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"[January] Base revenues, which exclude one-time adjustments, were 4.0% above the prior year."

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on February 20, 2013.

Summary



January General Fund revenue collections totaled \$915.1 million. Base revenues, which exclude one-time adjustments, were 4.0% above the prior year.

The growth in January revenues was the result of several factors. Insurance Premium tax collections were significantly above last year, due to a technical timing issue.

In terms of the other major revenue categories, overall sales tax collections (which reflected December holiday sales) increased by 3.3% compared to the prior year.

Beginning with the February report, the *Monthly Fiscal Highlights* compares actual revenue collections to the Baseline consensus forecast published last month. The Baseline forecast is based on estimates presented at the January Finance Advisory Committee meeting.

Total January General Fund collections were \$(1.1) million below the Baseline forecast. Year-to-date, revenues are 3.7% higher than last year.

In comparison to revenue of \$915.1 million, January 2013 General Fund spending was \$712.6 million, or \$62.9 million above last year. January expenditures were greater than last year primarily due to increased K-12 enrollment and higher ADE funding levels.

Fiscal year-to-date, General Fund revenues of \$5.4 billion have been offset by \$6.2 billion in spending.

State Appropriations Limit Report

JLBC Staff is required to annually report by February 15 on how state spending compares to the constitutional appropriations limit. The Arizona Constitution limits the appropriation of certain state revenues to no more than 7.41% of Arizona personal income. Total FY 2013 state appropriations (both General and Other Funds) are \$14.03 billion, or 5.54% of personal income. Under the JLBC Baseline, projected FY 2014 spending is \$13.95 billion, which would be 5.47% of personal income.

Truth in Taxation (TNT) Report

JLBC Staff recently reported the new Truth in Taxation (TNT) rates for FY 2014, as required by A.R.S. § 41-1276. Due to a greater than expected decline in values for existing properties, the JLBC Staff now estimates that the TNT increase of the Qualifying Tax Rate (QTR) and State Equalization Tax Rate (SETR) will be higher than assumed in the FY 2014 Baseline. The purpose of TNT is to offset the annual change in the value of existing property statewide with a proportional QTR and SETR changes.

Typically this would have no impact on the state budget, as the additional property value decline would be offset by further increases in the TNT rates. For FY 2014, however, the

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“The federal government essentially requires the state to purchase tax-exempt securities if the year-end General Fund balance (or “working capital”) exceeds 5% prior to FY 2015.”

change is expected to increase state costs by \$18.4 million, since the QTR and SETR rates will hit the maximums permitted by law. (Proposition 301 from November 2000 capped the QTR at \$4.2530 and the SETR at \$0.5123.)

The additional \$18.4 million cost potentially could be offset by other formula savings related to lower than expected enrollment. Recent estimates of the potential offsetting savings range from \$11.5 million to \$21.0 million.

Working Capital Surplus Report

In December, the Arizona Department of Administration (ADOA) reported on the FY 2012 working capital surplus requirements for the \$1.45 billion of tax-exempt deficit financing entered into in FY 2010. The financing consisted of 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% prior to FY 2015.

Beginning with the FY 2015 ending balance, the state is required to begin repayment of the deficit financing agreements if it were determined that working capital exceeded 5%. 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.

In its report, ADOA calculates that the excess working capital surplus above the 5% level is \$285.2 million for FY 2012. ADOA has indicated that under the financing agreements, the state is allowed to monitor its cash balance on a monthly basis, and would only be required to purchase the securities if monthly cash surpluses were sustained through the fiscal year.

Given this monthly monitoring, ADOA has reported that in January, the state ended the month with a balance of \$26.4 million. This balance consists of the General Fund and

several other funds which the state’s uses to pay its bills on a daily basis.

Because the state now has a positive cash balance in its main clearing account, it is required to begin the process of purchasing tax-exempt securities in an effort to reach the \$285.2 million amount determined in the annual Working Capital Surplus report. This purchase will be done as part of the Treasurer’s regular cash management transactions, however, the interest earned on these investments is expected to be 0.41% as compared to 0.81% for typical investments.

As the cash balance is projected to improve during the remainder of the fiscal year, it is expected that these tax-exempt investments will gradually increase until the state reaches the \$285.2 million amount.

At this level of investment holding, it is estimated the state would lose approximately \$450,000 of interest earnings annually for every \$100 million diverted to the lower earning required investments.

January Revenues

	<u>FY 2013 Collections</u>	<u>Difference From Baseline Forecast</u>	<u>Difference From FY 2012</u>
January	\$ 915.1	\$ (1.1)	\$ 21.7
Year-to-Date	\$ 5,411.1	\$ (1.1)	\$ (10.7)

Sales Tax collections of \$449.7 million were 3.3% above January 2012 but \$(3.2) million or (0.7)% below the Baseline forecast for the month.

Year-to-date, sales tax collections are 4.4% above the prior year.

January sales tax collections by category information was not yet available at the time of publication.

