

JLBC - Monthly Fiscal Highlights

January 2016

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**“For FY 2017,
with General
Fund revenues
of \$10.0 billion
and spending
of \$9.37 billion,
the budget has
a projected FY
2017 cash
balance of
\$625 million.”**

This report has been
prepared for the Arizona
Legislature by the Joint
Legislative Budget
Committee Staff on
January 20, 2016.

Summary

December 2015 General Fund collections of \$844.0 million were (4.8)% below the prior year, and were \$2.1 million above the enacted budget forecast. The decline in revenues during the month was driven by a (45.8)% drop in Corporate Income Tax collections.

The large decline in the tax category is an indication that the state may finally be experiencing the revenue loss from the corporate tax reductions that began to be phased in on January 1, 2014 (Tax Year 2014).

As noted in prior versions of the *Monthly Fiscal Highlights*, while TY 2014 Corporate returns would typically be filed in April 2015 (FY 2015), it was assumed that most large Corporate filers would receive 6-month extensions and file returns during October 2015. These returns were then processed by DOR and it appears the state is now realizing a portion of the revenue loss from the tax reductions. Evidence of this processing can be seen in the large increase in Corporate Income Tax refunds during December, as refunds increased from \$19.4 million in December 2014 to \$50.0 million in December 2015.

The states core revenue categories – Sales Tax and withholding – had minimal growth during the month. Sales tax collections increased by 1.1% during December, and withholding actually declined by (1.1)% for the month.

Year-to-date, base General Fund revenues are 2.9% above the prior year, and are \$210.4 million above forecast. Excluding the one-time tax amnesty, year-to-date revenues are \$178.4 million above forecast.

In comparison to revenue collections of \$844.0 million, December 2015 spending was \$599.0

million, which is a decrease of \$(22.6) million from the prior year.

Fiscal year-to-date, General Fund revenues of \$4.50 billion have been offset by \$5.76 billion of expenditures.

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-January 2015 is \$2.0 billion. In addition, the state's Budget Stabilization Fund has a balance of \$459.4 million.

JLBC Baseline Summary

On January 15, the JLBC released its **FY 2017 Baseline budget**. The Baseline reflects a consensus economic forecast and statutory funding formula requirements. In summary:

- Given forecasted FY 2016 General Fund revenues of \$9.74 billion and spending of \$9.24 billion, the budget has a projected FY 2016 cash balance of \$499 million.
- For FY 2017, with General Fund revenues of \$10.0 billion and spending of \$9.37 billion, the budget has a projected FY 2017 cash balance of \$625 million.
- While the state is projected to have a significant cash balance for FY 2017, the structural balance is only estimated to be \$26 million.
- The ending balance projections exclude the state's Budget Stabilization Fund reserve of \$460 million.

In addition, the JLBC Staff has also published a comparison of the **Baseline with the Executive Budget**.

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December Revenues

Table 1

General Fund Revenues (\$ in Millions)			
	<u>FY 2016 Collections</u>	<u>Difference From Budget Forecast</u>	<u>Difference From FY 2015</u>
December	\$ 844.0	\$ 2.1	\$ (42.5)
Year-to-Date	\$ 4,499.1	\$ 210.4	\$ 138.8

Sales Tax collections of \$348.3 million were 1.1% above December of last year but (1.3)% below forecast for the month. Year to date, sales tax collections are up by 3.1% compared to last year and \$3.2 million above forecast.

Table 2 below includes the major categories of the state's sales tax, which together account for approximately 90% of total collections.

None of the major TPT categories performed well in December. The retail sales tax increased by 4.7% in December, the weakest year-over-year growth since January 2015. Prime contracting experienced another month of double-digit decline in December, with collections decreasing by (19.7)%, year over year.

As has been discussed in prior months, the retail growth and contracting decline appears to be related to "TPT Simplification" legislation enacted in 2013. Beginning in 2015, the tax base for building materials changed from contracting to retail.

Table 2

Sales Tax Growth Rates Compared to Prior Year		
	<u>December</u>	<u>YTD</u>
Retail	4.7%	9.2%
Contracting	(19.7)%	(18.1)%
Use	(0.3)%	(1.1)%
Restaurant & Bar	2.3%	4.9%
Utilities	3.7%	1.9%

Individual Income Tax net revenues were \$420.8 million in December, which were \$(0.5) million less than the prior year and \$12.1 million above forecast for the month. Year-to-date, revenue has grown 5.4% over the prior year to a level that is \$147.3 million above forecast.

As indicated in Table 3, withholding decreased by (1.1)% for the month and was \$(5.4) million below the forecast. The weak month was likely the result of having 1 less processing day compared to December of 2014. Year-to-date withholding collections are 2.8% above FY 2015 and \$53.2 million above the forecast.

December estimated and final payments of \$117.2 million were 41.0% above last year and \$44.1 million above the forecast. Year-to-date, payments are \$105.0 million above the budget forecast. Strong payment and weak withholding collections year-to-date continues the pattern of collections seen in FY 2015.

December Individual Income Tax refunds totaled \$(30.2) million – this compares to \$0.8 million in December 2014

and a forecasted amount of \$(3.5) million. Of the monthly total, \$(23.5) million represents an adjustment for underreporting of refunds during the prior 4 months. Year-to-date, refunds have led to a \$(10.9) million loss compared to the enacted forecast.

Table 3

Individual Income Tax Growth Rates Compared to Prior Year		
	<u>December</u>	<u>YTD</u>
Withholding	(1.1)%	2.8%
Estimated/Final Payments	41.0%	22.7%
Refunds	N/A%	11.1%

Corporate Income Tax net collections were \$67.8 million in December, which was (45.8)% less than the prior year. Collections for the month were \$(30.1) million below the forecast. The weak month is thought to result from delayed use of tax reductions that first became available in tax year 2014. Year to date, collections are \$35.3 million above forecast.

Insurance Premium Tax collections of \$19.1 million in December were \$7.5 million above the prior year and \$6.0 million above the forecast. Year-to-date, collections are \$10.0 million above forecast.

Tax Amnesty – Pursuant to Laws 2015, Chapter 10, the Department of Revenue operated a Tax Amnesty program between September 1 and October 31. During that period, taxpayers who owed money to DOR could avoid all penalties and interest by voluntarily reporting and paying the back taxes. In total, \$47.0 million was collected from the program, which was \$32.0 million more than budgeted. Table 4 below shows the portion of collections in each category from amnesty. In Table 5, amnesty collections are reported with the regular collections for each category.

Table 4

Tax Amnesty Collections By Category	
	<u>\$ in M</u>
Sales Tax	\$ 15.1
Individual Income Tax	11.0
Corporate Income Tax	20.9
Total	\$47.0

Due to the implementation of a new accounting system, DOR has made **technical adjustments** to prior month collection figures. For December, DOR has deducted \$(0.5) million from prior General Fund revenue collections, and the adjustment has been included in the reported year-to-date results.

