



This Month

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"For the first 6 months of FY 2008, General Fund collections are down (1.1)% when compared to last year, and are \$(393.2) million less than forecast".

Total December General Fund revenue collections were \$871.5 million, or (4.3)% below December of last year. This amount was \$(84.3) million below the forecast based on the June enacted state budget.

For the first 6 months of FY 2008, General Fund collections are down (1.1)% when compared to last year, and are \$(393.2) million less than forecast. When factoring in Urban Revenue Sharing, year-to-date collections are (2.6)% below last year. *(See page 8 for detail information).*

Each of the three major revenue categories was below the forecast in December:

- Sales tax collections were flat compared to December 2006, and were \$(32.4) million short of the monthly forecast.
- Individual income tax collections were up 1.0%, which was \$(25.5) million below forecast.
- Corporate income tax collections were (29.2)% below last year, and \$(37.8) million below the forecast.

We had previously reported that, based on preliminary December numbers, collections for the first 6 months of the fiscal year were \$(440) million below forecast. As noted above, actual results are \$(393) million below. The variance is primarily due to two factors.

Collections in the use tax category of the sales tax, which are all retained by the state, were stronger than anticipated, and resulted in

higher net-to-state collections than first reported.

In addition, a technical adjustment to corporate income tax collections was made in December. It had been anticipated that the \$(55.5) million impact of the corporate consolidated credit would occur in the second half of the year. However, a portion of that amount has already been returned to corporate taxpayers, which reduces the forecast shortfall.

JLBC/JCCR Meetings – There were no JLBC or JCCR meetings in January.

Recent Reports – The Highlights include a summary of recent statutory reports submitted to the JLBC (*pages 5-8*). Among the submitted items:

- The Universities, Community Colleges, Department of Economic Security (DES), and Department of Education (ADE) submitted their semi-annual reports on the legal status of program recipients.
- The Arizona Department of Corrections and the Arizona Department of Administration (ADOA) jointly reported that ADOA plans to award a contract for 2,000 private prison beds in the beginning of February. ADOA also states that the initial timeline for the lease purchase financing of \$200 million for 4,000 state prison beds has been delayed from January to March.
- The Department of Education (ADE) has lowered their estimated FY 2008 budget surplus from \$66.1 million to \$43.5 million.

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This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on January 31, 2008.

December Revenues

"In the first 6 months of FY 2008, sales tax revenues are flat compared to last year".



"Year to date, income tax collections are (0.8)% below last year".

Sales Tax collections were \$362.1 million in December. This amount was flat compared to last December, and \$(32.4) million below forecast. In the first 6 months of FY 2008, sales tax revenues are flat compared to last year. *Table 1* displays the December and year-to-date growth rates for the major sales tax categories.

	<u>December</u>	<u>Year-to-Date</u>
Retail	(3.4)%	(1.6)%
Contracting	(0.2)%	(4.4)%
Utilities	12.4%	7.6%
Use	11.5%	8.8%
Restaurant & Bar	7.0%	2.5%

While sales collections were flat in December, however, there were significant variations by sector. Retail and contracting collections together account for two-thirds of all sales tax revenues. The retail sector declined by (3.4)% and contracting by (0.2)%. These decreases were offset by increases of 12.4% in utilities, 11.5% in use, and 7.0% in restaurant and bar.

Individual Income Tax collections were \$364.0 million, or 1.0% ahead of last year. Year-to-date, income tax collections are (0.8)% below last year. December collections were \$(25.5) million less than forecast. *Table 2* displays individual category growth rates.

	<u>December</u>	<u>Year-to-Date</u>
Withholding	(2.2)%	4.1%
Estimated + Final Payments	(30.5)%	(11.2)%
Refunds	(97.7)%	22.0%

December withholding was (2.2)% below last year. The December decrease brings year-to-date collections down to 4.1%.

Estimated and final payments decreased from the previous year for the second month in a row. Payments declined 30% compared to last December. December and January are substantial collection months as tax filers make their quarterly estimated payments in advance of the January 15th due date. Given the timing of payment deposits, the implications of the December collection are not fully realized until the January payments are finalized.

December refunds were under \$1 million, partially offsetting the high level of refunds made in November. After 6 months, refunds are 22.0% over the first 6 months of last fiscal year.