Individual Income Tax net revenues were \$441.6 million in January or 4.2% more than the prior year. Collections were \$14.5 million, or 3.4% above the Baseline forecast. Year-to-date, revenues have grown by 6.9%.

As noted last month, the large December increase relative to the forecast was primarily the result of greater than anticipated withholding tax collections resulting from one more collection day in December compared to the prior year. Collections have smoothed out in January, which had one less collection day.

As indicated in *Table 3*, withholding was up 1.8% in January. The January increase brings withholding tax collections for the first seven months of the fiscal year to 4.8%. This amount is \$18.3 million above the Baseline forecast.

Total January estimated and final payments of \$136.9 million were (13.4)% below last year. The decrease brings total payments for the first seven months of the fiscal year to 2.7% above the prior year and \$(3.8) million below the Baseline forecast.

Refunds in January were only \$(6.3) million, which was (84.3)% below last year. This decrease was primarily the result of a new IRS electronic filing system, which required Arizona to implement a new system. The new Arizona system was implemented on January 30, when the IRS opened the new federal system. As a result, As a result, there were virtually no electronic income tax returns processed in January. The Department of Revenue expects that electronic return processing will be caught up by the end of February.

Table 2
Individual Income Tax Growth Rates
Compared to Prior Year

	<u>January</u>	<u>YTD</u>
Withholding	1.8%	4.8%
Estimated + Final Payments	(13.4)%	2.7%
Refunds	(84.3)%	(25.4)%

Corporate Income Tax net collections were \$20.8 million in January, which is \$(12.3) million less than the prior year. January collections are typically one of the smaller collection months. Collections

for the month were \$(10.8) million below the forecast. Year-to-date, collections are down (11.0)%.

The **Lottery Commission** reports that January ticket sales were \$55.4 million, which is \$2.7 million, or 5.1%, greater than sales in the prior year. Year-to-date ticket sales are \$379.7 million, which is 9.9% above last year's sales. While sales increased, net General Fund revenues actually declined due to an increase in the payment of debt service for the Lottery Revenue Bonds issued in FY 2010.

Non-General Fund

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 \$100.3 million in January were up \$1.1 million or 1.1%, compared to January of last year. Year-to-date revenues are 0.2% above collections in the prior year.

Table 3

General Fund Revenue: Change from Previous Year and January Baseline Forecast January 2013

	Current Month					FY 2013 YTD (Seven Months)				
	Actual January 2013	Change From January 2012		Baseline Forecast		Actual January 2013	Change from January 2012		Baseline Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use - Base*	\$358,061,324	\$10,642,360	3.1 %	(\$6,847,367)	(1.9) %	\$2,219,164,488	\$88,059,408	4.1 %	(\$6,847,367)	(0.3) %
- 1¢ Increase*	91,603,569	3,632,648	4.1	3,657,082	4.2	558,951,237	29,987,918	5.7	3,657,082	0.7
Income - Individual	441,613,843	17,918,893	4.2	14,545,250	3.4	2,298,743,319	149,118,164	6.9	14,545,250	0.6
- Corporate	20,826,718	(12,300,576)	(37.1)	(10,813,454)	(34.2)	316,136,467	(39,066,576)	(11.0)	(10,813,454)	(3.3)
Property	587,813	(319,620)	(35.2)	(512,187)	(46.6)	8,198,095	(1,809,636)	(18.1)	(512,187)	(5.9)
Luxury - Tobacco	2,088,424	(190,170)	(8.3)	0	0.0	15,425,468	(673,787)	(4.2)	0	0.0
- Liquor	3,302,938	(917,829)	(21.7)	0	0.0	18,898,778	949,326	5.3	0	0.0
Insurance Premium	17,353,339	17,313,102	--	(6,646,661)	(27.7)	148,838,853	(10,903,444)	(6.8)	(6,646,661)	(4.3)
Estate	0	0	--	0	--	0	(200,825)	(100.0)	0	--
Other Taxes	76,427	13,716	21.9	(23,573)	(23.6)	316,874	(8,365)	(2.6)	(23,573)	(6.9)
Sub-Total Taxes	\$935,514,395	\$35,792,524	4.0 %	(\$6,640,910)	(0.7) %	\$5,584,673,579	\$215,452,183	4.0 %	(\$6,640,910)	(0.1) %
Other Revenue										
Lottery	4,570,140	(958,600)	(17.3)	(429,860)	(8.6)	21,618,340	(8,337,400)	(27.8)	(429,860)	(1.9)
License, Fees and Permits	2,580,045	354,069	15.9	680,045	35.8	17,936,108	1,358,817	8.2	680,045	3.9
Interest	4,891,870	4,885,207	--	4,881,870	--	4,904,515	2,803,237	133.4	4,881,870	--
Sales and Services	1,376,915	(182,488)	(11.7)	(123,085)	(8.2)	9,548,407	153,906	1.6	(123,085)	(1.3)
Other Miscellaneous	3,154,422	(2,927,194)	(48.1)	654,422	26.2	17,215,580	(4,949,984)	(22.3)	654,422	4.0
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	362,707	(241,153)	(39.9)	(137,293)	(27.5)	7,519,918	(4,593,234)	(37.9)	(137,293)	(1.8)
Sub-Total Other Revenue	\$16,936,099	\$929,841	5.8 %	\$5,526,099	48.4 %	\$78,742,868	(\$13,564,658)	(14.7) %	\$5,526,099	7.5 %
TOTAL BASE REVENUE	\$952,450,494	\$36,722,365	4.0 %	(\$1,114,811)	(0.1) %	\$5,663,416,446	\$201,887,524	3.7 %	(\$1,114,811)	(0.0) %
Other Adjustments										
Urban Revenue Sharing	(42,798,670)	(7,430,050)	21.0	0	0.0	(299,590,690)	(52,010,350)	21.0	0	0.0
Budget Plan Transfers	5,434,415	(7,641,317)	(58.4)	0	0.0	47,231,329	(147,706,480)	(75.8)	0	0.0
Sub-Total Other Adjustments	(37,364,255)	(15,071,367)	67.6 %	0	0.0 %	(252,359,361)	(212,584,258)	534.5 %	0	0.0 %
TOTAL GENERAL FUND REVENUE	\$915,086,239	\$21,650,998	2.4 %	(\$1,114,811)	(0.1) %	\$5,411,057,086	(\$10,696,733)	(0.2) %	(\$1,114,811)	(0.0) %
Non-General Funds										
Highway User Revenue Fund	\$100,290,232	\$1,081,630	1.1 %	\$486,378	0.5 %	\$692,085,503	\$1,341,263	0.2 %	(\$2,803,202)	(0.4) %

