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***"The budgeted balance of \$48 million appears sufficient to offset the revenue shortfall, which will allow the state to end FY 2010 with a positive cash balance."***

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on July 28, 2010.

## Summary



The state's fiscal year ended on June 30<sup>th</sup>. While the books are still not closed on FY 2010, we can draw several preliminary conclusions from the data:

- General Fund base revenues declined by (10.3)% during the course of FY 2010, which represented an unprecedented 3<sup>rd</sup> consecutive year of General Fund losses. After positive revenue months in April and May, June base revenues fell (5.8)% below last year.
- Base revenues were supplemented by one-time proceeds from the state asset sale/leaseback and other financing. After accounting for these one-time monies, FY 2010 total revenues equal \$8.3 billion, or 0.9% above FY 2009.
- After having experienced a \$(480) million cash shortfall at the end of FY 2009, the General Fund will likely be positive at the end of FY 2010.
- Due to a recent modification in the K-12 payment schedule, the state appears to have sufficient funds to pay its bills from the operating fund through at least the first half of FY 2011.
- Based on the preliminary FY 2010 results, the projected FY 2011 budget shortfall has been updated to between \$0 and \$(1.0) billion. The actual magnitude will depend on Congressional action to enact the enhanced Medicaid match rate, the outcome of 2 November ballot propositions, the magnitude of a potential K-12 shortfall, and a potential revenue shortfall. The updated projection of the FY 2012 shortfall is \$(1.1) billion.

- The state's bond rating was reduced in July as concerns remain about the structural deficit. The rating agency, however, changed the state's credit outlook from "negative" to "stable".

These issues are also summarized in a [Budget Status Update](#) slideshow presentation on the JLBC website.

In addition to its regular features, this edition of the MFH provides a summary of the federal government's new high risk health insurance pool, which is scheduled to begin operation in August. In addition, the JLBC Staff has compiled a comprehensive listing of the \$12.5 billion in solutions used to eliminate the FY 2008 - FY 2011 budget shortfalls (*see page 13*).

### FY 2010 Ending Balance

While FY 2010 ended on June 30<sup>th</sup>, the state's books do not officially close until July 30<sup>th</sup>. Even at that point, it will take several weeks to confirm the final numbers for the year. The FY 2011 budget assumed a FY 2010 ending balance of \$48 million. As of now, revenues are projected to be below forecast and spending appears to be near budgeted levels. The budgeted balance of \$48 million appears sufficient to offset the revenue shortfall, which will allow the state to end FY 2010 with a positive cash balance.

Based on preliminary June data, FY 2010 revenues equaled \$8.3 billion (*see page 7*). This amount is \$(27.1) million below forecast. Base revenues without one-time adjustments were actually \$(68.4) million below forecast. The state generated \$41.3 million more than

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## Summary (continued)

Table 1

	General Fund Revenues (\$ in Millions)		
	FY 2010 <u>Collections</u>	Difference From <u>Budget Forecast</u>	Difference <u>From FY 2009</u>
June	\$ 1,715.0	\$ (34.3)	\$ 305.9
Year-to-Date	\$ 8,319.1	\$ (27.1)	\$ 71.5

expected in one-time revenue, however, primarily due to shortening the time period for unclaimed property.

While below forecast, revenues did not fall as much as expected. In April, JLBC Staff projected collections could fall \$(200) million short.

State spending appears on target at the budgeted level of \$7.8 billion (see page 14). While the state collected \$8.3 billion in revenues, \$480 million of that amount will pay off the FY 2009 shortfall. Once that adjustment is made, FY 2010 revenues are approximately equal to spending. The state's ending balance could be between \$0 and \$48 million based on the preliminary June data.

### State Overnight Borrowing

As opposed to the cash balance, the operating fund balance at the end of FY 2010 is approximately \$1.5 billion. The cash balance reflects General Fund revenues minus General Fund spending on a fiscal year basis. In contrast, the state pays its bills out of the operating fund balance, which consists of General Fund monies and certain dedicated funds.

As expected, the operating balance grew rapidly at the end of the year as the various one-time financing mechanisms, such as lottery bonds, were deposited into the General Fund and state expenditures were deferred from FY 2010 to FY 2011. In addition, state agencies moved some of their non-General Fund monies into the operating fund at the end of the fiscal year.

As quickly as the operating fund balance grew, it declined as the fiscal year began. As of mid-July, the operating fund has already declined to \$1.1 billion. Given that deferred rollover payments have to be made in the 1<sup>st</sup> quarter, the Treasurer and the General Accounting Office (GAO) had been forecasting that the operating fund would be negative again in either September or October.

As we noted in an earlier MFH, the State Loan Commission has not taken action to extend the state's \$700 million outside bank loan to cover any operating fund shortfalls. To address this lack of an outside bank loan, the state has rearranged its payments to school districts. This revised payment schedule is expected to keep the operating fund balance positive through at least the first half of the fiscal year.

The FY 2010 budget deferred \$953 million of state aid payments to school districts. The Executive implemented this provision by deferring a portion of the April payment, along with the entire May and June payments.

To aid cash flow, the Executive has developed a revised FY 2011 payment schedule and will defer state aid payments to school districts in September and November (as opposed to April - June) until next fiscal year. To summarize, the payment schedule in the upcoming several months will be as follows:

- Districts will receive \$953 million in state aid payment deferred from FY 2010 by the end of August (of this amount, \$350 million has already been received).
- Scheduled state aid payments of approximately \$250 million will go out to districts in both August and October.
- The scheduled September and November state aid payments will be deferred until July/August of FY 2012.

The revised state aid payment schedule is not expected to affect school operations as districts will receive 33% of their annual funding prior to September. In addition, in lieu of the November payment, districts will receive their regularly scheduled twice yearly property tax distribution in mid-November, which is approximately \$1.2 billion statewide. The possible exception is a few of the smallest school districts, which may be affected by the revised state aid payment schedule. These smaller districts are being monitored for any adverse cash flow impacts.

*"[The state's] revised payment schedule is expected to keep the operating fund balance positive through at least the first half of the fiscal year."*

## Summary (continued)

*“The estimated [FY 2011] shortfall is now between \$0 and \$(1.0) billion depending on Congressional action, the fate of 2 November ballot propositions, the action plan for a potential K-12 shortfall, and a potential revenue shortfall.”*

Without the bank contract, the state will utilize its internal funds if the operating fund has insufficient funds to pay state obligations. This method was used prior to the outside bank contract. These internal funds, known as “Pool 3”, consist of interest earning funds, the largest of which are: the Early Childhood Development and Health Fund, the Parks Board’s Land Conservation Fund, the Heritage Fund, and the DES Long Term Care System Fund.

Pool 3 funds are invested in Treasurer’s Warrant Notes (TWNs), which are short-term overnight investments that give the Treasurer additional funds to pay state obligations. The State Loan Commission sets the maximum interest rate for TWNs, and approves overnight borrowing agreements. The typical borrowing capacity of Pool 3 is 50% of the fund’s current balance. Because Pool 3’s balance is currently estimated at \$1 billion, the state’s internal overnight borrowing capacity is \$500 million.

