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This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on July 31, 2007.

What's Inside

Preliminary June General Fund revenue collections were \$1.05 billion, or (5.0)% below June 2006. This amount was \$(86.6) million below the monthly forecast based on the recently enacted state budget. *(See page 9.)*

For all of FY 2007, preliminary General Fund revenue collections totaled \$9.63 billion, or 3.7% above FY 2006. This amount is \$(225.8) million below the enacted forecast. Year-end book closing is still occurring, and these preliminary numbers are subject to change.

The June results were below forecast for all the major categories:

- Individual income tax collections were (7.0)% below June 2006 and \$(47.3) million below the recently enacted budget forecast.
- Sales tax revenue was (1.9)% below June 2006. Monthly collections fell short of the forecast by \$(13.6) million.
- Corporate income tax collections were (11.1)% below last year, and \$(22.3) million below the forecast.

Employment figures for the month also showed signs of weakness. June non-farm employment grew 2.9% over last year. By way of comparison, the 10-year average is 3.3%. In addition, construction employment declined (0.2)%, the first year-over-year decline in almost 5 years.

As mentioned in the June edition of the Monthly Fiscal Highlights, the slower growth in FY 2007 revenue collections was due to one-time FY 2006 gains that did not reoccur in FY 2007, a decline in construction activity, and

a slower national economy.

While the state ended FY 2007 below the forecast, the FY 2007 budget will remain balanced. The enacted forecast includes a projected FY 2007 year-end surplus of \$529 million. Ending FY 2007 with a \$(225.8) million shortfall would reduce the carry forward into FY 2008 to \$303 million. This number will subsequently be adjusted once final spending numbers are tabulated.

It is too early to predict the impact in FY 2008 of ending FY 2007 million below the forecast. In FY 2008, the enacted budget includes a year-end balance of less than \$1 million. A shortfall of \$(225.8) million in the FY 2007 carry forward would therefore result in a cash shortfall at the end of FY 2008 unless other budget outcomes are better than expected.

A better projection of the FY 2008 shortfall will not be available for at least several months. During that time, a preliminary estimate of the FY 2007 ending balance, including spending figures, will be published. In addition, actual FY 2008 revenue trends will start to take shape.

The Monthly Fiscal Highlights also include a summary of the June JLBC meeting *(page 5)* and a summary of recent statutory reports submitted to JLBC *(pages 5-8)*.



Table of Contents

June Revenues.....	2
Recent Economic Indicators	3
JLBC Meeting Summary	
• DES – WIA Incentive Funding	5
• ADE – Structured Immersion for English Language Learners	5
• DPS – Microwave Communication System.....	5

Summary of Recent Agency Reports

• AHCCCS – Rural Hospital Reimbursement	5
• DES – Federal Work Participation Requirements	5
• DES – Arizona Training Program at Coolidge	5
• ADE – JTED Course Approvals	6
• DHS – Arizona State Hospital Privatization Report ...	6
• DHS – Health Crisis Fund Expenditures.....	6
• Racing – Boxing Events and Revenue	6
• ADOT – STAN Account.....	7
• Public Programs Eligibility Report	7

June Revenues

"For the first 6 months of the year, sales tax collections increased 8.9%. During the second half of FY 2007, the growth rate slowed to 2.6%."



"For all of FY 2007, individual collections increased only 1.6% over FY 2006."

Preliminary **Sales Tax** collections were \$376.0 million in June, or (1.9)% below last year. This amount, however, does not include a projected reduction of \$(55.2) million for June estimated payments. Previously, businesses with an annual sales tax liability of \$100,000 were required to make a single estimated advance payment in June. Beginning with the current year, the liability threshold has been increased to \$1 million. The estimated impact is a one-time reduction of \$(55.2) million to collections. Rather than show it as an ongoing decline in sales taxes, it is reflected as a one-time reduction under FY 2007 tax law changes.

Table 1 displays the June and year-to-date growth rates for the major categories.

