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“Year-to-date, revenues are \$275.1 million above the budgeted forecast.”

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on June 24, 2011.

Summary



May was the tenth consecutive month of year-over-year growth in base General Fund revenue collections. General Fund revenues totaled \$730.4 million. Excluding the temporary 1-cent sales tax, these collections were 28.6% above last year.

Year-to-date, FY 2011 General revenues are \$7.39 billion, or 11.9% above FY 2010 without the 1-cent sales tax.

May General Fund collections were \$100.9 million above the enacted budget forecast. Year-to-date, revenues are \$275.1 million above the budgeted forecast. Starting with this Monthly Fiscal Highlights, revenues are being measured against the enacted April budgeted revenue level, as opposed to the January estimate.

The May results are approximately \$23 million higher than the forecast overage reported in the [Preliminary May Revenue Update](#) due to the unexpected receipt of federal disproportionate share hospital revenue (see below).

Due to the volatile nature of quarterly individual and corporate income tax payments collected in June, there remains the possibility that the year-to-date gains could increase or decrease. However, given current data patterns, it seems most of these gains will be maintained through the end of the fiscal year.

The FY 2011 enacted budget revisions assumed a year-end shortfall of \$(332) million. If the year-to-date surplus is maintained through June, the FY 2011 shortfall would decline to \$(57) million.

In comparison to May revenue of \$730.4 million, May 2011 General Fund spending was \$522.2 million. May expenditures were \$265.2 million higher than the prior year, primarily due to differences in the timing of the K-12 and Universities rollovers.

Fiscal year-to-date, General Fund revenues of \$7.39 billion have been offset by \$7.84 billion in spending.

The state began FY 2011 with an operating balance of \$1.5 billion. The divergence of revenues and spending year-to-date has caused the operating fund balance to decline to \$1.25 billion at the end of May.

Growth in May Revenues

The \$100 million in surplus May collections were almost entirely driven by growth in 2 main areas. The first was an increase in individual income tax (IIT) collections. Taxpayers' individual income tax liability continues to be significantly higher than expected and resulted in \$77 million of the May surplus. With the May results, year-to-date individual income tax collections are now 19% higher than a year ago.

Second, the state received \$60.4 million in disproportionate share funding which was \$26 million higher than expected. The state receives these funds from the federal government as reimbursement for certain hospitals serving a disproportionately high share of low-income individuals.

While individual income tax collections continued their strong growth trend, May sales tax collections (excluding the temporary 1-cent) grew 2.8% compared to a year ago, which was below forecasted projections.

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Summary (Continued)

Economic Indicators

In broader economic news, housing data showed mixed signals about the pace of the recovery. Since the beginning of the housing market decline in the 2008, foreclosure notices have consistently outpaced the number of foreclosures which were completed, leading to an increasing number of foreclosures in-progress. This large number of pending foreclosures has significantly depressed home prices.

In a positive sign for the housing market, the number of new foreclosure notices has finally declined to the point where notices are approximately equal to completed

foreclosures. In the last 2 months alone, the number of pending Maricopa County foreclosures has fallen from 35,500 to 28,700. In comparison, there were 45,000 pending foreclosures in May 2010.

However, a significant portion of Arizona mortgage borrowers are still substantially “underwater” on their mortgage. The latest quarterly data from CoreLogic, an investment data firm, shows that 55% of Phoenix area borrowers have negative equity in their homes. This factor is likely to continue having a dampening effect on the state’s recovery.

May Revenues

Table 1

	General Fund Revenues (\$ in Millions)		
	<u>FY 2011 Collections</u>	<u>Difference From April Forecast</u>	<u>Difference From FY 2010</u>
May	\$ 730.4	\$ 100.9	\$ 245.3
Year-to-Date	\$ 7,387.0	\$ 275.1	\$ 782.9

Sales Tax collections were \$357.5 million in May. Excluding the \$72.3 million from the temporary 1-cent increase, collections were \$285.2 million, or 2.8% above May 2010. This increase is smaller than expected due to a large, one-time refund of taxes paid in May. Excluding this refund, this May’s collection would have been a 6.6% increase over the prior year.

Table 2 displays the May growth rates for the largest categories.

Table 2

	Sales Tax Growth Rates Compared to Prior Year	
	<u>May</u>	<u>YTD</u>
Retail	11.1%	6.4%
Contracting	4.7%	(5.6)%
Utilities	3.2%	0.8%
Use	0.4%	(9.2)%
Restaurant & Bar	6.5%	3.5%

Retail and contracting together account for about 60% of all sales tax revenues. Retail posted a particularly strong gain of 11.1%.