While there is currently no projected need to use Pool 3 through at least the first half of FY 2011, the Commission would have to meet to set the interest rate before these funds could be utilized.

### Potential FY 2011 Shortfall

The JLBC Staff previously estimated that the FY 2011 budget could have a shortfall of between \$(400) million to \$(1.2) billion. With stronger than expected 4<sup>th</sup> quarter revenues, the shortfall estimate has now improved slightly.

The estimated shortfall is now between \$0 and \$(1.0) billion depending on Congressional action, the fate of 2 November ballot propositions, the action plan for a potential K-12 shortfall, and a potential revenue shortfall. The possible problems are as follows:

- \$394 million - No extended enhanced federal Medicaid match rate. Contingent upon Congressional approval, these extra federal funds would help pay for the continuation of AHCCCS’ Proposition 204 program through the end of FY 2011. As of this writing, Congress has yet to approve these funds.
- \$469 million - Possible failure of the November ballot propositions concerning the Early Childhood Development and Health Board and the Land Conservation Fund. These 2 ballot propositions would:

1) Repeal the Early Childhood Development and Health Board and transfer the remaining fund balance to the General Fund and shift the ongoing tobacco tax revenues to the General Fund for health and human services for children; 2) Transfer any unexpended monies in the Land Conservation Fund to the General Fund.

- \$100 million - Potential K-12 Shortfall. The Arizona Department of Education (ADE) recently reported an estimated \$(70) million shortfall for FY 2010. ADE partially addressed this situation by pulling forward into FY 2010 approximately \$49 million in federal “stimulus” monies originally budgeted for FY 2011. The remaining \$21 million represents unpaid “Homeowner’s Rebate” funding for FY 2010. If the latter amount was paid in FY 2011, ADE may have a potential shortfall of up to \$100 million in FY 2011 depending on how the Legislature addresses the following: 1) \$49 million in federal “stimulus” monies used early, and 2) the \$30 million of the FY 2010 shortfall that is expected to be recurring in nature.
- \$0 to \$130 million - Potential revenue shortfall. While 4<sup>th</sup> quarter revenue growth was stronger than expected, the state may not achieve its budgeted FY 2011 revenue levels. The April forecast predicted a (1.0)% decline in 4<sup>th</sup> quarter FY 2010 revenues. Instead, FY 2010 revenue grew by 1.0%. While this change was encouraging, FY 2010 revenues still ended up \$(68.4) million below forecast.

Due to lower than forecasted FY 2010 base revenues, FY 2011 revenue levels would need to grow by 5.3% to reach the budgeted levels. This is higher than the originally budgeted increase of 4.2%. At its April meeting, the FAC consensus forecast estimated base revenues to grow 3.4% in FY 2011.

Due to the recent mixed economic news, there are concerns about the State achieving the budgeted revenue growth. April and May revenues broke a streak of 30 consecutive months with losses in revenues compared to the prior year, but June revenues turned negative again. In addition, economic policymakers have raised concerns about the economic recovery, with the Federal Reserve Chairman stating the U.S economic outlook is “unusually uncertain”.

## Summary (continued)

If revenues were to be in line with the FAC forecast, the FY 2011 shortfall would increase by \$130 million.

The potential problems discussed above would be offset by the budgeted FY 2011 ending balance of \$63.2 million, leaving the state with a potential shortfall of \$0 to \$(1.0) billion.

### FY 2012 - FY 2014 Projections

Along with FY 2011, the JLBC Staff has also revised its FY 2012 - FY 2014 baseline estimates. The baseline compares projected revenue collections to funding formula expenditures. The [JLBC Staff Report - Long-Term Budget Projections](#) forecasted a FY 2012 shortfall of over \$(800) million that would grow to \$(1.0) billion with the expiration of the 1 cent sales tax increase in FY 2014.

The JLBC Staff now estimates the FY 2012 baseline budget shortfall at \$(1.1) billion and FY 2014 at \$(2.0) billion. These estimates are up from the April report due to a decline in the long-term revenue projection. While the FY 2010 revenue shortfall was less than anticipated, April's long term revenue estimates appear to be overstated.

The April revenue estimates were based on the 4-sector consensus forecast from the Finance Advisory Committee (FAC) meeting. That forecast had strong revenue growth of 9.6% in FY 2012 that tapered off to 7.5% by FY 2014. Given the slow pace of the economic recovery, however, those estimates appear optimistic, especially for FY 2012.

As with the FY 2011 estimates, the 4-sector consensus for FY 2012 – FY 2014 will next be updated at the September FAC meeting. In anticipation of the growth rate being lowered in September, revenue growth has now been reestimated at 5% annually through 2014.

The baseline spending projections of funding formula requirements essentially remain the same as in the April analysis. If the FY 2011 budget modified these requirements, the estimates assume the continuation of these changes through FY 2014. For example, the long-term projections continue the FY 2011 budget policy of little or no inflation funding. As noted in the April report, the ability to sustain this policy is uncertain.

These estimates assume the state continues General Fund support for the Proposition 204 program. The FY 2011 budget originally ended General Fund support of Proposition

204 beginning January 1, 2011. After passage of the state budget, the federal government enacted major modifications to the nation's health care system. The federal legislation has a maintenance of effort (MOE) provision which appears to require Arizona to retain its low-income Proposition 204 health care program or risk losing its \$7 billion in federal matching funds for all Medicaid programs.

Subsequent to passage of the federal health care legislation, the state restored Proposition 204 funding for the remainder of FY 2011 conditional upon the extension of the enhanced federal Medicaid match rate. At the time, Congress was actively considering such a proposal. The higher federal match rate essentially generates enough savings to pay for another 6 months of the Proposition 204 program through the end of FY 2011. As noted earlier, however, Congress has not yet approved this extension. The latest U.S. Senate proposal would scale back this assistance by 40%.

If Congress does not act, continuation of the Proposition 204 program would require a legislative appropriation. If the Proposition 204 program were discontinued, the projected \$(1.1) billion FY 2012 budget shortfall would decline by \$(750) million pending state decisions on how to address the loss of federal matching funds for the rest of the AHCCCS program.

### State Debt Rating

On July 15<sup>th</sup>, Moody's Investor Services lowered Arizona's rating for General Fund backed issuances from Aa3 to A1, the 5<sup>th</sup> highest of 10 investment grade levels. The state is also assigned an overall credit rating, including non-General Fund obligations. This rating was also downgraded one level, and now sits at Aa3.

The state already had its General Fund rating reduced from Aa3 to A1 in December 2009. Moody's then raised the rating back to Aa3 as part of a general recalibration to a different rating scale.

Along with a rating, the credit agency also provided an outlook in terms of the future direction of rating changes. Since September 2009, Moody's outlook for the state has been negative. With this recent downgrade, Moody's has changed their outlook to stable. In downgrading the state, Moody's continues

*"The JLBC*

*Staff now*

*estimates the FY*

*2012 baseline*

*budget shortfall*

*at \$(1.1) billion*

*and FY 2014 at*

*\$(2.0) billion."*

## Summary (continued)

to express the same concerns about the state's fiscal policies as in the past, including:

- Limited financial flexibility due to constitutional limits on raising revenue and reducing spending.
- Structural budget imbalances and a reliance on one-time budget solutions.
- Continued economic difficulties related to the slowdown in the housing sector.
- Significant revenue declines in the past several fiscal years.
- Liquidity concerns which have caused the need for short-term borrowing.