	June	YTD
Retail	(0.7)%	3.7%
Contracting	(3.0)%	9.9%
Utilities	5.9%	12.2%
Use	58.1%	(1.0)%
Restaurant & Bar	3.1%	7.8%

June sales collections declined from the prior year, their first reduction in 4 years. Retail collections were down (0.7)%, while contracting decreased (3.0)%. Overall, collections for the month were \$(13.6) million below the forecast, which resulted in a year end total that was \$(106.7) million less than projected.

For the year, collections increased at a rate of 5.6%. As the year progressed, however, revenues grew at an increasingly slower pace. For the first 6 months of the year, sales tax collections increased 8.9%. During the second half of FY 2007, the growth rate slowed to 2.6%.

Individual Income Tax collections were \$311.1 million in June, or (7.0)% below last year. June collections were \$(47.3) million less than expected.

Table 2 displays the June and year-to-date growth rates for individual categories.

	June	YTD
Withholding	(2.9)%	7.8%
Estimated + Final Payments	(5.0)%	3.9%
Refunds	12.8%	26.0%

The decline in June withholding and payments resulted in collections being below forecast. For all of FY 2007, individual collections increased only 1.6% over FY 2006. Withholding grew at a healthy rate of 7.8%, while payments also increased above FY 2006. This positive growth, however, was offset by a substantial increase in refunds. The growth in refunds was at least partially due to the previously enacted 5% tax cut. For the year, individual collections were \$(108.9) million below forecast.

Corporate Income Tax collections were \$132.8 million in June, or (11.1)% below last year. Following several months of positive growth, collections declined in both May and June. For the month, collections were \$(22.3) million below the forecast. For the year, corporate collections increased 12.8%; however, this was \$(14.8) million below the forecast.

Insurance Premium Tax collections were \$399.8 million in FY 2007, or 7.0% above last year.

Luxury Tax collections were \$65.8 million, or (1.4)% below last year. The decline in existing collections was largely due to a reduction in tobacco consumption, the result of newly enacted tobacco tax rate increases.

Lottery collections were \$52.9 million in FY 2007. This was 15.2% more than FY 2006, the result of a large increase in instant ticket games.

Interest was \$104.5 million in FY 2007, which was \$30.2 million greater than FY 2006. The higher level of revenue is due to a significant increase in the operating fund balance during the middle months of the fiscal year, plus a gradual increase in the rate of return on investments.

	FY 2007 Collections	Difference From June 2007 Forecast ^{1/}	Difference From FY 2006
June	\$ 1,045.4	\$ (86.6)	\$ (55.2)
Year-to Date	\$ 9,625.1	\$ (225.8)	\$ 340.4

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

Recent Economic Indicators

The first estimate of **U.S. Gross Domestic Product (GDP)** for 2007's 2nd quarter showed that the economy's annualized growth rate jumped to 3.4% from just 0.6% in the 1st quarter. The economy's improvement reflected faster growth in net exports, defense spending, and nonresidential fixed investment (primarily buildings). Consumer spending, which led economic growth in recent years, slowed to a 1.3% annual growth pace in the 2nd quarter. The Bureau of Economic Analysis (BEA) also released revised GDP estimates for the previous 3 years. BEA now estimates that GDP advanced by 3.6% in 2004, 3.1% in 2005, and 2.9% in 2006.

Although **U.S. semiconductor billings** climbed by 2.2% in May (the 3-month moving average) from the prior period, they remained (5.6)% below last year's results. While unit sales of the DRAM (dynamic rapid access memory) devices used to power PCs increased by 7% from the prior period, their average selling prices declined by nearly 14%. In a separate report, the Semiconductor Industry Association (SIA) lowered its 2007 forecast for worldwide semiconductor sales growth from 10.0% to 1.8%.

The **U.S. Index of Leading Economic Indicators** dropped (0.3)% in June, reversing the revised 0.2% gain reported the previous month. The decline was driven by weakness in building permits, consumer sentiment, vendor performance, and unemployment insurance claims. Stock prices and new orders for capital goods made positive contributions. The index has fluctuated in a narrow range for more than a year without signaling a significant trend for the economy's growth path.