Corporate Income Tax collections of \$120.1 million were (29.2)% below December of last year, and \$(65.5) million below the forecast for the month. As noted above, a technical adjustment was made to the corporate category in December, bringing collections to \$(37.8) million below forecast.

Corporate consolidated refunds of \$(55.5) million were anticipated to be made in the second half of the fiscal year. These refunds represent the final distribution of tax credits resulting from legislation enacted in 1994 allowing corporations to file consolidated returns similar to federal returns. Some of those refunds have already been processed, which helps explain a portion of the year-to-date shortfall.

December marks one of the four significant months for collections as businesses make their quarterly payments. The decrease brings the category to \$(75.7) million or (15.5)% below forecast for the first half of the fiscal year.

	<u>FY 2008 Collections</u>	<u>Difference From Forecast ^{1/}</u>	<u>Difference From FY 2007</u>
December	\$ 871.5	\$ (84.3)	\$ (39.2)
Year-to-Date	\$ 4,427.7	\$ (393.2)	\$ (118.6)

^{1/} Enacted FY 2008 budget (June 2007).

Recent Economic Indicators

NATIONAL

The Conference Board's **U.S. Consumer Confidence Index** posted a slight increase in December, totaling 88.6, or 1.5% above November levels. The slight increase was attributed to an increase in the expectations index. Despite this increase, however, year-over-year, the index fell (19.5)%

The **U.S. Index of Leading Economic Indicators** decreased by (0.2)% in December, marking the third consecutive month of reported declines. Six of the 10 components that make up the composite index decreased in December. The building permit component made the largest negative contribution, followed by average working hours in manufacturing.

U.S. semiconductor billings decreased (1.0)% in November (3-month moving average) to \$3.82 billion. Year over year chip sales in the Americas were down (3.8)%, while total worldwide sales increased by 2.3%. While unit demand is strong, the average selling price in key product segments has declined.

The **U.S. Consumer Price Index (CPI)** (3-month moving average) increased by 0.2% in December. The year over year increase was 4.0%. All sub-indices of the CPI increased in December, with the index for energy accounting for almost one-third of the overall increase.

ARIZONA

December total statewide **non-farm employment** increased, year over year, by 1.3%. By comparison, the November year-over-year average growth rate in the prior 10 years was 3.3%. Arizona's **unemployment rate** increased from 4.1% in November to 4.7% in December.

While 9 of 11 major industries gained jobs, job losses occurred in the construction and government sectors. **Construction employment** decreased by (9.7)% compared to December 2006. The average year-over-year growth rate for December in the past 10 years was 6.4%. Of all major construction sectors, specialty trades experienced the greatest losses.

Statewide, the number of **single-family residential building permits** (3-month moving average) declined (41.7)% on a year-over-year

basis, to 1,765. The comparable number of **multi-family building permits** authorized increased, however, to 1,190 between September and November, resulting in a year-over-year increase of 138.1%. As in prior years, permitting activity in the multi-family segment continues to have significant volatility.

According to statistics released by the Real Estate Center at Arizona State University, the number of existing **single-family homes sold** in December totaled 3,290, or (28.8)% less than December 2006 sales. The **single-family median resale home price** also decrease in December to \$232,000, (7.3)% below the median price during the same time a year ago. Also decreasing, but at a lower rate, was the **townhouse-condominium median price** which fell (4.6)% below December 2006 levels, to \$167,000.

An alternative method to gauge housing prices is the **S&P/Case-Shiller Home Price Index**, which tracks repeat sales of the same home. The ASU data, on the other hand, could be influenced by changes in the average square feet of sold homes. In October, the index for Phoenix stood at 200.72, or (10.6)% below October 2006 levels. Besides Phoenix, only 5 other areas posted double digit, year-over-year declines. These areas included Miami (12.6)%, Tampa (11.8)%, Detroit (11.2)%, San Diego (11.1)%, and Las Vegas (10.7)%.

The **Arizona Business Conditions Index (BCI)** dropped (12.1)% in December to 47.3. A reading of over 50 corresponds to local economic growth, while a reading below 50 suggests a slowdown in the overall level of economic activity in the near term. The reported decline in the index is attributable primarily to the production component, followed by the purchases component and the price index.