Including the 1-cent increase, year-to-date collections were within \$(1.1) million of the enacted April budget forecast.

Individual Income Tax net revenues were \$240.8 million in May. Collections were \$77.5 million above the forecast. Year-to-date, revenues have grown 18.9% and are \$268.7 million above the enacted budget forecast through May.

As indicated in Table 3 below, withholding grew by 21.3% in May for a year-to-date increase of 7.4%. This high level of growth was aided by 1 extra processing day in May 2011 compared to May 2010.

As tax filing season is drawing to a close, the trend toward higher tax liability continued in May. Estimated and final payments grew by 49.5% compared to a year ago while refunds declined by (25.0)%.

While the detailed data will not be available for some time, this year’s individual income tax increase appears to be related to lower itemized deductions and significantly higher capital gains (See April MFH for additional detail).

“[Individual
Income Tax]
withholding
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May Revenues (Continued)

Table 3
Individual Income Tax Growth Rates
Compared to Prior Year

	<u>May</u>	<u>YTD</u>
Withholding	21.3%	7.4%
Estimated + Final Payments	49.5%	13.4%
Refunds	(25.0)%	(8.6)%

Corporate Income Tax net collections were \$42.4 million in May, or \$(9.0) million below the prior year. Collections were \$0.2 million above the forecast. Year-to-date through May, revenues are up 39.7%, but are \$(16.9) million below the enacted budget forecast.

The **Lottery Commission** reports that May ticket sales were \$51.4 million, which is \$1.8 million, or 3.6%, above sales in the prior year. Year-to-date, ticket sales are \$537.3 million, which is 5.9% above last year's sales. The General Fund share of sales has increased significantly more than overall sales, however, due to changes in the distribution formula.

Non-General Fund

Tobacco Tax revenues were \$29.8 million in May. Collections were down (0.1)% compared to the prior year, but were \$5.4 million above the budget estimate for the month. Year-to-date collections are down (1.1)% and are \$7.8 million above the budget estimate.

Less than 10% of tobacco taxes are deposited directly into the General Fund. The remainder primarily goes to AHCCCS and the Department of Health Services to defray the General Fund cost of operating those programs, along with funding the Early Childhood Development and Health Board.

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 \$95.0 million in May were down \$(4.1) million, or (4.1)%, compared to May of last year. Year-to-date, revenues have grown 1.0%.

General Fund Revenue: Change from Previous Year and Enacted April Budget Forecast May 2011