However, the most recent report on consumer sentiment was much more robust. The Conference Board's **U.S. Consumer Confidence Index** rebounded sharply in July to 112.6, which was up by 6.9% from June and was the highest level recorded since August 2001's reading of 114.0. Consumers' assessment of current conditions, their expectations for the next 6 months, and their view of the labor market all showed marked improvement from the prior month.

The **U.S. Consumer Price Index (CPI)** (3-month moving average) rose 0.5% in June and benefited from some relief in energy prices. The CPI's energy component, which increased sharply during the previous 3 months, dropped

(0.5)% in June. Food prices climbed 0.5% from the prior month while housing costs increased 0.3%. Excluding the effects of food and energy prices, the core CPI increased 0.2% in June and was 2.2% higher than a year ago.

Arizona's job market displayed growing weakness in June. Total **non-farm employment** fell by (40,000), or (1.5)%, from the previous month. While seasonal job losses are expected in June due to the end of the school year, the average June job loss during the last 10 years was just (24,500). The state's job count now stands 2.9% higher than its level from a year ago.

The building industry continued to lose ground. **Construction** employment, which increased by an average of 3,100 jobs in June during the previous 10 years, fell by (600) from the prior month. The (0.2)% decline from June 2006 was the first negative year-over-year change in construction employment reported since October 2002. While the heavy construction-civil engineering component was growing, the remaining segments continued to shrink in response to the housing slump.

Meanwhile, the metal ore mining sector added 400 jobs in June and was up 5.0% from a year ago, with more growth expected in the months ahead. Manufacturing employment was flat in June and was (0.9)% below the level posted in June 2006.

The Realty Studies group at Arizona State University reported that the Greater Phoenix **single-family median sales price** improved slightly from \$262,000 to \$263,145 in June but remained (1.4)% below its level from a year ago. The number of existing **single-family homes sold** decreased (5.9)% in June from May and was (10.1)% below the number sold in June 2006.

The **townhouse-condominium median sales price** decreased (2.0)% in June to \$181,250, which was 3.7% above the June 2006 median sales price. The **number of units sold** declined (9.6)% from the prior month but was 8.7% more than the number sold a year ago.

The **Arizona Business Conditions Index (BCI)** dropped (2.3)% in June to 57.9 but was still above the mark of 50 associated with a growing economy. The new orders component made the strongest showing and reached its



"The (0.2)% decline from June 2006 was the first negative year-over-year change in construction employment reported since October 2002."

Recent Economic Indicators (Continued)

highest level since September 2005, while the current production component declined.

Looking ahead, the University of Arizona's **Business Leaders Confidence Index (BLCI)** dipped to 50.5 in 2007's 3rd quarter survey and barely exceeded the mark of 50 associated with a neutral outlook for the economy's growth prospects. With a reading of 45.6, the national economic outlook component moved firmly into the negative range. The indices for the Arizona economy, profits, and hiring all hovered around the 50 level, while the outlook for sales, with a reading of 55.6, was the most promising.

The **Department of Corrections' inmate population** increased by an average of 249 inmates per month from April through June. The total population grew by 2,228 inmates from a year ago. The budget for FY 2008 anticipates inmate population growth of 1,920,

or a net increase of 160 inmates per month.

The number of **TANF** recipients decreased (0.2)% to 78,549 in May and was (9.9)% below the level reported in May 2006. The FY 2008 budget projects the TANF caseload will grow by 2.5%. The **AHCCCS caseload** climbed 0.4% in July and now stands 1.8% higher than the total from a year ago. The FY 2008 budget projects growth of 1.9% from June 2007 to June 2008.

