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"Year-to-date through May, General Fund revenue collections are \$(278.4) million below forecast".

Summary

Total May General Fund revenue collections were \$696.6 million, or (5.2)% below May of last year. This amount was \$(196.5) million below the forecast used for the recently enacted FY 2008 budget revisions. Year-to-date through May, General Fund revenue collections are \$(278.4) million below forecast. (See Table 1 for summary information).

For the first 11 months of FY 2008, General Fund collections are down (6.9)% when compared to last year. When factoring in Urban Revenue Sharing, the year-to-date collections of \$8.03 billion are (6.5)% below last year. The May decline in revenues includes each of the 3 main tax categories:

- Sales tax collections were down (1.0)% compared to May 2007, and were \$(24.8) million short of the monthly forecast.
 - Individual income tax collections were down (52.9)% compared to May 2007 and were \$(136.8) million below forecast.
 - Corporate income tax collections were down (44.4)% from May 2007, which was \$(27.1) million below forecast.
- (See page 10 for detail information).

FY 2008 Budget Update

The FY 2008 budget revision legislation (Laws 2008, Chapter 53) envisioned the possibility of

revenue collections coming in below forecast for the year. Chapter 53 provides a contingency of \$364 million to address any year-end shortfalls.

The \$364 million includes \$152 million in surplus cash funds. (Chapter 53 generated budget solutions greater than the anticipated shortfall at the time.) In addition, Chapter 53 permits the use of the \$212 million remaining in the Budget Stabilization Fund (BSF).

With revenues \$(278) million below forecast, through May, the state would still have \$86 million in contingency funds to address any June shortfall (\$364 million less \$278 million).

At this time, JLBC Staff does not anticipate that June revenue losses would exceed the remaining \$86 million in contingency funds. As of this writing, June corporate income tax and individual income tax estimated payments and refunds collectively exceed the monthly forecast. The June projections for sales tax and income tax withholding are more speculative at this time, but those 2 categories are unlikely to require the use of the remaining reserve funds.

Revenues by themselves will not determine the overall General Fund surplus or shortfall. The

Table of Contents

May Revenues	2	• NAU – Rec Field & Multipurpose Building.....	7
Recent Economic Indicators	3	Summary of Recent Agency Reports	
JLBC Meeting Summary		• AHCCCS –Capitation Rate Increases	7
• Atty General – Antitrust Fund Allocation	6	• AHCCCS –Healthcare Group	7
• Atty General – Tucson College Settlement....	6	• AHCCCS – SAVE Program	8
• Atty General – Merck Settlement	6	• DOC – Monthly Bed Plan Update	8
• ADC – Transfer of Appropriations.....	6	• ACJC – Information System Project.....	8
• ACJC – Victim Compensation	6	• DES – Child Support	8
• DES – Transfer of Appropriations.....	6	• ADE – Budget Status Report.....	9
• DPS – Gang & Immigration Enforcement	6	• DEQ – Vehicle Emissions Inspections	9
JCCR Meeting Summary		• City of Phoenix – Convention Center	9
• ADOA – Tucson Office Renovation	7		
• ASU – Energy Services Contract	7		
• NAU – Network Facility Bond Project.....	7		

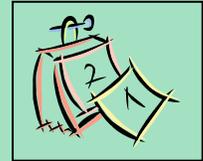
Summary (Continued)

level of spending below appropriations (otherwise known as “revertments”) also affects the year-end balance. The current budget assumes \$85 million in revertments. While these unspent appropriations are difficult to predict in advance, it is unlikely that the final numbers will absorb much, if any, of the reserve funds.

JLBC/OSPB Estimate – Chapter 53 provides that, by July 28, 2008, JLBC and OSPB shall jointly notify the Governor, the President of the Senate, and the Speaker of the House whether the preliminary FY 2008 ending balance is less

than \$0, and if so, the ending balance amount. If the balance is less than \$0, the State Treasurer is required to transfer an amount equal to the negative ending balance plus \$1 million from the Budget Stabilization Fund to the General Fund. This joint notification will determine precisely how much of the \$212 million in remaining BSF monies are used to balance the budget.

JLBC/JCCR Meetings – The Monthly Fiscal Highlights include a summary of the June JLBC meeting (*page 6*) and the June JCCR meeting (*page 7*).



