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"General Fund revenues during January exceeded the Baseline revenue forecast by \$65.6 million"

Summary

The state posted another month of significant revenue growth, with General Fund revenue collections of \$1.29 billion during January, which is an increase of 9.4% above the prior year.

Beginning with this *Monthly Fiscal Highlights*, our office will begin to benchmark the state's revenue collections against the January JLBC Baseline revenue forecast.

General Fund revenues during January exceeded the Baseline revenue forecast by \$65.6 million. This gain was mostly concentrated in the Sales Tax and Individual Income Tax category.

January Sales Tax (which represents December sales) grew by 9.2% and were \$34.0 million above the Baseline forecast. The Retail/Remote Sales subcategory was boosted by sales during the December holiday season and grew by 11.2% above the prior year. The Contracting subcategory continued its pattern of large percentage growth, increasing by 29.1% year-over-year.

The Individual Income Tax (IIT) category increased by 4.6% and was \$23.2 million above the Baseline forecast. This moderate growth rate was actually the result of several different factors:

- Withholding – IIT withholding revenues declined by (8.0)%, generating a forecast

loss of \$(45.5) million. However, we believe that this decline is likely the result of technical timing issues, as January 2021 had two fewer tax processing days and some January withholding collections appears to have been deposited in early February.

- Estimated Payments – January IIT estimated payments were the largest amount ever for the month of January, with overall payments increasing by 36.7% and generating a forecast gain of \$64.2 million. Estimated payments are due by January 15th, and in practice are generally received by the state during late December through mid-January. For December and January combined, estimated payments increased by almost 34%, suggesting there may be increases in tax liability reported on final tax returns filed during the upcoming tax filing season.
- Refunds – IIT refunds were lower than expected, generating a forecast gain of \$4.5 million.

Year-to-Date Revenue/Operating Balance

Year-to-date through January, excluding Urban Revenue Sharing and fund transfers, FY 2021 General Fund revenues are 16.5% above the prior year.

The high year-to-date revenue percentage growth rate is mostly due to the state's deferral of the income tax filing due date from April 15 to July 15. Without the deferral, state revenue collections would be up 8.9% this fiscal year.

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Summary (Continued)

The state's fiscal health can also be measured by the operating fund balance. The state pays its bills out of the operating fund balance, which consists of the General Fund and certain dedicated funds. The operating balance as of mid-February 2021 is \$4.90 billion.

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 2021 state appropriations (both General and Other Funds) are \$20.98 billion, or 6.36% of personal income. Under the JLBC Baseline, projected FY 2022 spending is \$21.26 billion, which would be 5.61% of personal income.

Truth in Taxation (TNT Report)

JLBC Staff recently reported the new Truth in Taxation (TNT) rates for FY 2021, as required by A.R.S. § 41-1276. Due to revised property tax estimates under the TNT process, the cost of the FY 2022 Basic State Aid formula will be \$0.2 million higher than the JLBC Baseline. The purpose of TNT is to offset the annual change in the value of existing property statewide with proportional Qualifying Tax Rate and State Equalization Tax Rate changes.

January Revenues

Table 1

	General Fund Revenues (\$ in Millions)		
	<u>FY 2021 Collections</u>	<u>Difference From Baseline Forecast</u>	<u>Difference From FY 2020</u>
January	\$ 1,290.6	\$ 65.6	\$ 111.2
Year-to-Date	\$ 7,997.2	\$ 65.6	\$ 1,143.3

Sales Tax collections of \$588.5 million in January were 9.2% above last year and \$34.0 million above the January Baseline forecast. Year to date, sales tax revenue is up by 11.1%.

As shown in *Table 2*, all of the state's sales tax categories, except for restaurant and bar, performed well in January when compared to the same month in the prior year.

Contracting increased by 29.1%, the largest year-over-year gain since October 2018. January's use tax collections grew by 20.6% and this was the 5th consecutive month with double-digit growth for the category.

Since March, Restaurant and Bar Sales Tax collections have been performing poorly, posting double-digit declines below the comparable month in the prior year. The year-over-year decrease of (13.8)% in January was the steepest decline since August of last year.

Table 2

	Sales Tax Growth Rates Compared to Prior Year	
	<u>Jan</u>	<u>YTD</u>
Retail/Remote Seller	11.2%	16.8%
Contracting	29.1%	20.7%
Use	20.6%	19.2%
Restaurant & Bar	(13.8)%	(11.5)%
Utilities	17.7%	11.2%

Individual Income Tax (IIT) Net revenue was \$681.0 million in January, 4.6% higher than the previous January and \$23.2 million above the January Baseline forecast. Year to date, net collections are up by 22.3%. If adjustments for the impact of income tax deferral are made, the year-to-date growth rate is an estimated 5.6%.

Revenue from withholding was \$442.0 million, an (8.0)% decline from January 2020 and \$(45.5) million under the forecast. This was the largest decrease in withholding revenue since October 2009. This is likely

January Revenues (Continued)

due to two fewer processing days in January 2021 as well as some January withholding possibly being deposited in early February.

Estimated and final payments combined for \$240.5 million in January, 36.7% over last year and \$64.2 million higher than forecast. This makes January 2021 the strongest January on record for payments. Year to date, payments have grown 125.7%.

Refunds were \$(1.5) million in December, (69.6)% lower than the prior year and \$(4.5) million below the January Baseline forecast. Year to date, refunds are 69.5% higher than last year.

	<u>January</u>	<u>YTD</u>
Withholding	(8.0)%	3.3%
Estimated/Final Payments	36.7%	125.7%
Refunds	(69.6)%	69.5%

Corporate Income Tax (CIT) net revenue was \$44.0 million in January, which was \$9.8 million above the January Baseline forecast and 147.6% above the amount collected in January 2020. This is the highest CIT collection for January that the JLBC has on record going back to 1998. While this is a record high collection, January typically represents around 2.4% of yearly CIT revenue.

Year to date, net collections through January are \$395.9 million, an increase of 12.9% over the same period in the prior year.

Insurance Premium Tax (IPT) revenue was \$245,800 in January, which was \$(193,000) below the amount collected in January 2020 and \$(88,700) below the January Baseline forecast. January IPT typically represents about 1.5% of yearly totals. It is not unusual for IPT collections to vary significantly in January, with some months having no collections.

Year-to-date, net collections through January are \$246.5 million, an increase of 9.9% over the same period in the prior year. The significant growth in IPT collections may be related to premium taxes levied on the state's Medicaid program, which has seen enrollment growth due to federal COVID relief legislation prohibiting disenrollment of participants while the state is receiving the enhanced federal match rate.

The **Lottery Commission** ticket sales were \$173.8 million in January, which was \$74.5 million, or 75.1% above January 2020. The high January sales were driven by

continued high Scratcher ticket sales as well as high Powerball and Mega Millions ticket sales due to large jackpot runs. Year-to-date ticket sales are \$829.6 million, which is 42.4% above the same period last year.

General Fund profit distributions were \$24.8 million in January, which is \$6.6 million below forecast.

Highway User Revenue Fund (HURF) collections of \$136.3 million in January were 0.4% above the amount collected in January 2020 and \$26.6 million above forecast. Year-to-date, HURF collections have increased by 4.4% compared to the same period in the prior year and are \$189.3 million above forecast.

Due to delays in reporting final December revenues for various revenues sources, DOR has made **technical adjustments** to prior month collection figures. For December, DOR has increased the amount of prior General Fund revenue collections by \$3.3 million, and this amount has been included in the reported year-to-date results.

Table 4

General Fund Revenue: Change from Previous Year and January Baseline Forecast January 2021