Table 4

RECENT ECONOMIC INDICATORS

<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
Arizona				
- Unemployment Rate	June	3.4%	(0.2)%	(0.8)%
- Non-Farm Employment – Total	June	2.69 million	(1.5)%	2.9%
Manufacturing	June	186,800	0.0%	(0.9)%
Construction	June	245,500	(0.2)%	(0.2)%
- Contracting Tax Receipts (3-month average)	Apr-Jun	\$79.5 million	(0.3)%	(1.4)%
- Retail Sales Tax Receipts (3-month average)	Apr-Jun	\$175.4 million	(1.0)%	2.6%
- Residential Building Permits (3-month moving average)				
Single-unit	Mar-May	4,150	2.0%	(31.2)%
Multi-unit	Mar-May	819	(43.6)%	(30.1)%
- Greater Phoenix Existing Home Sales				
Single-Family	June	4,910	(5.9)%	(10.1)%
Townhouse/Condominium	June	1,125	(9.6)%	8.7%
- Greater Phoenix Median Home Sales Price				
Single-Family	June	\$263,145	0.4%	(1.4)%
Townhouse/Condominium	June	\$181,250	(2.0)%	3.7%
- Phoenix Sky Harbor Air Passengers	May	3.65 million	1.2%	2.1%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	April	\$7.76	(18.6)%	12.5%
- Leading Indicators Index	April	121.3	0.2%	1.2%
- Business Conditions Index (>50 signifies expansion)	June	57.9	(2.3)%	5.9%
- Consumer Confidence Index	1 st Quarter 2007	106.3	0.9%	(3.7)%
- Business Leaders Confidence Index	3 rd Quarter 2007	50.5	(1.7)%	1.8%
- Arizona Personal Income	1 st Quarter 2007	\$202.3 billion	2.1%	6.2%
- Arizona Population	July 1, 2006	6.17 million	3.6%	3.6%
- AHCCCS Recipients	July	1,053,971	0.4%	1.8%
- TANF Recipients	May	78,549	(0.2)%	(9.9)%
- DOC Inmate Growth (3-month average)	Apr-Jun	36,802	249 inmates	2,228 inmates
United States				
- Gross Domestic Product (seasonally adjusted annual growth rate)	2 nd Quarter 2007	\$11.5 trillion	3.4%	1.8%
- Consumer Confidence Index	July	112.6	6.9%	5.2%
- Leading Indicators Index	June	138.0	0.3%	0.3%
- U.S. Semiconductor Billings (3-month moving average)	Mar-May	\$3.33 billion	2.2%	(5.6)%
- Consumer Price Index (3-month moving average)	Apr-Jun	207.7	0.5%	2.7%

JLBC Meeting

Department of Economic Security – Review of Expenditures of Federal Workforce Investment Act Monies – The Committee gave a favorable review to the FY 2008 expenditure plan of \$1.5 million for Workforce Investment Act monies.

Department of Public Safety – Review of the Expenditures and Progress of the Microwave Communications System – The Committee gave a favorable review of the expenditures and progress made to upgrade the microwave communication system. Laws 2006, Chapter 345 appropriates \$2.5 million in state funds from FY2007 through FY2009. In addition, Chapter 345 included an intent statement that the project annually receive \$1.6 million in federal Homeland Security funds from FY 2007 through FY 2009. Federal monies were not received by DPS in FY 2007.

At the meeting, the Arizona Department of Homeland Security indicated that they would fully fund the \$1.6 million per fiscal year, beginning in FY 2008, and for the full amount of \$4.8 million, as intended by the Legislature. The committee requested that DPS report back by October 31, 2008 on the status of the

microwave communications project and federal Homeland Security grant funding.

The Arizona Department of Homeland Security was recently notified of its federal homeland security grant funding for federal FY 2007. Federal funding increased from \$20.2 million in federal FY 2006 to \$51.5 million in federal FY 2007, including \$17.7 million that has been earmarked for the Public Safety Interoperable Communication Grant Program (PSIC).

