figure last year was 30.2%.

The total number of **single-family homes** resold in November was 6,465, including 3,370 traditional sales and 3,095 foreclosures. The year-over-year increase for traditional home sales was 30.6% compared to 177.6% for foreclosed properties.

The number of foreclosure sales continue to place downward pressure on housing prices. Based on the November report, the Greater Phoenix **single-family median resale home price** was \$162,000 for traditional homes and \$155,100 for foreclosed properties. Year-over-year, the median resale price has fallen by (34.9)% for traditional single-family units and (26.8)% for foreclosed properties. The negative impact on the pricing of non-foreclosed homes from the increasing number of foreclosures can be inferred from ASU’s data. In terms of the median price per square foot, traditional homes now command approximately the same sale price as foreclosed properties. In May, traditional homes cost 18% more than comparable foreclosed properties.

The **S&P/Case-Shiller Home Price Index** is a measure of the change in housing prices based on repeat sales. According to the most recent release of this index, Phoenix home prices declined year-over-year by (32.7)% in October. By way of comparison, the average price decline for the 20

Economic Indicators (Continued)



“The last time the airport experienced a larger comparable year-over-year decline in air passenger traffic was in August 2002.”

metropolitan areas in the index was (18.0)%. Additionally, October marked the third consecutive month in which Phoenix led the nation in home price declines. Home prices in Phoenix, as reflected by the index, are now comparable to levels recorded in June 2004.

Based on MLS data, it is estimated that the **month’s supply of housing** increased from 9.8 months in October to 11.4 months in November. While this remains a high figure, it nonetheless constitutes (4.1) fewer months than in November 2007. In a normal market there is typically no more than 4 to 5 months’ supply of housing on the MLS.

Total passenger traffic recorded in October at **Phoenix Sky Harbor International Airport** was (9.6)% below the same month in the prior year. Year-to-date, a total of 33.8 million passengers have entered and exited aircraft at Sky Harbor. This figure represents a decline of (5.0)% relative to the first 10 months of 2007. The last time the airport experienced a larger comparable year-over-year decline in air passenger traffic was in August 2002.

The state posted a surprisingly large population gain in 2008. The Census Bureau reported that **Arizona’s population** grew to an estimated 6,500,180 in 2008, an increase of 146,759 or 2.3% from 2007. While this growth rate is the lowest since 1991, it still remains the second fastest in the nation.

AHCCCS caseloads in December increased by 1.4%, or 16,230 members, to 1,152,698. At current levels, the AHCCCS caseloads are 6.7% above December 2007 levels. The FY 2009 budget funded a projected caseload growth of 2.6%, or a total of 1,189,224 members.

There were a reported 83,702 **TANF recipients** in the state in October, an increase of 2.4% from the prior month. Year-over-year, caseload is down (1.0)%. The FY 2009 budget assumes the TANF caseload will grow by 2.5%.

The **Department of Corrections’ (ADC) inmate population** increased by an average of 125 inmates per month between September and November. ADC now has an average population of 39,426 inmates, or 1,796 more inmates than in the same period last year. (Hans Olofsson, Martin Lorenzo)

Economic Indicators (Continued)