May Revenues

Table 1

General Fund Revenues
Compared to Enacted Forecast and FY 2007 Collections
(\$ in Millions)

	<u>FY 2008 Collections</u>	<u>Difference From Chapter 53 Forecast</u>	<u>Difference From FY 2007</u>
May	\$ 696.6	\$(196.5)	\$ (38.5)
Year-to-Date	\$8,025.1	\$(278.4)	\$(554.6)

“Sales Tax collections were ... \$(24.8) million below forecast”.

Sales Tax collections were \$354.0 million in May. This amount was down (1.0)% compared to last May, and \$(24.8) million below forecast. In the first 11 months of FY 2008, sales tax revenues are down (2.0)% compared to last year. *Table 2* displays the May and year-to-date growth rates for the largest categories.

Table 2

Sales Tax Growth Rates

	<u>May</u>	<u>Year-to-Date</u>
Retail	(13.1)%	(4.3)%
Contracting	(12.0)%	(10.0)%
Utilities	13.6%	7.4%
Use	345.3%	17.6%
Restaurant & Bar	(3.7)%	(0.1)%

There were significant variations in May collections by sector. Retail and contracting collections together account for two-thirds of all sales tax revenues. The retail sector declined by (13.1)%, and contracting fell by (12.0)%. Both retail and contracting continue the negative trend begun last year, with the 3-month rolling average for contracting down (15.4)% from the prior year, and retail down (7.8)%.

The large increase in the use tax category is due primarily to a low collection month in May of 2007, resulting from a large taxpayer refund.

Individual Income Tax collections were \$146.1 million, or (52.9)% below last year. Year-to-date, income tax collections are (9.6)% below last year. May collections were \$(136.8) million less than the recently enacted budget forecast. *Table 4* displays individual category growth rates.

Table 4

Individual Income Tax Growth Rates

	<u>May</u>	<u>Year-to-Date</u>
Withholding	(2.5)%	1.5%
Estimated + Final Payments	(81.2)%	(12.8)%
Refunds	10.8%	16.8%

May withholding was (2.5)% below last year. This decline brings year-to-date withholding collections down to 1.5% over the prior year.

Estimated and final payments decreased year-over-year by (81.2)% in May. This



May Revenues (Continued)

“Individual Income Tax collections were \$146.1 million, or (52.9)% below last year”.

decrease can be attributed to faster depositing of payments during April compared to last year. Since payment growth in April and May is largely influenced by the processing of tax returns, it is often more instructive to use the combined growth rate for the two months. May’s (81.2)% decline, along with April’s 5.0% increase, provides a combined reduction of (13.2)% for the two months compared to the previous year.

May refunds of \$168.5 million were \$16.5 million, or 10.8% over the prior year. This amount was only \$1.4 million greater than the forecast for the month.

Corporate Income Tax collections were \$26.5 million, or (44.4)% below last year. This amount is \$(27.1) below the recently enacted budget forecast for the month of May.

Collections through 11 months are down (25.7)% from the prior year. While May is not one of the large collection months for corporate income tax, the May results continue the trend seen throughout the fiscal year of reduced collections and increased refunds. Through 11 months, payments are down (11.1)%, while refunds have increased by almost 154%.

Budget Plan Transfers – the budget revision legislation (Laws 2008, Chapter 53) included a provision for the transfer of \$296 million in agency fund sweeps to the General Fund. Through May, \$190.4 million of those transfers have been processed, and are included on the revenue schedule on page 10 of this document.

Recent Economic Indicators

NATIONAL

“In June, the Conference Board’s U.S. Consumer Confidence Index declined by (13.3)% to 50.4 which is the fifth lowest reading ever.”

According to the third and final release of the **U.S. Real Gross Domestic Product (GDP)** for the 1st quarter of 2008, the nation’s economy grew at annual rate of 1.0% during this period, an upward revision of 0.1% from last month’s preliminary estimate. The small increase was mainly attributable to higher exports and personal consumption expenditures.

In June, the Conference Board’s **U.S. Consumer Confidence Index** declined by (13.3)% to 50.4, which is the fifth lowest reading ever. At its current level, the index stands (52.1)% below June 2007’s reading of 105.3. The increasingly pessimistic assessment by consumers reflects both a deteriorating job market and rapidly rising energy prices.