Table 5

General Fund Revenue: Change from Previous Year and Budget Forecast December 2015

	Current Month					FY 2016 YTD (Six Months)				
	Actual December 2015	Change From				Actual December 2015	Change from			
		December 2014		Budget Forecast			December 2014		Budget Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$348,345,894	\$3,900,941	1.1 %	(\$4,668,434)	(1.3) %	\$2,116,900,367	\$62,954,961	3.1 %	\$3,235,631	0.2 %
Income - Individual	420,765,658	(494,200)	(0.1)	12,091,804	3.0	2,088,735,691	107,390,343	5.4	147,290,024	7.6
- Corporate	67,786,467	(57,214,078)	(45.8)	(30,075,332)	(30.7)	257,138,628	(48,348,696)	(15.8)	35,321,984	15.9
Property	7,720,506	(4,902,826)	(38.8)	2,067,096	36.6	20,900,193	2,238,283	12.0	7,380,502	54.6
Luxury - Tobacco	1,769,671	(185,269)	(9.5)	0	0.0	11,682,455	(220,361)	(1.9)	198,965	1.7
- Liquor	3,049,645	77,192	2.6	0	0.0	15,887,197	160,054	1.0	(241,916)	(1.5)
Insurance Premium	19,119,526	7,469,486	64.1	5,983,732	45.6	157,899,311	15,811,584	11.1	10,003,779	6.8
Other Taxes	320,593	(61,332)	(16.1)	(31,307)	(8.9)	2,656,285	(172,370)	(6.1)	(81,507)	(3.0)
Sub-Total Taxes	\$868,877,959	(\$51,410,086)	(5.6) %	(\$14,632,441)	(1.7) %	\$4,671,800,126	\$139,813,799	3.1 %	\$203,107,463	4.5 %
<u>Other Revenue</u>										
Lottery	0	(4,662,000)	(100.0)	0	--	12,931,475	(2,395,125)	(15.6)	2,294,285	21.6
License, Fees and Permits	3,055,874	(225,762)	(6.9)	249,790	8.9	15,223,874	(308,631)	(2.0)	(1,056)	(0.0)
Interest	597	(3,799)	(86.4)	(3,799)	(86.4)	10,098	(7,231)	(41.7)	(7,231)	(41.7)
Sales and Services	4,086,049	2,689,879	192.7	2,753,272	206.6	8,668,341	202,484	2.4	(238,103)	(2.7)
Other Miscellaneous	11,943,416	9,175,547	331.5	10,170,861	573.8	20,929,175	7,188,053	52.3	9,262,972	79.4
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	6,550,751	1,632,079	33.2	3,550,751	118.4	14,013,176	(9,859,178)	(41.3)	(3,986,824)	(22.1)
Sub-Total Other Revenue	\$25,636,687	\$8,605,944	50.5 %	\$16,720,876	187.5 %	\$71,776,139	(\$5,179,629)	(6.7) %	\$7,324,042	11.4 %
TOTAL BASE REVENUE	\$894,514,646	(\$42,804,142)	(4.6) %	\$2,088,435	0.2 %	\$4,743,576,265	\$134,634,170	2.9 %	\$210,431,504	4.6 %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(50,469,528)	275,114	--	(3)	0.0	(302,817,167)	1,650,690	--	(17)	0.0
One-Time Transfers	0	0	--	0	--	58,382,000	2,512,953	4.5	0	0.0
Sub-Total Other Adjustments	(50,469,528)	275,114	-- %	(3)	0.0 %	(244,435,167)	4,163,643	-- %	(16)	0.0 %
TOTAL GENERAL FUND REVENUE	\$844,045,118	(\$42,529,028)	(4.8) %	\$2,088,432	0.2 %	\$4,499,141,098	\$138,797,813	3.2 %	\$210,431,488	4.9 %
<u>Non-General Funds</u>										
Highway User Revenue Fund	\$111,964,767	\$6,114,385	5.8 %	\$4,530,459	4.2 %	\$661,566,146	\$37,537,944	6.0 %	\$22,933,443	3.6 %

Monthly Indicators

NATIONAL

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Real Gross Domestic Product (GDP)** increased at an annual rate of 2.0% in the third quarter of 2015. This estimate represents a slowdown from the 3.9% growth in the second quarter of 2015. The deceleration was primarily due to a reduction in inventory investment and slower growth in consumption, state and local government spending, residential and non-residential investment and exports. Declining performance in these categories was partly offset by deceleration in imports.

The Conference Board's **U.S. Consumer Confidence Index** increased 3.9 points in December, reversing part of a (10.0) point drop over the 2 prior months. The monthly increase involved a widespread reversal from the negative employment and economic outlook in prior months. Economists think that the index's improvement was driven by recent positive job reports and continued decreases in gas prices. Year-over-year growth increased 3.7% since December 2014.

The Conference Board's **U.S. Leading Economic Index** increased by 0.4% in November, following a 0.6% increase in the prior month. The index stands 3.4% above its November 2014 reading. Of the index's 10 components, only 5 made positive contributions in November. Overall growth in the index was driven primarily by positive building permits data and movement in interest rates. These contributions were partly offset by negative data on initial unemployment insurance claims and manufacturing orders.

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Personal Consumption Expenditure Price Index (PCEPI)** was flat in November, relative to October. The measure stands at just 0.4% above the November 2014 level. The index's annual growth has been pulled well below the Federal Reserve Bank's (Fed) 2% annual inflation target, largely due to a (15.8)% year-over-year decrease in energy prices. Annual growth in the core index (all items except food and energy), however, has grown by a steadier 1.3% through November. The Fed's recent decision to begin increasing short-term interest rates indicates that the bank is focusing more on the measure of core inflation than the overall measure.

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.

Arizona's coincident index increased by 3.7% compared to November 2014. Over the same time period, the U.S. coincident index increased by 3.1%. Currently, Arizona's rate of annual coincident index growth is 17th in the nation. Last year at this time, Arizona's rate was 33rd highest among states. See *Appendix A – Tracking Arizona's Recovery* for additional historical information.

Housing

Single-family housing construction is accelerating, while multi-family construction has peaked. Arizona's 12-month total of **single-family building permits** is 22,184, or 27.1% more than a year ago. The comparable single-family permit growth rate for the entire U.S. is 10.0%. See *Appendix A – Tracking Arizona's Recovery* for historical information.

The 12-month total of multi-family building permits was increasing strongly compared to last year, but has recently leveled off. Arizona's total of 9,794 **multi-family building permits** is (4.3)% below 2014. Arizona's rate of increase is now significantly less than the comparable multi-family permit growth for the U.S. as a whole, which is 19.0% above 2014.