	Current Month					FY 2011 YTD (Eleven Months)						
	Actual May 2011	Change From May 2010		Forecast		Actual May 2011	Change from May 2010		Forecast			
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent		
Taxes												
Sales and Use w/o 1¢ *	\$285,186,711	\$7,837,207	2.8 %	(\$7,421,845)	(2.5) %	\$3,179,755,771	\$44,942,258	1.4 %	(\$9,690,789)	(0.3) %		
Income - Individual	240,755,062	80,778,266	50.5	77,453,033	47.4	2,551,147,515	405,396,672	18.9	268,691,049	11.8		
- Corporate	42,408,114	(9,019,772)	(17.5)	232,933	0.6	450,831,482	128,187,926	39.7	(16,918,291)	(3.6)		
Property	2,396,052	(348,122)	(12.7)	(103,948)	(4.2)	16,152,532	(574,160)	(3.4)	118,465	0.7		
Luxury - Tobacco	2,133,695	(471,865)	(18.1)	(34,480)	(1.6)	22,894,111	(1,021,931)	(4.3)	(2,858,248)	(11.1)		
- Liquor	2,587,154	244,655	10.4	214,964	9.1	27,471,537	1,247,070	4.8	3,312,959	13.7		
Insurance Premium	27,363,519	1,415,610	5.5	1,063,519	4.0	341,679,194	8,525,740	2.6	2,247,338	0.7		
Estate	0	0	--	0	--	437,372	78,377	21.8	0	0.0		
Other Taxes	32,008	11,018	52.5	(90,492)	(73.9)	2,095,158	679,361	48.0	717,685	52.1		
Sub-Total Taxes	\$602,862,315	\$80,446,997	15.4 %	\$71,313,684	13.4 %	\$6,592,464,673	\$587,461,313	9.8 %	\$245,620,169	3.9 %		
Other Revenue												
Lottery	8,275,800	7,391,000	835.3	3,275,800	65.5	51,049,989	20,049,989	64.7	9,218,359	22.0		
License, Fees and Permits	2,051,428	416,692	25.5	451,428	28.2	24,969,950	1,009,960	4.2	2,410,806	10.7		
Interest	3,793	76,770	--	(286,207)	(98.7)	1,893,372	1,428,410	307.2	(1,816,629)	(49.0)		
Sales and Services	2,493,619	2,253,834	--	1,793,619	256.2	25,759,204	1,546,608	6.4	5,139,537	24.9		
Other Miscellaneous	2,788,397	(422,815)	(13.2)	(311,603)	(10.1)	21,521,404	(10,046,493)	(31.8)	(4,420,759)	(17.0)		
Disproportionate Share	60,432,285	60,432,285	--	25,986,291	75.4	87,578,591	87,578,591	--	25,986,291	42.2		
Transfers and Reimbursements	611,773	442,060	260.5	(2,888,227)	(82.5)	15,831,412	(18,418,644)	(53.8)	(15,648,661)	(49.7)		
Sub-Total Other Revenue	76,657,095	70,589,826	-- %	28,021,101	57.6 %	228,603,922	83,148,422	57.2 %	20,868,945	10.0 %		
TOTAL BASE REVENUE	\$679,519,411	\$151,036,824	28.6 %	\$99,334,786	17.1 %	\$6,821,068,595	\$670,609,735	10.9 %	\$266,489,114	4.1 %		
Other Adjustments												
Urban Revenue Sharing	(39,500,543)	12,886,509	--	0	0.0	(434,505,974)	141,751,599	--	0	0.0		
1¢ TPT Increase*	72,303,792	72,303,792	--	1,606,794	2.3	763,977,779	763,977,779	--	8,618,412	1.1		
Budget Plan Transfers	18,100,776	9,113,540	101.4	0	0.0	236,436,585	(58,039,140)	(19.7)	0	0.0		
Leaseback Proceeds	0	0	--	0	--	0	(735,419,300)	(100.0)	0	--		
Sub-Total Other Adjustments	50,904,025	94,303,841	-- %	1,606,794	3.3 %	565,908,390	112,270,938	24.7 %	8,618,412	1.5 %		
TOTAL GENERAL FUND REVENUE	\$730,423,436	\$245,340,665	50.6 %	\$100,941,580	16.0 %	\$7,386,976,985	\$782,880,673	11.9 %	\$275,107,526	3.9 %		
Non-General Funds												
Highway User Revenue Fund	\$95,047,000	(\$4,059,000)	(4.1) %	(\$5,545,822)	(5.5) %	\$1,102,902,000	\$11,063,000	1.0 %	(\$5,314,835)	(0.5) %		
Tobacco Tax (All Funds Total)	\$29,781,080	(\$23,727)	(0.1) %	\$5,370,627	22.0 %	\$301,363,982	(\$3,337,294)	(1.1) %	\$7,779,433	2.6 %		

* Sales and Use line excludes revenue from the temporary 1¢ increase approved by the voters in May 2010. That revenue is shown under One-Time Revenues. Total May collections including the 1¢ increase were \$357.5 million. This amount is \$80.1 million, or 28.9%, above May 2010 and \$(5.8) million, or (1.6)%, below forecast. Year to date, total collections including the 1¢ increase were \$3.94 billion. This amount is \$808.9 million, or 25.8%, above May 2010 and \$(1.1) million below forecast.

Economic Indicators

NATIONAL

The Conference Board's **U.S. Index of Leading Economic Indicators** increased by 0.8% in May, after declining in April for the first time in a year. An increase in building permits and consumer expectations along with favorable financial indicators pushed the May reading to 114.7, or 5.2% above last year's level. Eight of the 10 components that make up the leading index contributed to the increase in May. The measure, which is designed to indicate the state of the economy in 3 to 6 months' time, suggests the economy may improve in the coming months, maybe in part due to the easing of supply bottlenecks stemming from the earthquake in Japan earlier this year.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, rose by 0.2% in May, the slowest increase since last November. The relatively moderate price increase in May was primarily due to falling commodity and oil prices in the early part of the same month. Higher food, vehicle, and clothing prices explained much of May's CPI increase. Core inflation, which excludes volatile food and energy prices, rose by 0.3% in May, the largest such increase since July 2008. The rate of inflation in the near term will largely depend on commodity and energy prices.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the U.S. were \$4.50 billion in April, a (3.7)% decline from the prior month. Year over year, chip sales were up by 9.5% in April, the smallest increase since September 2009. The SIA attributes the slowdown in semiconductor billings to a combination of factors, including the adverse effect of supply disruptions following the earthquake in Japan, as well as higher fuel and food costs, which have decreased consumers' discretionary funds.