The **U.S. Index of Leading Economic Indicators** increased by 0.1% for the second straight month in May, following a steady decline that began in the middle of last year. Four of the 10 components that make up the composite index increased in May. The interest rate spread was the largest positive contributor followed by stock prices and manufacturers’ new orders for consumer goods and non-defense capital goods. The negative contributors to the composite index were real

money supply, consumer expectations, building permits, vendor performance, and average weekly claims for unemployment insurance.

U.S. semiconductor billings (3-month moving average) increased by 1.3% in April and by 6.0% compared to last year. The Semiconductor Industry Association reports that the increase in demand for semiconductors is primarily driven by unit sales of personal computers and handsets.

The **U.S. Consumer Price Index (CPI)** (3-month moving average) increased by 0.8% in May. The year-over-year increase was 4.0%. Most of the increase in the CPI was energy related.

ARIZONA

Arizona **Personal Income** grew by 3.8% in the 1st quarter of 2008 compared to the same quarter in the prior year. This was the slowest reported growth rate since the 1st quarter of 2003. On annualized basis, Arizona personal income growth ranked 42nd in the nation.

Arizona’s **unemployment rate** increased from 3.9% to 4.4% in May. The last time the state’s unemployment rate increased, month over month, by 0.5% or more was in August of 1991.

Recent Economic Indicators (Continued)

May total statewide **non-farm employment** decreased, year-over-year, by (0.6)%. In comparison, the average year-over-year growth rate for May in the past 10 years was 3.1%. May marked the third consecutive month with negative job growth.

Construction employment decreased by (1.1)% in May and by (12.7)% year-over-year. The state has shed 49,000 construction jobs since employment in this sector peaked in June 2006. Employment in the construction sector is now comparable to the levels recorded in the fall of 2004.

Manufacturing employment growth decreased by (0.3)% in May and by (2.0)% year-over-year. May was also the 19th consecutive month with a negative year-over-year growth rate for this sector.

Between February and April, the number of building permits authorized (3-month moving average) statewide, totaled 2,494, including 1,877 **single-family residential building permits** and 617 **multi-family building permits**. The number of permits authorized in the single family segment increased 9.5% over the prior period, while the number of permits in the multi-unit segment declined (11.7)%. Compared to the same period last year, permitting activity in the single-family and multi-family segments are down (53.9)% and (57.5)%, respectively.

The Real Estate Center at Arizona State University reported statistics in May that reflect both traditional transactions and foreclosed transactions. Foreclosed transactions represent a transfer of ownership to the lender of record, or other person or entity, via a successful bid during the auction process.

Based on the report, The Greater Phoenix **single-family median resale home price** in May for traditional and foreclosed properties totaled \$223,500 and \$179,465, respectively. The number of **single-family homes sold** fell (13.2)% from a year ago in the traditional market, to 4,265 homes. Sales of foreclosed homes however, totaled 1,475—an increase 383.6% from a year ago.

In May, the **townhouse-condominium median price** totaled \$169,900 for traditional transactions and \$136,000 for foreclosed transactions. At these levels, the median price for traditional sales fell (8.2)% from a year ago,

while the average price for foreclosed transactions increased 2.4%. Year-over-year, the number of **townhouse-condominium units** changing ownership included 680 traditional sales and 130 foreclosed sales. The 810 combined transactions fell (34.9)% from May 2007 levels.

Since February, the Phoenix metropolitan area **supply of housing** indicator has improved. This trend continued in May, indicating it would take 9.5 months to sell the current inventory of homes-- 10 months fewer than a January high (19.6 months), and less than 1 month longer than a year ago. This indicator uses the ratio between the number of homes listed for sale on the Arizona Regional Multiple Listing Service (ARMLS) and the number of homes sold in a given month to gauge the supply and demand of homes.

The **Arizona Business Conditions Index (BCI)** fell by (7.5)% in May to 48.3 and is down (16.6)% compared to last year. The index has been below the critical threshold of 50 points in 6 of the last 8 months. A reading below 50 suggests a slowdown in the overall level of economic activity in the near term. Of the 5 components that make up the composite index, all but one (production/business activity) had a reading of less than 50.

