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*“Year-to-date,  
FY 2012 General  
Fund revenues  
are \$3.65 billion,  
or 8.2% above FY  
2011.”*

## Summary

November continued the state’s trend of revenue growth this fiscal year as base General Fund collections (excluding one-time adjustments) were 4.2% above the prior year. General Fund revenues totaled \$608.9 million.

While prior months have shown significant growth in all 3 of the state’s largest tax categories, November’s results were more mixed. Sales tax collections grew a modest 1.2%, compared to Individual Income tax collections which declined for the first time in 15 months.

Year-to-date, FY 2012 General Fund revenues are \$3.65 billion, or 8.2% above FY 2011 excluding one-time adjustments.

November General Fund collections were \$4.6 million above the enacted budget forecast. Year-to-date, revenues are \$177.5 million above the enacted forecast.

In comparison to revenue of \$608.9 million, November 2011 General Fund spending was \$560.6 million.

Fiscal year-to-date, General Fund revenues of \$3.65 billion have been offset by \$4.76 billion in spending.

### Final FY 2011 Ending Balance

The General Accounting Office released its Annual Financial Report for FY 2011 on December 9. The report showed that the General Fund ending balance for FY 2011 was \$3.2 million. The FY 2012 budget originally assumed FY 2011 would end with a shortfall of \$(332) million. However, since that shortfall has been eliminated, FY 2012 revenues will no longer be needed to pay off the FY 2011 shortfall. The \$332 million along with the

balance from FY 2012 (currently \$178 million) will constitute the overall balance at the end of the fiscal year.

### House Appropriations Subcommittee on Multi-Year Budgeting

At its November 29, 2011 meeting, the House Appropriations Subcommittee on Multi-Year Budgeting heard a [JLBC Staff presentation](#) on the state’s use of fund transfers in prior budget years and future year budget projections. When solving the budget shortfalls in FY 2008 - FY 2012, fund transfers comprised \$1.9 billion, or 14% of total budget solutions.

### House Appropriations Subcommittee on Debt

At its December 8, 2011 meeting, the House Appropriations Subcommittee on Debt heard a presentation from the State Comptroller and a state financial advisor regarding technical details on the early repayment of the state’s operating financing. In addition, JLBC Staff [presented information](#) on the state’s outstanding non-General Fund debt.

### Joint Legislative Income Tax Credit Review Committee (JLITCRC)

At its December 7, 2011 meeting, the JLITCRC heard [JLBC Staff Presentations](#) regarding 3 income tax credits which were being evaluated according to the criteria outlined in statute, such as: cost, complexity and effectiveness. Statute requires income tax credits to be reviewed according to a given schedule, which is typically every 5 years.

The Committee recommended the continuation of the “Angel” Investment Credit and the Corporate Private School Tuition Credit. In addition, the Committee recommended the elimination of the Residential Solar Energy Device Credit.

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## November Revenues

	FY 2012 <u>Collections</u>	Difference From <u>Forecast</u>	Difference <u>From FY 2011</u>
November	\$ 608.9	\$ 4.6	\$ 31.9
Year-to-Date	\$ 3,652.9	\$ 177.5	\$ 406.6

**Sales Tax** collections were \$357.3 million, or 1.2% above November 2010 and \$(4.9) million below forecast. Excluding the \$71.0 million from the temporary 1-cent increase, collections were \$286.3 million, or (0.1)% below November 2010. The temporary 1-cent tax continues to grow more than the base tax because of certain exemptions for purchases under contract prior to the effective date of the tax.

Year-to-date, base sales tax collections are 5.6% above the prior year and are \$42.1 million above forecast.

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

	<u>November</u>	<u>YTD</u>
Retail	7.2%	7.9%
Contracting	(5.2)%	11.6%
Utilities	(10.2)%	(0.1)%
Use	(22.5)%	0.8%
Restaurant & Bar	4.9%	7.5%

Retail and contracting together account for about 60% of all sales tax revenues. Retail continues to post significant gains over the previous year. Contracting's decline this month is the first since December 2010.

**Individual Income Tax** net revenues were \$256.5 million in November, or (3.6)% below the prior year. Collections were \$(16.5) million below forecast. Year-to-date, revenues have grown 9.7% and are \$85.6 million above forecast through November.

As indicated in Table 3, withholding declined by (2.5)% in November for a year-to-date increase of 4.1%. This month's decrease may be due to a timing issue. While this November had the same number of processing days as the previous year, it had 1 less Monday. Mondays represent 40% of withholding collections. While the table shows large

increases in both Payments and Refunds, collections for November in these categories are small on a total dollar basis.