Table 5

| 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 | November | 6.3% | 0.2% | 2.2% |
| - Initial Unemployment Insurance Claims | November | 30,363 | (1.0)% | 104.2% |
| - Non-Farm Employment – Total | November | 2.61 million | 0.1% | (3.1)% |
| Manufacturing | November | 177,600 | (0.3)% | (1.9)% |
| Construction | November | 179,600 | (1.5)% | (16.5)% |
| - Contracting Tax Receipts (3-month average) | Sep-Nov | \$62.0 million | (2.4)% | (18.9)% |
| - Retail Sales Tax Receipts (3-month average) | Sep-Nov | \$141.0 million | (2.3)% | (9.7)% |
| - Residential Building Permits (3-month moving average) | | | | |
| Single-unit | Aug-Oct | 1,130 | (21.1)% | (50.6)% |
| Multi-unit | Aug-Oct | 490 | (10.0)% | (37.9)% |
| - Greater Phoenix Existing Home Sales | | | | |
| Single-Family, Traditional Sales | November | 3,370 | (24.5)% | 30.6% |
| Single-Family, Foreclosed Sales | November | 3,095 | (17.4)% | 177.6% |
| Townhouse/Condominium, Traditional Sales | November | 305 | (38.4)% | (53.8)% |
| Townhouse/Condominium, Foreclosed Sales | November | 265 | (25.4)% | 253.3% |
| - Greater Phoenix Median Home Sales Price | | | | |
| Single-Family, Traditional Sales | November | \$162,000 | (7.4)% | (34.9)% |
| Single-Family, Foreclosed Sales | November | \$155,100 | (2.9)% | (26.8)% |
| Townhouse/Condominium, Traditional Sales | November | \$162,000 | 0.1% | (24.6)% |
| Townhouse/Condominium, Foreclosed Sales | November | \$115,835 | (3.0)% | (21.7)% |
| S&P/Case-Shiller Home Price Index (Jan. 2000 = 100) | October | 135.18 | (3.3)% | (32.7)% |
| - Months Supply of Housing, SA (ARMLS) | November | 11.4 months | 1.6 months | (4.1) months |
| - Phoenix Sky Harbor Air Passengers | October | 3.1 million | 11.1% | (9.6)% |
| - Arizona Average Natural Gas Price (\$ per thousand cubic feet) | September | \$6.50 | (13.7)% | (6.6)% |
| - Consumer Confidence Index (1985 = 100) | 2 nd Quarter 2008 | 73.4 | (8.0)% | (31.0)% |
| - Business Leaders Confidence Index | 4 th Quarter 2008 | 42.4 | 10.1% | (0.2)% |
| - Arizona Personal Income | 3 rd Quarter 2008 | \$214.8 billion | (0.3)% | 2.2% |
| - Arizona Population | July 1, 2008 | 6.50 million | 146,759 | 2.3% |
| - AHCCCS Recipients | December | 1,152,698 | 1.4% | 6.7% |
| - TANF Recipients | October | 83,702 | 2.4% | (1.0)% |
| - DOC Inmate Growth (3-month average) | Sept-Nov | 39,426 | 125 inmates | 1,796 inmates |
| United States | | | | |
| - Real Gross Domestic Product (seasonally adjusted annual growth rate) | 3 rd Quarter 2008 | \$11.7 trillion | (0.5)% | 0.7% |
| - Consumer Confidence Index (1985 = 100) | December | 38.0 | (15.0)% | (56.5)% |
| - Leading Indicators Index (2004 = 100) | November | 99.0 | (0.4)% | (3.7)% |
| - U.S. Semiconductor Billings (3-month moving average) | Aug-Oct | \$3.21 billion | 0.0% | (16.9)% |
| - Consumer Price Index, SA (1982-84 = 100) | November | 213.06 | (1.7)% | 1.0% |

JLBC Meeting

At its December 19, 2008 meeting, the Joint Legislative Budget Committee considered the following issues:

Department of Administration – Review of Emergency Telecommunication Fund Expenditure Plan – The Chairman decided to take no action regarding ADOA's expenditure plan due to budget concerns. Monies from the fund are used to improve and maintain 911 services at the county and city level. The FY 2009 expenditure plan included \$7.5 million for wireless services and \$20.8 million for wire service expenditures. The fund balance is \$20.7 million and some of these monies could be transferred to the General Fund to resolve the budget shortfall.

Department of Commerce – Review of Memorandum of Understanding for the Arizona 21st Century Fund – As with the prior item, the Chairman decided to take no action regarding the Department of Commerce's Memorandum of Understanding (MOU) with Science Foundation Arizona (SFAz). In FY 2009, the Arizona 21st Century Fund was appropriated \$22.5 million. The budget shortfall may require the Legislature to reconsider the funding level of this program.

Department of Environmental Quality – Review of Water Quality Permit Processing Times – The Committee gave a favorable review to the Department of Environmental Quality's (DEQ) processing times for water quality permits. Of the 45 permit types listed, on average DEQ met the Licensing Timeframe (LTF) for all but 2 permit types.

Department of Revenue – Review of FY 2009 Data Center Expenditure Plan – The Committee gave a favorable review of the Department of Revenue's (DOR) request for FY 2009 data center expenditure plan. Under this plan, DOR estimates expenditures of \$1.2 million for contracting out data center services which is \$480,000 less than the annualized cost of the prior contract.

Department of Revenue – Review of FY 2009 General Fund Revenue Enforcement Goals – The Committee gave a favorable review of the enforcement goals of the Department of Revenue (DOR). DOR's General Fund revenue enforcement goal for FY 2009 is \$361.3 million, which is \$(29.4) million, or (7.5)%, below their FY 2008 actual collections. The reduction reflects the difficulty in maintaining enforcement revenues during an economic downturn.