ARIZONA

The Federal Reserve Bank of Philadelphia's **coincident index** gauges current economic activity in each state. The index combines 4 indicators: employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wages.

Arizona was 1 of 35 states for which the coincident index advanced in May. From April to May, Arizona's index increased by 0.3%

compared to 0.1% for the nation as a whole. May's Arizona index was 1.2% above last year, the largest year-over-year increase since September 2007. However, in spite of this improvement, the index remains (13.0)% below its peak reading in August 2007. The comparable decline of the national coincident index is (4.9)%. See [Tracking Arizona's Recovery](#) for additional historical information.

The release of new economic data for May indicates that the pace of the state's economic recovery remains slow. Twenty-three months after the national recession officially ended, the Arizona economy is still not creating the number of jobs typically seen during this phase of the business cycle. The state's year-over-year job growth rate for the first 5 months of 2011 is 0.2%, a sub-par performance by historical standards. While the state's jobless rate is declining, it still remains above 9%. The housing market continues to weigh on the overall state economy with high (albeit declining) foreclosure rates, and falling home prices. A full economic recovery is difficult to envision as long as conditions in the housing market remain at current levels.

Employment

According to most recent Arizona Workforce Employment Report, the state added 2,200 **nonfarm jobs** in May over April. The average April to May net gain in the pre-recession years between 2003 and 2007 was 3,900. May had 4,000, or 0.2%, more individuals on the payrolls than a year ago.

While May marked the 5th consecutive month with year-over-year net job gains, it should be noted that these increases were very modest by historical standards. Between January and May of this year, the state experienced an average net monthly gain of 4,800 jobs, or 0.2%. By way of comparison, the state has only seen lower year-over-year growth for the same 5-month period a total of 4 times (1954, 1975, 1982, and 2002) between 1947 and 2007. Moreover, in each of these years, the economy was either in a recession or the early phase (6 months or less) of a recovery. Twenty-three months after the last recession officially ended, the Arizona job market remains far from recovering the (302,800) jobs lost since employment peaked in December 2007. Since the slow pace of current job growth appears to be without a historical

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Economic Indicators (Continued)

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precedent, it is difficult to predict when Arizona will return to pre-recession employment levels.

Although overall job growth remains muted, it is worth noting that some sectors of the economy are performing better than others. For example, while employment in the financial activities and professional and business services sectors are still down, year over year, the manufacturing industry has been adding jobs at an increasing rate since the beginning of 2011. It is this improvement in the manufacturing industry that explains the goods-producing sector’s (which also includes construction and mining) first year-over-year net job gain in May since December 2006. See [Tracking Arizona’s Recovery](#) for additional historical information.

May was the third consecutive month with a decline in the state’s seasonally adjusted **unemployment rate**. The jobless rate fell by (0.2)% to 9.1%, and was (0.9)% less than a year ago. May’s unemployment rate was the lowest since March 2009. The state’s unemployment rate matched the national unemployment rate. Arizona’s jobless rate has been above the national average in 34 of the last 36 months.

The federal Bureau of Labor Statistics (BLS) reported that 26,805 Arizona residents filed **initial claims for unemployment insurance** in May, a (10.2)% decline from the prior month. The average decline for the month of May in the 10-year period prior to the recession was (16.6)%. This suggests that May’s decline in first-time jobless claims was due to seasonal factors as opposed to an improving job market. Initial claims in May were (2.7)% below last year’s level. Claims peaked in April 2009 when more than 41,000 individuals filed for initial jobless benefits. See [Tracking Arizona’s Recovery](#), for additional historical information.

Housing

In May, the number of new Maricopa County **foreclosure notices** increased 0.3% from April levels to 4,430. The number of Maricopa County **pending foreclosures** decreased from 32,200 in April to 28,700 in May. The May total is (44.3)% below the peak in December 2009 (51,466). See [Tracking Arizona’s Recovery](#) for additional historical information.

While foreclosure notices and pending foreclosures continue their decline from recent highs, they continue to be a major

influence on existing home sales and the respective prices. In the Metropolitan Phoenix area in May, there were a total of 10,085 **existing single-family home sales** that resulted in a **median resale home price** of \$125,000. Relative to the prior year, the number of sales is up 4.4%, while prices are (13.8)% lower. Of the existing sales, 34.8%, or 3,505 were foreclosures.