June **AHCCCS caseload's** totaled 1,110,428 members, 6,947 members, above the May totals. Year-over-year, the AHCCCS caseload has increased by 5.8%, or 60,411 members.

There were a reported 78,713 **TANF recipients** in the state in April, a (0.4)% reduction from the prior month. As of April, the number of TANF recipients was virtually the same as last year. The state budget projects 84,700 recipients in FY 2008.

The **Department of Corrections' (ADC) inmate population** increased by an average of 218 inmates per month to an average population of 38,592 inmates. The department's FY 2008 budget includes funding for an increase of 160 inmates per month—slightly above the actual fiscal year-to-date growth of 157 inmates per month.



"Since February, the Phoenix metropolitan area supply of housing indicator has improved".

Recent Economic Indicators (Continued)

Table 5

RECENT ECONOMIC INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
- Unemployment Rate	May	4.4%	0.5%	0.8%
- Non-Farm Employment – Total	May	2.66 million	(0.3)%	(0.6)%
Manufacturing	May	178,300	(0.3)%	(2.0)%
Construction	May	200,200	(1.1)%	(12.7)%
- Contracting Tax Receipts (3-month average)	Mar-May	\$64.4 million	1.3%	(15.4)%
- Retail Sales Tax Receipts (3-month average)	Mar-May	\$159.2 million	2.7%	(7.8)%
- Residential Building Permits (3-month moving average)				
Single-unit	Feb-Apr	1,877	9.5%	(53.9)%
Multi-unit	Feb-Apr	617	(11.7)%	(57.5)%
- Greater Phoenix Existing Home Sales				
Single-Family, Traditional Sales	May	4,265	13.4%	(13.2)%
Single-Family, Foreclosed Sales	May	1,475	(19.2)%	383.6%
Townhouse/Condominium, Traditional Sales	May	680	N/A	(44.3)%
Townhouse/Condominium, Foreclosed Sales	May	130	N/A	420.0%
- Greater Phoenix Median Home Sales Price				
Single-Family, Traditional Sales	May	\$223,500	N/A	(15.7)%
Single-Family, Foreclosed Sales	May	\$179,465	N/A	(17.4)%
Townhouse/Condominium, Traditional Sales	May	\$169,900	(0.9)%	(8.2)%
Townhouse/Condominium, Foreclosed Sales	May	\$136,000	(8.1)%	2.4%
S&P/Case-Shiller Home Price Index	March	166.97	(3.3)%	(23.0)%
- Months Supply of Housing (ARMLS)	May	9.5 months	(1.9) months	0.7 months
- Phoenix Sky Harbor Air Passengers	April	3.5 million	(9.3)%	(2.6)%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	March	\$9.86	12.2%	3.5%
- Leading Indicators Index	January	119.1	0.3%	(0.6)%
- Business Conditions Index (>50 signifies expansion)	May	48.3	(7.5)%	(16.6)%
- Consumer Confidence Index	4 th Quarter 2007	79.8	(21.7)%	(24.2)%
- Business Leaders Confidence Index	2 nd Quarter 2008	36.9	(8.7)%	(30.4)%
- Arizona Personal Income	1 st Quarter 2008	\$213.9 billion	1.1%	3.8%
- Arizona Population	July 1, 2007	6.34 million	173,066	2.8%
- AHCCCS Recipients	June	1,110,428	0.63	5.8%
- TANF Recipients	April	78,713	(0.4)%	0.0%
- DOC Inmate Growth (3-month average)	Mar-May	38,592	218 inmates	2,039 inmates
United States				
- Real Gross Domestic Product (seasonally adjusted annual growth rate)	1 st Quarter 2008	\$11.7 trillion	1.0%	2.5%
- Consumer Confidence Index	June	50.4	(13.3)%	(52.1)%
- Leading Indicators Index	May	102.1	0.1%	N/A
- U.S. Semiconductor Billings (3-month moving average)	Feb-Apr	\$3.46 billion	1.3%	6.0%
- Consumer Price Index (3-month moving average)	Mar-May	215.0	0.8%	4.0%

JLBC Meeting

At its June 18, 2008 meeting, the Joint Legislative Budget Committee considered the following issues:

Attorney General – Review of Antitrust Enforcement Revolving Fund Allocation – The Committee gave a favorable review to the Attorney General's (AG) intended expenditures of \$307,300 in Antitrust Enforcement Revolving Fund monies. The AG will use this funding on 5 non-attorney staff positions, investigation and court costs associated with multi-state antitrust cases, and other operating expenses to support the Antitrust Unit.