In November, the **Average Weekly Hours** worked by individuals in Arizona's private sector was 34.8 hours. This workload is equal to the November 2014 level. The **Average Hourly Earnings** received by these private sector workers was \$23.49, which is 0.8% above the average in the prior month. November earnings were 3.0% above the average in November 2014. This represents the largest year-over-year growth rate in hourly earnings in the past 2 years.

The U.S. Department of Commerce Bureau of Economic Analysis quarterly releases estimates of annual **Personal Income** received in each state. This measure includes wages and salaries, proprietors' income, dividends, interest, rent, and various supplements to income while excluding capital gains, contributions for government social insurance, and pension benefit payments. In the third quarter of 2015, Arizona personal income increased year-over-year by 5.3%, to \$269.5 billion.

Monthly Indicators (Continued)

According to the U.S. Census, Arizona's **population** was estimated to be 6.83 million as of July 1, 2015. This was a net increase of 1.5%, or 99,300 persons over July 1, 2014. An estimated 64%, or equivalently, 63,300 of the population increase was attributable to net migration. By way of comparison, the Employment and Population Statistics Unit of the Arizona Department of Administration estimates that Arizona's population was 6.76 million on July 1, 2015.

Tourism

Revenue per available room reached \$64.39 in November, which was 7.5% above the amount in November 2014. Year-to-date, revenue per available room is 12.0% above the 2014 year-to-date amount through November. Ridership during November through Phoenix Sky Harbor Airport increased 4.0% above the level in November 2014.

State Agency Data

At the beginning of January 2016, the total **AHCCCS** caseload was 1.80 million members. Since the federal health care expansion in January 2014, the overall AHCCCS population has grown by 544,200 members.

Total monthly enrollment decreased (0.2)% during December, the first monthly decrease since February 2015. The overall decrease in December was partly due to enrollment of Traditional population of lower income children and their parents. Enrollment in this population fell (2,700) in December to a level of 1,053,300 members. The February level represents a decrease of (0.3)% since last month. This decrease was partly offset by an enrollment increase of 2,100, or 1.1%, in the Proposition 204 Parent population.

In January 2014, the state started accepting new enrollment to the Proposition 204 childless adults program. In December 2015, the childless adult population decreased by (2,100), or (0.7)%. At 306,500, this population is 9.8% higher than a year ago.

The state also opted to expand adult Medicaid coverage to 133% of FPL. Their enrollment increased by 800 in December and now totals 79,600 individuals. Enrollment is 118.8% higher than a year ago. The federal government is currently paying 100% of this cost.

According to data the Department of Child Safety published for October 2015, **reports of child maltreatment** totaled 51,130 over the last 12 months, an increase of 6.5% over the prior year. Reports of child maltreatment were lower in September and October 2015 compared to each of the same months in the prior

year. There were 18,927 **children in out-of-home care** as of October 2015, or 10.1% more than in October 2014. Compared to the prior month, the number of out-of-home children increased by 1.4%. The Department of Economic Security (DES) reported that there were 23,243 **TANF recipients** in the state in January, representing a monthly caseload decrease of (2.2)% from December. The year-over-year number of TANF recipients has declined by (20.2)%. 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 January, there were a total of 988,067 food stamp recipients in the state, a (0.8)% decrease over the prior month. Compared to January caseloads last year, the level of food stamp participation has declined by (4.9)%.

As of December 31, 2015, ADC reported an **inmate population** of 42,722. The population dropped by 72, and this was a (0.2)% decrease since November. This was a 1.3% increase since December 2014. ADC reported 42,183 inmates at the end of December 2014.

Table 6

MONTHLY INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
<u>Employment</u>				
- Regular Unemployment Rate	November	6.0%	(0.0)%	(0.6)%
- Total Unemployment Rate (discouraged/underemployed)	3 rd Q 2015	13.6%	(0.2)%	(1.5)%
- Initial Unemployment Insurance Claims	November	15,685	(8.4)%	(2.2)%
- Unemployment Insurance Recipients	August	29,157	(23.0)%	(32.2)%
- Non-Farm Employment - Total	November	2.70 million	1.1%	2.5%
Manufacturing	November	157,000	0.6%	0.4%
Construction	November	133,300	1.2%	5.5%
- Average Weekly Hours, Private Sector	November	34.80	1.2%	0.0%
- Average Hourly Earnings, Private Sector	November	\$23.49	0.8%	3.0%
<u>Sales</u>				
- Retail Taxable Sales				
Motor Vehicles/Misc. Auto	November	\$976.0 million	5.1%	15.0%
Furniture/Home Furnishings	November	\$303.1 million	(11.5)%	(2.0)%
Building Material/Lawn & Garden	November	\$387.3 million	8.6%	16.1%
<u>Building</u>				
- Residential Building Permits (12-month avg)				
Single-family	November	22,184	2.3%	27.1%
Multi-family	November	9,794	0.8%	(4.3)%
- Maricopa County/Other, Home Sales (ARMLS)				
Single-Family (Pending Sales)	November	5,267	14.8%	24.0%
- Maricopa County/Other, Median Home Price (ARMLS)				
Single-Family (Pending Sales)	November	\$230,000	2.2%	11.7%
- Phoenix S&P/C Home Price Index (2000 = 100)	October	155.95	0.5%	5.7%
- Maricopa Pending Foreclosures	November	4,383	(2.5)%	(25.0)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	November	24,918	1.1%	(9.1)%
<u>Tourism</u>				
- Phoenix Sky Harbor Air Passengers	November	3.54 million	(4.5)%	4.0%
- National Park Visitors	September	1,297,996	(23.0)%	5.5%
- State Park Visitors	November	176,658	(12.0)%	6.9%
- Revenue Per Available Hotel Room	November	\$64.39	(11.7)%	7.5%
<u>General Measures</u>				
- Arizona Consumer Confidence Index (1985 = 100)	3 rd Q 2015	84.3	6.6%	17.7%
- Arizona Coincident Index (July 1992 = 100)	November	221.46	0.4%	3.7%
- Arizona Leading Index -- 6 month projected growth	November	7.0%	0.5%	3.2%
- Arizona Personal Income	3 rd Q 2015	\$269.5 billion	1.4%	5.2%
- Arizona Population	July 2015	6,828,065	N/A	1.5%
- State Debt Rating				
Standards & Poor's/Moody's	May	AA / Aa2	N/A	N/A
Outlook	May	Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	January 1 st	1,802,325	(0.2)%	13.1%
Acute Care Traditional		1,053,347	(0.3)%	9.5%
Prop 204 Childless Adults		306,466	(0.7)%	9.8%
Other Prop 204		189,588	1.1%	14.8%
Adult Expansion		79,595	1.1%	118.8%
Kids Care I		775	(6.2)%	(58.6)%
Long-Term Care – Elderly & DD		57,734	0.2%	2.1%
Emergency Services		114,820	(1.9)%	23.8%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	Oct. 2015	51,130	(0.2)%	6.5%
DCS Out-of-Home Children	October	18,927	1.4%	10.1%
Filled Caseworkers (1406 Budgeted)	December	1,279	N/A	(65)
- ADC Inmate Growth	December	42,722	(0.2)%	1.3%
- Department of Economic Security				
- TANF Recipients	December	23,243	(2.2)%	(20.2)%
- SNAP (Food Stamps) Recipients	December	988,067	(0.8)%	(4.9)%
- Judiciary Probation Caseload				
Non-Maricopa	November	18,579	105	603
Maricopa County	November	27,441	47	1,183
United States				
- Gross Domestic Product	3 rd Q, 2015	\$16.4 trillion	2.1%	2.0%
(Chained 2009 dollars, SAAR)	(3 rd Estimate)			
- Consumer Confidence Index (1985 = 100)	December	96.5	4.2%	3.7%
- Leading Indicators Index (2010 = 100)	November	124.6	0.4%	3.4%
- Consumer Price Index, SA (1982-84 = 100)	November	238.1	0.0%	0.4%
- Personal Consumption Price Index (2009 = 100)	November	109.8	0.0%	0.4%