	Current Month					FY 2021 YTD (Seven Months)				
	Actual January 2021	Change From January 2020		January Baseline Forecast		Actual January 2021	Change from January 2020		January Baseline Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$588,522,686	\$49,560,585	9.2 %	\$33,985,529	6.1 %	\$3,544,011,961	\$355,318,441	11.1 %	\$33,985,529	1.0 %
Income - Individual	680,994,298	29,637,698	4.6	23,199,961	3.5	4,039,339,766	737,817,221	22.3	23,199,961	0.6
- Corporate	44,018,126	26,242,457	147.6	9,786,087	28.6	395,927,716	45,390,003	12.9	9,786,087	2.5
Property	1,606,947	(566,127)	(26.1)	253,225	18.7	13,465,846	(1,421,620)	(9.5)	253,225	1.9
Luxury - Tobacco	1,705,377	(302,227)	(15.1)	0	--	12,913,648	23,826	0.2	0	0.0
- Liquor	3,508,294	(291,067)	(7.7)	0	--	24,779,688	3,050,744	14.0	0	0.0
Insurance Premium	245,753	(193,018)	(44.0)	(88,670)	(26.5)	246,533,064	22,276,691	9.9	(88,670)	(0.0)
Other Taxes	1,233,854	518,743	72.5	215,151	21.1	6,413,292	1,401,720	28.0	215,151	3.5
Sub-Total Taxes	\$1,321,835,336	\$104,607,042	8.6 %	\$67,351,281	5.4 %	\$8,283,384,982	\$1,163,857,026	16.3 %	\$67,351,281	0.8 %
<u>Other Revenue</u>										
Lottery	24,791,175	24,791,175	--	(6,634,204)	(21.1)	86,995,449	29,039,035	50.1	(6,634,204)	(7.1)
License, Fees and Permits	2,848,676	1,403,700	97.1	(335,724)	(10.5)	23,647,360	3,773,920	19.0	(335,724)	(1.4)
Interest	1,429	(2,007)	(58.4)	1,429	N/A	14,123	(22,377)	(61.3)	1,429	11.3
Sales and Services	2,136,773	716,320	50.4	1,131,006	112.5	13,951,753	2,472,754	21.5	1,131,006	8.8
Other Miscellaneous	1,798,903	(15,197,351)	(89.4)	1,768,170	--	17,121,390	(15,687,283)	(47.8)	1,768,170	11.5
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	4,154,685	1,005,207	31.9	2,289,990	122.8	42,653,009	13,754,676	47.6	2,289,990	5.7
Sub-Total Other Revenue	\$35,731,641	\$12,717,044	55.3 %	(\$1,779,333)	(4.7) %	\$184,383,083	\$33,330,726	22.1 %	(\$1,779,333)	(1.0) %
TOTAL BASE REVENUE	\$1,357,566,976	\$117,324,086	9.5 %	\$65,571,948	5.1 %	\$8,467,768,065	\$1,197,187,752	16.5 %	\$65,571,948	0.8 %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(69,041,072)	(7,577,640)	12.3	0	(0.0)	(483,287,501)	(53,043,478)	12.3	0	(0.0)
One-Time Transfers	0	0	--	0	--	0	(846,800)	--	0	--
Public Safety Transfers	2,122,109	1,408,391	197.3	(0)	(0.0)	12,732,655	0	0.0	(0)	(0.0)
Sub-Total Other Adjustments	(66,918,962)	(6,169,249)	10.2 %	0	(0.0) %	(470,554,846)	(53,890,278)	12.9 %	0	(0.0) %
TOTAL GENERAL FUND REVENUE	\$1,290,648,014	\$111,154,837	9.4 %	\$65,571,948	5.4 %	\$7,997,213,218	\$1,143,297,474	16.7 %	\$65,571,948	0.8 %
<u>Non-General Funds</u>										
Highway User Revenue Fund	136,319,040	581,849	0.4 %	26,593,221	24.2 %	929,989,841	39,468,477	4.4 %	189,286,209	25.6 %

Monthly Indicators

NATIONAL

The U.S. Bureau of Economic Analysis' advance estimate for 4th quarter **U.S. Real Gross Domestic Product (GDP)** is an annualized growth rate of 4.0%. This is more in line with pre-pandemic growth and reflects some stabilization in the national economy. In total, GDP decreased (3.5)% in 2020, primarily as a result of economic shocks such as the pandemic and restrictive policy measures meant to combat the virus.

The Conference Board's **Consumer Confidence Index** rose 2.2 points to 89.3 in January. Consumers' views about the current situation continued to decline but expectations about the next six months improved enough to offset pessimism about the present.

The Conference Board's **U.S. Leading Economic Index (LEI)** increased by 0.3% to 109.5 in December. While employment declined, other components of the index such as building permits and stock prices improved enough to offset the decrease. Overall, 2020 finished on a positive note as the **LEI** increased 6.5% in the last six months of the year.

The U.S. Bureau of Labor Statistics **Consumer Price Index (CPI)** rose by 0.3% in January. After seasonal adjustment, prices are 1.4% higher than in January 2020. Most of the increase was driven by the 7.4% gain in the gasoline index. Food prices also rose slightly by 0.1%, as the increase in the food away from home component more than offset the decline in the food at home index. Core inflation (all items less food and energy) was unchanged this month, though core CPI is 1.4% higher than in January 2020.

ARIZONA

Single-family housing permitting activity is continuing to grow. In December, Arizona's 12-month total of **single-family building permits** was 41,465. This is up 4.1% from the prior month, and is 26.2% above December 2019. This is the 7th consecutive month with double-digit year-over-year growth. The national growth of single-family housing permits was 12.9% in December.

In December, Arizona's 12-month total of 15,816 **multi-family building permits** was 23.3% more than for the same 12-month period in 2019. December marked the 14th consecutive month with a double-digit year-over-year growth rate in multi-family permitting activity. This is in contrast to the national decline in multi-family housing permits of (11.9)%.

The continued growth in housing construction is likely a result of continued migration to Arizona, as well as a shortage of existing homes available for sale.

Tourism and Restaurants

Several tourism indicators continue to fall below levels from the prior year. For example, in December, **Revenue per available room** was \$44.34, a decrease of (13.9)% from November and (34.4)% below the same month in the previous year.

Hotel occupancy was 45.2% in December, compared to 50.0% the previous month. This is (14.9)% below December 2019.

Phoenix Sky Harbor Airport Ridership during December was 3.7% above the prior month but (54.9)% below the same month in the previous year.

However, **State Parks Visitation** has increased in comparison to the previous year. December visitation totaled 176,603, representing a (13.5)% decrease from the prior month but a 17.6% increase above December 2019.

Daily restaurant reservations were (16.7)% below the prior year level on February 13, according to OpenTable data. This is slightly higher than the (24.0)% reported by OpenTable one month prior on Saturday, January 9.

Employment

Due to the annual revision of employment date (also known as "benchmarking"), January's employment and unemployment rate figures will not be released until the second week of March.

While unemployment rate data will not be available until March, OEO reported that a total of 7,670 **initial claims for unemployment insurance** were filed in Arizona in the week ending on February 6th (This figure excludes the claims under the Pandemic Unemployment Assistance (PUA) program). For the same week in the prior year, 3,636 initial claims were filed.

According to OEO, for the week ending on January 30th, there were a total of 69,884 **continued claims for unemployment insurance** in Arizona. A year ago this time, the continued claims were 18,461.

For the week ending on February 6th, the federal Department of Labor (DOL) reported that 2,598 initial PUA claims were filed in Arizona. For the week ending on January 23rd, DOL reported that 82,784 continued

Monthly Indicators (Continued)

PUA claims were filed in the state. Both of these figures are advance estimates subject to change. (See *October's Monthly Fiscal Highlights for more information on Pandemic Unemployment Assistance*)

State Agency Data

As of February 1, 2021, the total **AHCCCS caseload** was 2.11 million members. Total monthly enrollment increased 1.0% in February over January and increased 16.0% compared to a year ago. Parent and child enrollment in the Traditional population increased by 0.6% in February, or 11.1% higher than a year ago.

Enrollment in Other Acute Care populations, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 914,488 in January – an increase of 1.5% over January and 24.5% above last year. For February 2021, Long-Term Care EPD and DD population growth decreased by (0.8)%. At 65,055, this population is (2.3)% lower than a year ago.

There were 14,023 **TANF Cash Assistance recipients** in the state in December, representing a (2.3)% monthly caseload decrease from November. The year-over-year number of TANF Cash Assistance recipients has increased by 8.9%. The statutory lifetime limit on cash assistance is 24 months.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In December, 908,914 people received food stamp assistance in the state, representing a 2.1% increase above November caseloads. Compared to December 2019, the level of food stamp participation has increased by 14.2%.

The Arizona Department of Correction's **inmate population** was 37,396 as of January 31, 2021. This was a decrease of (0.9)% since December 31, 2020 and a (11.9)% decrease since January 2020.

Based on information the Department of Child Safety provided for December 2020, **reports of child maltreatment** totaled 42,792 over the last 12 months, a decrease of (7.1)% over the prior year. There were 14,410 **children in out-of-home care** as of November 2020, or 1.5% more than in November 2019. Compared to the prior month, the number of out-of-home children increased by 0.4%.