An alternative measure of statewide business sentiment is the University of Arizona's **Business Leaders Confidence Index (BLCI)**. In the 1st quarter of 2008, the BLCI fell to 40.4, signifying that conditions continue to deteriorate. At 40.4, the index is (22.2)% below the index a year ago , and (4.9)% below the prior quarter. All 6 components contributed to the lower reading relative to the prior quarter, with the national economy, capital expenditures



Recent Economic Indicators (continued)



and hiring categories registering the biggest percentage decreases. Like recent surveys, the sales expectations component continued to post the highest results while the national economy remains the lowest.

The Census Bureau reported that **Arizona's population** grew to 6,338,755 in 2007, an increase of 173,066 from 2006. Only 5 other states – Texas, California, Georgia, Florida, and North Carolina – added more people during the year. Further, Arizona's estimated year-over-year growth rate of 2.8% was the second fastest growth rate in the nation. Nevada, at 2.9%, had the highest growth rate on a percentage basis.

In January, the **AHCCCS caseload** slightly increased to 1,086,473 members. At the current level, the number of AHCCCS members has increased by 56,771 members or

5.5% above January 2007 enrollment.

The number of TANF recipients decreased (1.3)% in November to 83,393 recipients and is (1.0)% below the November 2006 count. The state budget projects 84,700 recipients in FY 2008.

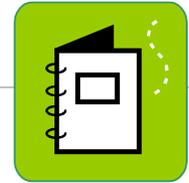
Between October and December, the **Department of Corrections' inmate population** increased by an average of 37 inmates per month. At this level, the department's inmate population growth is significantly less than the budgeted increase of 160 inmates per month. The total population grew by 1,884 inmates from a year ago to a 3 month average population of 37,667 inmates.

Table 5

RECENT ECONOMIC INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
- Unemployment Rate	December	4.7%	14.6%	14.6%
- Non-Farm Employment – Total	December	2.76 million	0.4%	1.3%
Manufacturing	December	186,900	0.4%	0.2%
Construction	December	227,700	(1.3)%	(9.7)%
- Contracting Tax Receipts (3-month average)	Oct-Dec	\$76.8 million	(0.4)%	(5.9)%
- Retail Sales Tax Receipts (3-month average)	Oct-Dec	\$157.5 million	(0.8)%	(1.6)%
- Residential Building Permits (3-month moving average)				
Single-unit	Sep-Nov	1,765	(22.8)%	(41.7)%
Multi-unit	Sep-Nov	1,190	50.8%	138.1%
- Greater Phoenix Existing Home Sales				
Single-Family	December	3,290	0.3%	(28.8)%
Townhouse/Condominium	December	635	(5.2)%	(27.8)%
- Greater Phoenix Median Home Sales Price				
Single-Family	December	\$232,000	(0.8)%	(7.3)%
Townhouse/Condominium	December	\$167,000	(7.3)%	(4.6)%
- S&P/Case-Shiller Home Price Index	October	200.72	(2.2)%	(10.6)%
- Phoenix Sky Harbor Air Passengers	November	3.4 million	(2.9)%	(0.4)%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	October	\$7.02	0.9%	13.2%
- Leading Indicators Index	September	120.4	(0.9)%	0.8%
- Business Conditions Index (>50 signifies expansion)	December	47.3	(12.1)%	(13.8)%
- Consumer Confidence Index	3 rd Quarter 2007	101.9	(4.1)%	(0.8)%
- Business Leaders Confidence Index	1 st Quarter 2008	40.4	(4.9)%	(22.2)%
- Arizona Personal Income	3 rd Quarter 2007	\$210.9 billion	1.4%	5.9%
- Arizona Population	July 1, 2007	6.34 million	173,066	2.8%
- AHCCCS Recipients	January	1,086,473	0.6%	5.5%
- TANF Recipients	November	83,393	(1.3)%	(1.0)%
- DOC Inmate Growth (3-month average)	Oct-Dec	37,667	37 inmates	1,884 inmates
United States				
- Real Gross Domestic Product (seasonally adjusted annual growth rate)	3 rd Quarter 2007	\$11.7 trillion	4.9%	2.7%
- Consumer Confidence Index	December	88.6	1.5%	(19.5)%
- Leading Indicators Index	December	136.5	(0.2)%	(1.1)%
- U.S. Semiconductor Billings (3-month moving average)	Sep-Nov	\$3.82 billion	(1.0)%	(3.8)%
- Consumer Price Index (3-month moving average)	Oct-Dec	209.7	0.2%	4.0%