## June Revenues

**Sales Tax** collections were \$242.7 million in June. Prior to the change in the estimated payment threshold (discussed below), these "base" collections were down (5.1)% compared to last June and were \$(37.9) million below the forecast. As noted last month, April and May collections were about equal to April and May of the prior year, breaking a trend of 26 consecutive months of declines.

For the entire fiscal year, base sales tax revenues are down (10.1)% compared to last year. FY 2010 marks the third consecutive year of sales tax declines. The overall 3-year loss is (25.1)%. Prior to the last 3 years, sales tax collections had not declined on an annual basis since 1981, when the sales tax on food was eliminated.

*Table 2* displays the June growth rates for the largest categories.

	June	YTD
Retail	(3.4)%	(7.0)%
Contracting	(27.2)%	(37.5)%
Utilities	1.1%	0.5%
Use	44.5%	(7.2)%
Restaurant & Bar	3.2%	(0.8)%

As noted in previous months, retail and contracting together account for about 30% of all sales tax revenues. Contracting continued its poor performance, with a (27.2)% decrease compared to June of last year, while the retail category fell by (3.4)%.

While retail and contracting activity explains a portion of the sales tax drop, estimated payments also played a role. In June, larger retailers are required to make an estimated

payment based on actual collections in May or June. This payment is then credited against July tax liabilities. At this time each year, the Department of Revenue (DOR) calculates the impact of this payment shift as part of June revenue collections. This calculation typically helps the bottom line, as sales traditionally grow from one summer to the next.

The March budget legislation reduced the liability threshold for making estimated payments from \$1 million to \$100,000 for FY 2010 through FY 2013. The budget assumed this would generate \$48 million, while actual collections are estimated at \$45 million. Excluding revenue from the lower threshold, however, estimated payments were \$(19) million lower than in June 2009. This makes the third year in a row that June declines were further worsened by the estimated payment factor.

After accounting for the additional estimated payment revenues, FY 2010 sales tax revenues fell (8.9)% compared to FY 2009.

With the passage of Proposition 100 in May, the sales tax rate increased by 1% in June. The impact of the tax increase will essentially begin with the July collections.

**Individual Income Tax** net revenues were \$270.5 million in June. Collections were \$(9.4) million below the forecast.

As indicated in *Table 3* below, withholding tax payments decreased by (2.5)% in June, after 4 consecutive months of increases. For the fiscal year, withholding tax collections are down (2.3)% from last fiscal year.

*"The overall 3-year [sales tax] loss is (25.1)%. Prior to the last 3 years, sales tax collections had not declined on an annual basis since 1981, when the sales tax on food was eliminated."*

## June Revenues

**Table 3**  
**Individual Income Tax Growth Rates**  
**Compared to Prior Year**

	<u>June</u>	<u>YTD</u>
Withholding	(2.5)%	(2.3)%
Estimated + Final Payments	(3.2)%	(21.0)%
Refunds	0.0%	(8.2)%

For the fiscal year, total individual income tax collections were \$(151.5) million, or (5.9)% below last fiscal year. Decreases in withholding tax collections and payments were partially offset by decreased refunds.

As with sales tax, individual income tax collections have declined for 3 consecutive years. The 3-year loss is (35.5)%.

**Corporate Income Tax** net collections were \$90.5 million in June. This amount was (6.2)% below June 2009, but \$13.5 million above the forecast for the month.

For the fiscal year, corporate collections of \$413.2 million are (30.2)% below last year. This amount is \$31.8 million above the budget forecast for the year.

Over the last 3 years, corporate income tax collections have declined (47.3)%, and have reached the lowest level since FY 2003.

The **Lottery Commission** reports that June ticket sales were \$44.3 million, which is 15.9% above sales last year. Total FY 2010 ticket sales were \$67 million or 13.8% above FY 2009.

For FY 2010, \$46.6 million in revenue has been distributed to the General Fund. This distribution was \$4.8 million, or 11.5% above the budgeted distribution for FY 2010 and \$15.6 million, or 50.5% above FY 2009.

As we have noted in previous months, it appears that sales have increased at a greater rate than distributions as prize payouts have increased (which reduces payments to state beneficiaries).

**Disproportionate Share (DSH)** revenue represents supplementary federal payments to hospitals that serve a large, or disproportionate, number of low-income patients. The \$18.7 million amount reflects

DSH payments to the Arizona State Hospital that are deposited to the General Fund to offset its operating expenses.

Most DSH monies generated by Maricopa Integrated Health System (MIHS) are also deposited into the General Fund pursuant to statute. At this time, the FY 2010 payments do not include any of the \$50.4 million in budgeted MIHS revenues. The MIHS allocation is still being determined, but will be less than the FY 2010 budgeted amount due to a decline in uncompensated care.

If the final determination of the FY 2010 payment is made in the next several days, some additional General Fund revenue could still be booked in FY 2010. If this issue is not resolved soon, these monies will be deposited into the General Fund in FY 2011.

Revenues related to **budget legislation** totaled \$176.2 million for FY 2010, all of which was collected in June. This amount was \$41.3 million, or 30.6% above forecast.

Laws 2009, 4<sup>th</sup> Special Session, Chapter 3 accelerated the abandonment schedule for certain types of unclaimed property by 1-3 years. For many types of abandoned property, the state will now receive possession after 2 years. The provisions of Chapter 3 were expected to generate additional one-time General Fund revenues of \$39.4 million in FY 2010. Based on preliminary numbers from the Department of Revenue, the accelerated abandonment schedule resulted in significantly more revenue than anticipated, with collections totaling an estimated \$83.7 million, or \$44.3 million more than budgeted.

The \$41.3 million of revenue collected above the forecast consists of the \$44.3 million related to unclaimed property along with \$(3.0) million due to a technical adjustment related to sales tax estimated payments.

In June, **leaseback proceeds** totaled \$750 million. These revenues were received from 2 issuances: 1) \$300 million related to the sale and leaseback of state properties (above and beyond the \$735 million originally authorized); and 2) \$450 million from the sale of lottery revenue bonds. Total FY 2010 leaseback proceeds were \$1.5 billion.

*“Over the last 3 years, corporate income tax collections have declined (47.3)%, and have reached the lowest level since FY 2003.”*

## June Revenues

**Highway User Revenue Fund (HURF)** revenues consist of gasoline and use fuel (diesel) tax, motor carrier fees (commercial carriers), vehicle license tax and registration fees, and various other fees.

HURF collections of \$102.6 million in June were down \$(2.7) million or (2.5)% compared to June of last year. Total FY 2010 HURF collections of \$1.19 billion were down \$(54.2) million or (4.3)% compared to FY 2009.