Table 5

MONTHLY INDICATORS				
Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	December	7.5%	(0.5)%	3.0%
- Total Unemployment Rate (discouraged/underemployed)	4th Q 2020	13.0%	0.4%	3.7%
- Initial Unemployment Insurance Claims	Week Ending Feb 6	7,670	(49.4)%	111.0%
- Continued Unemployment Insurance Claims	Week Ending Jan 30	69,884	(21.8)%	278.5%
- Non-Farm Employment - Total	December	2,945,300	0.2%	(2.7)%
Manufacturing	December	173,000	0.0%	(3.0)%
Construction	December	170,900	(2.9)%	(1.9)%
- Average Hourly Earnings, Private Sector	December	\$28.22	0.5%	4.8%
<u>Building</u>				
- Single-Family Building Permits (12 months rolling sum)	December	41,465	4.1%	26.2%
Multi-family	December	15,816	6.2%	23.3%
- Maricopa County/Other, Home Sales (ARMLS) Single-Family (Pending Sales)	December	5,274	(24.3)%	25.8%
- Maricopa County/Other, Median Home Price (ARMLS) Single-Family (Pending Sales)	December	\$349,900	0.2%	14.4%
- Maricopa Pending Foreclosures	December	1,169	(4.6)%	(47.4)%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	December	1,884,924	3.7%	(54.9)%
- State Park Visitors	December	176,603	(13.5)%	17.6%
- Revenue Per Available Hotel Room	December	\$44.34	(13.9)%	(34.4)%
- Arizona Hotel Occupancy Rate	December	45.2%	(4.8)%	(14.9)%
- Arizona OpenTable Reservations – Y/Y % Change	February 13	N/A	N/A	(16.7)%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	3 rd Q 2020	\$369.6 billion	(8.6)%	9.7%
- Arizona Population	July 2020	7,421,401	N/A	1.8%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	May 2015/Nov 2019	Negative/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	February 1st	2,110,900	1.0%	16.0%
Traditional Acute Care		1,131,300	0.6%	11.1%
Other Acute Care		914,500	1.5%	24.5%
Long-Term Care – Elderly & DD		65,100	(0.8)%	(2.3)%
- Department of Child Safety (DCS) Annual Reports of Child Maltreatment (12-month total)	December	42,792	(0.5)%	(7.1)%
DCS Out-of-Home Children	November	14,410	0.4%	1.5%
- ADC Inmate Growth	January	37,396	(0.9)%	(11.9)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	December	14,023	(2.3)%	8.9%
- SNAP (Food Stamps) Recipients	December	908,914	2.1%	14.2%
United States				
- Gross Domestic Product (Chained 2012 dollars, SAAR)	4 th Q, 2020 (1 st Estimate)	\$18.8 trillion	4.0%	(2.5)%
- Consumer Confidence Index (1985 = 100)	January	89.3	2.5%	(32.1)%
- Leading Economic Index (2016 = 100)	December	109.5	0.3%	(1.5)%
- Consumer Price Index, SA (1982-84 = 100)	January	262.2	0.3%	1.4%

JLBC/JCCR Meeting Follow-up

Arizona Exposition and State Fair Board – Report on Status of Capital Improvement Projects – Pursuant to provisions from the April 2020 and June 2020 JCCR meetings, the Arizona Exposition and State Fair Board (AESF) has reported on the status of all capital improvement projects and capital improvement expenditures, including repairs to the 1938 Works Progress Administration (WPA) Civic Building. In FY 2020, AESF had four capital projects reviewed by the JCCR, which combined for a total cost of \$1.2 million. As of January 29, 2021, AESF has completed two of the four projects. AESF anticipates work to repair the Coliseum roof will be completed by the end of February while the Agriculture Center Fire Alarm project has been placed on hold due to complications related to the COVID-19 pandemic.

Additionally, the FY 2020 Capital Outlay Bill appropriated \$400,000 from the AESF Fund to repair the roof of the WPA Building. The project has been overseen by the Arizona Department of Administration's General Services Division and as of January 2021, AESF reports that the WPA roof repair project has been completed. However, during the WPA roofing project, AESF identified additional work that is required before the building is put back into service. *Please see Table 7 on the next page for more details.* (Henry Furtick)

Arizona State Parks Board – Report on the Status of Capital Improvement Projects – Pursuant to a provision from the December 2020 JCCR meetings, the Arizona State Parks Board (ASPB) reported on the status of all capital improvement projects and capital

improvement expenditures, including progress on the Tonto Natural Bridge Replacement project.

The FY 2020 Capital Outlay Bill appropriated \$1.3 million from the State Parks Revenue Fund (SPRF) to demolish the existing pedestrian bridge and construct a new pedestrian bridge at the Tonto Natural Bridge State Park. Additionally, \$500,000 in SPFR funding from the agency's FY 2020 operating budget was allocated for contingency funding, bringing the total budgeted amount for the project to \$1.8 million. The project has been transferred to ADOA for construction management and oversight. As of January 2021, the project is in progress, but inclement weather forced a temporary pause with work expected to resume as soon as weather allows for safe working conditions. ADOA anticipates the project to be completed this month.

The funding sources for ASPB's capital projects include \$6.9 million from the State Lake Improvement Fund (SLIF) and \$11.3 million from SPRF for a total of \$18.2 million in reviewed capital project funding. Of the \$18.2 million amount, ASPB has expended \$6.5 million on capital projects as of January 2021. The appropriation authority for 3 ASPB capital projects expired at the end of FY 2020, resulting in approximately \$8.7 million in capital appropriation authority lapsing back to SPRF. The agency will need to request additional appropriation authority to continue work on these 3 projects. *Please see Table 6 below for more details.* (Henry Furtick)

<u>Project Title</u>	<u>Year Reviewed</u>	<u>Amount Reviewed</u>	<u>Expenditures as of Jan. '21</u>	<u>Remaining Balance</u>
<u>State Lake Improvement Fund (SLIF)</u>				
Upper Cattail Cove Development	FY 2017	\$ 5,307,500	\$4,203,900	\$ 1,103,600
Cattail Cove Compost Toilets	FY 2018	250,000	5,200	244,800
Roper Wastewater System	FY 2018	400,000	0	400,000
Buckskin Redevelopment	FY 2019	1,000,000	0	1,000,000
Alamo Lake Wastewater	FY 2021	<u>325,000</u>	<u>0</u>	<u>325,000</u>
SLIF Subtotal		\$6,957,500	\$4,209,100	\$2,748,400
<u>State Parks Revenue Fund (SPRF)</u>				
Rockin' River Ranch Development	FY 2018	4,000,000	550,400	N/A ^{1/}
Oracle Redevelopment	FY 2019	4,000,000	75,500	N/A ^{1/}
Buckskin Redevelopment	FY 2019	1,500,000	83,400	N/A ^{1/}
Tonto Natural Bridge	FY 2020	<u>1,800,000</u>	<u>1,561,200</u>	<u>238,800</u>
SPRF Total		\$11,300,000	\$2,270,500	\$238,800

^{1/} Appropriations lapsed at the end of FY 2020.

JLBC/JCCR Meeting Follow-up (Continued)

Table 7

Arizona State Fair FY 2020 Capital Improvement Projects				
	Amount	Amount		Status as of
	<u>Budgeted</u>	<u>Expended</u>	<u>Balance</u>	<u>Jan. 2021</u>
Coliseum Fire Alarm Replacement	\$ 20,000	\$ 24,800	\$ (4,800)	Completed
Agriculture Center Fire Alarm	66,000	9,500	56,500	On Hold
Plumbing Repairs	50,000	28,600	21,400	Completed
Coliseum Roof Repairs	<u>1,000,000</u>	<u>1,001,700</u>	<u>(1,700)</u>	In Progress
Total	\$1,136,000	\$1,064,600	\$71,400	

Summary of Recent Agency Reports

Arizona Department of Administration – Report on Capital Project Spending – Pursuant to an FY 2021 Capital Outlay Bill footnote, the Arizona Department of Administration (ADOA) reported the status of capital projects and capital project expenditures.

As of January 31, 2021, ADOA has spent \$8.1 million of its \$17.0 million FY 2020 building renewal appropriation. Many of the FY 2020 building renewal projects are complete with the remaining projects encumbering an additional \$6.7 million. ADOA also reported the status of 1 capital project appropriated funding in FY 2020. Specifically, ADOA has spent \$453,300 of its \$1.0 million appropriation to begin the replacement of the air handlers at the Legislature. ADOA has encumbered an additional \$442,100. The project is currently on hold due to installation delays from COVID-19.

In addition, ADOA has spent \$412,000 of its \$16.0 million FY 2021 building renewal appropriation. The majority of FY 2021 projects are in progress encumbering an additional \$1.9 million.

Further, ADOA reported the status of 2 capital projects appropriated funding in FY 2019. Specifically, ADOA has spent \$8.5 million of its \$10.0 million appropriation to renovate 1400 W. Washington Street and \$3.0 million of its \$4.1 million appropriation to complete the elevator replacements at the Legislature. These projects have encumbered an additional \$1.4 million and \$485,100, respectively. (Rebecca Perrera)

Arizona Department of Administration – Automation Projects Fund Quarterly Report and Third-Party Reports – Pursuant to an FY 2021 General Appropriation Act footnote, the Arizona Department of Administration (ADOA) provided its second quarter FY 2021 update of all current projects funded through the Automation

Projects Fund (APF). ADOA evaluates the health of each project on a quarterly basis and labels each as on track, at risk, or off track. Of the 5 active projects, ADOA has labeled 2 on track, 2 at risk, and 1 not yet started.