State Agency Data

In June **AHCCCS caseloads** equaled 1.36 million members, a 1.0% increase over the prior month. AHCCCS caseloads are currently (0.1)% below June 2010 levels. Total enrollment reached its peak in June 2010.

There were 41,687 **TANF recipients** in the state in May, a monthly caseload decrease of (0.2)%. Year-over-year, the number of TANF recipients has declined by (44.0)%. This decline is the result of changes to the statutory lifetime limit a person may receive cash assistance. The FY 2011 budget reduced the lifetime limit to 36 months. The FY 2012 budget further reduces this limit to 24 months. Previously, the maximum had been 60 months. The FY 2011 budget assumed caseloads of approximately 70,000 in FY 2011.

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 of 1.1 million food stamp recipients in the state, a 1.6% increase over the prior month. Compared to the same month last year, food stamp participation was up by 3.1%. 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** increased to 40,194 inmates between April and June 2011. Relative to the prior 3-month period, the population has increased by 63 inmates. Compared to a year ago, however, the population has declined by (391) inmates.

Economic Indicators (Continued)

Table 5

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 (SA)	May	9.1%	(0.2)%	(0.9)%
- Initial Unemployment Insurance Claims	May	26,805	(10.2)%	(2.7)%
- Unemployment Insurance Claimants	April	65,434	4.3%	(25.1)%
- Non-Farm Employment - Total	May	2.41 million	0.1%	0.2%
Manufacturing	May	151,100	0.9%	2.0%
Construction	May	108,600	0.0%	(2.5)%
- Average Weekly Hours, Manufacturing	May	40.4	(0.7)%	1.0%
- Contracting Tax Receipts (3-month average)	Mar-May	\$31.9 million	6.0%	9.3%*
- Retail Sales Tax Receipts (3-month average)	Mar-May	\$149.4 million	4.2%	18.0%*
- Residential Building Permits (3-month moving average)				
Single-family	Feb-Apr	915	14.3%	(24.0)%
Multi-unit	Feb-Apr	186	(5.6)%	69.4%
- Greater Phoenix Existing Home Sales				
Single-Family	May	10,085	(1.8)%	4.4%
Townhouse/Condominium	May	1,570	(6.3)%	4.0%
- Greater Phoenix Median Resale Home Price				
Single-Family	May	\$125,000	0.0%	(13.8)%
Townhouse/Condominium	May	\$81,900	(3.6)%	(20.5)%
- Foreclosure Activity, Maricopa County				
Foreclosure Notices (Notice of Trustee's Sales Recorded)	May	4,430	0.3%	(31.5)%
Pending Foreclosures (Active Notices)	May	28,670	(11.0)%	(36.3)%
- Greater Phoenix S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	March	100.27	(0.5)%	(8.4)%
- Arizona Total Housing Inventory, (ARMLS)	May	31,661	(8.3)%	(23.4)%
- Phoenix Sky Harbor Air Passengers	April	3.44 million	(6.4)%	4.2%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	February	\$6.23	(3.3)%	(14.0)%
- Arizona Consumer Confidence Index (1985 = 100)	2 nd Quarter 2011	51.9	(17.4)%	4.6%
- Arizona Coincident Index (July 1992 = 100)	May	177.18	0.3%	1.2%
- Arizona Personal Income	1 st Quarter 2011	\$229.9 billion	1.8%	4.3%
- Arizona Population	April 1, 2010	6.39 million	N/A	N/A
- AHCCCS Recipients	June	1,361,172	1.0%	(0.1)%
- TANF Recipients	May	41,687	(0.2)%	(44.0)%
- SNAP (Food Stamps) Recipients	May	1,090,942	1.6%	3.1%
- ADC Inmate Growth (3-month average)	Apr-June	40,194	63 inmates	(391) inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	April	19,436	171	(514)
Maricopa County	April	26,366	47	(1,722)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	1st Quarter 2011 (Preliminary Estimate)	\$13.4 trillion	2.3%	1.8%
- Consumer Confidence Index (1985 = 100)	May	60.8	(7.9)%	(3.0)%
- Leading Indicators Index (2004 = 100)	May	114.7	0.8%	5.2%
- U.S. Semiconductor Billings (3-month moving average)	Feb-Apr	\$4.50 billion	(3.7)%	9.5%
- Consumer Price Index, SA (1982-84 = 100)	May	224.80	0.2%	3.4%

*Adjusted for 1¢ sales tax

JLBC Meeting

At its June 9, 2011 meeting, the Joint Legislative Budget Committee considered the following issues:

Review of Requested Exchanges of Fund Transfers – The Committee favorably reviewed the request of 5 agencies to replace the fund source for 9 of their enacted budget fund transfers. The Committee’s review had the following conditions: 1) the Department of Environmental Quality transfer into the Solid Waste Fee Fund be limited to \$369,500; and 2) the State Parks Board submit their internal and external State Lake Improvement Fund capital projects for JCCR review.