Attorney General – Review of Allocation of Settlement Monies – State v. Tucson College – The Committee gave a favorable review to the allocation plan for approximately \$475,000 received by the state from the Tucson College consent judgment. Tucson College will pay about \$275,000 to reimburse the 57 students enrolled in the Criminal Justice Program as restitution for misrepresenting the requirements of the program and the qualifications earned upon completion. In addition, Tucson College will pay the AG \$150,000 for the costs of the investigation.

Attorney General – Review of Allocation of Settlement Monies – State v. Merck – The Committee gave a favorable review to the AG's allocation plan for the \$2.3 million that Arizona will receive as a result of the multi-state suit brought against Merck for the sale and marketing of the anti-inflammatory drug, Vioxx. The suit alleged that Merck had not fully disclosed the adverse effects of the drug and failed to adequately inform consumers and medical professionals of conflicts of interest. The AG will receive \$2.3 million for attorney's fees and investigative costs, consumer fraud education, and for investigations and enforcement of the Consumer Fraud Act.

Arizona Department of Corrections – Approval and Review of Requested Transfer of Appropriations – The Committee gave a favorable review to the Department of Corrections's (ADC) request to transfer nearly \$20.8 million within ADC's line items and Special Line Items (SLI).

Arizona Criminal Justice Commission – Review of Use of Victim Compensation Fund (VCAF) – The Committee gave a favorable review to the additional expenditure of \$300,000 above the FY 2009 appropriation from the VCAF. This would maintain the amount of funding available from FY 2008 for distribution by county crime victim compensation boards.

Department of Economic Security – Review of Requested Transfer of Appropriations – The Committee gave an unfavorable review to the proposed Division of Benefits and Medical Eligibility operating budget transfer of \$1,500,000 due to concerns about using money from declining entitlement benefits to fund administrative costs. The Committee gave a favorable review of the remaining transfers with the provision that DES use non-appropriated fund sources and savings first to mitigate the projected shortfalls. The remaining increase included a \$1.5 million General Fund transfer from Temporary Assistance for Needy Families (TANF) Cash Benefits to Adoption Services.

Department of Public Safety – Discussion of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission – The Department of Public Safety (DPS) notified the Committee of its intent to spend \$1.6 million of their \$10 million multi-jurisdictional GIITEM appropriation for a new felony and fugitive task force. DPS also indicated that they would not renew a Maricopa County Sheriff's Office contract for illegal immigration enforcement and transportation in order to reallocate these funds to the new task force. Discussion ensued between the Department of Public Safety and the Committee. This item was for discussion only.



JCCR Meeting

At its June 25, 2008 meeting, the Joint Committee on Capital Review considered the following issues:

Arizona Department of Administration – Review of Tucson Office Complex Renovation Project – The Committee gave a favorable review for the Arizona Department of Administration to spend \$1.5 million from the Risk Management Fund to repair the State of Arizona Tucson Office Complex. The repairs will include mold abatement and replacement of damaged carpet.

Arizona State University – Review of Energy Services and Performance Contract – The Committee gave a favorable review of Arizona State University’s proposal to enter into an Energy Services and Performance Contract. In conjunction with Arizona Public Service (APS), an ASU subsidiary will issue \$45.2 million in revenue bonds to purchase energy conservation equipment. The annual debt service payments will be paid from annual utility cost avoidances.

Northern Arizona University – Review of Distance Learning Project – The Committee gave a favorable review of Northern Arizona University’s (NAU) new distance learning facility to be financed with a \$12.5 million system revenue bond issuance. NAU will use this bond issuance to renovate and construct a total of 38,000 square feet that will house a new television studio, production space, and offices for distance learning staff. The debt service will be paid from the Technology and Research Initiative Fund, locally retained tuition revenues and general university funds.

Northern Arizona University – Review of Recreation Field Expansion and Multipurpose Building – The Committee gave a favorable review for NAU to expand its recreation field and construct a multipurpose building. The project is to be financed with an \$8.3 million revenue bond issuance, which will be funded with auxiliary fees such as a recreation and wellness fee.