ITAC Third-Party Reports

Additionally, pursuant to A.R.S. § 18-104, any large-scale IT projects with a total cost greater than \$5 million must receive third-party analysis from an independent contracted vendor. The third-party vendor is required to review and provide guidance on the project and submit quarterly reports on project progress. The IVV reports were submitted for the following projects: Electronic Visit Verification project (AHCCCS), Provider Management System upgrade (AHCCCS), Children's Information Library and Data System (CHILDS) replacement (DCS), School Finance System replacement (ADE), Medical Marijuana Licensing Management System (DHS), and Criminal Justice Information System upgrade (DPS). The reports provided commentary on project progress that matched that of the quarterly APF reports from ASET. (Rebecca Perrera)

Attorney General – Quarterly Report on Child and Family Advocacy Center Fund Expenditures – Pursuant to A.R.S. § 41-191.11, the Attorney General (AG) submitted its quarterly report on expenditures from the Child and Family Advocacy Center Fund (CFAF), which funds nonprofit and government entities that serve victims of child abuse or investigate and prosecute their abusers.

Through the second quarter of FY 2021, the AG has expended \$600,000 from the Consumer Protection - Consumer Fraud Revolving Fund, including its \$100,000 FY 2021 appropriation and \$500,000 from its unobligated balance. (Ryan Fleischman)

Summary of Recent Agency Reports (Continued)

Attorney General – Quarterly Reports on Legal Settlements – The Attorney General (AG) submitted its statutorily-required quarterly reports on the receipts to and disbursements from the Consumer Protection - Consumer Fraud (CPCF) Revolving Fund, the Antitrust Enforcement Revolving Fund, and the Consumer Restitution and Remediation Revolving Fund (including its 2 subaccounts), as well as deposits made to the General Fund.

In the second quarter of FY 2021, the AG deposited a total of \$4.8 million into various consumer accounts. Of that amount, \$1.5 million was deposited into the CPCF Revolving Fund, \$115,600 was deposited into the Antitrust Enforcement Revolving Fund, \$3.1 million was deposited into the Consumer Restitution Subaccount, and \$2,800 was deposited into the Consumer Remediation Subaccount. The AG made \$62,500 in deposits to the General Fund from settlements.

Deposits to the CPCF Revolving Fund

The AG deposited \$1.5 million to the appropriated CPCF Revolving Fund, which may be used for consumer fraud education and investigation, costs associated with the Tobacco Master Settlement Agreement, or any other purpose permitted by statute. This amount resulted from a \$1.25 million settlement with Honda regarding the use of certain types of airbags in cars up through 2015, a \$290,000 settlement with CR Bard, and small legal settlements.

Deposits to Antitrust Enforcement Revolving Fund

The AG deposited \$115,600 into the appropriated Antitrust Enforcement Revolving Fund, which may be used for antitrust enforcement expenses, excluding attorney compensation. This amount resulted from small legal settlements.

Deposits to the Consumer Restitution Subaccount

The AG deposited \$3.1 million into the non-appropriated Consumer Restitution Subaccount to compensate specific entities for economic loss resulting from consumer fraud. This amount resulted from a \$3 million settlement with Honda (the same settlement discussed in the CPCF narrative above) and small legal settlements.

Deposits to the Consumer Remediation Subaccount

The AG received \$2,800 in interest income into the partially-appropriated Consumer Remediation Subaccount, which is used to rectify violations of consumer protection laws. The AG did not receive any new settlement monies in this account.

Deposits to the General Fund

The AG deposited \$62,500 associated with small legal settlements into the General Fund. (Ryan Fleischman)

Attorney General – Quarterly Report on Internet Crimes Against Children Enforcement Fund Expenditures – Pursuant to A.R.S. § 41-199, the Attorney General (AG) submitted its quarterly report on expenditures from the Internet Crimes Against Children (ICAC) Enforcement Fund and progress made towards ICAC goals. The ICAC Enforcement Fund receives an annual deposit of \$900,000 in revenues from lottery games that are sold from a vending machine in age restricted areas. Monies in the fund are utilized to support the ICAC Task Force, which is housed within the Phoenix Police Department and works with federal, state, and local law enforcement to investigate technology-facilitated sexual exploitation of children.

Through the second quarter of FY 2021, the AG received \$225,000 in revenues for deposit into the ICAC Enforcement Fund. A total of \$256,100 was expended from the fund balance in the second quarter of FY 2021 to help pay for the operating costs of the ICAC Task Force. As of December 31, 2020, the ICAC Enforcement Fund had a fund balance of \$2.1 million, plus \$325,600 in outstanding encumbrances, leaving an unencumbered fund balance of \$1.8 million. (Ryan Fleischman)

Department of Child Safety – DCS/ECDHB Joint Report

– Pursuant to A.R.S. § 8-530.02, the Department of Child Safety (DCS) and the Early Childhood Development and Health Board (ECDHB) reported on their collaborative efforts to address child welfare issues during the prior year, including the level of coordination among DCS, ECDHB, and community groups to promote the well-being of children and families that are identified in reports of abuse or neglect. The systemic collaborative efforts include:

- **Court Teams**: ECDHB funds teams that are intended to improve how the courts, child welfare, and other child providers work together to protect infants and toddlers in the child welfare system from further harm.
- **Quality First**: In federal fiscal year (FFY) 2020 ECDHB provided \$30 million in state dollars to draw down a projected \$37 million of matching federal monies. These monies provide child care scholarships to low-income families to improve the quality of early child care environments and enhance early childhood education outcomes. The agencies report that the number of DCS-involved children enrolled in an environment with at least a 3-star quality rating decreased after April 2020, but the percentage of referrals to such settings increased to 54% by October 2020.

Summary of Recent Agency Reports (Continued)

- Early Childhood Mental Health Consultations (ECMHC):** ECDHB operates the ECMHC program, which helps early childhood education professionals more effectively interact with children with different social-emotional needs. The program uses consultation with trained early childhood mental health and trauma professionals to improve teacher skills, reduce challenging classroom behaviors, and lower preschool expulsion rates. Due to the COVID-19 pandemic, all consultants were moved to a virtual environment. In FY 2020, 355 child care and preschool providers received a consultation from the program and 60 children were referred to services to address their mental health needs. Consultations and referrals decreased from FY 2019 levels by (103) and (46), respectively.

Aside from these system-level collaborations, DCS and ECDHB collaborate in other programs as well. For example, the Healthy Families Arizona program, which is a voluntary home-visitation program for families from pregnancy through the first 5 years of a child's life, is funded jointly by ECDHB, DCS, and the federal Maternal Infant Early Childhood program. In FY 2020, 4,337 families were served statewide. (Nicole Lovato)

Arizona Commerce Authority – Report on Applied Research Centers and Institutes – Pursuant to an FY 2020 General Appropriation Act footnote, the Arizona Commerce Authority (ACA) submitted its 2020 annual report for applied research centers and institutes.

In FY 2020, ACA was provided \$2.5 million from the State Web Portal Fund to research blockchain and wearable technology. Pursuant to the appropriation, \$1.25 million was allocated to blockchain research, \$500,000 of which was returned because matching funds became unavailable due to the pandemic. ACA is in the process of opening the program for new applications for the returned \$500,000. Wearables research was allocated \$750,000 and the remaining \$500,000 was allocated to the Institute of Automated Mobility (IAM). Half (\$250,000) of the IAM funds have been distributed while the remainder is held by ACA pending notification of matching funds.

Blockchain

The Blockchain Applied Research Center received a \$500,000 grant as well as \$200,000 in matching funds to research the uses of blockchain for different purposes such as food scanner and medical devices. So far, \$15,070 has been spent on equipment and \$78,225 on salaries and wages for a total of \$93,295. Energy Blockchain Consortium, LLC received a grant of \$250,000 with \$250,000 in matching funds to research

blockchain application to peer to peer trading. Of this, \$26,950 has been expended all on employees, consultants, vendors, and contractors.

Wearable Technology

The WearTech Applied Research Center received a \$383,493 grant and \$360,726 in matching funds for multiple research projects such as anti-anxiety stimulators, ingestible wearable sensors, and wearable fall risk assessment systems. Of this, \$40,665 were spent on equipment, \$326,558 were spent on salaries and wages, and \$118,473 were spent on other research expenditures for a total of \$485,696.

The University of Arizona's Andrew Weil Center for Integrative Medicine received a grant of \$366,507 and \$500,000 in matching funds for research into carbon dioxide detection. So far \$296,143 has been spent on salaries and wages and \$7,755 went to other research expenditures for a total of \$303,898. The Center filed a provisional patent for technology using infrared thermography to remotely and continuously measure and map exhaled carbon dioxide.

Institute on Automated Mobility

ACA reports that the IAM will submit its first annual report on June 30, 2021. (Benjamin Newcomb)

Department of Corrections – Report on Building Renewal Expenditures – Pursuant to an FY 2021 Capital Outlay Bill footnote, the Arizona Department of Corrections (ADC) reported the status of all current building renewal projects and building renewal expenditures. As of December 31, 2020, ADC has spent or encumbered \$1.6 million of its \$5.5 million FY 2021 building renewal appropriation, or 28.6%. ADC also reports it has spent or encumbered 73.6% of its \$6.9 million FY 2020 building renewal appropriation and 99.7% of its \$5.5 million FY 2019 building renewal appropriation. ADC reports that all pre-FY 2020 building renewal projects are complete.