Summary of Recent Agency Reports

Department of Administration/Government Information Technology Agency (ADOA/GITA) – Report on Business Intelligence Software – Pursuant to Laws 2008, Chapter 285, ADOA and GITA have surveyed state agencies to determine their current and future usage of business intelligence software (BI). BI software automatically aggregates and summarizes large amounts of data for management purposes. For example, some states use BI to track welfare recipients across multiple programs or agencies to reduce the incidence of fraud. ADOA and GITA received responses from 42 of the 95 agencies surveyed. Of those agencies responding, 22 reported current use of BI software at some level. Currently, no agency has plans to implement BI agencywide. (Dan Hunting)

State Department of Corrections – Report on Bed Plan – The State Department of Corrections (ADC) has provided a report to JLBC Staff with updated information related to their bed plan. Laws 2007, Chapter 261 authorized the Arizona Department of Administration to contract for 2,000 new private prison beds, as well as the construction of 4,000 new public beds. The latter is to be funded via a 20-year, \$200 million lease-purchase agreement.

2,000 Private Beds

In November, Management and Training Corporation secured financing to build and operate 2,000 new private prison beds located in Kingman, AZ. Arizona inmates are anticipated to begin being transferred to the facility in January 2010.



Summary of Recent Agency Reports (Continued)

4,000 Public Beds

In September, construction began on the 4,000 state beds. They include: 1,000 female beds in Perryville, 1,000 male beds in Tucson, and 2,000 male beds in Yuma. Construction is anticipated to be completed February 2010.

Provisional Beds

Beyond the private and public beds, ADC is also renting temporary provisional beds.

Recent updates are as follows:

- The ADC Procurement Office continues to evaluate and discuss responses to an RFP issued for 1,200 beds. To generate additional savings in the Provisional Beds Special Line Item, ADC has slowed the opening of these beds.
- ADC has begun increasing the number of filled beds at the Hinton, Oklahoma facility from 916 beds to an anticipated 1,980 beds. The occupancy of all 1,980 beds is anticipated to occur by January 2009. (Martin Lorenzo)

Department of Economic Security – Report on Domestic Violence Funding – Pursuant to a General Appropriation Act Footnote, the Department of Economic Security (DES) is submitting its annual report on state and federal domestic violence funds. There is a total of \$26.1 million currently used by 6 state entities for domestic violence services, an increase of \$2.9 million (12%) from FY 2007. The primary recipient of increased monies was DES. (Jay Chilton)

Arizona Department of Education – Report on K-12 Excess Utilities – Pursuant to A.R.S. § 15-910.03, the Arizona Department of Education (ADE) recently submitted a report on school district “excess utilities.” Total statewide school district utility costs were \$262 million for FY 2008, of which \$86 million was funded through excess utilities. These data are incomplete, however, as 89 school districts did not submit reports to ADE for FY 2008. (Steve Schimpp)

Department of Environmental Quality – Report on Particulate Enforcement – Pursuant to Laws 2007, Chapter 292, Section 23, Maricopa County and cities within the county are required to report on efforts to reduce particulate pollution. The county and 11 of 23

cities have submitted reports to JLBC as of December 24. Reports were not received from Carefree, El Mirage, Fountain Hills, Gilbert, Goodyear, Guadalupe, Litchfield Park, Peoria, Queen Creek, Scottsdale, Tolleson, and Youngtown. The submissions show that a total of 16 miles of streets and 41 miles of alleys have been paved or stabilized since the last reports were issued in June. There were a total of 1,554 violations. (Dan Hunting)

State Mine Inspector – Report on Abandoned Mines Safety Fund – The State Mine Inspector is required by A.R.S. § 27-131 to establish a program to locate, inventory, classify, and eliminate public safety hazards at abandoned mines.

For FY 2008, the State Mine Inspector has recently reported that the AMSF had revenues of \$85,700. The State Mine Inspector secured 32 mines covering 11 mine sites during FY 2008, at a total cost of \$13,800. The Mine Inspector has completed preliminary planning for an additional 68 projects across 13 mine sites, with an estimated cost of \$104,000. (Jack Brown)

Department of Public Safety/State Department of Corrections – Report on Collaborative Efforts and Procedures to Combat Gang Activity – Laws 2008, Chapter 285 specifies the State Department of Corrections (ADC) shall work with the Department of Public Safety’s (DPS) Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) to combat gang activity. Highlights of this report are as follows:

- ADC and DPS have finalized an Interagency Service Agreement which enables DPS to fund 85% of the personnel costs for 3 new ADC investigators and 2 new GangNet (the GIITEM gang member database) data entry positions.
- ADC is in the process of authorizing GIITEM personnel remote access to select ADC systems and databases. (Martin Lorenzo)

School Facilities Board – Report on Funding Estimates – Pursuant to A.R.S. § 15-2002, the School Facilities Board (SFB) is required to report the estimated amounts necessary in FY 2010.