Table 4

### State of Arizona General Fund Revenue: Change from Previous Year and Enacted Budget Forecast June 2010

	Current Month					FY 2010 YTD (Twelve Months)				
	Actual June 2010	Change From June 2009		Forecast		Actual June 2010	Change from June 2009		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b>Taxes</b>										
Sales and Use	\$242,708,085	(\$13,023,720)	(5.1) %	(\$37,856,203)	(13.5) %	\$3,377,528,509	(\$378,878,729)	(10.1) %	(\$62,623,291)	(1.8) %
Income - Individual	270,545,462	(8,864,748)	(3.2)	(9,355,546)	(3.3)	2,416,296,308	(151,458,048)	(5.9)	14,062,708	0.6
- Corporate	90,549,750	(5,987,265)	(6.2)	13,505,171	17.5	413,193,307	(178,963,946)	(30.2)	31,832,707	8.3
Property	3,542,939	111,983	3.3	1,120,166	46.2	20,269,632	2,025,150	11.1	3,269,632	19.2
Luxury - Tobacco	3,666,091	1,157,882	46.2	(118)	(0.0)	27,582,135	(2,226,250)	(7.5)	(2,956,665)	(9.7)
- Liquor	2,630,493	324,303	14.1	0	0.0	28,854,959	(1,067)	(0.0)	(983,541)	(3.3)
Insurance Premium	71,954,438	(8,756,613)	(10.8)	2,885,731	4.2	405,107,893	(6,262,960)	(1.5)	7,107,893	1.8
Estate	4,760	4,760	--	338,144	--	363,755	153,383	72.9	363,755	--
Other Taxes	30,510	(7,556)	(19.8)	2,419	8.6	1,446,307	280,540	24.1	816,307	129.6
<b>Sub-Total Taxes</b>	<b>\$685,632,528</b>	<b>(\$35,040,974)</b>	<b>(4.9) %</b>	<b>(\$29,360,236)</b>	<b>(4.1) %</b>	<b>\$6,690,642,805</b>	<b>(\$715,331,927)</b>	<b>(9.7) %</b>	<b>(\$9,110,495)</b>	<b>(0.1) %</b>
<b>Other Revenue</b>										
Lottery	15,645,000	15,645,000	--	4,835,400	44.7	46,645,000	15,645,000	50.5	4,797,800	11.5
License, Fees and Permits	2,694,107	(1,304,593)	(32.6)	537,435	24.9	26,654,097	(7,877,455)	(22.8)	2,654,097	11.1
Interest	7,806	(140,612)	(94.7)	1,182,343	--	472,767	(19,196,682)	(97.6)	472,767	--
Sales and Services	4,089,962	(4,175,590)	(50.5)	(11,487,148)	(73.7)	28,302,557	(19,939,134)	(41.3)	(16,697,443)	(37.1)
Other Miscellaneous	21,708,956	9,537,936	78.4	9,860,521	83.2	53,276,853	(423,703)	(0.8)	5,753,753	12.1
Disproportionate Share	18,700,000	(30,259,603)	(61.8)	(50,404,900)	(72.9)	18,700,000	(48,987,545)	(72.4)	(50,404,900)	(72.9)
Transfers and Reimbursements	80,210	25,099	45.5	(757,152)	(90.4)	34,330,266	559,874	1.7	(5,828,734)	(14.5)
<b>Sub-Total Other Revenue</b>	<b>62,926,041</b>	<b>(10,672,363)</b>	<b>(14.5) %</b>	<b>(46,233,501)</b>	<b>(42.4) %</b>	<b>208,381,540</b>	<b>(80,219,645)</b>	<b>(27.8) %</b>	<b>(59,252,660)</b>	<b>(22.1) %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$748,558,569</b>	<b>(\$45,713,337)</b>	<b>(5.8) %</b>	<b>(\$75,593,737)</b>	<b>(9.2) %</b>	<b>\$6,899,024,345</b>	<b>(\$795,551,572)</b>	<b>(10.3) %</b>	<b>(\$68,363,155)</b>	<b>(1.0) %</b>
<b>Other Adjustments</b>										
Urban Revenue Sharing	(52,387,052)	8,252,737	--	4,473	(0.0)	(628,644,630)	99,032,775	--	4,470	(0.0)
Budget Plan Transfers	92,609,775	(582,830,805)	(86.3)	0	0.0	387,085,500	(893,557,600)	(69.8)	0	0.0
Budget Legislation	176,178,100	176,178,100	--	41,300,000	30.6	176,178,100	176,178,100	--	41,300,000	30.6
Leaseback Proceeds	750,000,000	750,000,000	--	0	0.0	1,485,419,300	1,485,419,300	--	0	0.0
<b>Sub-Total Other Adjustments</b>	<b>966,400,823</b>	<b>351,600,032</b>	<b>57.2 %</b>	<b>41,304,473</b>	<b>4.5 %</b>	<b>1,420,038,270</b>	<b>867,072,575</b>	<b>156.8 %</b>	<b>41,304,470</b>	<b>3.0 %</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$1,714,959,392</b>	<b>\$305,886,695</b>	<b>21.7 %</b>	<b>(\$34,289,264)</b>	<b>(2.0) %</b>	<b>\$8,319,062,615</b>	<b>\$71,521,003</b>	<b>0.9 %</b>	<b>(\$27,058,685)</b>	<b>(0.3) %</b>
<b>Non-General Funds</b>										
Highway User Revenue Fund	\$102,577,000	(\$2,655,000)	(2.5) %	(\$5,657,000)	(5.2) %	\$1,194,417,000	(\$54,166,000)	(4.3) %	(\$53,383,000)	(4.3) %

## Economic Indicators

### NATIONAL

According to the U.S. Department of Commerce Bureau of Economic Analysis (BEA), the third and final estimate of the **U.S. Real Gross Domestic Product (GDP)** for the first quarter of 2010 was revised down from 3.0% to 2.7%. The key downward revision was to consumer spending on services. Economic growth was even more dependent on the inventory cycle than previously estimated. Inventories contributed 1.9 percentage points to real GDP growth. Final sales were revised down from 1.4% to 0.8%.

In July, the Conference Board's **U.S. Consumer Confidence Index** declined to 50.4, down 3.9 points from a revised June level of 54.3. Most of the decline in consumer sentiments in July was driven by deteriorating expectations about the coming 6 months. After having improved for 4 consecutive months, the index retreated in both June and July suggesting that consumers are beginning to lose confidence in the economic outlook. Unfavorable perceptions of the job market were a key factor in July's decline in consumer confidence.

The Conference Board's **U.S. Index of Leading Economic Indicators** fell by (0.2)% in June, thus reversing a portion of May's 0.5% gain. For the month of June, a shrinking workweek, shorter delivery times, and falling stock prices outweighed the positive contributions from a rising money supply and the continuation of a favorable interest rate spread. After the sharp turnaround that started in April 2009, the index has remained largely unchanged over the last 4 months, suggesting that the pace of the economic recovery is slowing.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, decreased by (0.1)% in June, following declines of (0.1)% and (0.2)% in April and May, respectively. The drop in consumer prices is primarily due to falling energy prices. The core CPI, which excludes food and energy prices, inched up 0.2% in June and is now 1.0% above last year's level. Core inflation is now much lower than the Fed's comfort zone for inflation of 1.5% to 2.0%.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the U.S. reached \$4.27

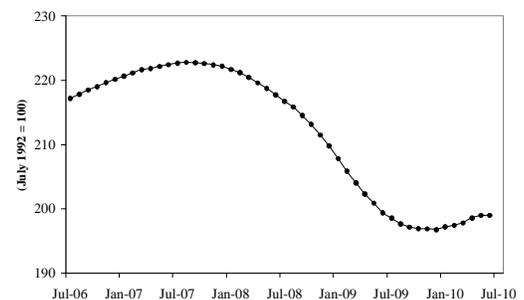
billion in May, the highest level since February 2001. This was a 8.2% improvement from the prior month and a 52.9% increase over May 2009 levels. According to SIA, chip sales have been buoyed by strength in sales of personal computers, cell phones, corporate information technology, industrial applications, and autos.