While not required by the footnote, ADC also reported on selected non-building renewal capital improvement projects. The 3 projects had total project costs of \$117,600. ADC reported 2 of the projects were completed. The remaining project was cancelled after ADC vacated the unit as part of its strategy to reduce the spread of COVID-19. (Geoffrey Paulsen)

Department of Economic Security – Report on Domestic Violence – Pursuant to an FY 2021 General Appropriation Act footnote, the Department of Economic Security reported the amount of state and federal monies available for domestic violence funding in FY 2020. Six agencies spent a total of \$38.2 million in domestic

Summary of Recent Agency Reports (Continued)

violence funding, a (4.6)% decrease from FY 2019. While state funding increased, declines in federal and other funding were greater. (Alexis Pagel)

Department of Education – Budget Status Report – Pursuant to a General Appropriation Act footnote and A.R.S. § 35-131D, the Arizona Department of Education (ADE) recently provided an update regarding its budget status for FY 2021. In that report, ADE estimates that it will experience a \$462.9 million net funding surplus for formula programs for FY 2021. This consists of an estimated \$464.1 million surplus for Basic State Aid and an estimated \$(1.2) million shortfall for Additional State Aid (the Homeowner's Rebate and 1% Cap programs combined).

ADE's current \$462.9 million surplus estimate is based on Basic State Aid payment data through January 4, 2021. It also includes \$263.0 million of Basic State Aid savings associated with pupils participating in distance learning plans, which receive 95% of Base Support Level funding. The final impact of distance learning on Basic State expenses, however, will not be known until later in the fiscal year, as ADE will determine the share of distance learning pupils based on the entire 180-day school year. As a result, ADE's estimates are tentative and subject to change based on the availability of additional data. (Patrick Moran)

Ombudsman-Citizens' Aide Office – Annual Report – Pursuant to A.R.S. § 41-1376, the Ombudsman-Citizens' Aide submitted its annual report summarizing the office's activities during the previous fiscal year. The FY 2020 annual report cites examples of cases in the office's 3 focus areas: general complaints about state agencies, Department of Child Safety (DCS) cases, and public access cases. There were 6,791 total cases in FY 2020 including 4,823 involving coaching, 935 needing assistance, and 1,033 requesting investigations. DCS cases now account for 28.8% of the total workload. (Steve Grunig)

Arizona Department of Transportation – Report on Non-Highway Capital Projects and Expenditures – Pursuant to a footnote in the FY 2021 Capital Outlay Bill, the Arizona Department of Transportation (ADOT) submitted a report on the status of all non-highway construction capital projects and expenditures. From FY 2019 to FY 2020, ADOT has expended \$2.3 million of their \$12.7 million budgeted expenditures on non-highway construction capital projects, completing one FY 2019 project. (The FY 2021 budget did not include any non-highway construction capital projects.) From FY 2020 to FY 2021, ADOT has expended \$7.7 million (\$7.6 million from the State Highway Fund and \$0.1 million from the State Aviation Fund) of their \$26.6

million (\$26.0 million from the State Highway Fund and \$0.6 million from the State Aviation Fund) budgeted expenditures on building renewal. (Jordan Johnston)

Arizona Department of Transportation – Report on Aviation Grant Awards and Distribution – Pursuant to a footnote in the FY 2021 Capital Outlay Bill, the Arizona Department of Transportation (ADOT) submitted a report on the status of all aviation grant awards and distributions. From FY 2014 to FY 2021, ADOT awarded to local and state entities across Arizona approximately \$67.4 million in aviation grants which are still open. Of that total awarded amount, approximately \$15.9 million has been distributed and \$51.5 million are in unspent commitments. (Jordan Johnston)

Northern Arizona University – Report on Translational Genomics Research Institute – Pursuant to a FY 2021 General Appropriation Act footnote, Northern Arizona University (NAU) submitted its 2020 report on the Translational Genomics Research Institute (TGen). Laws 2020, Chapter 58 appropriates \$3.0 million to NAU in biomedical research funding. NAU also receives \$2.0 million in Tobacco Tax Funding from the Arizona Department of Health Services.

In calendar year 2020, TGen spent \$364,300 on research supplies, \$412,800 on research for outside services, \$1.8 million on research capital, \$100,000 on proposal development, \$100,000 on project management, \$100,000 on technical infrastructure, and \$100,000 on education. TGen funded 41 FTE Positions totaling \$3.2 million for salaries and benefits in addition to temporary position salaries of \$1.1 million, and student salaries of \$255,300. The majority of funding for these positions comes from non-state sources and grants.

TGen investigators reported submitting 101 grants totaling \$85.3 million and were awarded 26 grants totaling \$11.9 million. NAU also reports that in 2020 there were 11 patents issued that utilized TGen technology and 160 academic articles published by TGen researchers. (Alexis Pagel)

Arizona Economic Trends

February 2021

Appendix A

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2.....Total Non-Farm Employment