* Total January collections including the temporary 1¢ increase approved by the voters in May 2010 were \$449.7 million. This amount is \$14.3 million, or 3.3%, above January 2012 and \$(3.2) million, or (0.7)%, below forecast.

Recent Economic Indicators

NATIONAL

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Real Gross Domestic Product (GDP)** decreased at an annual rate of (0.1)% in the fourth quarter of 2012. This decrease, the first since the second quarter of 2009, was largely due to lower inventory investment and federal defense spending. Consumer spending and business fixed investment increased, compared to the third quarter. The latest GDP estimate is preliminary and will be revised using more complete data.

The Conference Board's **U.S. Consumer Confidence Index** fell (12.1)% in January, the third consecutive monthly decrease. The index also dropped (4.7)% from the reading in January 2012, which was the first year over year decrease in 11 months. Consumers' worsening view of the labor market was the largest drag on confidence.

The Conference Board's **U.S. Leading Economic Index** increased by 0.5% in December and 0.2% above the measure in December 2011. This modest improvement resulted from a reduction in jobless claims and increases to several financial market sub-indices. These gains were partially offset by reduced consumer expectations and new manufacturing orders.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the Americas increased 13.4% in 2012, to \$4.94 billion. This represents the greatest year over year percentage increase since March of 2011. Consistent with seasonality of semiconductor sales, December's sales decreased slightly ((1.5)% from the prior month. Semiconductors are Arizona's largest international export industry.

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.

In December, 32 out of 50 states had increases in their coincident indexes. Arizona's coincident index increased by 0.1% compared to the prior month. Year-over-year, the Arizona index is 2.6%

above last year, which is the 19th highest growth rate in the country. While this is a significant improvement, Arizona's index is still (10.9)% below its peak, which occurred in August 2007. *See Appendix A – Tracking Arizona's Recovery* for additional historical information.

The Federal Reserve Bank of Philadelphia also publishes a **leading index** for each state that forecasts economic conditions for the next 6 months. In addition to the coincident index, Arizona's leading index is based on Arizona housing permits, Arizona initial unemployment insurance claims, national manufacturing delivery times, and the interest rate spread between the 3-month and 10-year Treasury instruments.

Using a 3-month average, Arizona's leading index projects that state GDP will grow at an annualized rate of 2.5% over the next 6 months. This is lower than the revised 2.8% growth projection in November and lower than the 2.7% projection in December 2011.

Housing

The number of Maricopa County **pending foreclosures** increased from 10,466 in December to 11,124 in January. The January total, however, is significantly below the peak in December 2009 (51,466). *See Appendix A – Tracking Arizona's Recovery*.

The total housing inventory in the Greater Phoenix area decreased from 25,025 in January 2012 to 22,090 in January 2013, a (11.7)% decrease. This continues the decline in inventory that started in January 2011.

As the supply of housing has declined, the price has increased. In the Metropolitan Phoenix area, the **median price of a single family home** was \$164,000 in December. This represents a 0.9% increase from November, and a 31.2% increase from December of last year.

Another measure of the health of the Arizona real estate market is permitting activity. For the 3-month period through December, a total of 1,155 **single-family building permits** had been issued statewide, a 48.0% increase from last year. This level of activity is comparable to the amount of permits seen in

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Recent Economic Indicators (Continued)

“Overall, AHCCCS caseloads are currently (4.0)% below February 2012 levels.”