### 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.

The **state coincident index** for Arizona remained unchanged in June, making Arizona one of only 4 states in the nation for which this measure did not increase last month. The index is down by (0.2)% compared to the same month in the prior year and almost (11)% off its pre-recession level. As seen in the graph, the Arizona coincident index reached a trough in December 2009. See [Tracking Arizona's Recovery](#), for additional historical information.

Arizona Coincident Economic Activity Index



### Employment

According to latest release of employment data by Arizona Department of Commerce, the state had (53,100) or (2.2)% fewer **nonfarm payroll employees** in June than in the previous month. By way of comparison, the average job loss for June in the 10-year period before the start of the recession was (1.1)%. The primary reason that the state typically experiences a net job loss in June is that this is the month when most schools start their summer recess. During this time, some teachers and most non-teaching staff are not included in the official employment count.

*"The state had (53,100) or (2.2)% fewer nonfarm payroll employees in June than in the previous month."*

## Economic Indicators (Continued)

*“Year-over-year, total nonfarm employment was down by (0.3)% or (7,900) jobs in June. This marked the 29<sup>th</sup> consecutive month with year-over-year job losses in the state”*

Some of the workforce reduction in June (15% of the total, or 8,100 positions) was attributable to the loss of temporary Census 2010 workers. A smaller portion (9% of the total, or 4,800 positions) was attributable to the loss of private sector jobs.

Year-over-year, total nonfarm employment was down by (0.3)%, or (7,900) jobs in June. This marked the 29<sup>th</sup> consecutive month with year-over-year job losses in the state, the longest streak in recorded history (data available from 1939). Year-over-year job losses peaked in June 2009 when there were reportedly (217,200), or (8.4)%, fewer people on the payrolls than in the previous year. Since the onset of the recession in December 2007, the state has lost (339,300) jobs, or (12.5)% of its workforce. See [Tracking Arizona's Recovery](#), for additional historical information.

The **average weekly hours** of production workers in manufacturing industries is a leading indicator since “factory hours” tend to lead the business cycle as employers usually adjust work hours before increasing or decreasing the size of their workforce. According to the Arizona Department of Commerce, preliminary data indicates that the average work week in May was 39.5 hours, a (1.3)% decrease from the prior month. This was a sharp reversal from last month’s gain. June’s decline cannot be attributed to seasonal factors, however, since the work week for this month historically increases by about 0.2%. Data released in the coming months will help determine whether June’s reading was an anomaly or not.

The state’s **unemployment rate** remained unchanged at 9.6% in June. This means that the jobless rate in the state has been essentially flat over the last 5 months. The state’s unemployment rate in June exceeded the national average for the first time since April 2009.

The Department of Commerce reported that 30,999 **initial claims for unemployment insurance** were filed in June. At this level, there were 3,464, or 12.6%, more claims than in the prior month. While this was a smaller month-over-month increase than in the prior year, it still remained significantly above the comparable pre-recession average increase of 700 claims. June marked the 8<sup>th</sup> consecutive month with a year-over-year decline in claims. Initial jobless claims peaked in April 2009 when more than 41,000

individuals filed for benefits. See [Tracking Arizona's Recovery](#), for additional historical information.

According to Department of Commerce, the state had a total of 87,787 **claimants receiving unemployment insurance benefits** in June. This figure was 4.4% above the prior month, a significantly smaller increase than reported for the same month in the prior 7 years. The number of persons receiving jobless benefits is down by (23.4)% compared to last year. It should be noted, however, that the figure above only reflects claims received by individuals under the state’s regular unemployment insurance (UI) benefit program. Under this program, qualified individuals may receive jobless benefits for up to 26 weeks.

After the 26 weeks of regular UI benefits have been exhausted, unemployed persons in the state may qualify for up to an additional 53 weeks of Emergency Unemployment Compensation (EUC) plus another 20 weeks of Extended Benefits (EB), for a total of 99 weeks of jobless benefits. The UI benefits under the EUC and EB programs are federally funded. Data provided by the Arizona Department of Economic Security (DES) suggests that regular UI benefits make up about 40% of all claims paid.

### Housing

In Maricopa County, foreclosure related data continued to improve in June. The number of new **foreclosure notices** – the initial step in the foreclosure process – totaled 6,170, its lowest level since April 2008. The number of **pending foreclosures** – inventory at risk of being sold by the trustee at some point in the future – declined for the 4<sup>th</sup> straight month to 42,324. June 2010 marks the first month in which the year-over-year change in pending foreclosures has been negative (-7.3%) since August 2006. Pending foreclosures peaked at 51,466 in December 2009. See [Tracking Arizona's Recovery](#), for additional historical information.

ASU’s June real estate report suggests that in Metropolitan Phoenix, the **single-family median resale home price** was \$147,500 based on a total of 10,720 **single-family existing home sales**. Relative to the prior month, the measures were up 1.7% and 11.0%, respectively. On a year-over-year

## Economic Indicators (Continued)

*“Consumer confidence in the state decreased by (0.5) points (relative to the April 2010 report) to a level of 49.1, the second lowest reading on record.”*

basis, the median resale price rose 5.4% while the total number of units bought and sold declined (9.3)% due to sales activity reaching a recent high of 11,820 in June 2009. The median resale price peaked in June 2006 at \$267,000.

### Other Economic Data

According to the Behavior Research Center's July **Arizona Consumer Confidence Index** report, consumer confidence in the state decreased by (0.5) points (relative to the April 2010 report) to a level of 49.1, the second lowest reading on record. The decline in consumer confidence was entirely attributable to growing pessimism about business and employment conditions, as well as expected earnings over the next 6 months. A deteriorating outlook on the economy is typically associated with reduced growth in consumer spending on durable goods, such as autos and computer equipment.

A total of 16.1 million passengers entered and exited aircraft at the **Phoenix Sky Harbor International Airport** in the first 5 months of 2010, a 2.2% increase over the comparable period in the prior year but still (8.0)% below pre-recession levels. The industry outlook is improving as evidenced by the fact that May marked the 8<sup>th</sup> consecutive month with year-over-year growth in air passenger traffic at Sky Harbor.

### State Agency Data

Participation in income driven programs has either moderated or declined somewhat in the last few months, as evidenced by the data presented below.

In July, **AHCCCS caseloads** equaled 1.35 million members, a (0.7)% decrease over the prior month. AHCCCS caseloads are currently 6.1% above July 2009 levels. Total enrollment has stayed essentially unchanged since December 2009. The FY 2010 budget funded a projected June caseload growth of 14.4%, for a total of 1,435,445 members.