Summary of Recent Agency Reports (Continued)

In FY 2010, SFB estimates a total funding requirement of \$493.6 million, including \$265.7 million for the New School Facilities Program and \$227.9 million for the Building Renewal Program. The new construction estimate assumes the current building moratorium is lifted in FY 2010. The Building Renewal amount is based on the current statutory formula, which was suspended in FY 2009 in favor of a \$20.0 million discretionary grant program. (Leatta McLaughlin)

Arizona Board of Regents/Arizona Community Colleges – Report on Articulation – Pursuant to A.R.S. § 15-1824, the Arizona Board of Regents and the community colleges are required to submit an annual report of their progress on both articulation and meeting statewide postsecondary education needs by December 15. This year's progress in implementing the transfer model and support systems include:

- More than 5,200 community college students completed the Arizona General Education Curriculum, which satisfies lower division general education requirements at the universities. This is a 4% increase over last year and a 160% increase over 2002 (when tracking first began).
- A new statewide Web site was launched in August 2008. Redesigning the website was one of the recommendations in the study of Arizona's articulation system completed in 2007.
- Test score acceptance was standardized among community colleges and universities for the majority of Advanced Placement and College Level Examination Program exams. Students who take these exams may receive college credit if they achieve a predetermined score. (Leah Kritzer)

Arizona Board of Regents – Report on Credit Hour Threshold FTE Student Counts – Pursuant to A.R.S. § 15-1626, the Arizona Board of Regents (ABOR) is required to report on the number of students that met or exceeded the undergraduate credit hour threshold. ABOR reports that 291 full-time equivalent (FTE) students were over the 150 credit hour threshold in the fall 2008 semester. (Leah Kritzer)

Arizona Board of Regents – Report on Loan Forgiveness Program – Pursuant to A.R.S. § 15-1782, the Arizona Board of Regents (ABOR) recently reported on the progress of the Mathematics, Science, and Special Education Teacher Loan Forgiveness Program. The program allows ABOR to grant up to 5-year forgivable loans to in-state students who agree to teach in a public school.

For the spring 2008 semester, there were 76 recipients. In fall 2008, 42 of these recipients renewed their loan in addition to 56 new loan recipients, for a total of 98 students receiving loans. Teacher retention data is not yet applicable, since the program began in spring 2008. (Leah Kritzer)

Arizona Board of Regents – Report on University System's Financial Aid – Pursuant to A.R.S. § 15-1650, the Arizona Board of Regents is required to submit an annual report on financial aid. Highlights from the FY 2008 report include:

- Approximately \$1.06 billion in total financial aid was provided to students.
- Of this amount, \$450.5 million (42.5%) came from federal sources, \$391.7 million (37.1%) came from state institutional sources, \$204.7 million (19.4%) came from private sources, and \$10.1 (1.0%) came from state scholarships, grants and loans.
- A total of 94,625 students received aid.
- Of those students, 19,191 received non-need-based gift

aid, 31,785 received need-based gift aid, and 27,106 were awarded miscellaneous types of non-gift aid (i.e. work study).

- The average aid package was \$8,808, which includes both need and non-need-based aid.
- 53% of undergraduate students and 53.7% of graduate students have debt.
- Upon graduation, the average undergraduate student debt was \$17,572, while the average graduate student debt was \$34,288. (Leah Kritzer)

State of Arizona

General Fund Revenue:

Change from Previous Year and Enacted Forecast November 2008

| | Current Month | | | | | FY 2009 YTD (Five Months) | | | | |
|------------------------------------|-------------------------|------------------------------|-----------------|------------------------|-----------------|---------------------------|------------------------------|-----------------|------------------------|-----------------|
| | Actual November 2008 | Change From November 2007 | | Forecast | | Actual November 2008 | Change from November 2007 | | Forecast | |
| | | Amount | Percent | Amount | Percent | | Amount | Percent | Amount | Percent |
| Taxes | | | | | | | | | | |
| Sales and Use | 317,474,089 | (\$48,610,068) | (13.3) % | (\$67,462,611) | (17.5) % | \$1,698,495,193 | (\$167,780,712) | (9.0) % | (\$269,122,007) | (13.7) % |
| Income - Individual | 200,335,179 | (34,873,123) | (14.8) | (50,147,521) | (20.0) | 1,313,410,176 | (93,366,415) | (6.6) | (173,945,424) | (11.7) |
| - Corporate | (2,488,394) | 154,820 | (5.9) | (5,735,394) | -- | 193,202,202 | (100,776,406) | (34.3) | (115,549,098) | (37.4) |
| Property | 3,452,620 | (387,175) | (10.1) | (2,513,680) | (42.1) | 5,766,902 | (14,133) | (0.2) | (2,922,398) | (33.6) |
| Luxury | 5,214,958 | (284,192) | (5.2) | (36,342) | (0.7) | 24,627,380 | (335,260) | (1.3) | (709,920) | (2.8) |
| Insurance Premium | 226,955 | 604,652 | -- | 226,955 | -- | 127,155,322 | 6,588,682 | 5.5 | 15,928,522 | 14.3 |
| Estate | 100,117 | 74,101 | 284.8 | 100,117 | -- | 104,313 | (156,465) | (60.0) | 104,313 | -- |
| Other Taxes | 38,959 | (5,316) | (12.0) | (13,541) | (25.8) | 225,066 | (16,880) | (7.0) | (37,434) | (14.3) |
| Sub-Total Taxes | \$524,354,483 | (\$83,326,301) | (13.7) % | (\$125,582,017) | (19.3) % | \$3,362,986,554 | (\$355,857,589) | (9.6) % | (\$546,253,446) | (14.0) % |
| Other Revenue | | | | | | | | | | |
| Lottery | 8,132,300 | 5,924,600 | 268.4 | 0 | 0.0 | 22,518,700 | 8,784,181 | 64.0 | 0 | 0.0 |
| License, Fees and Permits | 3,275,005 | (18,170) | (0.6) | (518,795) | (13.7) | 14,653,969 | (938,669) | (6.0) | (6,247,331) | (29.9) |
| Interest | 1,376,336 | (6,260,277) | (82.0) | (3,325,464) | (70.7) | 7,966,655 | (39,104,329) | (83.1) | (11,363,645) | (58.8) |
| Sales and Services | 3,274,661 | (602,901) | (15.5) | (1,433,439) | (30.4) | 15,190,030 | (1,974,228) | (11.5) | (7,170,870) | (32.1) |
| Other Miscellaneous | (318,205) | (1,716,890) | -- | (2,215,905) | -- | 19,432,556 | 8,344,915 | 75.3 | 8,531,756 | 78.3 |
| Disproportionate Share | 0 | 0 | -- | 0 | -- | 0 | 0 | -- | 0 | -- |
| Transfers and Reimbursements | 13,284,198 | 11,050,234 | 494.6 | 1,704,398 | 14.7 | 20,834,765 | 5,023,878 | 31.8 | 5,254,965 | 33.7 |
| Sub-Total Other Revenue | 29,024,295 | 8,376,596 | 40.6 % | (5,789,205) | (16.6) % | 100,596,675 | (19,864,252) | (16.5) % | (10,995,125) | (9.9) % |
| TOTAL BASE REVENUE | \$553,378,778 | (\$74,949,705) | (11.9) % | (\$131,371,222) | (19.2) % | \$3,463,583,229 | (\$375,721,841) | (9.8) % | (\$557,248,571) | (13.9) % |
| Other Adjustments | | | | | | | | | | |
| Urban Revenue Sharing | (60,639,783) | (3,594,872) | 6.3 | 0 | 0.0 | (303,198,915) | (17,974,362) | 6.3 | 0 | 0.0 |
| Budget Plan Transfers | 0 | 0 | -- | 0 | -- | 215,546,792 | 215,546,792 | -- | (16,404,600) | (7.1) |
| Sub-Total Other Adjustments | (60,639,783) | (3,594,872) | 6.3 % | 0 | 0.0 % | (87,652,123) | 197,572,430 | (69.3) % | (16,404,600) | 23.0 % |
| TOTAL REVENUE | \$492,738,995 | (\$78,544,577) | (13.7) % | (\$131,371,222) | (21.0) % | \$3,375,931,106 | (\$178,149,411) | (5.0) % | (\$573,653,171) | (14.5) % |