Summary of Recent Agency Reports

Attorney General – Quarterly Reports on Legal Settlements – A.R.S. § 41-191.01B, 41-192J, 44-1531.01D, and 44-1531.02D requires the Attorney General (AG) to report quarterly to the JLBC on the receipts to and disbursements from the Antitrust Enforcement Revolving Fund, the Consumer Protection - Consumer Fraud (CPCF) 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 2016, the AG deposited a total of \$7.9 million into various consumer accounts. Of that amount, \$3.6 million was deposited to the CPCF Revolving Fund, \$53,200 to the Restitution Subaccount, and \$4.3 million to the Remediation Subaccount. No monies from legal settlements were deposited to the Antitrust Enforcement Revolving Fund or the General Fund. Only the \$4.3 million deposit to the Remediation Subaccount requires JLBC review prior to expenditure.

Deposits to the CPCF Revolving Fund

The AG deposited \$3.6 million to the CPCF Revolving Fund in the second quarter of FY 2016. Of that amount, \$2.0 million was a settlement with Standard and Poor's Financial Services, LLC (S&P) and \$1.5 million was from a settlement with Amgen. Monies deposited into the CPCF Revolving Fund may be used for any purpose permitted by statute.

S&P

The AG sued S&P, as did several other states and the federal government, for misrepresenting to investors its financial rating of structure finance securities, such as subprime mortgage-backed bonds. After 2 years of litigation, Arizona received a \$21.5 million settlement. The FY 2016 budget transferred \$16.0 million of the legal settlement to the General Fund. Of the remaining \$5.5 million, the AG allocated \$2 million to the CPCF Revolving Fund for attorneys' fees and and \$3.5 million into the Remediation Subaccount for other programs. *(See Deposits to Consumer Remediation Subaccount below for more information.)*

Amgen

The AG sued Amgen, a pharmaceutical company, as did 47 other states, for improperly marketing 2 drugs, Aranesp and Enbrel, in violation of the Arizona Consumer Fraud Act. Arizona received \$2.3 million as part of a \$71.0 million multi-state settlement. The AG allocated approximately \$1.5 million to the CPCF Revolving Fund for health-related consumer protection

investigations, litigation and law enforcement efforts. The remaining \$782,500 was deposited into the Remediation Subaccount for other programs. *(See Deposits to Consumer Remediation Subaccount below for more information.)*

Deposits to the Consumer Restitution Subaccount

The AG deposited \$53,200 in the second quarter of FY 2016 to the Restitution Subaccount to compensate specific entities for economic loss resulting from consumer fraud. Of that amount, \$52,300 came from legal settlements and the remainder came from interest income.

Deposits to the Consumer Remediation Subaccount

The AG deposited \$4.3 million in the second quarter of FY 2016 to the Remediation Subaccount to rectify violations of consumer protection laws. Of that amount, \$3.5 million came from a settlement with S&P, \$782,500 came from a settlement with Amgen, and the remaining \$16,500 resulted from interest income. An expenditure plan must be reviewed by the JLBC before any funds are spent from this account. Those reviews have not yet occurred. *(Details of the 2 settlements below can be found in the Deposits to the CPCF Revolving Fund section above.)*

S&P

Of the \$3.5 million from S&P, AG proposes to spend \$3.0 million on homeless assistance programs and \$500,000 on consumer fraud education efforts.

Amgen

The AG proposes to spend the entirety of the \$782,500 on health care or pharmaceutical education programs to be administered by the AG. (Matt Gress)

Department of Child Safety – Quarterly Report on Foster Care Medicaid – Pursuant to Laws 2013, Chapter 220, the Department of Child Safety (DCS) is required to report on foster care and Medicaid eligibility.

During the first quarter of FY 2016, DCS reports the following trends on foster care and Medicaid eligibility:

1. There were 16,291 children eligible for Medicaid in foster care at the end of the first quarter, up 0.4% from 16,230 at the end of the fourth quarter of FY 2015.
2. The percentage of foster care children eligible for Medicaid declined from 95% at the end of the fourth quarter of FY 2015 to 94% at the end of the first quarter of FY 2016.

Summary of Recent Agency Reports (Continued)

3. The amount of non-Medicaid behavioral health group home expenditures used by DCS to supplement Medicaid behavioral health placement services was \$1.5 million in the first quarter of FY 2016.
4. The amount of non-Medicaid behavioral health evaluation/counseling expenditures used by DCS to supplement Medicaid behavioral health services was \$176,983 in the first quarter of FY 2016. (Ben Beutler)

Department of Child Safety (DCS) – Semi-Annual Progress Report – Pursuant to A.R.S. § 8-818, DCS has submitted its semi-annual financial and program accountability report covering the period of January 2015 through June 2015.

The semi-annual report was statutorily due on August 1, 2015 but was not received until December 23, 2015. According to the report, out-of-home placements increased by 4.8% from 17,383 in January to 18,213 in June. Caseloads are above the department's goals and turnover for case managers was approximately 35.4%. Employee satisfaction decreased to a 3.5 rating on a 5 point scale. The contents of this report, covering the last 6 months of FY 2015, are summarized below.

- The Training Academy had 197 new caseworkers in training as of June 2015. During the time period from January 2015 to June 2015, 99 caseworkers graduated from the Training Academy, or (165) fewer graduates than in the previous 6-month period.