	<u>November</u>	<u>YTD</u>
Withholding	(2.5)%	4.1%
Estimated + Final Payments	30.5%	20.8%
Refunds	43.1%	(24.9)%

**Corporate Income Tax** net collections were \$(5.8) million in November, which is \$31.3 million above the prior year. The negative monthly collection amount is due to refunds exceeding payments. Collections were \$22.1 million above the forecast.

Year-to-date, collections have grown 35.2% and are \$53.3 million above forecast.

**Tax Amnesty** – Pursuant to Laws 2011, Chapter 28, the Department of Revenue operated a Tax Recovery program between September 1 and October 1. During that period, taxpayers who owed money to DOR could avoid some penalties by voluntarily reporting and paying the back taxes. In total, \$12.9 million was collected from the program, which was \$(9.1) million less than budgeted.

Previously, these recovery collections were reported with the regular collections for each category. Table 4 shows the collections by category. Year-to-date collections for each category have been adjusted to reflect the additional information.

	<u>\$ in M</u>
Sales Tax	\$ 2.8
Individual Income Tax	6.1
Corporate Income Tax	4.0
Total	\$12.9

"Year-to-date, [Individual Income Tax] revenues have grown 9.7% and are \$85.6 million above forecast through November."

## November Revenues (Continued)

The **Lottery Commission** reports that November ticket sales were \$50.7 million, which is \$4.6 million, or 10.0%, above sales in the prior year. Year-to-date ticket sales are \$238.2 million, which is 10.5% above last year's sales.

### Non-General Fund

**Tobacco Tax** revenues were \$24.6 million in November. Collections were down (14.9)% compared to the prior year. Year-to-date collections are down (1.2)%, and are \$(0.4) million below forecast.

Less than 10% of tobacco taxes are deposited directly into the General Fund. The remainder primarily goes to

AHCCCS and the Department of Health Services to defray the General Fund cost of operating those programs, along with funding the Early Childhood Development and Health Board.

**Highway User Revenue Fund (HURF)** revenues consist of gasoline and use fuel (diesel) tax, motor carrier fees (commercial carriers), vehicle license tax and registration fees, and various other fees. HURF collections of \$94.6 million in November were down \$(1.5) million, or (1.6)%, compared to November of last year. Year-to-date revenues are down (0.1)%.