September 2008, a month which marked the beginning of the rapid decline in the state’s housing market. The current level of permitting, however, remains far below a more normal 3-month average of 3,000 to 4,000 permits. See *Appendix A – Tracking Arizona’s Recovery*.

Employment

Due to the annual revision of employment date (also known as “benchmarking”), January’s employment and unemployment figures will not be released until the second week of March. For this reason, this month’s issue of *Monthly Fiscal Highlights* does not include any employment statistics.

State Agency Data

At the beginning of February, total **AHCCCS** caseloads equaled 1.26 million members, a (0.3)% decrease from the prior month. Overall, AHCCCS caseloads are currently (4.0)% below February 2012 levels. The traditional acute care AHCCCS population, which consists primarily of lower income children and their parents, decreased (0.2)% from last month and (1.6)% from a year ago. The total population in this program is almost 900,000.

The childless adult program has not allowed new participants since July 2011. This population has declined (140,330) since then to 84,162. As a whole, the Proposition 204 program has declined (1.3)% compared to the prior month, and (21.8)% from the prior year. KidsCare I provides coverage for 7,885 children with incomes above those in the traditional population. Its enrollment has declined since a freeze was implemented in January 2010. Enrollment declined (1.4)% compared to the prior month and (22.9)% from the prior year.

Beginning on May 1, 2012, AHCCCS began a new program, entitled KidsCare II, which provides coverage for children up to 175% of the Federal Poverty Level. The state match is provided by voluntary payments from political subdivisions. As of the beginning of February, 27,256 children were enrolled in KidsCare II.

There were 41,172 **TANF recipients** in the state in December, a monthly caseload increase of 0.6%. Year-over-year, the number of TANF recipients has increased by 3.9%. This marks the

fourth month of year-over-year growth in the TANF program since November 2009.

The appropriation for TANF cash assistance in the FY 2013 budget funds a caseload of approximately 36,200 recipients in FY 2013.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In December, there were a total 1.1 million SNAP recipients in the state, a (0.4)% decrease over the prior month. Compared to the same month last year, SNAP participation was down by (1.1)%. The number of SNAP 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 Corrections (ADC) inmate population decreased to 40,075 inmates in January 2013. Relative to the prior 3-month period, the population has decreased by (10) inmates. Compared to a year ago, the population has increased by 110 inmates.

Recent Economic Indicators (Continued)

Table 4

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 (SA)	December	7.9%	0.1 %	(1.1)%
- Initial Unemployment Insurance Claims	December	19,147	(4.3)%	(14.2)%
- Unemployment Insurance Recipients	December	38,101	(3.8)%	(30.9)%
- Non-Farm Employment - Total	December	2.51 million	0.1%	2.6%
Manufacturing	December	153,100	0.5%	2.4%
Construction	December	119,400	(0.3)%	6.5%
- Average Weekly Hours, Manufacturing	December	40.7	0.7%	(2.6)%
- Contracting Tax Receipts (3-month average)	Oct-Dec	\$36.1 million	(1.0)%	3.6%*
- Retail Sales Tax Receipts (3-month average)	Oct-Dec	\$149.8 million	3.6%	6.2%*
- Residential Building Permits (3-month moving average)				
Single-family	Oct-Dec	1,155	(8.6)%	48.0%
Multi-unit	Oct-Dec	713	99.3%	171.7%
- Greater Phoenix Home Sales				
Single-Family	December	7,959	(0.6)%	0.2%
Townhouse/Condominium	December	1,187	0.5%	(0.3)%
- Greater Phoenix Median Home Price				
Single-Family	December	\$164,000	0.9%	31.2%
Townhouse/Condominium	December	\$99,900	(0.1)%	27.6%
- Greater Phoenix S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	November	124.16	1.4%	22.8%
- Foreclosure Activity, Maricopa County				
Pending Foreclosures (Active Notices)	January	11,124	6.3%	(39.2)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	January	22,090	4.7%	(11.7)%
- Phoenix Sky Harbor Air Passengers	November	3.31 million	(1.1)%	0.2%
- Revenue Per Available Hotel Room	December	\$40.01	(21.9)%	1.6%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	November	\$5.47	22.4%	(0.2)%
- Arizona Consumer Confidence Index (1985 = 100)	2nd Quarter 2012	68.6	(1.3)%	32.2%
- Arizona Coincident Index (July 1992 = 100)	December	181.23	0.1%	2.6%
- Arizona Leading Index -- 6 month projected growth rate	Oct-Dec	2.5%	(0.3)%	(0.2)%
- Arizona Personal Income	3rd Quarter 2012	\$236.8 billion	0.6%	4.2%
- Arizona Population	July 1, 2012	6.55 million	N/A	1.3%
- AHCCCS Recipients	February	1,264,655	(0.3)%	(4.0)%
Acute Care Traditional		881,682	(0.2)%	(1.6)%
Spend Down				
Prop 204 Childless Adults		84,162	(2.9)%	(42.2)%
Other Prop 204		147,472	(0.4)%	(4.8)%
Kids Care		7,885	(4.8)%	(35.1)%
Kids Care II		27,256	5.5%	
Long-Term Care – Elderly & DD		53,244	(0.2)%	2.8%
Emergency Services		62,954	(0.1)%	11%
- TANF Recipients	December	41,172	0.6%	3.9%
- SNAP (Food Stamps) Recipients	December	1,124,669	(0.4)%	(1.1)%
- ADC Inmate Growth (3-month average)	Nov-Jan	40,075	(10) inmates	110 inmates
- Probation Caseload				
Non-Maricopa	December	17,983	72	(647)
Maricopa County	December	25,287	(14)	(356)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	4 th Quarter 2012 (1 st Estimate)	\$13.6 trillion	0.1%	1.5%
- Consumer Confidence Index (1985 = 100)	January	58.6	(12.1)%	(4.7)%
- Leading Indicators Index (2004 = 100)	December	93.9	0.5%	0.2%
- U.S. Semiconductor Billings (3-month moving average)	Oct-Dec	\$4.94 billion	(1.5)%	13.4%
- Consumer Price Index, SA (1982-84 = 100)	December	231.0	0.0%	1.7%