Average Hourly Earnings – Private Sector

3.....State Sales Tax Collections – Retail Category

State Sales Tax Collections – Contracting Category

4.....Residential Building Permits

Rolling 4-Week Withholding Total

Initial Unemployment Insurance Weekly Claims

Continued Unemployment Insurance Weekly Claims

5.....SNAP Recipients

AHCCCS Recipients

HURF Revenue

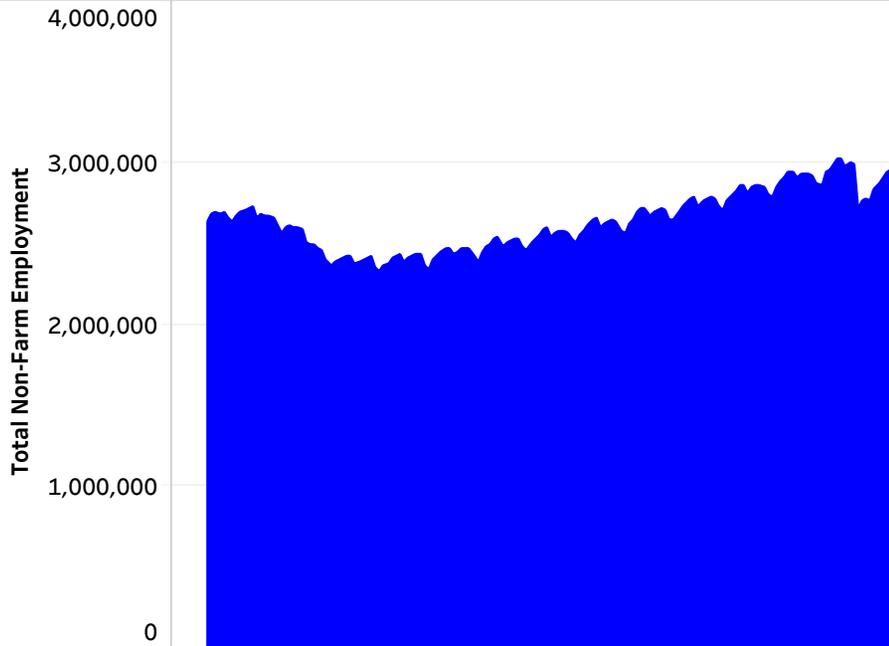
Sky Harbor Total Passengers

6.....Arizona Hotel Occupancy

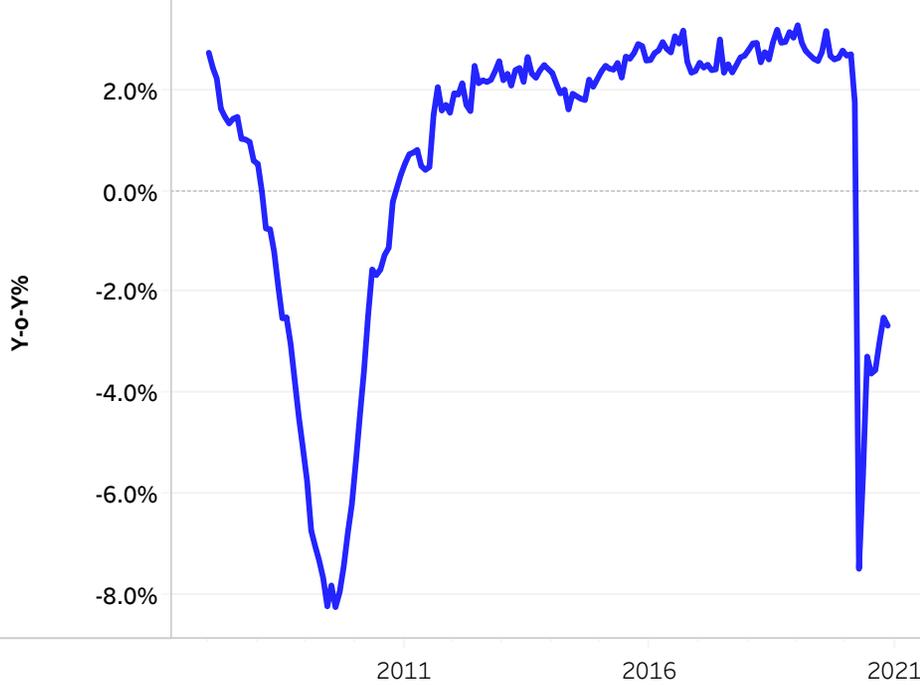
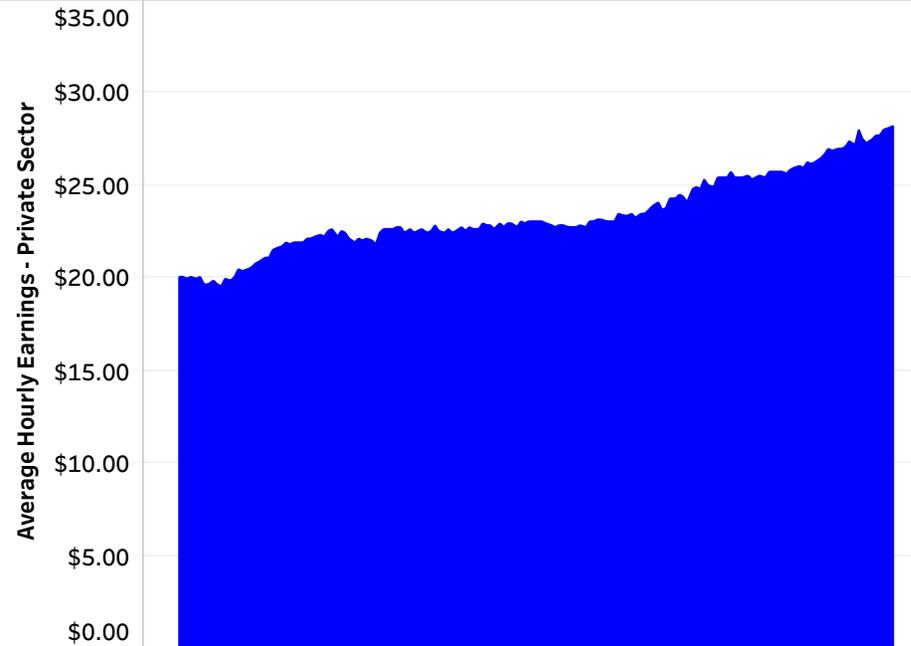
Arizona OpenTable Daily Reservations

[Link to Most Recent Arizona Economic Trends Tableau Dashboard](#)

Total Non-Farm Employment

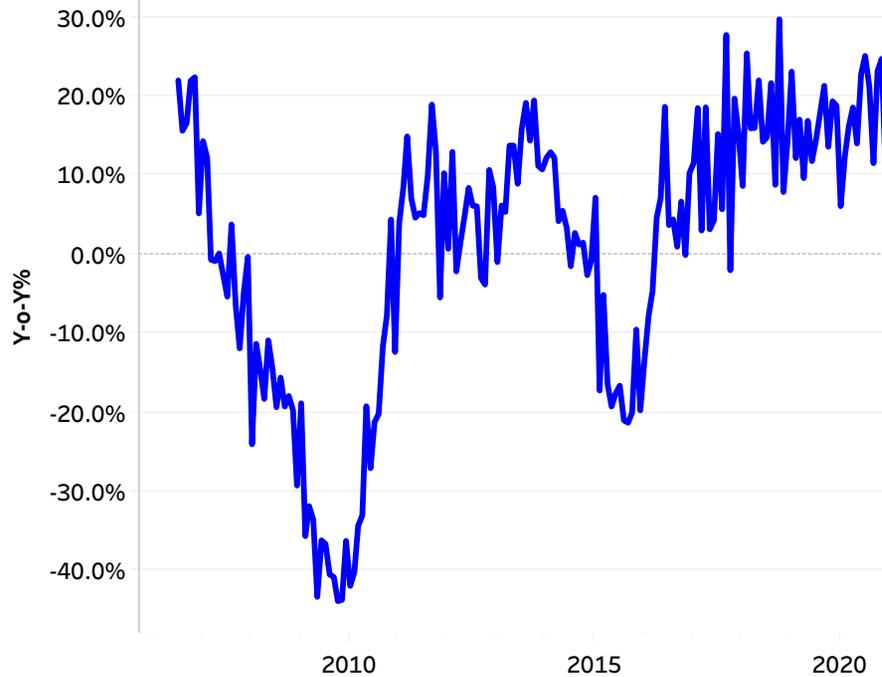
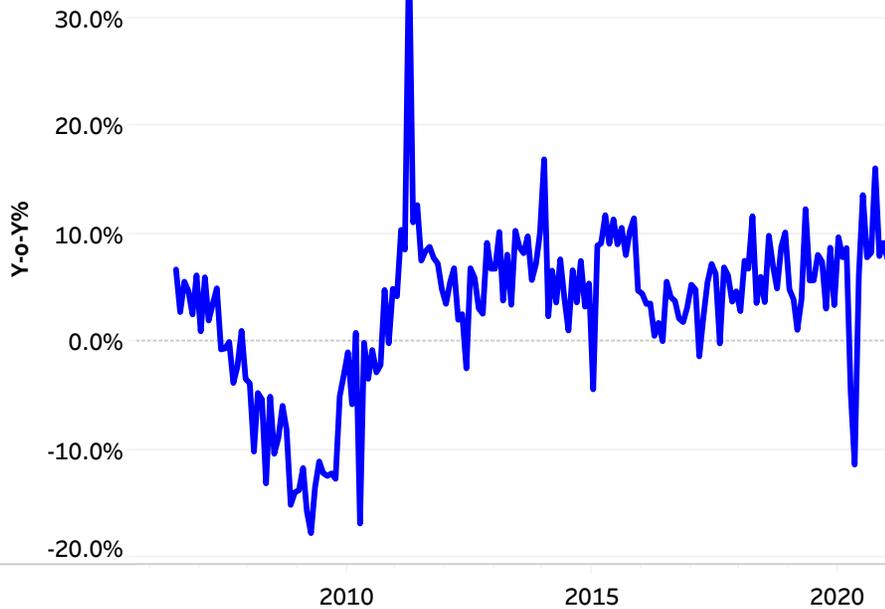
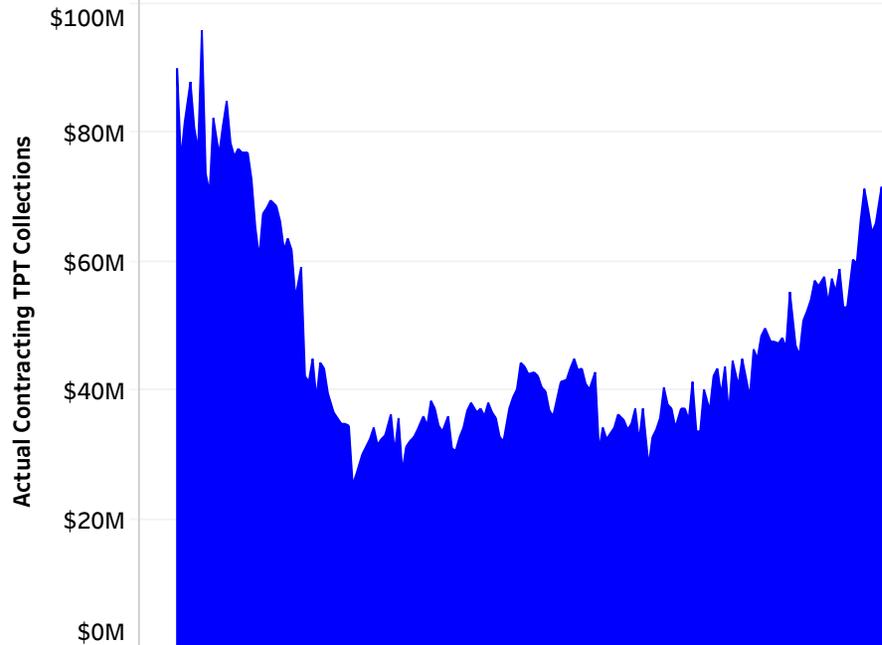
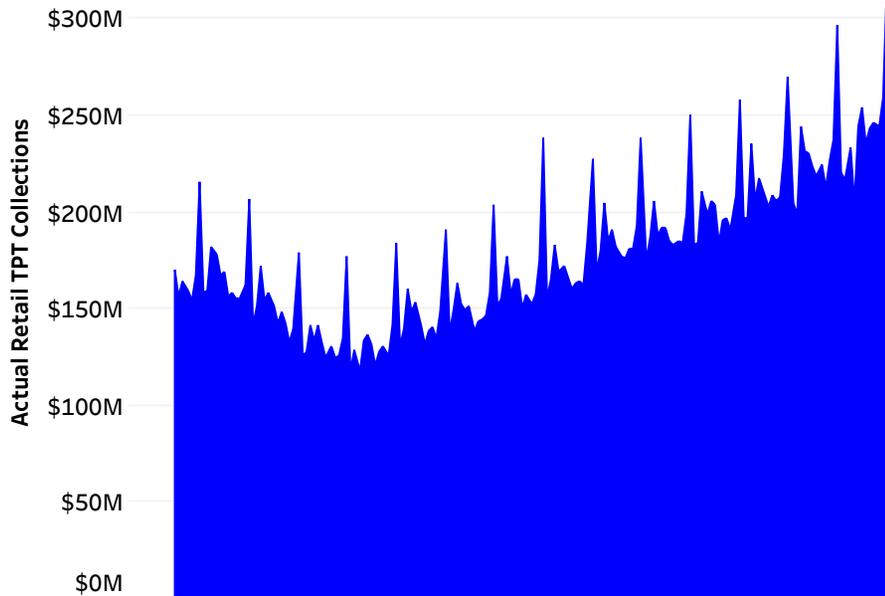