Summary of Recent Agency Reports



AHCCCS – Report on Emergency and Non-Emergency Transportation – Pursuant to Laws 2007, Chapter 263, AHCCCS is submitting its report on emergency and non-emergency transportation. The report lists the costs of these transportation services and potential cost-saving modifications. AHCCCS is federally mandated to provide emergency transportation services to AHCCCS members. In addition, AHCCCS is required to cover some non-emergency transportation services. Non-emergency transportation is provided when free transportation is unavailable and the recipient is unable to arrange or pay for transportation; the service requires prior authorization and must be medically necessary and ordered in writing by a network provider.

A state may classify non-emergency transportation as an administrative expense and receive a 50% federal match or it may classify it as an optional medical service and receive the standard 66% federal match. AHCCCS has chosen to classify non-emergency transportation as an optional medical service to receive the higher matching rate. Although described as an “optional” service, AHCCCS states that federal regulations require the state to ensure necessary transportation for AHCCCS recipients, including both emergency and non-emergency transportation.

For calendar year 2006, AHCCCS spent \$15.1 million from the General Fund and \$45.4 million in Total Funds on non-emergency transportation. This is in addition to the \$31.8 million from the General Fund and \$95.4 million in Total Funds spent on emergency transportation during this time period. AHCCCS reports that cost savings could be realized by using a transportation brokerage program and requiring members to make copayments for non-emergency transportation services. AHCCCS did not commit to exploring these options.

AHCCCS – Report on Interstate Agreement with Hawaii – Pursuant to A.R.S. § 36-2925H and a General Appropriation Act footnote, AHCCCS has submitted its annual report on the status of an Interstate Agreement with the State of Hawaii.

This report summarizes the continued activities associated with the agreement between AHCCCS and Hawaii for data processing with the AHCCCS Prepaid Medicaid Management Information System (PMMIS). Cost savings to AHCCCS resulting from this agreement are deposited into a special fund. This fund had an ending FY 2007 balance of \$2,170,800, including \$555,200 deposited in FY 2007. As per A.R.S. § 36-2926, these funds are limited to technology projects and IT staff recruitment. In FY 2008, AHCCCS will spend a significant portion of these dollars on equipment replacement and programming costs for various programs including Health Insurance Portability and Accountability Act (HIPAA) implementation, National Provider Identifier requirements, Imaging, Business Continuity, Virtual Office, and the Decision Support System.

AHCCCS – Report on Systematic Alien Verification for Entitlements Program – Pursuant to A.R.S. § 36-2903.03, the Arizona Health Care Cost Containment System (AHCCCS) is providing its quarterly report on the collection and verification of documentation associated with the Systematic Alien Verification for Entitlements (SAVE) program. Laws 2006, Chapter 191 requires all AHCCCS applicants to provide documentation verifying their immigration status to qualify for AHCCCS services. If AHCCCS determines this documentation to be fraudulent, the applicant is referred for prosecution.

AHCCCS, in conjunction with DES, verified the immigration status of 19,259 individuals between July 1, 2007 and September 30, 2007. *Table 1*

below shows the number of verifications completed by agency by month. This is an increase of 4,725 above the 14,534 verifications that were completed during the previous quarter. During this period, AHCCCS and DES did not identify any fraudulent documents using the SAVE program. In the previous quarter which ended June 30, 2007, AHCCCS and DES also did not identify any fraudulent residency documents. However, 2 citizens were referred for prosecution pursuant to State and Federal law regarding fraudulent schemes.