*Adjusted for 1¢ sales tax

Summary of Recent Agency Reports

Arizona Criminal Justice Commission – Report on State Aid to County Attorneys Fund and the State Aid to Indigent Defense Fund – Pursuant to A.R.S. § 41-2409E, the Arizona Criminal Justice Commission (ACJC) is required to report on the expenditures of monies for the prior fiscal year in the State Aid to County Attorneys Fund and State Aid to Indigent Defense Fund by January 8 of each year.

In FY 2012, the State Aid to County Attorneys Fund received revenues totaling \$973,600. The State Aid to Indigent Defense Fund did not receive revenues in FY 2012 as Laws 2011, Chapter 308 redirected the fine revenue normally received by the fund to the Gang and Immigration Intelligence Team Enforcement Mission Fund Border Security and Law Enforcement Subaccount.

ACJC reports that county attorneys reported expenditures of \$2.8 million in FY 2012. Of that total, \$1.9 million was spent on salaries, \$499,000 on case management software, \$308,000 on equipment, \$71,600 for contractual services, \$21,900 on other expenditures and \$2,300 on coordination efforts.

ACJC reports that counties used the monies in 3 main areas: additional staffing, technological purchases, and training and travel expenses. Additional staffing helps with providing services such as case processing, case management and archiving. Technological purchases enhance productivity and case tracking. Training and travel expenses funded witness travel and staff attendance at educational seminars and conferences.

ACJC also states that only 1 prosecuting agency, Graham County, reported case processing times that met the Supreme Court guidelines. (Krista MacGahan)

Department of Education - Report on the Arizona Education Learning and Accountability System (AELAS)

– Laws 2012, Chapter 294, Section 29 requires the Arizona Department of Education (ADE) to report quarterly on its progress in implementing its new “AELAS” data system, including “an assessment of progress from an independent third party not affiliated with state government.” The new system is intended to replace the current “SAIS” system for counting and funding students, replace other currently-separate ADE data systems, and provide statewide access to data on student achievement and teacher effectiveness for individual courses.

The current ADE report states that major accomplishments for the quarter include the following items:

- Completed an analysis of projected costs and benefits for the program (“business case”)
- Began pilot testing of Statewide Longitudinal Data System (SLDS) in sample district
- Created plan to replace the Student Accountability and Information System (SAIS)
- Continued to develop teacher/principal evaluation tool to meet federal requirements
- Continued to streamline/consolidate data gathering processes
- Worked on strategic plan narrative and timeline for AELAS implementation

Feedback from a private sector professional who serves on the Arizona Reach Council’s IT task force is included in the report. It indicates that “Every quarter we are seeing good progress and pleased to see key actions taken to deliver value.”

In addition to the items mentioned above, a Request for Proposals (RFP) for independent third-party review of the AELAS project has been issued recently through the State Procurement Office. A contract is not expected to be awarded from the RFP until at least early March. (Steve Schimpp)

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:

- During the 2011-2012 academic year, 10,141 community college students transferred to the public university system. This is an increase of 22.4% from the 2006-2007 academic year.
- 54.7% of new transfer students had 60 or more credit hours transferred to a university. This is an increase of 10% over 2006-2007.
- Over 6,750 community college transfer students earned baccalaureate degrees from an Arizona university.