Department of Education – Review of Structured English Immersion Model for English Language Learners – The Committee deferred action regarding the review of the draft models of Structured English Immersion in order to allow time for greater review of the materials and information presented. Laws 2006, Chapter 4 established the Arizona English Language Learners Task Force and required it to develop and adopt research based models of “Structured English Immersion” (SEI) for use by school districts and charter schools. The Task Force is required to submit the models to the Committee at least 30 days before adopting them.

Summary of Recent Agency Reports

AHCCCS – Rural Hospital Reimbursement – Pursuant to a footnote in the General Appropriation Act, AHCCCS is required to notify the Committee of any capitation rate adjustments to the AHCCCS acute care rates. A one-time, one-month rate adjustment was made to implement increased inpatient reimbursement for small rural hospitals. After the month of June, the standard capitation rates will be used for the remainder of the contract year.

Department of Economic Security – Quarterly Report on Progress in Meeting Federal Work Participation Requirements – A footnote in the FY 2007 General Appropriation Act requires the Department of Economic Security (DES) to report quarterly on progress made in meeting federal Temporary Assistance for Needy Families (TANF) work participation requirements.

The federal Deficit Reduction Act (DRA) of 2005 changed the calculation that determines a state’s required work participation rate for clients receiving cash assistance under TANF.

Prior to Federal Fiscal Year (FFY) 2007, the required work rate was reduced based on caseload decline since 1995. With the implementation of the DRA, the reduction is based on caseload decline since 2005. For FFY 2006, DES had a work participation rate of 29.1% and a minimum required rate of 20%. For FFY 2007, it is anticipated that the minimum required rate will be 41%. As of March 2007, the work participation rate in FFY 2007 was 22.6%. Failure to meet the required rate will result in a federal corrective action plan, and eventually in fines up to 5% of the Federal TANF Block Grant, about \$10 million.

Department of Economic Security – Report on Arizona Training Program at Coolidge (ATP-C) Campus and Other Placements – A footnote in the FY 2007 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 2007. DES has 45 total beds in



Summary of Recent Agency Reports (Continued)

its Phoenix facilities, 39 of which are occupied. DES reports that there were no new permanent placements at the ATP-C campus but that there were two new placements into state-operated ICF-MRs in Phoenix in FY 2007. One client was admitted into a state-operated facility because of behavioral needs that could not be met in a community residential setting. The other client was admitted because of medical needs that could not be met in a community residential setting. The placements were deemed to be most appropriate because private-run facilities denied admission to both of the clients.

Department of Education – JTED Course Approvals – Pursuant to Laws 2006, Chapter 341, the Arizona Department of Education (ADE) recently submitted a report that lists all courses offered by joint technology education districts (JTEDs) in FY 2006 and all courses offered by JTEDs and approved by ADE in FY 2007. Only courses approved by ADE in FY 2007 as meeting the new requirements will be eligible for Basic State Aid funding in FY 2008.

The ADE report indicates that JTEDs collectively offered about 5,400 individual courses in FY 2006 and submitted about 6,000 courses for approval in FY 2007. (Not all courses submitted for approval in FY 2007 actually enrolled students.) Of the approximately 6,000 courses submitted for approval, 1,479 (24%) were “approved” by ADE, 3,417 (57%) were “conditionally approved” and 1,135 (19%) were “not approved.” ADE indicates that it gave “conditional approval” to a large number of courses for this review under advice from counsel because of the volume of courses involved, the relatively short timeframe available for review, staffing limitations, and the need for additional information about most courses.

It is not known whether the “not approved” courses will result in a Basic State Aid savings for FY 2008 for at least 2 reasons: 1) “not approved” courses could be discontinued in FY 2008, resulting in JTED enrollment shifts to “approved” courses; and 2) data on the number of Average Daily Membership (ADM) pupils generated by those courses are not available (JTEDs do not report ADM data by course).

Department of Health Services – Arizona State Hospital Privatization Report – Laws 2006, Chapter 331 permitted the Department of Health Services (DHS) to privatize the Arizona State Hospital (ASH) and required the agency to report to the Joint Legislative Budget Committee if DHS chose to move forward with privatization efforts.