AHCCCS – Review of Revised Acute Care Capitation Rate Changes – The Committee favorably reviewed AHCCCS’ proposed Acute Care, Long Term Care, and Children’s Rehabilitative Services capitation rate changes effective April 1, 2011. The proposal is projected to achieve the rate savings included in the FY 2012 budget.

Attorney General – Review of Allocation of Settlement Monies – The Committee gave a favorable review of a \$2,093,300 settlement resulting from an agreement with AstraZeneca Pharmaceuticals as a result of the company allegedly marketing the drug Seroquel for uses that were not FDA approved.

Summary of Recent Agency Reports

Department of Economic Security – Workforce Investment Act Report – Pursuant to a FY 2011 General Appropriation Act footnote, the Arizona Department of Economic Security recently reported on its intended use of additional Workforce Investment Act monies received from the federal government as part of the American Recovery and Reinvestment Act. DES received an appropriation of \$3,614,000 for the Workforce Investment Act – Discretionary line item and \$48,040,600 for the

Workforce Investment Act – Local Government line item as part of the FY 2011 budget. In addition to these appropriations, DES plans to expend an additional \$3,000,000 from the Workforce Investment Act – Discretionary line item and \$5,000,000 from the Workforce Investment Act – Local Government line item as listed in *Table 6*. The additional \$5,000,000 is appropriated according to the same formula as the original appropriation. (Aaron Galeener)

Table 6

Distribution of Additional WIA Funding in FY 2011

<u>Local Workforce Investment Board</u>	<u>WIA –Discretionary</u>	<u>WIA-Local</u>
Cochise County		\$ 118,287
Coconino County	\$ 317,170	80,919
Gila and Pinal Counties		189,578
Graham County	224,992	26,692
Greenlee County		8,099
Maricopa County	198,231	1,086,192
Mohave and La Paz Counties	192,412	221,129
Navajo Nation		274,883
Navajo and Apache Counties		55,548
City of Phoenix	133,885	1,102,320
Pima County	795,217	779,105
Santa Cruz County		73,007
Yavapai County		150,717
Yuma County	696,838	625,711
Tribes		207,811
Arizona Department of Education	441,255	-
Total	\$3,000,000	\$5,000,000

Summary of Recent Agency Reports (Continued)

Department of Corrections – Report on Transition Release Program – Pursuant to A.R.S. § 31-285, the State Department of Corrections (ADC) is required to submit a quarterly report that details the cost reductions to the department from an inmate early release Transition Program and the number of participants who did not receive an early release under the Transition Program. Statute requires ADC to contract with a private or nonprofit entity to provide eligible drug offenders with transition services. The ADC Transition Release Program began in March 2004 and allows eligible inmates in the Transition Program to be released 3 months earlier than the inmate's earliest release date.

Through the third quarter of FY 2011, the department reports that 714 participants successfully completed the Transition Program and their term of community supervision while an additional 819 participants completed the Transition Program and are continuing their term of community supervision. A total of 78 participants failed to complete the early transition release by violating their conditions of supervision. In total, the program is responsible for 62,767 bed days saved which translates to a savings of \$1,067,062. (James Alcantar)

Economic Estimates Commission – Budget Stabilization Fund Report – Pursuant to A.R.S. § 35-144F, the Economic Estimates Commission (EEC) is annually required to calculate the amount of monies that may be deposited to or withdrawn from the Budget Stabilization Fund (BSF). The EEC estimate is calculated based on a formula that compares the growth rate of real adjusted Arizona personal income in the most recent calendar year to the average in the last 7 calendar years (hereafter referred to as the "trend" growth rate).