Table 5

## General Fund Revenue: Change from Previous Year and Enacted April Budget Forecast November 2011

	Current Month					FY 2012 YTD (Five Months)				
	Actual November 2011	Change From November 2010		Forecast		Actual November 2011	Change from November 2010		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b>Taxes</b>										
Sales and Use - Base*	\$286,297,169	(\$188,440)	(0.1) %	(\$6,083,302)	(2.1) %	\$1,489,406,151	\$79,100,107	5.6 %	\$42,122,324	2.9 %
- 1¢ Increase*	\$70,971,858	4,318,705	6.5	1,153,609	1.7	367,342,555	39,434,829	12.0	20,453,952	5.9
Income - Individual	256,509,482	(9,683,886)	(3.6)	(16,529,199)	(6.1)	1,373,581,421	121,644,232	9.7	85,588,696	6.6
- Corporate	(5,833,080)	31,345,040	--	22,057,231	(79.1)	192,249,650	50,027,565	35.2	53,310,172	38.4
Property	3,328,071	(422,687)	(11.3)	(588,068)	(15.0)	5,853,278	(37,338)	(0.6)	(331,769)	(5.4)
Luxury - Tobacco	4,762,522	2,222,032	87.5	2,208,551	86.5	6,006,883	(2,034,406)	(25.3)	(2,077,077)	(25.7)
- Liquor	1,906,700	(409,032)	(17.7)	(462,215)	(19.5)	10,530,787	2,294,326	27.9	2,105,169	25.0
Insurance Premium	310,272	938,331	--	254,137	452.7	123,551,406	(12,483,258)	(9.2)	(14,672,850)	(10.6)
Estate	0	0	--	0	--	220,825	(216,547)	(49.5)	220,825	--
Other Taxes	38,089	14,107	58.8	11,577	43.7	227,304	(16,245)	(6.7)	16,434	7.8
<b>Sub-Total Taxes</b>	<b>\$618,291,083</b>	<b>\$28,134,170</b>	<b>4.8 %</b>	<b>\$2,022,321</b>	<b>0.3 %</b>	<b>\$3,568,970,260</b>	<b>\$277,713,265</b>	<b>8.4 %</b>	<b>\$186,735,876</b>	<b>5.5 %</b>
<b>Other Revenue</b>										
Lottery	4,184,940	(381,215)	(8.3)	(1,226,118)	(22.7)	18,700,160	1,177,740	6.7	(1,390,905)	(6.9)
License, Fees and Permits	1,946,843	49,197	2.6	39,579	2.1	11,098,914	(145,979)	(1.3)	395,279	3.7
Interest	8,571	(270,682)	(96.9)	(491,429)	(98.3)	31,751	(1,924,503)	(98.4)	(2,468,249)	(98.7)
Sales and Services	1,175,024	(1,375,634)	(53.9)	(385,728)	(24.7)	6,606,557	(2,111,911)	(24.2)	(1,754,572)	(21.0)
Other Miscellaneous	1,663,383	(689,111)	(29.3)	767,173	85.6	15,125,472	2,381,477	18.7	7,210,205	91.1
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	9,299,285	(26,567)	(0.3)	3,854,856	70.8	11,445,788	(1,921,265)	(14.4)	(2,083,486)	(15.4)
<b>Sub-Total Other Revenue</b>	<b>18,278,046</b>	<b>(2,694,012)</b>	<b>(12.8) %</b>	<b>2,558,333</b>	<b>16.3 %</b>	<b>63,008,642</b>	<b>(2,544,441)</b>	<b>(3.9) %</b>	<b>(91,728)</b>	<b>(0.1) %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$636,569,129</b>	<b>\$25,440,158</b>	<b>4.2 %</b>	<b>\$4,580,654</b>	<b>0.7 %</b>	<b>\$3,631,978,902</b>	<b>\$275,168,824</b>	<b>8.2 %</b>	<b>\$186,644,148</b>	<b>5.4 %</b>
<b>Other Adjustments</b>										
Urban Revenue Sharing	(35,368,620)	4,131,923	--	0	0.0	(176,843,100)	20,659,615	--	0	0.0
Budget Plan Transfers	7,740,237	2,335,029	43.2	0	0.0	184,939,221	97,866,214	112.4	0	0.0
Tax Recovery Program	0	0	--	0	--	12,867,428	12,867,428	--	(9,132,572)	(41.5)
<b>Sub-Total Other Adjustments</b>	<b>(27,628,383)</b>	<b>6,466,952</b>	<b>-- %</b>	<b>0</b>	<b>0.0 %</b>	<b>20,963,549</b>	<b>131,393,257</b>	<b>-- %</b>	<b>(9,132,572)</b>	<b>(30.3) %</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$608,940,746</b>	<b>\$31,907,110</b>	<b>5.5 %</b>	<b>\$4,580,654</b>	<b>0.8 %</b>	<b>\$3,652,942,451</b>	<b>\$406,562,081</b>	<b>12.5 %</b>	<b>\$177,511,576</b>	<b>5.1 %</b>
<b>Non-General Funds</b>										
Highway User Revenue Fund	\$94,612,091	(\$1,536,084)	(1.6) %	(\$2,978,306)	(3.1) %	\$490,013,429	(\$432,859)	(0.1) %	(\$7,789,553)	(1.6) %
Tobacco Tax (All Funds Total)	\$24,622,431	(\$4,323,181)	(14.9) %	(\$3,548,803)	(12.6) %	\$135,504,312	(\$1,711,222)	(1.2) %	(\$371,885)	(0.3) %

\* Total November collections including the temporary 1¢ increase approved by the voters in May 2010 were \$357.3 million. This amount is \$4.1 million, or 1.2%, above November 2010 and \$(4.9) million, or (1.4)%, below forecast. Year-to-date, total collections including the 1¢ increase were \$1,856.7 million. This amount is \$118.5 million, or 6.8%, above November 2010 and \$62.6 million above forecast.

## Economic Indicators

### NATIONAL

The Conference Board's **U.S. Consumer Confidence Index** surged by 15.1 points in November, to a reading of 56.0, the highest level since July. The month-over-month percentage increase of 36.9% was the largest such gain since April 2009. Consumer optimism appears to be on the rise as job prospects are slowly improving. With the unemployment rate falling for 3 consecutive months, real disposable income increasing, and gasoline prices retreating, American consumers are beginning to move out of recession mode. It will likely take considerable time, however, before consumer confidence returns to pre-recession levels since Americans still face many hurdles, especially related to housing and loss of household wealth.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, was unchanged in November, following prior month's (0.1)% decline. Compared to the same month in the prior year, consumer prices were up by 3.4%. Core inflation, which excludes energy and food prices, increased by 0.2% in November. Year-over-year, core inflation is up by 2.2%. The latest CPI reading suggests that inflation pressures are easing. This is primarily due to a smaller increase in food prices in recent months coupled with a slight decline in energy prices.