Table 1
SAVE Immigration Status Verifications
July 1, 2007–September 30, 2007

Month	AHCCCS	DES	Total
July	1,047	5,509	6,556
August	1,033	5,849	6,882
September	917	4,904	5,821
Total	2,997	16,262	19,259

Attorney General - Quarterly Report on Expenditures from Appropriation for Crane Lawsuit - In September 2001, 7 school districts filed the Crane lawsuit, which claimed that the current Arizona school finance system is unconstitutional because it does not provide at-risk students with programs and funding needed in order to meet state academic standards. In FY 2004, the Legislature appropriated \$500,000 to the Attorney General for legal fees incurred by outside counsel in defending the state.

Pursuant to Laws 2003, 2nd Special Session, Chapter 4, the Office of the Attorney General is required to report on a quarterly basis to the Joint Legislative Budget Committee the amount expended from the appropriation for the Crane lawsuit. As of December 31, 2007, a total of \$479,000 has been spent. Of this amount, \$474,600 was spent on outside legal services and \$4,500 was spent on external printing. The

Summary of Recent Agency Reports (Continued)

agency expended \$7,600 in FY 2007 and \$1,100 in the first half of FY 2008. The remaining unexpended balance is \$21,000.

Arizona Department of Corrections – Report on Monthly Bed Plan Update – The Department of Corrections (ADC) has provided a report to JLBC Staff updating the status of several topics related to their bed plan. The highlights include the following:

- The department received funding to contract for a total of 2,160 beds at the Diamondback Facility in Watonga, Oklahoma. Through December, 2,090 of those beds were occupied.
- Indiana has capped the number of Arizona inmates housed at their New Castle Facility at 630 inmates (of 1,260 scheduled beds). ADC indicates they are in the process of implementing a plan to secure replacement beds and transfer inmates, however, no further details were provided. As a result of a disturbance at the facility on April 24, the Henry County prosecutor filed charges against 27 Arizona inmates.
- Between September and November, ADC transferred 916 medium custody inmates to the Great Plains Facility in Hinton, Oklahoma. The FY 2008 budget provided funding to the department to fill 916 beds beginning September 2007, and an additional 424 beds beginning in May 2008. Currently, ADC indicates the next transfer will be delayed until August 2008 as the facility is under construction and the transfer would include an additional 1,084 (not 424) inmates.

Arizona Department of Corrections/Arizona Department of Administration – Report on the Status of Public and Private Beds – Laws 2007, Chapter 261 authorized the Arizona Department of Administration (ADOA) to contract for 2,000 new

private prison beds as well as the construction of 4,000 new public beds – to be funded via a 20-year, \$200 million lease-purchase agreement. Chapter 261 also requires ADOA and the Arizona Department of Corrections (ADC) to report jointly to Joint Committee on Capital Review (JCCR) by the end of each calendar quarter on the status of the construction of the new beds.

2,000 Private Beds

Responses to the Request for Proposal (RFP) issued by ADOA for 2,000 minimum custody private prison beds were due November 21, 2007. Three offerors responded, including Corrections Corporation of America, The GEO Group, and Management and Training Corporation. Their responses are currently being evaluated and ADOA plans to award the contract at the beginning of February. The contract, when awarded, will include a work plan and milestones in several areas, such as, the development of policies and procedures, hiring and training, and a construction schedule.

4,000 Public Beds

In December, the JCCR gave a favorable review for ADOA's plan to issue \$200 million worth of certificate of participation's (COP) to fund the construction of 4,000 new public beds. While ADOA's initial timeline for COP financing had a targeted completion date in January, current estimates indicate the COP's will be offered to investors in March.

Also during the second quarter, ADOA issued a RFP for Architectural services and a solicitation for Construction Manager at Risk. The RFP for architectural services had responses from 4 private vendors. Only 1 firm responded to the Construction Manager at Risk solicitation. All responses are currently being evaluated.

Department of Education – Budget Status Report – Pursuant to A.R.S. § 35-131(D) and a footnote in the FY 2008 General Appropriation Act, the Arizona Department of Education (ADE) recently provided an update regarding its budget status for FY 2008. In that report, ADE estimates that it will experience a \$53.5 million surplus for FY 2008. Some of those monies, however, remain in a dedicated fund if they are unused and do not revert to the General Fund. After adjusting for that factor, the net surplus is \$43.5 million. In comparison, ADE previously reported a \$66.1 million estimated surplus. The current \$43.5 million estimate is subject to considerable change once Average Daily Membership (ADM) counts for the current school year become available. Those counts, however, are not expected to become available until late in the current fiscal year.