The formula recommends a BSF withdrawal whenever the annual adjusted personal income growth rate is both less than the trend growth rate and 2%. According to a EEC report issued May 31, 2011, the calendar year 2010 growth rate was (0.42)% compared to the trend growth rate of 1.98%. Since both requirements for a fund withdrawal were met, the BSF formula recommends that \$136.9 million be transferred to the General Fund in

FY 2011. This transfer cannot be implemented, however, since the BSF balance is \$0. (Hans Olofsson)

Arizona Department of Environmental Quality - Indirect Cost Recovery Report for FY 2011 – The General Appropriation Act requires the Arizona Department of Environmental Quality to report the intended use of any FY 2011 revenues in the Indirect Cost Recovery Fund, in excess of \$10,417,500, to the Joint Legislative Budget Committee. Total FY 2011 expenditures from the Indirect Cost Recovery Fund are expected to be \$12,733,700. (James Alcantar)

Arizona Commission of Indian Affairs – Report on Uses of Monies in the Arizona Indian Town Hall Fund – Pursuant to A.R.S. § 41-545, the Arizona Commission of Indian Affairs is providing the annual Indian Town Hall Fund expenditure report for FY 2011. New fund revenues totaled \$10,150. For FY 2011, the commission had \$10,150 in disbursements. (Bob Hull)

May Spending

“May 2011 spending of \$522.2 million was \$265.2 million higher than May 2010.”

May 2011 General Fund spending was \$522.2 million. May expenditures were higher than the prior year in part due to differences in the timing of the K-12 and Universities rollovers.

May, or \$54.4 million higher than the prior year. The increased expenditure amount reflects the rollover being spread out over the course of the fiscal year.

FY 2011 Spending

May 2011 spending of \$522.2 million was \$265.2 million higher than May 2010 (See *Table 7*).

- In May, the Arizona Department of Education spending was \$208.3 million higher than the prior year. May expenditures were higher compared to the prior year due to differences in the timing of the K-12 rollover.
- University spending was \$56.5 million in

Table 7

General Fund Spending (\$ in Millions)

Agency	<u>May 11</u>	<u>Change from May 10</u>	<u>Year to Date</u>	<u>YTD Change from FY 10</u>
AHCCCS	104.1	(10.1)	1,276.1	85.6
Corrections	72.8	13.2	808.6	29.0
Economic Security	20.2	2.8	537.2	9.7
Education	230.2	208.3	3,250.4	80.3
Health Services	6.4	(2.1)	418.6	(58.5)
Public Safety	1.8	0.1	39.1	(1.3)
School Facilities Board	0.1	0.1	67.4	(37.3)
Universities	56.5	54.4	834.0	48.9
Leaseback Debt Service	-	-	52.1	52.1
Other	<u>30.1</u>	<u>(1.5)</u>	<u>554.6</u>	<u>(46.6)</u>
Total	522.2	265.2	7,838.1	161.9

Agency	General Fund Spending (\$ in Thousands)			YTD Change from FY 10
	May 11	Change from May 10	Year-to-Date	
Department of Administration	140.0	(1,769.2)	17,928.4	81.5
Department of Admin Sale/Leaseback D/S	-	-	52,066.9	52,066.9
Office of Administrative Hearings	53.6	(8.8)	855.3	(22.1)
Department of Agriculture	549.0	106.5	7,661.2	(115.7)
AHCCCS	104,145.7	(10,097.5)	1,276,138.3	85,657.5
Arizona Commission on the Arts	71.1	44.3	617.6	(203.3)
Arizona Exposition and State Fair Board	-	-	-	(400.0)
Attorney General	1,589.5	792.1	15,471.9	(844.7)
AZ Capital Post Conviction Public Defender	37.6	9.3	636.2	29.4
State Board of Charter Schools	42.1	(0.7)	639.3	(2.9)
Board of Chiropractic Examiners	-	-	-	(148.0)
Department of Commerce	90.6	(662.6)	3,108.5	(112.8)
Community Colleges	-	-	132,426.3	-
Corporation Commission	36.4	(0.9)	547.7	25.0
Department of Corrections	72,761.6	13,219.9	808,634.5	28,971.8
Board of Cosmetology	-	-	-	(252.0)
AZ Criminal Justice Commission	-	-	-	4.6
AZ State Schools for the Deaf & Blind	879.1	(1,144.3)	20,661.4	452.5
Department of Economic Security	20,183.2	2,777.9	537,228.8	9,742.6
Department of Education	230,214.2	208,330.5	3,250,393.1	80,291.1
DEMA	942.8	429.2	9,932.2	1,176.8
Department. of Environmental Quality	-	(328.9)	0.6	(5,069.0)
DEQ – WQARF	-	-	7,000.0	-
Office of Equal Opportunity	9.3	(1.1)	156.5	(24.1)
State Board of Equalization	17.4	(4.9)	507.3	(96.6)
Board of Executive Clemency	55.1	19.2	785.4	(48.3)
Department of Financial Institutions	177.8	39.5	2,430.6	(350.1)
Department of Fire, Life, Bldg Safety	108.6	(8.0)	1,857.6	(166.6)
Office of the State Forrester	153.9	153.9	3,700.6	3,700.6
Board of Funeral Directors	-	-	-	(100.0)
Arizona Geological Survey	40.1	6.8	609.7	(89.5)
Government Information Tech.	37.0	12.0	444.3	30.7
Governor	491.9	75.8	5,749.3	(770.3)
Gov. - OSPB	136.3	23.5	1,703.2	(94.3)
Department of Health Services	6,442.7	(2,104.3)	418,624.9	(58,473.1)
Arizona Historical Society	165.1	6.1	5,105.0	1,425.6
Prescott Historical Society of AZ	33.7	(2.0)	649.0	38.5
Independent Redistricting Comm.	32.1	32.1	36.5	10.4
Commission on Indian Affairs	2.7	(0.1)	53.0	(29.9)
Department of Insurance	329.1	18.3	5,092.2	(140.8)
Judiciary				
Supreme Court	1,468.4	269.2	18,735.4	(4,833.1)
Superior Court	10,996.8	717.2	76,568.4	(7,770.5)
Court of Appeals	953.5	26.7	13,511.0	554.2
Department of Juvenile Corrections	3,875.4	537.9	47,291.0	(10,819.6)