### 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.

Most states nationwide saw an increase in their coincident index in October, with Arizona posting moderate growth compared to other states. In October, Arizona's coincident index increased by 0.3% compared to the prior year. Year over year, the Arizona index is 2.3% above last year, the largest gain since May 2007. While this is a significant improvement, Arizona's index is still (12.5)% below its peak, which occurred in August 2007. See [Tracking Arizona's Recovery](#) for additional historical information.

### Housing

In November, the number of new Maricopa County **foreclosure notices** decreased (4.9)% from October levels to 4,140. The number of Maricopa County **pending foreclosures** decreased from 22,901 in October to 20,962 in November. The October total is (59.3)% below the peak in December 2009 (51,466). See [Tracking Arizona's Recovery](#) for additional historical information.

While the decline in the number of pending foreclosures is a positive development in the Maricopa County real estate market, the region continues to see declining home prices. In the Phoenix Metropolitan area in November, there were a total of 7,105 **existing single-family home sales** that resulted in a **median resale home price** of \$126,000. Compared to the prior year, the number of sales have increased 3.8%, while prices are (6.7)% lower.

Of the existing sales in the area, a significant portion (29.2%) were foreclosures. This is an improvement from the worst of the recession, where over half of existing home sales were foreclosures. The decline is partially due to lenders agreeing to short sales rather than foreclosing properties. The exchanging of these 2 transaction types has a minimal impact on the real estate market, as evidence suggests the housing market is still weighed down by a large volume of distressed sales.

Another measure of the health of the Arizona real estate market is permitting activity. It appears that single-family housing permits will decline for the sixth consecutive year in 2011. Through October, a total of 9,086 **single-family building permits** had been issued statewide, a (7.0)% decrease from last year.

While the single-family sector appears to still be struggling, the multi-family housing sector seems to be more healthy, in part due to declining apartment vacancy rates. As of October, **multi-family building permits** for a total of 2,116 units had been issued in the state, a 62% increase from the prior year. While this growth is significant, multi-family permitting activity still remains approximately 80% below the peak of activity in June 2006.

*"American consumers are beginning to move out of recession mode. It will likely take considerable time, however, before consumer confidence returns to pre-recession levels since Americans still face many hurdles, especially related to housing and loss of household wealth."*

## Economic Indicators (Continued)

### Employment

According to the Employment and Population Statistics Unit (EPSU) of the Arizona Department of Administration, the state added 10,200 **nonfarm jobs** in November over October. This was a month-over-month gain of 0.4%, or (0.2)% below the average growth rate for November over the prior 10 years. The retail sector led job gains in November with 12,800 additional employees on their payrolls. These are mostly seasonal jobs related to holiday shopping.

The construction sector was the biggest loser in November with the shedding of (6,200) jobs. While construction employment typically declines in November, this year's job loss was more than 3 times the average decline in the last 10 years. It also marked the first month-over-month job loss since February. The reason for the unusually large construction employment decline last month is not clear at this point.

The state's employers had 45,800, or 1.9%, more individuals on the payrolls in November than 1 year ago. November was the 11<sup>th</sup> consecutive month with year-over-year gains in employment. The average nonfarm employment gain for the first 11 months of 2011 was 0.9%, or 22,200 jobs. See [Tracking Arizona's Recovery](#) for additional historical information.

At 8.7%, the state's **unemployment rate** in November fell below 9.0% for the first time since February 2009. This improvement is in line with the national unemployment rate, which has also declined in each of the last 3 months. Arizona's jobless rate is now (0.9) percentage points below last year. While November's release of unemployment data suggests that the Arizona economy is slowly mending, analysts at EPSU also cautioned that the jobless rate could fluctuate up and down over the coming months as previously discouraged workers resume their job search.

### State Agency Data

In December, total AHCCCS caseloads equaled 1.34 million members, a (1.3)% decrease over the prior month. Overall AHCCCS caseloads are currently (0.9)% below December 2010 levels.

The traditional AHCCCS population, which consists primarily of lower-income children and their parents, was down (0.4)% from November but up 5.5% from a year ago. The total population in this program is almost 900,000.

This growth has been offset by declines in other populations. The Proposition 204 childless adult program has not allowed new participants since July and this population has declined (53,328) since July 1 to 164,390.

Of the decline, (10,202) is attributed to members who were transferred to the SSI program. The Proposition 204 program has declined (7.4)% compared to the prior month, and (26.1)% from the prior year.