- DCS reports that annualized caseworker turnover during January - June 2015 was 35.4%, up from a 25.7% annualized rate in the last report.
- The percent of Office of Administrative Hearings decisions affirming DCS case findings decreased from 79.4% to 66.7%. The percent of complaints validated by the Ombudsman decreased from 26.5% to 21.9%.
- The number of congregate care placements increased from 2,319 to 2,535, a 9.3% increase. DCS also reports that from June to December the number of children aged 0-3 in shelter care grew from 37 to 44, the number of children aged 0-6 in group homes increased from 68 to 84, and the number of children in shelter care for more than 21 days increased from 898 to 916.
- As of June 2015, workload per caseworker remains considerably higher than the revised caseload goals established during the May 2014 Special Session, with investigations at 18 (goal: 13), in-home cases at 44 (goal: 33), and out-of-home children at 30 (goal: 20). *Table 7* provides a historical view of workload by caseworker responsibility since 2008; it also displays how much workload exceeds the caseload standard in the "percent above workload standard" line. (Ben Beutler)

Department of Child Safety (DCS) – Report on Performance Benchmarks – Pursuant to a footnote in Laws 2014, 2nd Special Session, Chapter 2, the Department of Child Safety (DCS) has submitted its second quarter report on the backlog, hiring, and expenditures.

Table 7

Caseworker Workload

	<u>Dec. 2008</u>	<u>Dec. 2009</u>	<u>Dec. 2010</u>	<u>Dec. 2011</u>	<u>Dec. 2012</u>	<u>Dec. 2013</u>	<u>Dec. 2014</u>	<u>June 2015</u>
Investigations	15	15	15	15	15	16	16	18
In-Home Cases	28	27	30	32	33	47	42	44
Out-of-Home Children	24	23	25	27	36	25	29	30
Percent Above Workload Standard	9%	9%	15%	22%	48%	28%	37%	44%
Total Case-Carrying Caseworkers	818	761	764	781	750	983	1,019	1,025
Caseworkers Required by Standard	890	829	879	955	1,107	1,263	1,397	1,473

Summary of Recent Agency Reports (Continued)

Second Quarter Benchmark - Filled FTE Positions

As outlined in *Table 8* below, DCS had 1,279 filled direct line staff in the second quarter, or (127) FTE Positions below its benchmark of 1,406.

Second Quarter Benchmark - Reducing the Backlog

In June 2014, DCS set benchmarks for reducing the backlog. As shown in *Table 9* below, DCS activated all 13,024 backlog cases, but 1,715 cases had relapsed into inactivity as of December 2015. In total, DCS had 14,392 backlog cases as of December 2015 (including 12,677 post-June 2 cases), more than the benchmark of 1,000.

Expenditures on Personal Services

DCS spent \$33.9 million on salaries including overtime for 2,673 FTE Positions in the second quarter of FY 2016.

Second Quarter Benchmark - Expenditures to Reduce the Backlog

DCS was appropriated \$23.1 million from the General Fund and \$5.9 million from Federal Funds for a total of \$29.0 million in FY 2015 for the elimination of the June 2 backlog. Consistent with the Executive's May 2014 Special Session proposal and the Legislature's 3-year spending plan, the FY 2016 budget for backlog elimination was reduced to \$12.4 million General Fund and \$3.9 million from Federal Funds, totaling \$16.3 million. DCS anticipates that the cost of placement services for backlog cases will exceed appropriated

backlog resources by \$2.7 million in FY 2016. In the second quarter of FY 2016, DCS spent \$2.8 million on backlog reduction for support services and placements. The expenditure figure does not include the cost of caseworker overtime to investigate backlog cases. (Ben Beutler)

Arizona Community Colleges – Annual Report – Pursuant to A.R.S. § 15-1427, the Arizona Community Colleges are required to report by December 1 of each year on their progress during the previous year. Their FY 2015 report was summarized in the December issue of the *Monthly Fiscal Highlights*, but they recently submitted revised data, which includes the following updated summary information on the state system:

- 304,770 students (headcount) were enrolled for credit, resulting in a Full-Time Student Equivalent count of 120,833.
- 91.7% of enrolled students resided within the district, while 8.3% did not reside within the district or had an unknown residency status.
- Total number of instructors employed was 10,525, of which 2,538 (24.1%) were full-time and 7,987 (75.9%) were part-time.
- Total operating revenues were \$1.6 billion (this amount excludes bond proceeds and fund balance which total \$126.0 million).
- Total expenditures were \$1.7 billion. (Tom Ritland)

Table 8

Progress in Hiring Caseworkers by Quarter

<u>Direct Line Staff Type</u>	<u>Benchmark</u>	<u>Actuals</u>		
		<u>June 30, 2015</u>	<u>Sept. 30, 2015</u>	<u>Dec. 14, 2015</u>
Case-Carrying Caseworkers	1,190	1,025	972	947
Caseworkers in Training	140	164	212	257
Hotline Staff	76	74	71	75
Total	1,406	1,263	1,255	1,279

Table 9

Progress Reducing the Backlog by Quarter

<u>Remaining Backlog Cases</u>	<u>Benchmark</u>	<u>Actuals</u>		
		<u>June 30, 2015</u>	<u>Sept. 30, 2015</u>	<u>Dec. 14, 2015</u>
Total Backlog Cases	1,000	14,946	14,558	14,392
Relapsed June 2, 2014 Backlog Cases	0	3,139	2,253	1,715
Post-June 2, 2014 Backlog Cases	1,000	11,807	12,305	12,677

Summary of Recent Agency Reports (Continued)

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 expenditures for the prior fiscal year from the State Aid to County Attorneys Fund and State Aid to Indigent Defense Fund by January 8 of each year.

In FY 2015, the State Aid to County Attorneys Fund received revenues totaling \$735,100 and had an ending balance of \$1.2 million. ACJC did not distribute State Aid to Indigent Defense Fund revenues to counties in FY 2015, as they were appropriated for other non-Indigent Defense areas.

ACJC reports that county attorneys, out of their \$973,600 appropriation, reported expenditures of \$813,100 in FY 2015. Of that total, \$741,400 was spent on salary and benefits, \$1,800 on equipment, \$18,500 on other expenditures, \$25,800 for contractual services, \$24,500 on case management software, and \$1,200 on travel.

ACJC reports that counties used the monies in 3 main areas: additional staffing, technological purchases, and training and travel expenses. Training and travel expenses funded witness travel and staff attendance at educational seminars and conferences.