DHS reports that they will not privatize ASH at this time and cites several reasons for this decision. First, DHS states that ASH already provides cost effective care in an efficient manner, noting that ASH recently received a favorable review and high marks for improvement and innovation from the Joint Commission on Accreditation of Healthcare Organizations.

DHS also notes that ASH already contracts with private companies for several services including pharmacy, maintenance, dietary, housekeeping, grounds keeping, medical, podiatry, speech therapy, and physical and occupational therapy. DHS believes that full privatization may not result in substantial cost savings due to these existing contractual relationships. The department also expresses concern about the amount of resources that must be dedicated to contract monitoring in order to ensure accountability under privatized operations.

Department of Health Services – Report on Expenditures from the Health Crisis Fund – Pursuant to A.R.S. § 36-797, the Department of Health Services (DHS) is required to report

expenditures from the Health Crisis Fund. The Health Crisis Fund receives up to \$1,000,000 annually from the Medically Needy Account of the Tobacco Tax and Health Care Fund. The Governor may declare a health crisis or a significant potential for a health crisis and authorize monies from the Health Crisis Fund for the emergency.

The Executive declared 2 health crises on June 29, 2007:

- Executive Order 2007-13 authorized allocating \$100,000 to DHS to increase education and the availability of syphilis testing for pregnant women in Arizona. According to the Executive Order, during the last 4 years, Arizona has had one of the highest rates of congenital syphilis in the United States and untreated syphilis in pregnant women can lead to stillbirth or congenital abnormalities.
- Executive Order 2007-14 authorized allocating \$295,000 to DHS for tuberculosis prevention and control, including purchasing a portable, digital X-ray machine for diagnosing tuberculosis in homeless shelters and among other vulnerable populations throughout Arizona. According to Executive Order, the state experienced a 12% increase in tuberculosis cases over the past year and approximately 10% of tuberculosis patients are homeless.

In total, DHS is expected to expend approximately \$595,000 from the Health Crisis Fund in FY 2007. In addition to the expenditures referenced above, the Executive previously authorized \$200,000 to mitigate the effects of out-of-hospital cardiac arrests.

Department of Racing – Annual Report on Boxing Events and Revenue – Pursuant to a General Appropriation Act footnote, the

Summary of Recent Agency Reports (Continued)

Department of Racing is required to report annually on the number of boxing events, gross receipts, state revenues, and license fee collections. The department submitted its FY 2007 annual report on July 10, 2007.

During FY 2007, a total of 30 boxing events were held in Arizona. During that period the total gross tax receipts, fines, and license fee collections were \$34,526; the state received \$33,000 of additional revenue by way of Intergovernmental Agreements with Indian tribes.

Department of Transportation – Report on Statewide Transportation Acceleration Needs Account of the State Highway Fund – In response to a provision in the Capital Outlay Bill for FY 2007, Laws 2006, Chapter 345, the State Transportation Board has submitted the first annual report on their Statewide Transportation Acceleration Needs (STAN) Account activities. The STAN Account was established as a separate account in the State Highway Fund with a deposit of \$307,000,000 in FY 2007 to accelerate highway projects. STAN monies are divided 60% for Maricopa County, 16% for Pima County and 24% for all other counties.

The State Transportation Board has approved spending a total of \$319,500,000 of STAN monies, including the FY 2007 appropriation of \$307,000,000 and \$12,500,000 in interest, to accelerate a total of 11 projects. The STAN Account had a balance of \$315,963,200 as of June 30, 2007, including the \$307,000,000 appropriation and \$8,963,200 of interest.