There were 38,313 **TANF recipients** in the state in November, a monthly caseload increase of 0.4%. Year over-year, the number of TANF recipients has declined by (14.8)%. This decline is the result of changes to the statutory lifetime limit a person may receive cash assistance. The FY 2011 budget reduced the lifetime limit to 36 months. The FY 2012 budget further reduces this limit to 24 months. Previously, the maximum had been 60 months. The FY 2012 budget assumed caseloads of approximately 36,000 in FY 2012.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In November, there were a total 1.1 million food stamp recipients in the state, a (0.1)% decrease over the prior month. Compared to the same month last year, food stamp participation was up by 8.2%. The number of food stamp recipients began increasing steadily in July 2007, after several years in the 550,000 to 575,000 range.

The 3-month average count of the **Department of Correction's (ADC) inmate population** decreased to 40,057 inmates between September and November 2011. Relative to the prior 3-month period, the population has decreased by (30) inmates. Compared to a year ago the population has declined by (248) inmates.

## Economic Indicators (Continued)

Table 6

### 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>
<b>Arizona</b>				
- Unemployment Rate (SA)	November	8.7%	(0.3)%	(0.9)%
- Initial Unemployment Insurance Claims	October	25,249	17.3%	(4.3)%
- Unemployment Insurance Claimants	October	63,965	(1.2)%	(12.7)%
- Non-Farm Employment - Total	November	2.45 million	0.4%	1.9%
Manufacturing	November	152,400	(0.3)%	3.4%
Construction	November	112,500	(5.2)%	0.5%
- Average Weekly Hours, Manufacturing	October	40.5	(0.7)%	0.5%
- Contracting Tax Receipts (3-month average)	Sept-Nov	\$36.5 million	0.3%	10.0%*
- Retail Sales Tax Receipts (3-month average)	Sept-Nov	\$137.9 million	0.8%	8.0%*
- Residential Building Permits (3-month moving average)				
Single-family	Aug-Oct	938	(3.0)%	18.4%
Multi-unit	Aug-Oct	409	(37.5)%	56.4%
- Greater Phoenix Existing Home Sales				
Single-Family	November	7,215	(1.5)%	3.8%
Townhouse/Condominium	November	1,075	4.9%	4.9%
- Greater Phoenix Median Resale Home Price				
Single-Family	November	\$126,000	0.9%	(6.7)%
Townhouse/Condominium	November	\$80,825	4.6%	(0.2)%
- Greater Phoenix S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	September	100.22	(0.2)%	(6.5)%
- Foreclosure Activity, Maricopa County				
Foreclosure Notices (Notice of Trustee's Sales Recorded)	November	4,140	(4.9)%	(29.7)%
Pending Foreclosures (Active Notices)	November	20,962	(8.5)%	(49.8)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	November	26,798	(1.7)%	(40.9)%
- Phoenix Sky Harbor Air Passengers	October	3.33 million	8.5%	2.3%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	September	\$5.41	(17.7)%	(4.9)%
- Arizona Consumer Confidence Index (1985 = 100)	4 <sup>th</sup> Quarter 2011	57.5	6.5%	2.1%
- Arizona Coincident Index (July 1992 = 100)	October	179.27	0.3%	2.3%
- Arizona Personal Income	2 <sup>nd</sup> Quarter 2011	\$232.8 billion	1.2%	5.5%
- Arizona Population	April 1, 2010	6.39 million	N/A	N/A
- AHCCCS Recipients	December	1,336,141	(1.3)%	(0.9)%
Acute Care Traditional		895,209	(0.4)%	5.5%
Spend Down		8	(87.7)%	(99.9)%
Prop 204 Childless Adults		164,390	(7.4)%	(26.1)%
Other Prop 204		156,762	(0.4)%	3.3%
Kids Care		13,536	(4.9)%	(43.6)%
Long-Term Care – Elderly & DD		51,741	0.1%	2.2%
Emergency Services		54,495	0.8%	21.5%
- TANF Recipients	November	38,313	0.4%	(14.8)%
- SNAP (Food Stamps) Recipients	November	1,153,368	(0.1)%	8.2%
- ADC Inmate Growth (3-month average)	Sept-Nov	40,057	(30) inmates	(248) inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	October/Sept.	18,797	(108)	(822)
Maricopa County	October/sept.	25,849	(108)	(623)
<b>United States</b>				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	3rd Quarter 2011 (2nd Estimate)	\$13.3 trillion	2.0%	1.5%
- Consumer Confidence Index (1985 = 100)	November	56.0	36.9%	(3.1)%
- Leading Indicators Index (2004 = 100)	October	117.4	0.9%	6.6%
- U.S. Semiconductor Billings (3-month moving average)	Aug-Oct	\$4.67 billion	1.3%	(2.5)%
- Consumer Price Index, SA (1982-84 = 100)	November	226.72	0.0%	3.4%