ACJC also states that no prosecuting agencies reported case processing times that met the Supreme Court guidelines, however, some agencies did report meeting the felony case processing standard for 180-day adjudication. (Krista MacGahan)

Arizona Department of Education – Report on Current Year Funding – The FY 2016 K-12 Education BRB required the department to notify school districts by December 15, 2015 on how it plans to implement current year Average Daily Membership (ADM) funding in FY 2017 and report the estimated fiscal impact by district. ADE recently released the required report, which is based on ADM data from FY 2015. It estimates that current year ADM funding would have resulted in a net state savings of \$(24.2) million in FY 2015 if it had been in effect for that year. The \$(24.2) million estimate, however, assumes that both the Base Support Level (BSL) and District Additional Assistance (DAA) would be funded on a current year basis. The policy intent was to fund only the BSL on current year ADM in order to eliminate the BSL “hold harmless.” Without the DAA increase the department’s estimated net state aid savings would be \$(30.7) million. The actual savings for this issue will depend on final ADM counts for FY 2017, which will not be known until after the end of FY 2017. (Steve Schimpp)

Arizona Department of Education – Report on K-12 Aggregate Expenditure Limit – Pursuant to A.R.S. § 15-911B, the State Board of Education recently reported that currently budgeted expenditures for all school districts collectively statewide for FY 2016 are \$(813.1) million below the Constitution’s aggregate expenditure limitation (AEL). For FY 2015 the difference was \$(593.5) million. The \$(813.1) million figure does not reflect an estimated \$203.4 million in additional funding that school districts (excluding charter schools) potentially will receive in FY 2016 under Proposition 123. That funding, if received and budgeted for FY 2016, would cause statewide school district expenditures to be below the AEL by an estimated \$(609.7) million rather than \$(813.1) million for FY 2016. The AEL limits growth in non-exempted statewide K-12 expenditures for school districts (excluding charter schools) to the combined rate of growth for enrollment and inflation, with certain exceptions. (Steve Schimpp)

Arizona Department of Education – Override Report – Pursuant to A.R.S. § 15-249.04, the Arizona Department of Education (ADE) recently reported FY 2016 data on school district budget overrides. Overrides permit school districts to generate and spend additional monies from local property taxes if approved by voters. The ADE report indicates that 91 districts statewide have Maintenance and Operation (M&O) overrides pursuant to A.R.S. § 15-481 in FY 2016, 5 have “Special Program” overrides pursuant to A.R.S. § 15-482, and 23 have “District Additional Assistance” overrides pursuant to A.R.S. § 15-481. The total amounts budgeted for overrides for FY 2016 include \$402.2 million for both types of M&O overrides combined and \$61.0 million for District Additional Assistance overrides. (Steve Schimpp)

JLBC Staff – Public Programs Eligibility Report – As enacted in the 2006 election, Proposition 300 limits participation in certain state programs to citizens, legal residents, or other persons lawfully present in the United States, and requires semi-annual reports to the Joint Legislative Budget Committee. Below is a summary of the reports:

Universities – At the 3 universities, 163,254 students registered for the fall 2015 semester. Of the total students registered, the universities were able to verify the legal immigration status of 149,943 students. Additionally, the universities reported that 17,040 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 no students were unverifiable due to their inability to provide the requisite documentation.

Department of Economic Security – The department reported that 10,903 applications were received for child care assistance during the reporting period of June 1, 2015 to November 30, 2015. Of this number, 15 were

Summary of Recent Agency Reports (Continued)

denied because criteria for citizenship or legal residency were not met.

Community Colleges – Statewide, the Community Colleges reported a total of 227,139 students classified as in-state for the fall 2015 semester. They reported 395 students who were not entitled to be classified as in-state because of a lack of lawful immigration status. Additionally, 94,951 students applied for financial aid. Of those who applied, the community colleges reported that 76 were not entitled to any aid because they were not lawfully present in the United States.

Department of Education – The department reported that 12,386 people applied for instruction in Arizona Adult Education during the reporting period of June 1, 2015 to December 1, 2015. Of this amount, 735 were denied instruction because they failed to provide evidence of citizenship or legal residence in the United States. The Arizona Adult Education program is currently funded with Federal Funds and had been funded by a combination of federal and state funds previously. (Matt Beienburg)

Ombudsman-Citizens Aide Office – Annual Report – Pursuant to A.R.S. § 41-1376, the Ombudsman-Citizens Aide is to submit an annual written report by January 1 summarizing their activities during the previous fiscal year (FY), and semiannually present this report before Legislative Council. The Ombudsman-Citizens Aide issued an annual report for FY 2015 dated December 28, 2015. The FY 2015 annual report cites examples of cases in the office's 3 focus areas: general complaints about state agencies, Department of Child Safety cases, and public access cases. There were 5,009 total cases in FY 2015 including 3,394 involving coaching, 1,295 needing assistance, and 320 requesting investigations. Of the 320 requests for investigations, 235 were completed, 8 are ongoing, 39 were discontinued or the complaint was withdrawn, and the Ombudsman declined to investigate 38. (Bob Hull)

School Facilities Board (SFB) – Annual Report on Class B Bond Approvals – Pursuant to A.R.S. § 15-2002, SFB is required to annually report to JLBC by December 31 on all Class B bond approvals by school districts in that year. Each school district is required to report Class B bond approvals to SFB by December 1 of each year. SFB submitted its annual report to JLBC on December 31, 2015. However, due to a lack of school district reporting, the data contained in the SFB submission was incomplete. Based on the JLBC Staff estimates, there were 14 districts with Class B bond approvals in 2015 for a total of \$937.1 million. (Josh Hope)

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 (SOS) submitted a report on the expenditures from the Election Systems Improvement Fund to implement the Help America Vote Act. The expenditures in FY 2015 were \$1.7 million and are projected to be \$2.9 million in FY 2016 and \$2.5 million in FY 2017. SOS reports that FY 2015 expenditures were used as follows: 33.2% for voter registration, 2.7% on voter accessibility, 20% for administration, 44% on voter education, and 0.1% for telecommunication and training. A similar distribution is expected to continue for FY 2016 and FY 2017. (Krista MacGahan)

Arizona Board of Regents – Report on University System's Financial Aid – Pursuant to A.R.S. § 15-1650, the Arizona Board of Regents is required to submit an annual report on financial aid. Highlights from the FY 2015 report include:

- Approximately \$2.2 billion in total financial aid was provided to students.
- Of this amount, \$986.3 million (44.8%) came from federal sources, \$744.5 million (33.8%) came from tuition and other sources, \$467.9 million (21.3%) came from private sources and the Arizona Financial Aid Trust (AFAT) (AFAT distributed \$20.7 million of both state General Fund and institutional monies in FY 2015), and \$1.2 million (0.1%) came from state scholarships, grants and loans.
- A total of 139,487 students received aid, including 113,288 undergraduate students and 26,199 graduate students.
- Of the undergraduate students receiving aid, 27,566 received non-need-based gift aid, 61,414 received need-based gift aid, and 51,949 were awarded miscellaneous types of non-gift aid (i.e. work study). Some students received multiple types of aid.
- The average aid package for undergraduate students was \$11,852, which includes both need and non-need-based aid.
- 60.3% of undergraduate students and 53.1% of graduate students have debt. Upon graduation, the average undergraduate student debt was \$23,470, while the average graduate student debt was \$49,526. (Matt Gress)

December Spending

December 2015 General Fund spending of \$599.0 million was \$(22.6) million less than December 2014. Year to date, spending is \$5.76 billion, or \$(60.5) million below last year. (See Tables 10 & 11).