There were 72,257 **TANF recipients** in the state in May, a monthly caseload decrease of (2.7)%. Year-over-year, the number of TANF recipients has declined by (14.4)%. The FY 2010 budget assumed that the June 2010 TANF caseload would be 84,287.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In May, there were a total 1.06 million food stamp recipients in the state, an increase of 3.3% over the prior month. Compared to the same month last year, food stamp participation was up by 22.8%. The number of food stamp recipients began increasing steadily in July 2007, after several years in the 550,000 to 575,000 range.

The 3-month average count of the **Department of Correction's (ADC) inmate population** totaled 40,574 inmates between April and June 2010 - an average decline of (10) inmates per month. At the close of FY 2010, however, the department's population totaled 40,571 inmates or 65 inmates more than were in the ADC custody at the close of FY 2009.

Population growth during FY 2010 averaged 5 inmates per month, the lowest rate of growth experienced since at least 1973. Data prior to 1973 was unavailable.

Based on **adult and juvenile probation data** from March and May, respectively, the non-Maricopa probation caseload was 19,602 individuals - 14 less probationers than the prior month and 648 probationers less than a year ago. In Maricopa County, there were 28,285 probationers during the period, 596 less than the prior month and 1,172 less than a year ago. With the excemption of Maricopa County, who assumes all costs related to probation programs, the state and counties share the costs of probation programs.

## Economic Indicators (Continued)

Table 5

ECONOMIC INDICATORS				
Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
<b>Arizona</b>				
- Unemployment Rate	June	9.6%	0.0%	0.3%
- Initial Unemployment Insurance Claims	June	30,999	12.6%	(20.0)%
- Unemployment Insurance Claimants	June	87,787	4.4%	(23.4)%
- Non-Farm Employment - Total	June	2.37 million	(2.2)%	(0.3)%
Manufacturing	June	150,500	1.0%	(1.1)%
Construction	June	113,800	(0.8)%	(12.9)%
- Average Weekly Hours, Manufacturing	June	39.5	(1.3)%	0.3%
- Contracting Tax Receipts (3-month average)	Apr-Jun	\$30.9 million	5.9%	(27.0)%
- Retail Sales Tax Receipts (3-month average)	Apr-Jun	\$129.1 million	9.7%	(6.9)%
- Residential Building Permits (3-month moving average)				
Single-unit	Apr-Jun	1,002	(13.1)%	(21.2)%
Multi-unit	Apr-Jun	69	(38.9)%	524.2%
- Greater Phoenix Existing Home Sales				
Single-Family	June	10,720	11.0%	(9.3)%
Townhouse/Condominium	June	1,725	14.2%	24.1%
- Greater Phoenix Median Home Sales Price				
Single-Family	June	\$147,500	1.7%	5.4%
Townhouse/Condominium	June	\$99,900	(3.0)%	(9.2)%
- Foreclosure Activity, Maricopa County				
Foreclosure Notices (Notice of Trustee's Sales Recorded)	June	6,170	(4.7)%	(29.1)%
Pending Foreclosures (Active Notices)	June	42,324	(5.9)%	(7.3)%
- Greater Phoenix S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	May	111.0	0.9%	7.2%
- Arizona Months Supply of Housing, (ARMLS)	June	6.5 months	(0.3) months	0.6 months
- Phoenix Sky Harbor Air Passengers	April	3.31 million	(4.3)%	0.4%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	April	\$5.45	(26.5)%	8.8%
- Arizona Consumer Confidence Index (1985 = 100)	3 <sup>rd</sup> Quarter 2010	49.1	(1.0)%	(18.4)%
- Arizona Coincident Index (July 1992 = 100)	June	199.02	0.0%	(0.2)%
- Arizona Personal Income	1 <sup>st</sup> Quarter 2010	\$220.0 billion	1.1%	1.0%
- Arizona Population	July 1, 2009	6.60 million	N/A	1.5%
- AHCCCS Recipients	July	1,352,829	(0.7)%	6.1%
- TANF Recipients	May	72,257	(2.7)%	(14.4)%
- SNAP (Food Stamps) Recipients	May	1,056,752	3.3%	22.8%
- ADC Inmate Growth (3-month average)	Apr-Jun	40,574	(10) inmates	260 inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	Mar/May	19,602	(14)	(648)
Maricopa County	Mar/May	28,285	(596)	(1,172)
<b>United States</b>				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	1 <sup>st</sup> Quarter 2010 (Final Estimate)	\$13.2 trillion	2.7%	2.4%
- Consumer Confidence Index (1985 = 100)	July	50.4	(7.2)%	6.3%
- Leading Indicators Index (2004 = 100)	June	109.8	(0.2)%	8.6%
- U.S. Semiconductor Billings (3-month moving average)	Mar-May	\$4.27 billion	8.2%	52.9%
- Consumer Price Index, SA (1982-84 = 100)	June	216.9	(0.1)%	1.1%

## Summary of Recent Agency Reports

**AHCCCS – Report on Healthcare Group** – Pursuant to A.R.S. § 36-2912Z, the Arizona Health Care Cost Containment System (AHCCCS) submitted its quarterly financial report for Healthcare Group (HCG) for the period January 1, 2010 to March 1, 2010. The agency reports that HCG's revenues were \$1.3 million greater than their expenditures after adjustments and fund transfers for the first 3 quarters of FY 2010. Of this amount, about \$319,000 was from the third quarter. HCG began FY 2010 with total unpaid prior year obligations and other liabilities of \$13.4 million. As of March 31 2010, total liability was \$12.9 million.

AHCCCS reports that, as of May 2010, total statewide HCG medical plan enrollment was 10,977, with participating members from 4,046 employers. This is a decline of (3,793) participating members and (1,057) employers from a year earlier. AHCCCS acknowledges that the worsening economy and selectivity in outreach has contributed to the declining enrollment. (Amy Upston)

**Department of Economic Security – Report on Arizona Training Program at Coolidge (ATP-C) Campus and Other Placements** — A footnote in the FY 2010 General Appropriation Act requires the Department of Economic Security (DES) to report on placements of developmentally-disabled (DD) clients into state-owned Intermediate Care Facilities for the Mentally Retarded (ICF-MR) or at the ATP-C campus in FY 2010. DES reports that there were no new permanent placements at the ATP-C campus, but that there was 1 new placement into a state-operated ICF-MR in Phoenix in FY 2010. This placement was deemed to be appropriate because the private ICF-MR and community residential settings denied placement due to the significant medical and behavioral needs of the person. (Aaron Galeener)

**Department of Education – Report on Federal Monies for English Learners** – Pursuant to A.R.S. § 15-756.10, paragraph 3, the Department of Education (ADE) recently submitted a report that includes an itemized list of all federal monies received by the department for English language learners in FY 2010. As required by statute, the report includes a list of how much of these monies were distributed to school districts on a district-by-district basis and the purposes for which these federal monies are designated. The report indicates that ADE received \$24.9 million in federal Title III (Language Instruction for Limited English Proficient and Immigrant Students) funding for FY 2010. Of that amount, approximately \$23.4 million was distributed directly to school districts and charter schools. The remaining \$1.5 million was used for state administration, technical assistance, and to meet federal set-aside requirements for immigrant education. (Steve Schimpp)

**Public Programs Eligibility Report** – As enacted in the 2006 election, Proposition 300 limits participation in certain state programs to citizens, legal residents, and 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:

**Community Colleges** – Statewide for the spring 2010 semester, the Community Colleges reported a total of 255,720 students classified as in-state. They reported 1,962 students who were not entitled to be classified as in-state because of a lack of lawful immigration status. Additionally, 85,974 students applied for financial aid. Of those who applied, the community colleges reported that 306 were not entitled to any aid because they were not lawfully present in the United States.