\*Adjusted for 1¢ sales tax

## Summary of Recent Agency Reports

**Arizona Department of Administration – Report on Working Capital Surplus** – Pursuant to A.R.S. § 41-707, the Arizona Department of Administration (ADOA) reported on the FY 2011 working capital surplus requirements for tax-exempt deficit financing entered into by the state after January 1, 2009. Since this date, the state has entered into 3 deficit financing agreements: 2 transactions involving the sale/leaseback of state properties totaling \$1.0 billion and lottery revenue bonds totaling \$450 million.

Because the state used tax-exempt debt financing to eliminate a budget shortfall, the federal government essentially requires the state to purchase tax-exempt securities if the year-end General Fund balance (or “working capital”) exceeds 5% through FY 2014. After FY 2014, the state would be required to repay the sale/leaseback issuance. Working capital is defined as the fiscal year ending balance in the following funds: the state General Fund, the Budget Stabilization Fund, and any Department of Revenue clearing accounts.

For each of the 3 tax-exempt financing agreements entered into since January 1, 2009, ADOA found that no working capital surplus existed for FY 2011. This means the state will not currently be required to begin purchasing tax-exempt securities. (Jack Brown)

**Arizona Criminal Justice Commission – Report on Criminal Justice Enhancement Fund** – Pursuant to A.R.S. § 41-2401C, the Arizona Criminal Justice Commission has provided its annual report on Criminal Justice Enhancement Fund (CJEF) monies distributed to law enforcement agencies. CJEF consists of a 47% assessment on certain fines, penalties, and forfeitures imposed and collected by the courts. In FY 2011, CJEF revenues totaled \$43.7 million and the total funds available for the fiscal year, including the beginning balance and adjustments, was \$63.3 million. In FY 2011, CJEF revenues decreased by (4.6)% from FY 2010; CJEF expenditures totaled \$36.8 million and fund transfers totaled \$4.6 million. (James Alcantar)

**Arizona Department of Education – Report on K-12 Aggregate Expenditure Limit** – Pursuant to A.R.S. § 15-911B, the State Board of Education reported on October 27, 2011 that currently budgeted expenditures for all school districts collectively statewide for FY 2012 are \$(1.5) billion below the Constitution’s aggregate expenditure limitation (AEL). For FY 2011 the difference was \$(637.0) million. The change is largely due to the erroneous inclusion of charter school enrollment in calculation of the AEL limit (which is compared with district-only expenditures). Without that error the difference would be approximately \$(872.8) million. The AEL limits growth in statewide K-12 expenditures to the

combined rate of growth for enrollment and inflation, with certain exceptions. (Steve Schimpp)

**State Mine Inspector – Report on Abandoned Mines Safety Fund Expenditures and Contributions** – The State Mine Inspector is required by A.R.S. § 27-131 to establish a program to address public safety hazards at abandoned mines. A.R.S. § 27-131 created the Abandoned Mines Safety Fund (AMSF) to fund the program. The Mine Inspector must submit an annual report to JLBC on or before December 1 detailing the contributions to the AMSF, and the expenditures by the fund during the preceding fiscal year.

For FY 2011, the State Mine Inspector has recently reported that the AMSF had no new revenue. The State Mine Inspector secured 59 mine sites during FY 2011, at a total cost of \$43,000. The Mine Inspector has completed preliminary planning for an additional 26 mine sites in FY 2012, with an estimated cost of \$23,900. The Mine Inspector financed these activities through the fund’s carry-forward balance. (Brett Searle)

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

For the 2010-2011 academic year, there were 58 recipients. This total includes 35 loan renewals and 23 new recipients. Of the MSSE recipients, 19 are studying mathematics education, 6 are studying science education, and 33 are studying special education. As of July 2011, 76% of participating students had graduated and were either teaching or seeking employment.

A total of \$357,967 was dispersed to students under the loan forgiveness program in FY 2011.

Effective July 1, 2011, the program was transferred to the Arizona Commission for Postsecondary Education by Laws 2010, Chapter 332. (Breanne Bushu)

**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 2011 report include:

- Approximately \$1.7 billion in total financial aid was provided to students.
- Of this amount, \$863.1 million (49.8%) came from federal sources, \$558.4 million (32.2%) came from

## Summary of Recent Agency Reports (Continued)

state institutional sources, \$310.7 million (17.9%) came from private sources, and \$2.4 million (0.1%) came from state scholarships, grants and loans. (The private sources amount includes \$16.2 million Arizona Financial Aid Trust, which is a combination of both state and institutional sources of aid.)