Summary of Recent Agency Reports

AHCCCS – Report on Preliminary Actuarial Estimates of FY 2009 Capitation Rate Increases – Pursuant to a General Appropriation Act footnote, AHCCCS has submitted preliminary actuarial estimates of the capitation rate increases for FY 2009. AHCCCS reported the estimated increase for the ALTCS Program in March 2008 but delayed reporting the estimated increase for the Acute Care Program until after the new Acute Care contract was awarded in May 2008.

Based on a review of historical encounter cost and utilization trend data, capitation rates are estimated to grow approximately 8.2% for the Acute Care Program. One group within the Acute Care Program, known as the Proposition 204 Title XIX Waiver Group, is estimated to experience capitation rate growth of 21%. This group is primarily composed of childless adults under 100% of the federal poverty line. AHCCCS reports that the large increase is due to cost trends and the elimination of the loss/profit cap for this group. Under the new contract, plan losses and profits for this group

will no longer be capped at +/- 2%. The remaining Acute Care Program populations will experience average capitation rate growth of 4%. The FY 2009 budget assumes capitation rate growth of 6.0% for the Acute Care Program. Based on the caseload assumptions included in the FY 2009 budget, an increase of 8.2% is estimated to cost an additional \$16 million from the General Fund above the budgeted amount.

AHCCCS – Semi-Annual Report on Healthcare Group – Pursuant to A.R.S. § 36-2912, AHCCCS is submitting its semi-annual report to the Committee on the number and types of businesses participating in Healthcare Group (HCG). AHCCCS reports that, as of May 13, 2008, total statewide HCG medical plan enrollment was 21,646, with participating members from 7,846 private employers and 16 political subdivisions. Since October 2007, enrollment has decreased by (4,338) people.

The FY 2008 budget included several reforms to the HCG program including a one-time \$8

Summary of Recent Agency Reports (Continued)

million General Fund subsidy and freezing enrollment levels as of September 19, 2007. In accordance with the enrollment freeze HCG has not conducted marketing or outreach activities in the past 6 months. HCG has developed a waiting list of approximately 1,100 businesses who would like to enroll in HCG if the freeze is lifted. AHCCCS administration has also made several changes to the Healthcare Group program. As of September 2008, premiums will increase by 11% - 30% depending on the size of the employment group and the specific type of medical plan selected. As of January 2008, members are no longer able to enroll or renew their membership in \$0 deductible plans. AHCCCS indicates that other cost savings measures have been implemented including moving to electronic renewal processing to decrease staff, printing, and mailing costs.

The FY 2009 Health and Welfare Budget Reconciliation Bill, HB 2275, includes several reforms to HCG. The bill eliminates eligibility for 1-person employer groups but specifies that 1-person groups currently enrolled will remain eligible. The bill also reduces the amount of time that groups must be uninsured from 180 days to 90 days and limits the increase in the number of employer groups to no more than 5% above the prior year. The legislation also requires HCG to adjust premiums based on actuarial reviews, and to submit quarterly financial reports and an annual financial audit to JLBC.

AHCCCS – Report on Systematic Alien Verification for Entitlements Program – Pursuant to A.R.S. § 36-2903.03, the Arizona Health Care Cost Containment System (AHCCCS) is providing its quarterly report on the collection and verification of documentation associated with the Systematic Alien Verification for Entitlements (SAVE) program. A.R.S. § 36-2903.03 requires all AHCCCS applicants to provide

documentation verifying their immigration status to qualify for AHCCCS services. If AHCCCS determines this documentation to be fraudulent, the applicant is referred for prosecution.

AHCCCS, in conjunction with DES, verified the immigration status of 18,965 individuals between January 1, 2008 and March 31, 2008. During this period, AHCCCS and DES did not identify any fraudulent documents using the SAVE program. In addition, in the January 1 through March 31 time period, 4 citizens were referred for prosecution pursuant to State and Federal law regarding fraudulent billing, schemes, and forgery.