The 11 projects would accelerate the construction of 85.4 freeway travel-lane miles and an interchange, 4 intersection improvements, widening of 3 state route centerline miles, and the advance purchase of right-of-way for future freeway construction. The 11 projects include 7 projects in Maricopa County, 3 in Pima County, and 1 in Pinal County. The 7

Maricopa County projects include 6 construction projects and 1 right-of-way acquisition project, as follows:

- Add a third lane in each direction to I-10 from Verrado Way to Sarival Road in the West Valley.
- Add a third lane in each direction to I-17 from Carefree Highway to Anthem Way in the North Valley.
- Add high occupancy vehicle (HOV) lanes in each direction to Loop 101 from Tatum Boulevard to Princess Drive in Scottsdale.
- Add HOV lanes in each direction to Loop 101 from Baseline Road to Loop 202 in Mesa.
- Build a partial interchange for the future Loop 303 at Bell Road in the Northwest Valley.
- Make road improvements on Cactus and Waddell Roads for future Loop 303 crossings in the West Valley.
- Purchase rights-of-way for construction of a Williams Gateway Freeway from Loop 202 to Ellsworth Road in Mesa.

The 3 Pima County construction projects include:

- Add a general purpose lane in each direction to I-10 from Pinal Air Park Road to Tangerine Road.
- Add a left turn lane and widen SR 86 at the town of Sells.
- Make intersection improvements at SR 86 and Kinney Road.

The Pinal County construction project is to add a general purpose lane in each direction to I-10 from Pinal Air Park Road to Picacho Peak Road.

Public Programs Eligibility Report – As enacted by voters at the November 2006 election, Proposition 300 limits participation in the Adult Education and Child Care programs to citizens, legal residents, or other persons lawfully present in the United States. Proposition 300 also prohibits persons who are not citizens, legal residents, or otherwise lawfully present from being entitled to classification as an in-state or in-county resident for

university or community college tuition purposes, or from receiving state funded financial assistance. The proposition requires the state agencies administering the programs described above (and the Family Literacy Program) to report twice annually to the Joint Legislative Budget Committee the total number of persons qualifying for these programs, as well as the number of persons deemed ineligible due to their citizenship, residency, or immigration status.

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

Community Colleges

District-wide, the community colleges reported a total of 124,000 students classified as in-state. They reported 1,470 students who were not entitled to be classified as in-state because of a lack of lawful immigration status. Additionally, 40,900 students applied for financial aid. Of those who applied, the community colleges reported that 320 were not entitled to any aid because they were not a citizen or legal resident, or were not lawfully present in the United States.

Universities

Both Arizona State University (ASU) and University of Arizona (UA) submitted their information in similar formats. At these 2 universities, 77,300 students registered for fall 2007 semester. Of the total students registered, the university was able to verify the legal immigration status of 59,300. Additionally, the universities reported that 16,500 of these students did not require verification because they have either not requested, or received in-state tuition or state supported financial aid. The universities reported that a total of 1,500 students were unverifiable due to their inability to provide the requisite documentation.

Summary of Recent Agency Reports (Continued)

NAU reported in a different manner. For new students enrolling for the first time in spring 2007, NAU reported a total of 1,900 new students, which were verified for legal immigration status. NAU reported a total of 24 new students were not verifiable.

Department of Economic Security

The department reported that 13,700 applications were received for child care assistance. Of this number, 86 were denied because criteria for citizenship or legal residency were not met.

Arizona Department of Education

The department reported that 11,931 people applied for instruction in Arizona Adult Education during the reporting period. Of this amount 1,403 were denied instruction because they failed to provide acceptable evidence of citizenship or legal residence in the U.S. Additionally, the Family Literacy Program reported a total of 220 participants for services. Of this amount, 30 were not eligible for enrollment.