Average Hourly Earnings - Private Sector

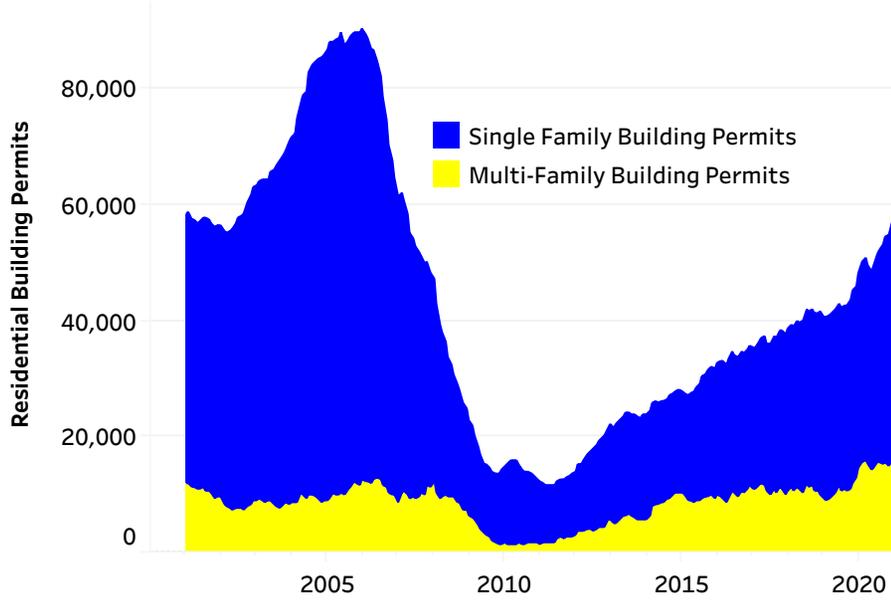


State Sales Tax Collections - Retail Category

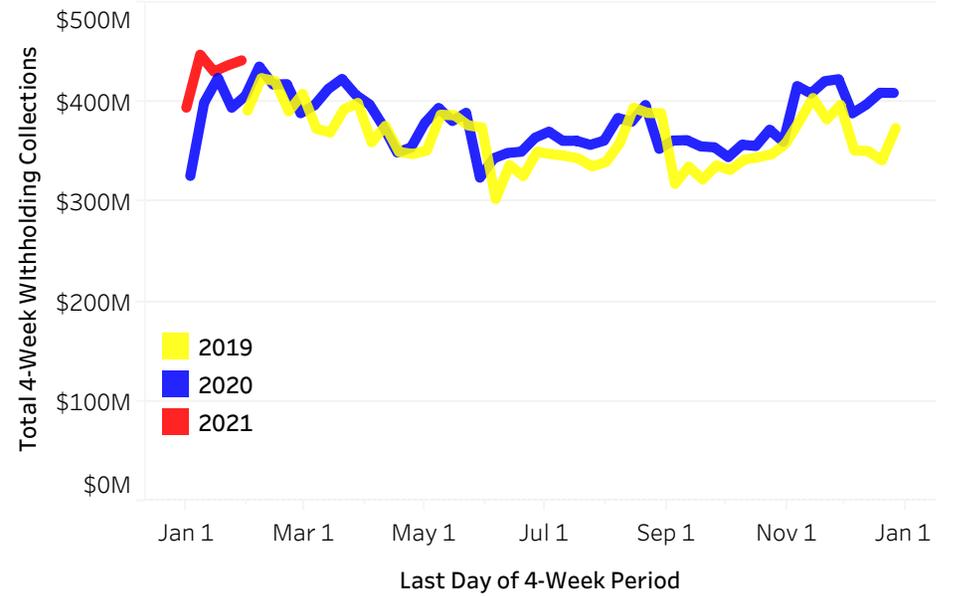
State Sales Tax Collections - Contracting Category