Arizona Department of Corrections – Report on Monthly Bed Plan Update – The Department of Corrections (ADC) has provided a report to JLBC Staff with updated information related to their bed plan. Some highlights of the report, as of May 31, 2008, are as follows:

- 4,464 ADC inmates were in custody in private facilities located in the state, 200 beds more than previously. These replace a portion of the 1,260 beds no longer filled in Indiana.
- With the exception of 19 inmates pending trial and sentencing following last year's disturbance at the New Castle Correctional Facility in Indiana, all inmates previously held at the facility have been transferred back to Arizona.
- ADC is issuing a Request for Proposal seeking up to 600 low custody provisional beds.
- Laws 2007, Chapter 261 authorized an additional 4,000 state operated prison beds and 2,000 private prison beds. The Arizona Department of Administration has secured certificates of participation to design and build the 4,000 state operated prison beds and has authorized

Management and Training Corporation to proceed with financing for the additional 2,000 private prison beds.

Arizona Criminal Justice Commission – Report on Criminal Justice Information System Project – Pursuant to Laws 2007, Chapter 255, the Arizona Criminal Justice Commission (ACJC) is required to report on the expenditure of monies and the progress of the Criminal Justice Information System project.

The Arizona Disposition Reporting System (ADRS) is intended to increase the completeness of criminal background data, which is stored centrally at the Department of Public Safety (DPS). As of March 2008, phase I of the project was completed using federal grants. Phase I established a web interface to justice agencies, thereby eliminating the need for submittal of the paper disposition forms to DPS for data entry

In FY 2008 and 2009, ACJC was appropriated a total of \$1.7 million to fund an upgrade to the Criminal Justice Information System, but due to the budget shortfall, this funding has been eliminated.

Department of Economic Security – Report on Use of State Share of Retained Earnings, Fees & Federal Incentives – A footnote in the FY 2008 General Appropriation Act allows the Department of Economic Security (DES) to expend retained earnings, fees and federal incentives in the Division of Child Support Enforcement above the appropriated amount. DES reports that in FY 2008 it intends to use \$2,200,000 plus federal matching monies above the appropriated \$14,690,900 for improvements to the Division's online community interface program and document generation systems. The Division will use the remaining monies for various one-time projects, which include

Summary of Recent Agency Reports (Continued)

upgrades to its case management system, capital improvements and the launch of an electronic debt calculator.

Department of Education – Budget Status Report – Pursuant to A.R.S. § 35-131(D) and a footnote in the FY 2008 General Appropriation Act, the Arizona Department of Education (ADE) recently provided an update regarding its budget status for FY 2008. In that report, ADE estimates that it will experience a net General Fund surplus of \$22.3 million after adjusting for the FY 2008 K-12 rollover and non-reverting monies. This estimate is \$5.0 million higher than was reported by ADE in April 2008 using comparable adjustments. The \$22.3 million estimate is based on data submitted to ADE as of March 31, 2008 and, therefore, does not reflect late-year adjustments for current year enrollment growth. Based on available information and prior year trends, the JLBC Staff anticipates that the final General Fund surplus for ADE will be roughly \$25 - \$40 million.

Department of Environmental Quality – Report on Vehicle Emissions Inspections Contract – Pursuant to A.R.S § 49-545H1, the Arizona Department of Environmental Quality has submitted a report describing progress on the new Vehicle Emissions Inspection (VEI) contract. The contractor is developing 3 new emissions test stations which are on schedule to be ready by the start of the new contract on January 1, 2009. The new stations are in Apache Junction, Goodyear and north Phoenix. The contractor is also upgrading software and improving data handling and reporting capability, as required by the contract.

City of Phoenix – Report on the Phoenix Convention Center Expansion Project – The City of Phoenix has issued its eighth progress report on the Convention Center expansion project.

The state’s obligation for the Convention Center expansion project is to pay the debt service and related costs on \$300 million in construction bonds.

Based on the City’s report, the following items are highlighted:

- The project is being completed in 2 phases. Phase 1 of the project, consisting of a new West Building, has been completed and hosted its first convention in July 2006.
- Phase 2, consisting of a new North Building and a renovated South Building, has begun and is on schedule to be completed by December 2008.

A.R.S. § 9-602 provides that the state’s financial obligation begins in the fiscal year after a certificate of completion for the project has been filed. Based on the expected completion date of December 2008, the state’s obligation would begin in FY 2010. The payment schedule would be \$5 million in FY 2010, and increases by \$5 million each year through FY 2013. The state’s obligation would eventually equal \$30 million annually.