Intel Corporation – Status Report on the Fab 32 Construction Project – Laws 2005, Chapter 289 provides that corporations that meet the conditions of Chapter 289 may use an enhanced sales factor in the calculation of business income for corporate income tax purposes beginning in Tax Year 2007. Chapter 289 requires that corporations that have made capital investment commitments on a project under this legislation are required to file a status report on the project by December 31 of each year through 2008.

The Intel Corporation's Fab 32 project, located at Intel's Ocotillo Campus in Chandler, is the only project that has met the conditions of Chapter 289. Intel reports that the \$3 billion Fab 32 building was completed in 2007 and is the world's first 45 nanometer high volume manufacturing facility. Intel notes that the factory's 45 nanometer process results in a 15% reduction in global warming emissions and its water conservation and reuse program conserves more than 70% of water

Summary of Recent Agency Reports (Continued)

use. The factory began production in October and employs more than 1,000 engineering and senior manufacturing technician jobs. Intel is seeking certification for the facility for achieving the highest environmental construction standards.

Commission for Postsecondary Education – Report on Postsecondary Education Grant Program – A.R.S. § 15-1855 requires the Commission for Postsecondary Education to report annually on its Postsecondary Education Grant (PEG) program.

The PEG program provides grants to students attending private postsecondary institutions. The program was launched in March 2007; therefore the report only reflects activity for the last 4 months of FY 2007. During that time period, a total of \$1.8 million was disbursed to 1,077 grantees in FY 2007 representing 21 private postsecondary schools. According to the Commission, there currently is no waiting list for qualified applicants.

Public Programs Eligibility Report – As enacted by voters at the November 2006 election, Proposition 300 limits participation in the Adult Education and Child Care programs to citizens, legal residents, or other persons lawfully present in the United States. Proposition 300 also prohibits persons who are not citizens, legal residents, or otherwise lawfully present from being entitled to classification as an in-state or in-county resident for university or community college tuition purposes, or from receiving state funded financial assistance. The proposition requires the state agencies administering the programs described above (and the Family Literacy Program) to report twice annually to the Joint Legislative Budget Committee the total number of persons qualifying for these programs, as well as the number of persons deemed ineligible due to their citizenship, residency, or immigration status.

All required agencies submitted reports. Additionally, there is some degree of variability in the timeframe and classification of the reporting requirements. Below is a summary of the reports:

Community Colleges – District-wide, the Community Colleges reported a total of 221,024 students classified as in-state. They reported 3,504 students who were not entitled to be classified as in-state because of a lack of lawful immigration status or unverifiable. Additionally, 55,360 students applied for financial aid. Of those who applied, the community colleges reported that 246 were not entitled to any aid because they were not a citizen or legal resident, were not lawfully present in the United States, or were unverifiable.

Universities – At the 3 universities, 122,963 students registered for fall 2007 semester. Of the total students registered, the universities were able to verify the legal immigration status of 112,761 students. Additionally, the universities reported that 8,652 of these students did not require verification because they have either not requested, or received in-state tuition or state supported financial aid. The universities reported that a total of 406 students were unverifiable due to their inability to provide the requisite documentation.

Department of Economic Security – The Department reported that 13,146 applications were received for child care assistance. Of this number, 44 were denied because criteria for citizenship or legal residency were not met.

Arizona Department of Education – The Department reported that 18,276 people applied for instruction in Arizona Adult Education during the reporting period. Of this amount, 1,149 were denied instruction because they failed to provide acceptable evidence of citizenship or legal residence in the U.S. Additionally, the Family Literacy

Program reported a total of 226 participants for services. Of this amount, 30 were not eligible for enrollment.

ADOT – Report on Local Transportation Assistance Fund II (Mass Transit) – A.R.S. § 28-8103 requires the Arizona Department of Transportation (ADOT) to submit an annual report on the allocation of Local Transportation Assistance Fund II (LTAF II) monies by January 1st of each year. The statutory maximum annual allocation is \$18,000,000. ADOT reports that they allocated \$10,098,200 of FY 2007 LTAF II revenue to counties and local governments. ADOT distributed the \$10,098,200 of FY 2007 revenues the following fiscal year on October 15, 2007.