- Year to date, the Department of Education has spent \$70.7 million more than the prior year.
- Due to technical reporting issues with the newly-created Department of Child Safety (DCS) in FY 2015, the figures reported below for DCS and the Department of Economic Security do not accurately reflect changes in spending levels from the prior year.
- Even after accounting for issues relating to DCS, the significant decline in DES spending year-to-date is due to technical timing issues relating to the disbursement of Medicaid matching funds.
- During FY 2016, Universities spending has declined by \$(57.7) million. This is related to changes enacted in the FY 2016 budget, which contained a \$(99.0) million spending reduction for the Universities system.

	General Fund Spending (\$ in Millions)			
		Change From		YTD Change
	<u>Dec 15</u>	<u>Dec 14</u>	<u>Year-to-Date</u>	<u>from FY 15</u>
Agency				
AHCCCS	155.2	(16.1)	654.1	(46.4)
Corrections	78.1	4.9	532.8	42.3
Child Safety	9.5	(69.2)	176.0	97.3
Economic Security	2.0	71.6	402.3	(117.7)
Education	272.3	(4.6)	2,471.8	70.7
Health Services	14.0	2.3	516.2	(0.8)
Public Safety	1.6	0.6	39.9	1.5
School Facilities Board	0.1	(0.0)	161.9	5.9
Universities	36.6	(9.4)	431.5	(57.7)
Leaseback Debt Service	0.0	0.0	84.1	(0.0)
Other	<u>29.6</u>	<u>(2.7)</u>	<u>291.1</u>	<u>(55.6)</u>
Total	599.0	(22.6)	5,761.7	(60.5)

Table 11

General Fund Spending (\$ in Thousands)				
Agency	Dec 15	Change from Dec 14	Year-to-Date	YTD Change from FY 15
Dept. of Admin./Automation Projects Fund	694.6	(3,130.3)	11,538.6	(27,925.5)
ADOA – Sale/Leaseback Debt Service	-	-	84,114.6	(7.1)
Office of Administrative Hearings	40.4	(1.2)	425.8	(21.6)
Commission of African-American Affairs	7.4	7.4	53.6	53.6
Department of Agriculture	624.8	148.1	4,299.8	21.3
AHCCCS	155,201.7	(16,110.0)	654,093.3	(46,368.4)
Attorney General	1,622.1	605.2	10,375.7	308.1
State Board of Charter Schools	73.5	8.7	556.8	99.8
Department of Child Safety	9,498.8	(69,188.0)	175,971.0	97,284.1
AZ Commerce Authority	2,775.0	-	15,900.0	-
Community Colleges	253.6	(1,703.1)	25,959.2	(10,408.1)
Corporation Commission	24.7	(18.3)	263.6	(37.4)
Department of Corrections	78,119.7	4,886.9	532,814.8	42,329.0
County Funding	2.5	2.5	6,000.5	(1,650.0)
AZ State Schools for the Deaf & Blind	1,868.1	1,285.7	14,683.2	3,297.1
Department of Economic Security	2,003.5	71,627.7	402,301.3	(117,657.8)
State Board of Education	76.8	76.8	588.8	588.8
Department of Education	272,322.4	(4,623.1)	2,471,844.5	70,739.7
DEMA	490.2	(326.4)	4,218.8	1,218.9
DEQ – WQARF	7,000.0	7,000.0	7,000.0	-
Office of Equal Opportunity	18.2	5.4	85.8	11.6
State Board of Equalization	23.5	(1.2)	330.6	8.8
Board of Executive Clemency	55.4	(1.0)	486.9	(8.0)
Department of Financial Institutions	255.0	42.5	1,573.6	21.6
Department of Fire, Bldg and Life Safety	128.4	27.1	1,006.9	(69.0)
State Forester	296.9	53.8	2,677.8	916.6
Department of Gaming	-	-	1,794.4	1,794.4
Arizona Geological Survey	122.4	74.0	489.2	13.5
Governor/OSPB	1,216.8	64.0	5,037.6	(757.5)
Department of Health Services	13,957.9	2,338.0	516,196.0	(761.9)
Arizona Historical Society	143.2	(41.3)	1,803.3	1.4
Prescott Historical Society of AZ	63.8	11.1	438.1	92.8
Independent Redistricting Comm.	172.7	69.1	619.4	68.8
Commission of Indian Affairs	2.5	(4.4)	20.1	(9.2)
Department of Insurance	340.6	27.1	2,651.6	(67.2)
Judiciary				
Supreme/Superior Court	1,904.3	324.2	44,677.8	(2,126.2)
Court of Appeals	1,001.6	13.6	7,117.5	74.0
Department of Juvenile Corrections	1,689.2	(1,142.6)	13,957.5	(6,110.5)

Table 11 (Continued)

Agency	Dec 15	Change from Dec 14	Year-to-Date	YTD Change from FY 15
State Land Department	651.8	(77.3)	5,716.4	(690.2)
Legislature				
Auditor General	1,507.9	(84.7)	10,064.2	(99.9)
House of Representatives	1,103.8	65.5	6,860.9	761.7
Joint Legislative Budget Comm.	170.5	1.8	1,146.7	21.1
Legislative Council	569.5	(342.6)	3,355.0	(1,675.7)
Senate	590.5	(95.4)	3,720.1	(304.5)
Mine Inspector	71.6	(1.8)	581.3	(26.8)
Nav. Streams & Adjudication	9.9	(1.0)	64.1	(25.4)
Occupational Safety and Health Review	0.9	0.9	2.5	1.6
Arizona State Parks Board	-	-	275.3	275.3
Phoenix Convention Center	-	-	20,449.0	-
Pioneers' Home	-	(8.5)	-	(832.2)
Comm. for Postsecondary Ed.	-	-	698.4	-
Department of Public Safety	1,646.0	569.8	39,864.7	1,511.2
Public Safety Personnel Retirement System	-	-	6,000.0	-
Arizona Department of Racing	-	-	-	(1,789.7)
Radiation Regulatory Agency	0.0	(0.9)	815.3	64.9
Real Estate Department	156.1	(30.0)	1,339.9	(27.3)
Department of Revenue	(186.9)	(5,645.4)	24,050.1	(5,920.1)
Rio Nuevo Distribution	-	-	-	-
School Facilities Board	85.4	(13.0)	161,877.4	5,902.1
Secretary of State	776.7	104.9	5,396.2	(2,096.7)
Tax Appeals Board	17.5	(0.8)	145.6	(0.9)
Office of Tourism	-	-	4,977.3	(1,995.3)
Department of Transportation	-	-	-	-
Universities				
Board of Regents	22.0	(378.0)	12,270.2	(3,668.4)
Arizona State University	16,627.6	(4,931.6)	190,340.8	(29,589.8)
Northern Arizona University	5,826.9	(1,488.6)	65,456.2	(8,931.8)
University of Arizona	14,080.3	(2,586.1)	163,411.4	(15,516.8)
Department of Veteran Services	434.5	97.0	2,640.4	320.1
Department of Water Resources	727.8	(71.3)	5,142.1	(93.0)
Water Infrastructure Finance Authority	-	-	-	(1,000.0)
Department of Weights & Measures	23.1	(75.0)	562.7	(109.9)
Other - JP Salaries Distribution	4.4	4.4	508.3	86.9
Other	7.6	7.6	33.3	29.3
Total	599,017.9	(22,571.9)	5,761,733.7	(60,461.6)