State of Arizona

General Fund Revenue

Change from Previous Year and Enacted Forecast June 2007

	Current Month					FY 2007 YTD (Twelve Months)				
	Actual June 2007	Change From				Actual June 2007	Change from			
		June 2006		Revised Forecast			June 2006		Revised Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	375,980,323	(\$7,284,654)	(1.9) %	(\$13,575,917)	(3.5) %	\$4,512,830,842	\$239,472,391	5.6 %	(\$106,669,758)	(2.3) %
Income - Individual	311,088,914	(23,355,078)	(7.0)	(47,312,711)	(13.2)	3,746,740,031	57,366,658	1.6	(108,929,769)	(2.8)
- Corporate	132,824,544	(16,656,193)	(11.1)	(22,273,687)	(14.4)	986,169,564	111,950,091	12.8	(14,811,736)	(1.5)
Property	6,655,954	1,146,617	20.8	1,245,314	23.0	24,486,025	(512,735)	(2.1)	(3,513,975)	(12.5)
Luxury	5,505,251	(56,723)	(1.0)	551,154	11.1	65,808,827	(923,641)	(1.4)	(1,691,173)	(2.5)
Insurance Premium	72,075,585	(341,481)	(0.5)	7,540,254	11.7	399,817,044	26,113,255	7.0	5,460,844	1.4
Estate	20,694	(18,075)	(46.6)	(1,131,979)	(98.2)	(550,764)	(12,234,366)	--	(750,764)	--
Other Taxes	38,229	(23,159)	(37.7)	(43,376)	(53.2)	1,328,470	78,515	6.3	546,970	70.0
Sub-Total Taxes	\$904,189,494	(\$46,588,746)	(4.9) %	(\$75,000,948)	(7.7) %	\$9,736,630,039	\$421,310,168	4.5 %	(\$230,359,361)	(2.3) %
<u>Other Revenue</u>										
Lottery	16,354,700	8,975,500	121.6	8,654,700	112.4	52,922,300	7,232,000	15.8	5,963,200	12.7
License, Fees and Permits	3,275,341	(749,945)	(18.6)	189,446	6.1	40,235,828	6,288,408	18.5	376,827	0.9
Interest	16,938,595	(3,320,010)	(16.4)	(649,146)	(3.7)	104,473,000	30,157,764	40.6	8,473,000	8.8
Sales and Services	13,556,107	674,566	5.2	(2,069,478)	(13.2)	63,734,933	4,051,615	6.8	(40,067)	(0.1)
Other Miscellaneous	15,748,701	(213,735)	(1.3)	(13,407,861)	(46.0)	44,434,876	7,154,896	19.2	(9,295,424)	(17.3)
Disproportionate Share	113,127,300	5,122,900	4.7	0	0.0	113,127,300	5,122,900	4.7	0	0.0
Transfers and Reimbursements	6,820,392	41,033	0.6	(4,421,910)	(39.3)	19,480,991	(6,196,875)	(24.1)	(994,208)	(4.9)
Sub-Total Other Revenue	185,821,136	10,530,309	6.0 %	(11,704,249)	(5.9) %	438,409,228	53,810,708	14.0 %	4,483,328	1.0 %
TOTAL BASE REVENUE	\$1,090,010,630	(\$36,058,437)	(3.2) %	(\$86,705,197)	(7.4) %	\$10,175,039,267	\$475,120,876	4.9 %	(\$225,876,033)	(2.2) %
<u>One-Time Revenue</u>										
Urban Revenue Sharing	(45,935,888)	(10,500,144)	29.6	85,144	(0.2)	(551,230,661)	(126,001,734)	29.6	85,139	(0.0)
'06 Transfer	60,080,500	50,080,500	500.8	0	0.0	60,080,500	50,080,500	500.8	0	0.0
'07 Fee Changes	450,000	450,000	--	0	0.0	450,000	450,000	--	0	0.0
'07 Tax Law Changes	(59,200,000)	(59,200,000)	--	0	0.0	(59,200,000)	(59,200,000)	--	0	0.0
Sub-Total Transfers In	(44,605,388)	(19,169,644)	75.4 %	85,144	(0.2) %	(549,900,161)	(134,671,234)	32.4 %	85,139	(0.0) %
TOTAL REVENUE	\$1,045,405,242	(\$55,228,081)	(5.0) %	(\$86,620,053)	(7.7) %	\$9,625,139,106	\$340,449,642	3.7 %	(\$225,790,894)	(2.3) %