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

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

DWR reports that for the quarter ending December 31, 2007, the department collected \$152,249, bringing year-to-date collections for the first half of FY 2008 to \$273,531. This amount is 19% below collections for the same period in FY 2007. Actual collections have been lower than expected, which DWR notes is due to the declining housing market. The department previously estimated total FY 2008 revenues of \$1.1 million.

State of Arizona

General Fund Revenue

Change from Previous Year and Enacted Forecast

December 2007

	Current Month					FY 2008 YTD (Six Months)				
	Actual December 2007	Change From December 2006		Forecast		Actual December 2007	Change from December 2006		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	362,105,035	(\$131,355)	(0.0) %	(\$32,370,365)	(8.2) %	\$2,228,380,939	\$65,379	0.0 %	(\$184,734,961)	(7.7) %
Income - Individual	363,998,775	3,531,085	1.0	(25,522,725)	(6.6)	1,772,870,339	(14,203,741)	(0.8)	(164,206,961)	(8.5)
- Corporate	120,092,770	(49,498,025)	(29.2)	(37,786,530)	(23.9)	414,071,378	(76,835,989)	(15.7)	(75,740,222)	(15.5)
Property	4,812,177	(509,244)	(9.6)	(1,187,823)	(19.8)	10,593,212	(2,896,148)	(21.5)	(6,906,788)	(39.5)
Luxury	5,202,446	(1,257,751)	(19.5)	(712,554)	(12.0)	30,165,086	(7,595,817)	(20.1)	(5,324,914)	(15.0)
Insurance Premium	31,678,231	2,430,022	8.3	6,678,231	26.7	152,244,870	8,480,001	5.9	11,144,870	7.9
Estate	0	(44,456)	(100.0)	0	--	260,778	1,213,451	--	260,778	--
Other Taxes	45,245	(4,360)	(8.8)	(19,880)	(30.5)	287,191	(27,079)	(8.6)	(103,559)	(26.5)
Sub-Total Taxes	\$887,934,679	(\$45,484,084)	(4.9) %	(\$90,921,646)	(9.3) %	\$4,608,873,793	(\$91,799,943)	(2.0) %	(\$425,611,757)	(8.5) %
Other Revenue										
Lottery	3,280,200	653,300	24.9	926,500	39.4	17,014,719	989,419	6.2	823,119	5.1
License, Fees and Permits	2,891,123	(383,185)	(11.7)	(421,477)	(12.7)	18,483,760	(3,915,946)	(17.5)	(2,631,040)	(12.5)
Interest	9,806,297	1,018,158	11.6	1,754,297	21.8	56,877,281	13,265,022	30.4	16,079,381	39.4
Sales and Services	5,455,698	1,642,573	43.1	605,998	12.5	22,619,956	2,011,241	9.8	(2,696,244)	(10.7)
Other Miscellaneous	1,982,848	(854,235)	(30.1)	(705,252)	(26.2)	13,070,488	(2,537,751)	(16.3)	2,104,688	19.2
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	17,202,559	15,362,861	835.1	4,492,559	35.3	33,013,446	30,080,549	--	18,753,446	131.5
Sub-Total Other Revenue	40,618,725	17,439,472	75.2 %	6,652,625	19.6 %	161,079,650	39,892,534	32.9 %	32,433,350	25.2 %
TOTAL BASE REVENUE	\$928,553,404	(\$28,044,612)	(2.9) %	(\$84,269,021)	(8.3) %	\$4,769,953,443	(\$51,907,409)	(1.1) %	(\$393,178,407)	(7.6) %
One-Time Revenue										
Urban Revenue Sharing	(57,044,911)	(11,109,023)	24.2	0	0.0	(342,269,463)	(66,654,133)	24.2	0	0.0
Sub-Total One-Time Revenue	(57,044,911)	(11,109,023)	24.2 %	0	0.0 %	(342,269,463)	(66,654,133)	24.2 %	0	0.0 %
TOTAL REVENUE	\$871,508,493	(\$39,153,635)	(4.3) %	(\$84,269,021)	(8.8) %	\$4,427,683,980	(\$118,561,542)	(2.6) %	(\$393,178,407)	(8.2) %