(Tom Ritland)

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 by October 15 on the number of students that met or exceeded the undergraduate credit hour threshold. ABOR reports that 271 full-time equivalent (FTE) students were over the 145 credit hour threshold in

Summary of Recent Agency Reports (Continued)

the fall 2012 semester. This represents an increase of 31 FTE students over the fall 2011 semester. (Marge Zylla)

Secretary of State - Report on the Election Systems Improvement Fund – Pursuant to a General Appropriation Act footnote and A.R.S. § 41-129C, the Secretary of State submitted a report on the expenditures from the Election Systems Improvement Fund to implement the Help America Vote Act. The expenditures in FY 2012 were \$1.7 million and are projected to be \$2.5 million in FY 2013 and FY 2014. The Secretary of State reports that FY 2012 expenditures were used as follows: 67% for voter registration, 11% for administration, 9% on voter education, 7% for poll workers, and 6% on voter accessibility. A similar distribution is expected to continue for FY 2013 and FY 2014. (Krista MacGahan)

Supreme Court – Report on Criminal Case Proceedings, Enforcement of Court Orders, and State Aid to Courts Fund Expenditures – Pursuant to A.R.S. § 12-102.01D, the Supreme Court is required to report annually to the JLBC on the progress of criminal case processing projects and the enforcement of court orders including the collection of court ordered fees, fines, penalties, sanctions and forfeitures. Additionally, pursuant to A.R.S. § 12-102.02D, the Supreme Court is required to report annually to the JLBC on the expenditure of monies from the State Aid to the Courts Fund for the prior fiscal year and the progress made in improving criminal case processing. During FY 2012, the Supreme Court contracted with several outside vendors to increase compliance with court orders, resulting in total collections of \$45.5 million from backlogged cases. Additionally, the Supreme Court utilizes a debt setoff program to match outstanding criminal fines or fees to outstanding tax and governmental liabilities. The debt setoff program increased tax and lottery interceptions by 1.2% year-over-year and collected \$18.6 million in CY 2012.

Expenditures from the State Aid to the Courts Fund were \$2.7 million in FY 2012. These monies were disbursed to Superior and Justice Courts for the processing of criminal cases.

The Supreme Court reported that criminal case processing was enhanced across counties through the utilization of State Aid to the Courts Fund monies for additional judges, supplemental funding to driving under the influence (DUI) and drug courts, administrative positions, and the enhancement of electronic data sharing. (Eric Billings)

January Spending

January 2013 General Fund spending of \$712.6 million was \$62.9 million higher than January 2012. Year-to-date, spending is \$6.2 billion, or \$176.5 million above last year.

FY 2013 Spending

January 2013 spending of \$712.6 million was \$62.9 million higher than December 2011 (See Tables 5 & 6).

- The Department of Education spent \$33.2 million more than in January 2012. The higher expenditure amount reflects higher General Fund funding for the agency, as well as increased charter school enrollment.
- Department of Economic Security spending in January was \$85.0 million, or \$35.6 million more than the prior year.

	<u>Jan 13</u>	<u>Change from Jan 12</u>	<u>Year to Date</u>	<u>YTD Change from FY 12</u>
Agency				
AHCCCS	113.3	(7.6)	797.2	(151.0)
Corrections	74.2	0.0	530.2	(13.0)
Economic Security	85.0	35.6	524.7	41.1
Education	293.8	33.2	2,496.8	16.4
Health Services	14.3	3.1	510.6	67.6
Public Safety	2.4	0.0	18.7	(18.3)
School Facilities Board	29.6	(0.9)	172.3	8.8
Universities	46.3	(1.3)	501.3	(11.7)
Leaseback Debt Service	0.0	0.0	84.1	35.1
Other	<u>53.7</u>	<u>0.8</u>	<u>317.4</u>	<u>1.5</u>
Total	712.6	62.9	5,953.3	(23.5)
Budget Stabilization Fund Deposit	0.0	0.0	200.0	200.0
Grand Total	712.6	62.9	6,153.3	176.5

General Fund Spending				
(\$ in Thousands)				
Agency	January 13	Change from January 12	Year-to-Date	YTD Change from FY 12
Department of Administration	1,045.4	365.0	15,623.2	4,924.5
ADOA Sale/Leaseback Debt Service	-	-	84,119.8	35,069.1
Office of Administrative Hearings	101.4	38.6	531.9	38.3
Department of Agriculture	678.2	18.7	4,538.1	(301.0)
AHCCCS	113,341.1	(7,557.6)	797,232.1	(151,023.7)
Arts, AZ Commission on the	-	-	-	(10.4)
Attorney General	1,840.2	714.6	12,865.1	2,663.4
AZ Capital Post Conviction Public Defender	-	(55.5)	4.1	(351.2)
State Board of Charter Schools	62.2	13.0	457.4	14.4
AZ Commerce Authority	2,625.0	-	18,375.0	-
Community Colleges	16,048.2	(1,499.8)	48,144.5	(4,041.6)
Corporation Commission	47.0	6.9	332.6	14.8
Department of Corrections	74,202.3	(0.8)	530,230.6	(13,016.9)
AZ State Schools for the Deaf & Blind	1,249.1	(373.7)	13,399.9	654.7
Department of Economic Security	85,018.3	35,612.1	524,678.8	41,053.3
Department of Education	293,761.9	33,248.0	2,496,821.7	16,383.0
DEMA	1,026.6	313.3	5,060.5	956.0
DEQ – WQARF	-	-	7,000.0	-
Office of Equal Opportunity	0.5	(10.7)	55.5	(49.1)
State Board of Equalization	20.2	(1.7)	359.3	(29.8)
Board of Executive Clemency	89.8	37.5	465.7	(24.5)
Department of Financial Institutions	200.9	21.6	1,603.3	(28.6)
Department of Fire, Life, Bldg Safety	186.6	(34.6)	1,083.0	(44.1)
Office of the State Forester	1,635.3	1,389.6	3,778.5	552.9
Arizona Geological Survey	123.0	42.1	588.1	47.9
Government Information Tech.	-	-	-	3.1
Governor/OSPB	685.4	(8.3)	4,726.1	1,044.4
Department of Health Services	14,338.0	3,120.6	510,559.9	67,602.5
Arizona Historical Society	246.7	46.5	1,984.2	(50.9)
Prescott Historical Society of AZ	44.9	(52.0)	391.8	(37.2)
Independent Redistricting Comm.	324.7	(282.3)	1,060.1	(1,500.8)
Commission on Indian Affairs	3.0	2.9	30.4	2.5
Department of Insurance	400.4	(2.6)	2,902.9	(263.9)
Judiciary				
Supreme/Superior Court	9,877.5	(1,185.7)	55,011.5	183.4
Court of Appeals	1,051.0	(28.1)	7,890.3	(304.3)
Department of Juvenile Corrections	3,061.2	(1,105.0)	24,304.2	(4,289.8)