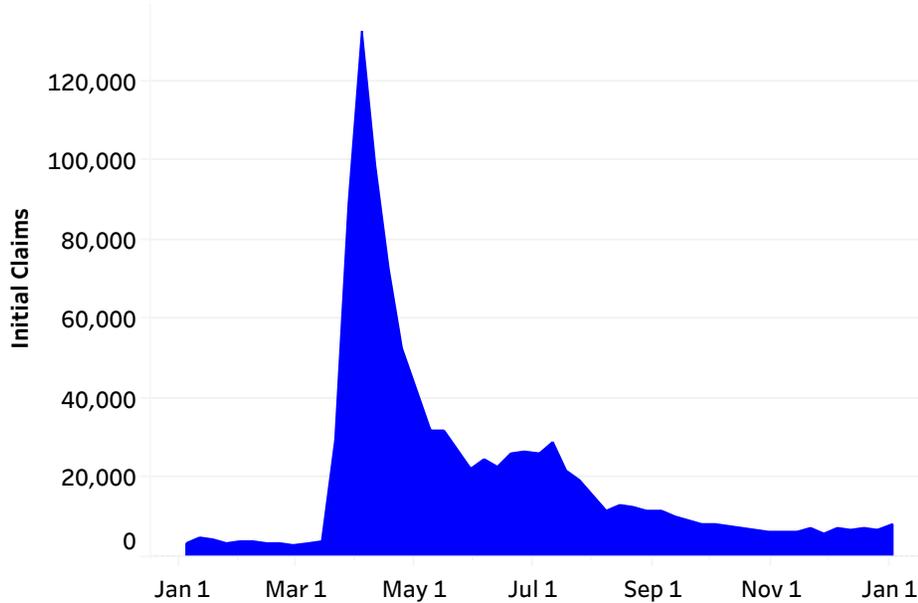
Residential Building Permits



Rolling 4-Week Withholding Total

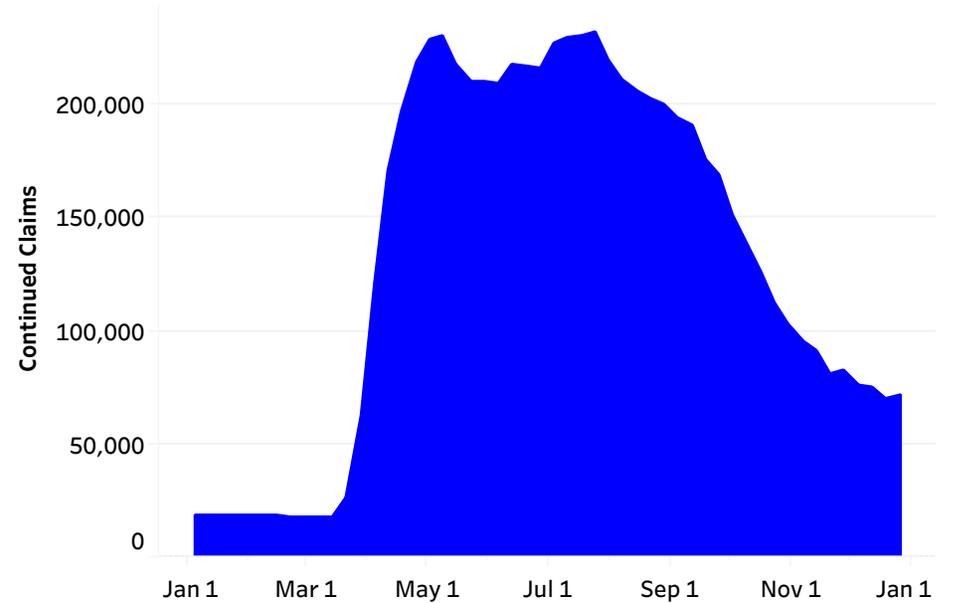


Initial Unemployment Insurance Weekly Claims



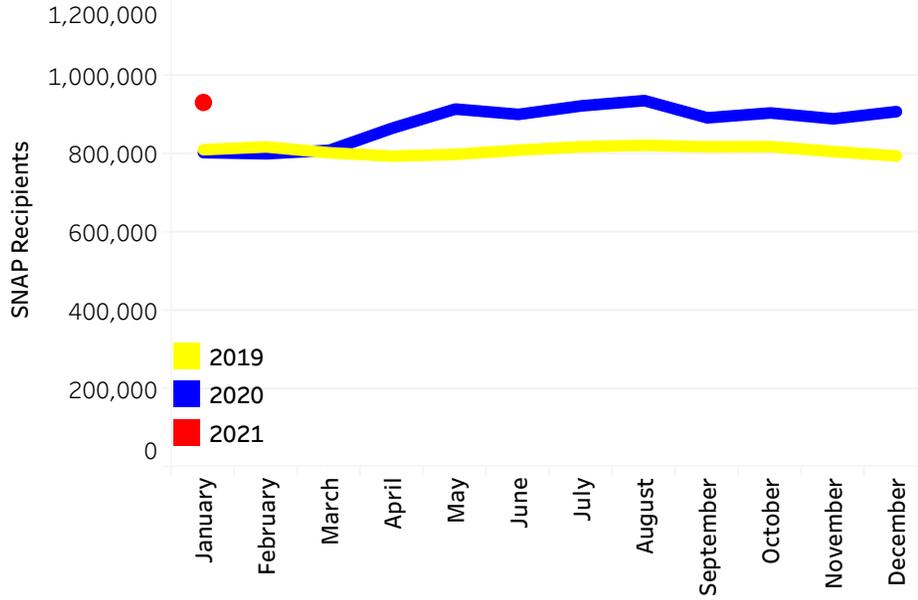
Reported Unemployment Insurance Initial Claims and Continued Claims do not include claims associated with the federally funded Pandemic Unemployment Assistance (PUA) program.

Continued Unemployment Insurance Weekly Claims

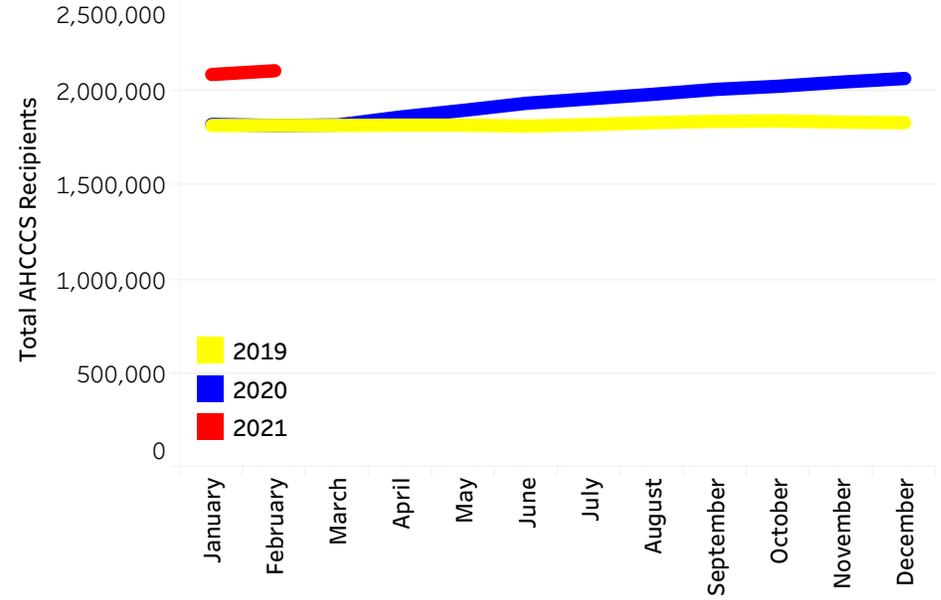


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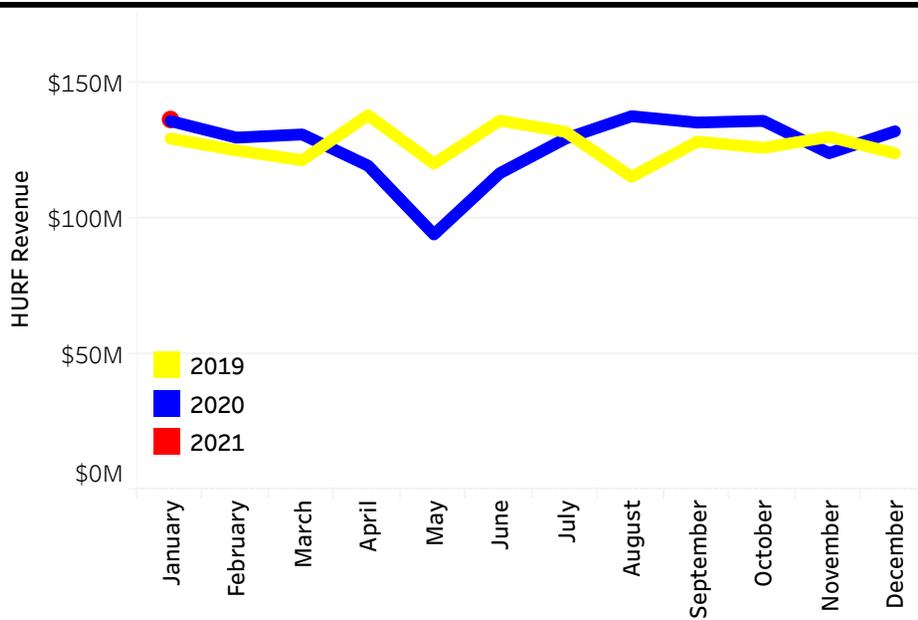
SNAP Recipients



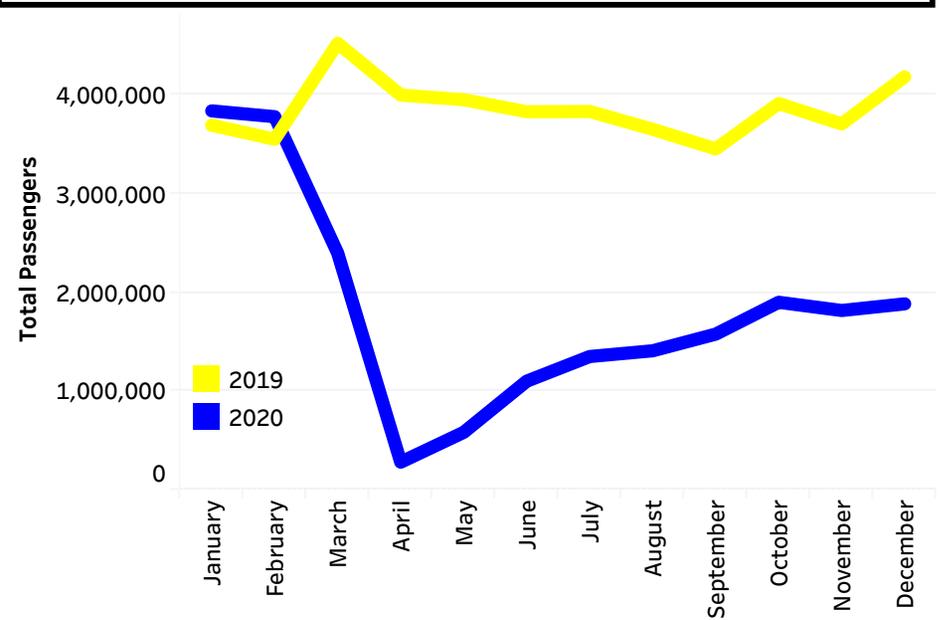
AHCCCS Recipients



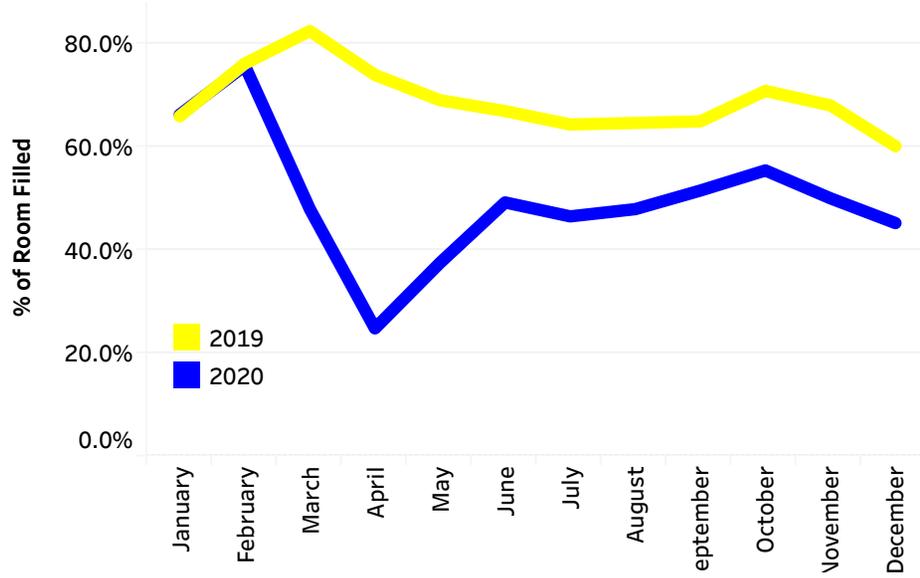
HURF Revenue



Sky Harbor Total Passengers



Arizona Hotel Occupancy



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