- A total of 115,477 students received aid, including 91,715 undergraduate students and 23,762 graduate students.
- Of the undergraduate students receiving aid, 20,808 received non-need-based gift aid, 52,949 received need-based gift aid, and 45,016 were awarded miscellaneous types of non-gift aid (i.e. work study). Some students received multiple types of aid.
- The average aid package was \$10,788, which includes both need and non-need-based aid.
- 53.8% of undergraduate students and 56.7% of graduate students have debt.
- Upon graduation, the average undergraduate student debt was \$21,158, while the average graduate student debt was \$44,918.

(Leatta McLaughlin)

**Arizona Board of Regents/Arizona Community Colleges – Report on Articulation** – Pursuant to A.R.S. § 15-1824, the Arizona Board of Regents (ABOR) and the community colleges are required to submit an annual report by December 15 of their progress on both articulation and meeting statewide postsecondary education needs.

This year's progress in implementing the transfer model and support systems include:

- 8,250 community college students completed the Arizona General Education Curriculum, which satisfies lower division general education requirements at the universities. This is a 23% increase over last year. However, the rate at which students transfer from community colleges to universities has remained relatively flat in recent years.
- The Academic Program Articulation Steering Committee, which addresses curriculum and communication between K-12 and postsecondary education, held its first meetings in 2011.
- As required by Laws 2010, 2<sup>nd</sup> Regular Session, Chapter 242, ABOR and the community colleges have developed a shared numbering system which will be fully implemented in January 2012.

(Marge Zylla)

## November Spending

November 2011 General Fund spending was \$560.6 million. November expenditures were \$8.7 million greater than the prior year.

### FY 2012 Spending

November 2011 spending of \$560.6 million was \$8.7 million more than November 2010 (See Table 7).

- In November, Universities spending was \$(8.1) million less than the prior year. The universities received a \$198 million lump sum reduction in FY 2012, which will be spread out throughout the fiscal year.

Agency	<u>November 11</u>	<u>Change from November 10</u>	<u>Year to Date</u>	<u>YTD Change from FY 11</u>
AHCCCS	119.8	(1.6)	689.9	46.6
Corrections	85.9	19.0	399.7	32.2
Economic Security	7.0	(1.2)	427.4	(4.5)
Education	251.7	22.6	1,937.5	13.8
Health Services	11.9	(35.4)	421.7	198.5
Public Safety	2.2	0.8	32.7	4.9
School Facilities Board	0.2	(0.1)	132.9	99.7
Universities	48.4	(8.1)	422.7	(68.3)
Leaseback Debt Service	0.0	0.0	49.1	49.1
Other	<u>33.5</u>	<u>12.7</u>	<u>36.6</u>	<u>15.7</u>
<b>Total</b>	<b>560.6</b>	<b>8.7</b>	<b>4,757.1</b>	<b>254.0</b>