Agency	January 13	Change from January 12	Year-to-Date	YTD Change from FY 12
State Land Department	83.7	(34.5)	631.9	(68.7)
Law Enforcement Merit System	5.4	0.7	38.5	5.5
Legislature				
Auditor General	1,300.3	(33.5)	9,903.5	(472.0)
House of Representatives	951.1	(39.9)	6,331.5	(747.6)
Joint Legislative Budget Comm.	145.7	6.9	1,056.6	(98.4)
Legislative Council	588.5	318.6	4,692.4	1,425.9
Senate	647.9	(105.7)	4,370.5	(489.4)
Mine Inspector	69.3	(10.4)	681.5	12.3
Nav. Streams & Adjudication	8.4	1.6	71.2	(25.7)
Pioneers' Home	28.5	(370.4)	617.8	(889.5)
Comm. for Postsecondary Ed.	88.0	(610.4)	786.4	(610.4)
Department of Public Safety	2,391.4	40.6	18,693.5	(18,282.0)
Arizona Department of Racing	83.6	53.0	1,874.1	(826.9)
Radiation Regulatory Agency	241.3	2.3	970.3	(18.7)
Real Estate Department	156.2	8.1	1,373.5	(91.6)
Department of Revenue	3,209.6	1,575.2	24,692.3	(5,676.6)
School Facilities Board	29,639.9	(926.6)	172,333.8	8,812.8
Secretary of State	1,299.2	568.1	12,119.4	6,354.5
Tax Appeals Board	17.4	(11.0)	158.4	(5.9)
Office of Tourism	377.6	377.6	3,039.7	3,039.7
Department of Transportation	-	(7.1)	18.9	(5.4)
Universities				
Board of Regents	7,147.8	1,956.6	27,116.0	11,409.3
Arizona State University	17,381.2	(1,788.1)	212,243.9	(12,517.1)
Northern Arizona University	5,924.2	(507.4)	71,964.2	(3,552.0)
University of Arizona	15,870.8	(1,001.8)	190,025.0	(7,012.8)
Department of Veteran Services	627.6	(471.0)	3,265.4	(1,728.7)
Department of Water Resources	759.3	1,047.1	5,261.6	2,449.7
Department of Weights & Measures	113.1	29.1	803.5	176.1
Other	113.4	26.0	1,989.7	156.2
Total	712,606.1	62,886.2	5,953,335.0	(23,457.1)
Budget Stabilization Fund Deposit	-	-	200,000.0	200,000.0
Grand Total	712,606.1	62,886.2	6,153,335.0	176,542.9

Tracking Arizona's Recovery

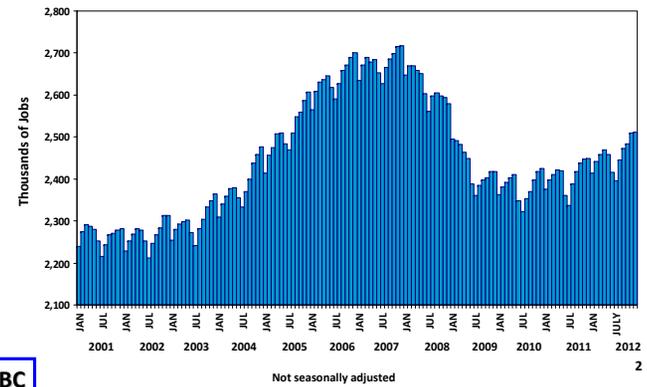
February 2013
Appendix A

Slide:

- 2.....Total Non-Farm Employment
- 3.....Initial Claims for Unemployment Insurance
- 4.....State Sales Tax Collections – Retail Category
- 5.....State Sales Tax Collections – Contracting Category
- 6.....Single Family Building Permits
- 7.....Maricopa County Pending Foreclosures
- 8.....Coincident Index