Agency	May 11	Change from May 10	Year-to-Date	YTD Change from FY 10
State Land Department	148.8	1,712.4	3,125.4	(7,036.8)
Law Enforcement Merit System	5.0	1.4	65.2	(5.8)
Legislature				
Auditor General	1,255.3	109.7	15,686.2	2,069.8
House of Representatives	756.7	(52.9)	10,911.8	(402.8)
Joint Legislative Budget Comm.	122.1	(13.2)	1,840.3	(242.0)
Legislative Council	279.4	5.9	4,218.0	(316.0)
Senate	528.5	(66.1)	7,730.3	(295.1)
Department of Liquor Licenses	-	-	3.3	(744.4)
Board of Medical Student Loans	-	-	360.7	(441.2)
Mine Inspector	19.5	64.9	964.5	(58.1)
Department of Mines & Mineral Resources	-	(154.2)	815.8	30.7
Nav. Streams & Adjudication	4.9	(1.9)	117.5	(1.3)
OSHA	-	-	-	(14.4)
Arizona State Parks Board	-	1,900.0	20,000.0	(214.2)
Pioneers' Home	292.8	292.8	1,560.3	1,560.3
Board of Psychologist Examiners	-	-	25.0	(275.0)
Comm. for Postsecondary Ed.	-	(86.7)	1,220.8	(2,197.0)
Department of Public Safety	1,793.1	55.5	39,126.6	(1,311.6)
Arizona Department of Racing	108.8	(54.9)	3,794.1	(874.8)
Radiation Regulatory Agency	63.3	(3.5)	1,377.8	21.5
Arizona Rangers Pension	-	(1.2)	8.3	(4.6)
Real Estate Department	135.9	(5.5)	2,475.6	(352.5)
Department of Revenue	456.8	(1,657.1)	38,575.0	6,061.8
School Facilities Board	91.1	20.6	67,405.6	(37,295.6)
Secretary of State	536.6	(461.8)	14,396.7	1,965.6
Tax Appeals Board	16.2	0.4	231.6	(5.0)
Office of Tourism	-	-	-	(200.0)
Department of Transportation	(0.9)	(0.9)	50.5	(2.3)
State Treasurer	-	(153.4)	-	(2,390.3)
Universities				
Board of Regents	442.8	121.6	17,079.4	(3,334.2)
Arizona State University	25,400.9	25,400.9	369,987.4	24,752.7
Northern Arizona University	8,551.9	8,060.3	124,564.8	7,191.9
University of Arizona	22,135.0	20,807.2	322,414.5	20,253.3
Veterinary Medical Examiners Board	-	-	-	(250.0)
Department of Veteran Services	1,245.3	155.2	11,705.9	2,916.7
Department of Water Resources	401.4	(379.0)	5,953.3	(8,846.5)
Department of Weights & Measures	79.5	11.2	986.9	(126.8)
Other	94.7	(1,976.3)	3,806.6	(18,719.7)
Grand Total	522,228.4	265,166.1	7,838,144.6	161,919.4