**Universities** – At the 3 universities, 121,737 students registered for the spring 2010 semester. Of the total students registered, the universities were able to verify the legal immigration status of 111,005 students. Additionally, the universities reported that 7,730 of these students did not require verification because they had either not requested or received in-state tuition or state supported financial aid. The universities reported that a total of 248 students were unverifiable due to their inability to provide the requisite documentation.

**Department of Economic Security** – The department reported that 6,402 applications were received for child care assistance during the reporting period of December 1, 2009 to May 31, 2010. Of this number, 7 were denied because criteria for citizenship or legal residency were not met.

**Department of Education** – The department reported that 19,652 people applied for instruction in Arizona Adult Education during the reporting period of December 1, 2009 to May 31, 2010. Of this amount, 503 were denied instruction because they failed to provide acceptable evidence of citizenship or legal residence in the United States. Previously, the Department of Education reported the number of applicants and applicants ineligible for enrollment for the Family Literacy Program. This program, however, was discontinued as of December 1, 2009 resulting in no information to report. (James Alcantar)

## Staff Updates

**FY 2008 – 2011 Comprehensive Solutions** - In July, the JLBC Staff released a report on how the state resolved its budget shortfalls between FY 2008 and FY 2011. See [Comprehensive Budget Solutions](#) for more information.

During that time, the state eliminated \$12.5 billion in cumulative shortfalls. Of that amount, \$9.0 billion, or 72%, were one-time solutions. Ongoing solutions represented another \$2.7 billion, or 21% (including \$2.2 billion of spending reductions). The 1-cent sales tax increase, a one-time solution lasting for 3 years, generates the final 7%.

The 3 largest one-time solutions were federal stimulus savings of \$2.4 billion, debt and lease-purchase financing of \$2.1 billion, and fund transfers of \$2.0 billion.

**High Risk Insurance Pools** - The Patient Protection and Affordable Care Act (PPACA) established a national plan to cover adults with pre-existing conditions. The PPACA allocated \$5 billion in federal funding through 2014 to help each state provide coverage until health insurance exchanges become available. States could chose to set up their own plan, or opt to let the federal Department of Health and Human Services run a plan in their state. Arizona, along with 20 other states, has chosen to let HHS run their plan. On July 1, HHS established the Pre-Existing Condition Insurance Plan (PCIP). Coverage for individuals in the HHS plan will begin August 1, 2010. While AHCCCS is not responsible, the federal government has not yet announced whether the coverage will be provided through local health plans or through a fee for service model.

Beginning July 1, 2010, individuals could begin applying for coverage through the federal government's HealthCare.gov website. Applicants must provide documentation proving they meet the following eligibility requirements:

- Citizenship or lawful presence in the United States.
- Uninsured for at least the last six months due to a pre-existing condition.

Once approved, individuals will have access to a broad range of health care services,

including primary care physicians, specialists, hospitals, and prescription drugs. Covered individuals will be responsible for premiums, a \$2,500 deductible on covered benefits, and co-payments. Individuals enrolled in the Arizona PCIP would have the following premiums:

Age	00-34	35-44	45-54	55+
	\$323	\$387	\$495	\$688

Premiums are based upon a standard rate for a standard population, and vary by no more than 4:1 due to age. The maximum out-of-pocket costs cannot exceed \$5,950 per year.

The PCIP is different from the State of Arizona's current high-risk pool, Healthcare Group, in several ways:

- Healthcare Group is only available to employees at a company with between 2 - 50 employees. There is no restriction based on employment for the PCIP.
- Healthcare Group requires an individual to have gone without insurance for at least 90 days, while the PCIP has a minimum requirement of 180 days.
- The PCIP is only open to individuals who have been denied coverage because of a pre-existing condition. Healthcare Group does not have a similar requirement.
- Healthcare Group may require individuals with pre-existing conditions to wait up to 12 months to receive coverage, while the PCIP has no waiting period.

*"During that time [FY 2008 – FY 2011], the state eliminated \$12.5 billion in cumulative shortfalls. Of that amount, \$9.0 billion, or 72%, were one-time solutions."*

## June Spending

### FY 2010 Spending

June 2010 spending of \$145 million was \$241.3 million higher than June 2009. For the year-to-date, spending of \$7.8 billion is (\$957.2) million below 2009 (See Table 6 and 7).

- The Arizona Department of Education (ADE) has spent \$3.2 billion year-to-date in 2010, or \$(573) million less than 2009. The \$(573) million amount includes a \$(350) million increase in the K-12 rollover, a \$(472) million shift to federal "stimulus" monies, \$300 million to restore a one-time "cash balances" decrease from FY 2009, \$116 million for "cash balance" related reimbursements, \$(144) million for mid-year Soft Capital reductions, and \$(23) million for miscellaneous other adjustments and caseload changes. June payments were \$(86) million below FY 2009 primarily because charter schools had already received 12 months of payments prior to June in FY 2010 due to a mid-year statutory change in the monthly payment schedule.
- Spending in AHCCCS, and DES is a combined \$33.3 million. The low monthly spending reflects June payment deferrals to providers. Year-to-date spending is a combined \$(149.4) million lower than FY 2009. This is generally consistent with

the FY 2010 budget assumption that caseload growth in Medicaid spending in those agencies would be offset by varying degrees by enhanced federal match from the federal stimulus legislation.

- AHCCCS June spending was \$218.7 million above June 2009. June 2009 spending of \$(180.3) million was the result of AHCCCS receiving a lump sum payment of 8 months of ARRA federal funding.
- DES June spending of \$(5.1) million was the result of operating transfers to re-align agency funding sources. Similar transfers occurred in June of the prior year.
- University spending was \$8.9 million in June. The low expenditure amount reflects a rollover of the monthly payment. Year-to-date University spending is \$794.1 million, or \$(43.4) million below FY 2009.