<b>Table 8</b>				
<b>General Fund Spending</b>				
<b>(\$ in Thousands)</b>				
<b>Agency</b>	<b>November 11</b>	<b>Change from November 10</b>	<b>Year-to-Date</b>	<b>YTD Change from FY 11</b>
Department of Administration	980.9	(192.4)	9,440.3	(2,076.1)
Department of Admin Sale/Leaseback D/S	-	-	49,050.7	(3,016.2)
Office of Administrative Hearings	91.3	49.5	367.8	(91.9)
Department of Agriculture	895.0	448.9	3,891.1	(767.6)
AHCCCS	119,792.7	(1,558.9)	689,865.9	46,569.7
Attorney General	1,013.5	(120.0)	7,674.7	(1,558.5)
AZ Capital Post Conviction Public Defender	53.4	6.5	241.3	(25.0)
State Board of Charter Schools	66.6	30.4	341.7	(54.0)
Department of Commerce/AZ Commerce Authority	2,625.0	2,398.8	13,125.0	10,487.1
Community Colleges	-	-	34,288.7	(31,934.5)
Corporation Commission	53.1	16.7	235.0	(21.1)
Department of Corrections	85,910.9	18,994.1	399,731.4	32,187.9
AZ State Schools for the Deaf & Blind	2,488.6	1,455.6	10,053.9	(25.5)
Department of Economic Security	6,987.7	(1,243.3)	427,407.7	(4,488.3)
Department of Education	251,702.2	22,637.7	1,937,541.0	13,834.9
DEMA	(38.1)	(697.5)	3,580.9	(1,087.1)
Department. of Environmental Quality	-	-	-	(0.6)
DEQ – WQARF	-	-	7,000.0	-
Office of Equal Opportunity	16.1	7.0	81.5	(17.5)
State Board of Equalization	45.4	16.3	334.2	93.5
Board of Executive Clemency	72.9	31.5	386.0	(83.7)
Department of Financial Institutions	280.2	135.9	1,270.2	(157.3)
Department of Fire, Life, Bldg Safety	120.1	(3.4)	906.6	(432.5)
Office of the State Forester	281.3	120.1	2,762.1	1,399.2
Arizona Geological Survey	74.1	40.8	423.0	158.9
Government Information Tech.	-	(25.6)	(3.1)	(234.9)
Governor	560.9	162.8	3,175.4	(619.3)
Gov. - OSPB	207.3	77.1	911.4	(58.5)
Department of Health Services	11,868.4	(35,437.3)	421,739.0	198,507.0
Arizona Historical Society	274.9	109.0	1,641.3	(2,387.7)
Prescott Historical Society of AZ	65.6	(2.4)	284.8	0.0
Independent Redistricting Comm.	416.9	416.9	1,617.7	1,617.7
Commission on Indian Affairs	4.2	(5.9)	27.5	3.2
Department of Insurance	486.4	185.9	2,418.0	(558.8)
Judiciary	-	-	-	-
Supreme Court	1,285.8	804.1	6,373.1	(6,602.1)
Superior Court	1,219.5	(38.0)	36,015.6	12.3
Court of Appeals	1,425.5	522.7	6,255.4	(1,372.8)
Department of Juvenile Corrections	4,709.9	1,497.4	22,203.3	(5,547.3)
State Land Department	32.3	(384.5)	580.1	(961.0)
Law Enforcement Merit System	7.2	2.1	23.7	(11.4)
Legislature				
Auditor General	1,877.9	770.1	7,760.7	(608.2)
House of Representatives	1,286.9	575.0	5,193.1	(575.1)

<b>Agency</b>	<b>November 11</b>	<b>Change from November 10</b>	<b>Year-to-Date</b>	<b>YTD Change from FY 11</b>
Joint Legislative Budget Comm.	211.9	86.4	880.0	(168.2)
Legislative Council	508.6	248.9	2,693.6	313.3
Senate	874.1	387.0	3,480.9	(597.9)
Board of Medical Student Loans	-	-	20.5	(188.2)
Mine Inspector	107.0	33.8	530.1	(25.2)
Department of Mines & Mineral Resources	-	(18.4)	-	(744.1)
Nav. Streams & Adjudication	8.9	4.0	75.2	(8.4)
OSHA	-	-	-	-
Arizona State Parks Board	-	-	-	(20,000.0)
Pioneers' Home	47.1	(124.0)	831.2	302.2
Comm. for Postsecondary Ed.	-	-	698.4	540.7
Department of Public Safety	2,217.1	782.4	32,671.5	4,878.6
Arizona Department of Racing	197.2	(72.2)	2,625.2	(415.9)
Radiation Regulatory Agency	74.3	3.9	740.3	43.6
Arizona Rangers Pension	-	(1.2)	-	(5.9)
Real Estate Department	205.1	69.2	1,181.2	(434.1)
Department of Revenue	5,323.1	5,757.3	26,685.7	8,707.2
School Facilities Board	188.0	(11.9)	132,884.6	99,734.2
Secretary of State	863.6	(187.5)	4,496.8	(4,937.6)
Tax Appeals Board	25.0	8.5	130.4	0.6
Department of Transportation	1.3	(0.0)	14.1	(3.2)
State Treasurer	90.5	47.5	332.2	(17.8)
Universities				
Board of Regents	3,963.8	3,544.5	10,314.0	(253.8)
Arizona State University	19,169.4	(6,231.5)	186,422.2	(31,159.8)
Northern Arizona University	8,369.1	(182.8)	62,652.9	(10,600.2)
University of Arizona	16,872.6	(5,262.5)	163,292.7	(26,311.5)
Department of Veteran Services	1,156.2	(2,097.5)	3,918.3	(4,081.1)
Department of Water Resources	730.7	170.0	2,594.1	82.1
Department of Weights & Measures	118.8	55.0	460.7	(76.5)
Other	-	(76.1)	243.4	(100.5)
<b>Grand Total</b>	<b>560,565.9</b>	<b>8,736.5</b>	<b>4,757,087.9</b>	<b>253,969.5</b>