State of Arizona

General Fund Revenue: Change from Previous Year and Enacted Forecast May 2008

	Current Month					FY 2008 YTD (Eleven Months)				
	Actual May 2008	Change From May 2007		Forecast		Actual May 2008	Change from May 2007		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	\$353,973,221	(\$3,636,843)	(1.0) %	(\$24,764,401)	(6.5) %	\$4,054,770,020	(\$82,080,499)	(2.0) %	(\$79,511,571)	(1.9) %
Income - Individual	146,068,114	(164,200,013)	(52.9)	(136,818,843)	(48.4)	3,105,510,652	(330,140,465)	(9.6)	(134,130,526)	(4.1)
- Corporate	26,544,852	(21,208,590)	(44.4)	(27,139,248)	(50.6)	634,059,582	(219,285,438)	(25.7)	(50,729,094)	(7.4)
Property	1,958,840	(876,812)	(30.9)	(2,841,160)	(59.2)	15,218,459	(2,611,612)	(14.6)	(2,474,753)	(14.0)
Luxury	5,304,145	(18,805)	(0.4)	51,145	1.0	56,040,017	(4,263,559)	(7.1)	(1,010,993)	(1.8)
Insurance Premium	33,741,695	(3,845,610)	(10.2)	(2,514,505)	(6.9)	331,536,600	3,795,141	1.2	(7,151,763)	(2.1)
Estate	0	0	--	0	--	320,003	891,460	--	51,881	19.3
Other Taxes	41,467	(11,285)	(21.4)	(8,854)	(17.6)	1,289,653	(588)	(0.0)	737,646	133.6
Sub-Total Taxes	\$567,632,334	(\$193,797,958)	(25.5) %	(\$194,035,866)	(25.5) %	\$8,198,744,986	(\$633,695,560)	(7.2) %	(\$274,219,173)	(3.2) %
Other Revenue										
Lottery	2,150,200	(1,363,700)	(38.8)	(375,000)	(14.9)	33,805,319	(2,762,281)	(7.6)	1,426,200	4.4
License, Fees and Permits	2,847,691	(141,664)	(4.7)	(353,109)	(11.0)	33,775,440	(3,185,046)	(8.6)	(813,506)	(2.4)
Interest	4,261,819	(1,894,942)	(30.8)	1,903,519	80.7	85,475,497	(2,058,908)	(2.4)	371,021	0.4
Sales and Services	3,197,381	(3,585,000)	(52.9)	(2,931,219)	(47.8)	44,630,273	(5,548,554)	(11.1)	(7,955,483)	(15.1)
Other Miscellaneous	1,842,090	2,426,938	--	450,145	32.3	31,861,106	3,174,931	11.1	4,459,673	16.3
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	227,628	(574,895)	(71.6)	(1,164,372)	(83.6)	33,898,225	21,237,626	167.7	(555,269)	(1.6)
Sub-Total Other Revenue	14,526,809	(5,133,263)	(26.1) %	(2,470,036)	(14.5) %	263,445,860	10,857,768	4.3 %	(3,067,364)	(1.2) %
TOTAL BASE REVENUE	\$582,159,143	(\$198,931,221)	(25.5) %	(\$196,505,902)	(25.2) %	\$8,462,190,846	(\$622,837,792)	(6.9) %	(\$277,286,537)	(3.2) %
Other Adjustments										
Urban Revenue Sharing	(57,044,911)	(11,109,023)	24.2	0	0.0	(627,494,018)	(122,199,246)	24.2	0	0.0
Budget Plan Transfers	171,526,372	171,526,372	--	0	0.0	190,402,551	190,402,551	--	(1,123,821)	(0.6)
Sub-Total Other Adjustments	114,481,461	160,417,349	-- %	0	0.0 %	(437,091,467)	68,203,305	(13.5) %	(1,123,821)	0.3 %
TOTAL REVENUE	\$696,640,604	(\$38,513,872)	(5.2) %	(\$196,505,902)	(22.0) %	\$8,025,099,379	(\$554,634,487)	(6.5) %	(\$278,410,358)	(3.4) %