*"For the year-to-date, spending of \$7.8 billion is (\$957.2) million below 2009."*

**Table 6**

<u>Agency</u>	<u>General Fund Spending (\$ in Millions)</u>			
	<u>June 10</u>	<u>Change from June 09</u>	<u>Year to Date</u>	<u>YTD Change from FY 09</u>
AHCCCS	\$38.4	\$218.7	\$1,228.8	\$(14.8)
Corrections	79.2	(2.6)	858.8	(43.5)
Economic Security	(5.1)	57.9	522.4	(134.6)
Education	(13.0)	(86.0)	3,157.1	(572.6)
Health Services	0.6	58.4	477.7	(31.3)
Public Safety	2.1	(1.4)	42.6	(14.9)
School Facilities Board	0.6	(12.9)	104.8	3.5
Universities	8.9	3.4	794.1	(43.4)
Other	33.3	5.8	634.9	(105.6)
<b>Total</b>	<b>145.0</b>	<b>241.3</b>	<b>7,821.2</b>	<b>(957.2)</b>

Agency	General Fund Spending (\$ in Thousands)			YTD Change from FY '09
	June 10	Change from June 09	Year-to-Date	
Department of Administration	976.5	868.4	18,823.5	(5,136.2)
Office of Administrative Hearings	56.0	(7.8)	933.3	(184.6)
Department of Agriculture	584.0	21.4	8,361.0	(1,756.9)
AHCCCS	38,357.4	218,729.5	1,228,838.1	(14,789.2)
Arizona Commission on the Arts	(3.8)	(95.8)	817.1	(690.2)
Arizona Exposition and State Fair Board	-	-	400.0	400.0
Attorney General	1,416.0	(552.3)	17,732.6	(3,366.1)
AZ Capital Post Conviction Public Defender	39.5	(12.3)	646.3	(104.6)
State Board of Charter Schools	43.9	(167.0)	686.0	(306.1)
State Bd. of Chiropractic Exam.	-	-	148.0	148.0
Department of Commerce	211.3	(39.5)	3,432.6	(23,077.8)
Community Colleges	-	-	132,426.3	(3,309.5)
Corporation Commission	60.6	(140.3)	583.3	(3,620.2)
Department of Corrections	79,179.1	(2,648.9)	858,841.7	(43,501.1)
AZ Criminal Justice Commission	-	-	(4.6)	(1,190.2)
AZ State Board of Cosmetology	-	-	252.0	252.0
AZ St. Schools for the Deaf & Blind	761.6	410.0	20,970.5	(1,422.7)
Dept. of Economic Security	(5,134.9)	57,938.7	522,351.3	(134,611.9)
Department of Education	(12,952.5)	(85,979.8)	3,157,149.5	(572,568.8)
DEMA	1,545.7	771.8	10,301.2	(992.2)
Dept. of Environmental Quality	700.6	372.7	5,770.2	(67.6)
DEQ-WQARF	-	-	7,000.0	(6,000.0)
Office of Equal Opportunity	9.6	(2.4)	190.2	(26.2)
State Board of Equalization	41.4	12.1	645.3	44.8
Board of Executive Clemency	41.1	(21.0)	874.8	(159.0)
Dept. of Financial Institutions	176.5	3.5	2,957.3	(335.7)
Department of Fire, Life, Bldg Safety	95.4	(216.4)	2,119.6	(991.8)
State Board of Funeral Directors	-	-	100.0	100.0
Arizona Geological Survey	101.6	26.8	800.9	(111.7)
Government Information Tech.	31.2	(134.2)	444.8	(1,048.8)
Governor	381.6	(89.8)	6,901.2	(53.5)
Gov. - OSPB	115.8	(69.3)	1,913.3	(204.0)
Department of Health Services	600.3	58,444.8	477,698.4	(31,275.7)
Arizona Historical Society	185.8	44.9	3,865.1	(152.7)
Prescott Historical Society of AZ	45.1	17.4	655.6	(0.4)
Independent Redistricting Comm.	-	(12.3)	26.1	(213.4)
AZ Commission of Indian Affairs	33.5	6.1	116.0	(102.7)
Department of Insurance	305.6	81.1	5,538.6	(836.8)
Judiciary				
Supreme Court	860.29	(672.60)	16,653.21	688.46
Superior Court	2,504.01	693.30	86,847.99	(3,242.46)
Court of Appeals	1,067.1	(105.3)	14,023.8	235.4
Dept. of Juvenile Corrections	3,367.9	(1,458.9)	61,478.5	(9,313.0)
State Land Department	3,340.2	2,227.2	13,502.3	(2,857.6)
Law Enforcement Merit System	1.0	(4.2)	71.9	(4.9)

Agency	June 10	Change from June 09	Year-to-Date	YTD Change from FY '09
Legislature				
Auditor General	1,331.3	137.5	14,947.6	(1,904.7)
House of Representatives	700.6	(188.7)	12,015.2	(598.3)
Joint Legislative Budget Comm.	149.2	(4.1)	2,231.5	(175.3)
Legislative Council	268.4	(23.6)	4,802.4	(7,498.0)
AZ Library and Archives	505.8	367.7	6,356.1	27.2
Senate	549.3	(23.7)	8,574.8	(86.8)
Dpt. of Liquor Licenses	-	(218.3)	747.7	(3,076.1)
Board of Medical Student Loans	-	-	801.9	(199.1)
Mine Inspector	56.9	134.0	1,079.6	(235.0)
Dpt. of Mines & Mineral Resources	70.2	38.9	855.2	(64.5)
Nav. Streams & Adjudication	9.5	(9.6)	128.3	(154.5)
State Board of Nursing	-	(2.2)	-	(97.6)
OSHA	4.8	4.8	19.2	19.2
Arizona State Parks Board	-	(280.2)	20,214.2	(3,402.5)
Personnel Board	-	(17.0)	-	(322.9)
Comm. for Postsecondary Ed.	136.3	(2.5)	3,554.0	(682.2)
State Board of Psychologist Exam.	-	-	300.0	300.0
Department of Public Safety	2,147.1	(1,375.3)	42,585.3	(14,893.4)
Arizona Department of Racing	195.6	57.2	4,864.5	2,603.8
Radiation Regulatory Agency	60.5	60.3	1,416.8	(184.9)
Arizona Rangers Pension	1.2	-	14.0	0.3
Real Estate Department	172.1	(50.9)	3,000.2	(660.8)
Department of Revenue	6,384.1	2,815.2	38,897.2	(25,635.6)
School Facilities Board	57.2	(12,945.7)	104,758.4	3,510.1
Secretary of State	411.8	111.9	6,992.5	586.9
Tax Appeals Board	15.3	(1.1)	251.9	(10.6)
Office of Tourism	-	-	200.0	(112.2)
Department of Transportation	4.6	(0.3)	57.4	(5.5)
State Treasurer	157.7	(0.7)	2,548.1	1.2
Universities				
Board of Regents	662.7	1,978.6	21,076.3	3,937.6
Arizona State University	4,872.4	1,774.8	350,107.0	(21,518.3)
Northern Arizona University	492.6	(549.6)	117,865.4	(7,166.4)
University of Arizona	2,920.9	222.5	305,082.1	(18,650.9)
Department of Veteran Services	(326.4)	(1,104.2)	8,462.8	944.7
AZ State Veterinary Medical Examining Board	-	-	250.0	250.0
Department of Water Resources	2,716.9	1,586.7	17,516.7	6,724.8
Dept. of Weights & Measures	86.0	1.4	1,199.8	(174.3)
Other	1,040.0	534.9	23,566.9	(2,830.3)
<b>Grand Total</b>	<b>145,000.6</b>	<b>241,268.3</b>	<b>7,821,225.8</b>	<b>(957,192.5)</b>