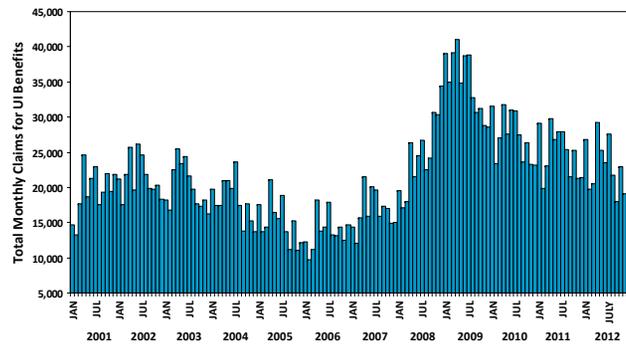
JLBC

Total Non-Farm Employment



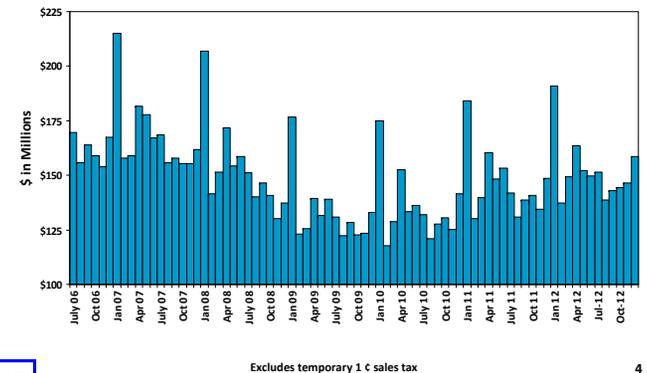
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Initial Claims for Unemployment Insurance



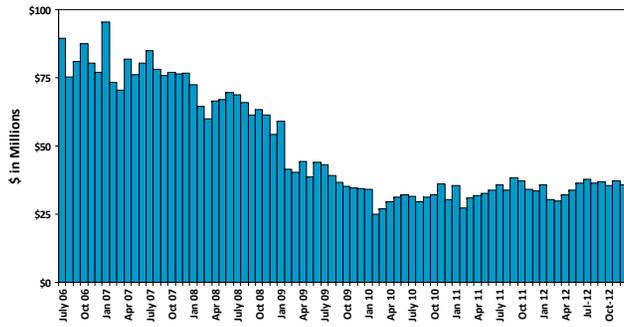
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State Sales Tax Collections – Retail Category



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State Sales Tax Collections – Contracting Category

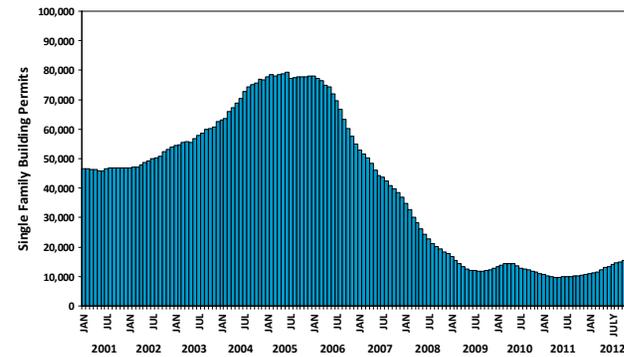


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Excludes temporary 1¢ sales tax

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Single Family Building Permits

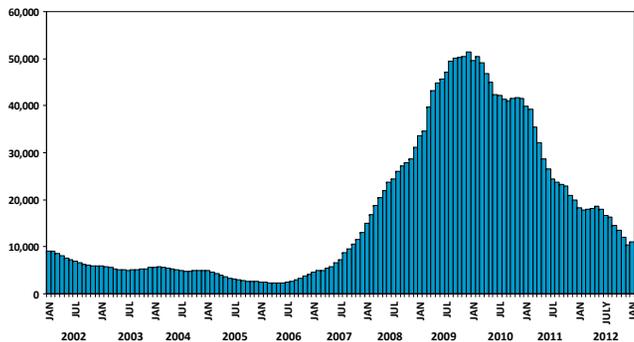


JLBC

12-Month Moving Sum

6

Maricopa County Pending Foreclosures

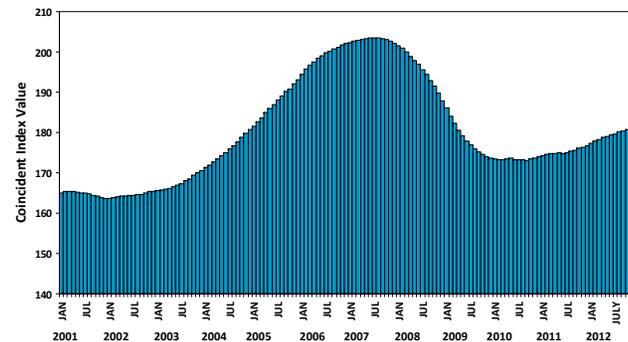


JLBC

An initial notice of trustee sale has been recorded but final sale has not yet occurred

7

Economic Activity Index



JLBC

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

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