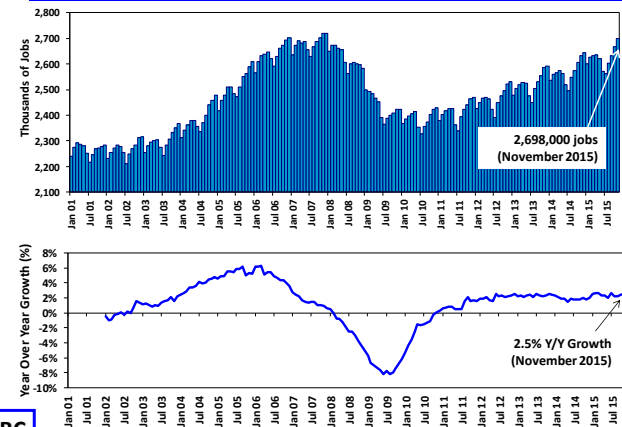
Tracking Arizona's Recovery

January 2016
Appendix A

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- 3.....Average Hourly Earnings – Private Sector
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- 5.....State Sales Tax Collections – Retail Category
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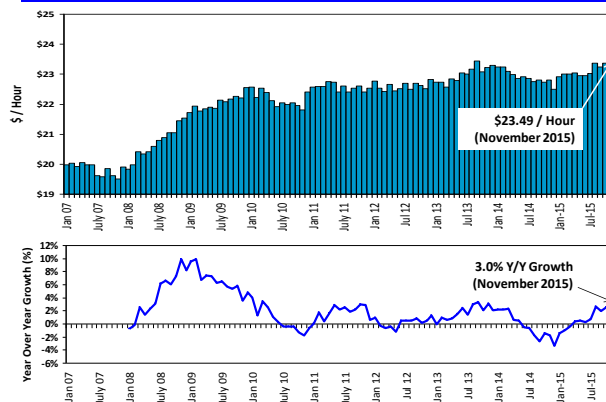
Total Non-Farm Employment



JLBC

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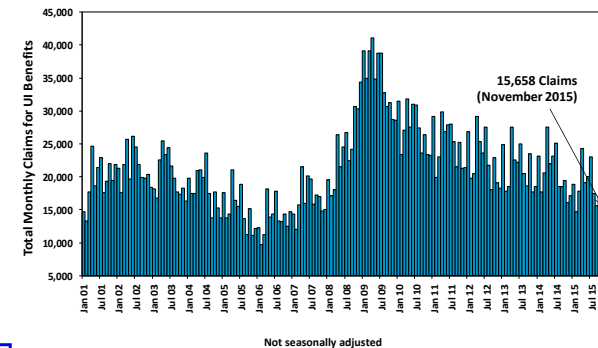
Average Hourly Earnings – Private Sector



JLBC

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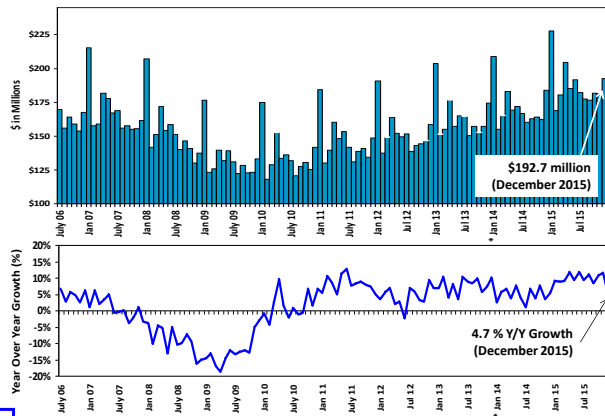
Initial Claims for Unemployment Insurance



JLBC

4

State Sales Tax Collections – Retail Category



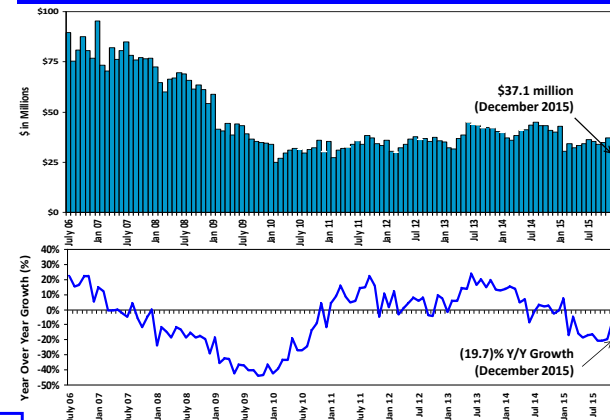
JLBC

Excludes temporary 1 ¢ sales tax

* January 2014 estimate adjusted downward by \$30 million to reflect one-time category shift.

5

State Sales Tax Collections – Contracting Category

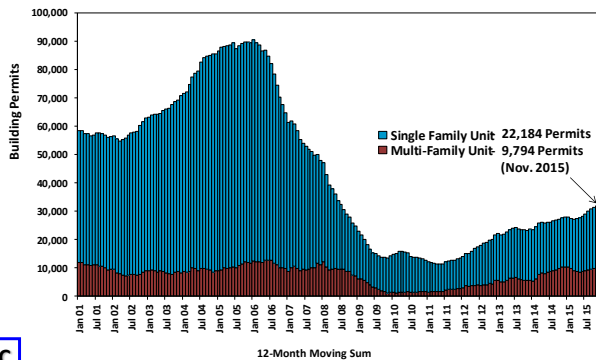


JLBC

Excludes temporary 1 ¢ sales tax

6

Residential Building Permits

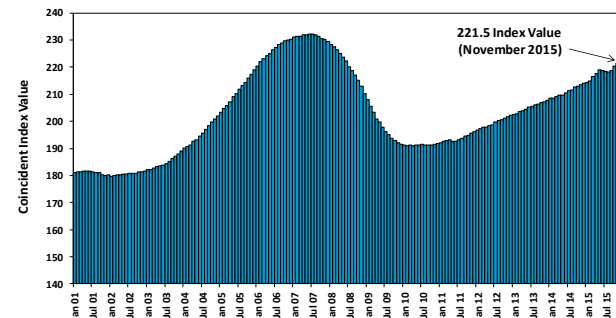


JLBC

12-Month Moving Sum

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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