



Summary

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“In total, year-to-date General Fund collections through May are \$60.2 million above the budget forecast.”

May General Fund collections declined (9.2)% compared to the prior year, due to a significant one-time Corporate Income Tax refund and a technical delay in the receipt of federal funds.

May General Fund revenues totaled \$664.0 million. Overall May collections were \$(9.2) million below the budget forecast.

Year-to-date, base revenues are 6.0% higher than last year. In total, year-to-date General Fund collections through May are \$60.2 million above the budget forecast. In terms of the fiscal year overall, June will play a significant role in whether year-to-date collections remain above forecast, as the state will be processing quarterly tax payments for both Individual and Corporate Income taxes.

In comparison to monthly revenues of \$664.0 million, May 2012 General Fund spending was \$525.6 million, or \$3.4 million above last year. Fiscal year-to-date, General Fund revenues of \$8.0 billion have been offset by \$7.7 billion in spending.

May Revenue Results

In May, the Department of Revenue issued a \$24.3 million Corporate Income Tax refund to one business claiming a tax credit. Due to confidentiality statutes, DOR was unable to provide more information.

This refund demonstrates the challenge of forecasting Corporate Income Taxes. In particular, the tax credit carry forward provisions allow a company to claim some credits for up to 20 years after they were earned. A business usually needs to have sufficient tax liability before being able to use a credit to offset that obligation. The latest available estimate of overall Corporate Income Tax carry forward credits is \$266 million.

The other notable May revenue issue was the \$(60.4) million decline in AHCCCS “disproportionate share hospital” payments. This loss was the result of a technical timing issue, as the annual payment occurred entirely during May in the prior year while the current year’s payment is being distributed across several months.

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This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on June 20, 2012.

May Revenues

	<u>FY 2012 Collections</u>	<u>Difference From Budget Forecast</u>	<u>Difference From FY 2011</u>
May	\$ 664.0	\$ (9.2)	\$ (66.5)
Year-to-Date	\$ 7,989.3	\$ 60.2	\$ 602.4

Sales Tax collections were \$384.2 million, or 7.5% above May 2011 and \$14.1 million above the budget forecast for the month. Excluding the \$77.3 million from the temporary 1-cent sales tax increase, collections were \$306.9 million, or 7.6% above May 2011.

Year-to-date, base sales tax collections are 5.3% above the prior year and are \$14.5 million above forecast.

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

	<u>May</u>	<u>YTD</u>
Retail	2.6%	5.7%
Contracting	4.2%	7.4%
Utilities	3.2%	1.1%
Use	11.2%	7.0%
Restaurant & Bar	6.3%	7.7%

Retail and contracting together account for about 60% of all sales tax revenues. May retail, which reflects April sales, grew by 2.6%. As we have noted in prior reports, the retail category began to grow in December 2010.

In recent months, retail growth has continued, but at a slower rate, due in part to the stronger base in the prior year. This trend may continue considering the high growth in the last five months of the prior fiscal year, particularly the double digit growth rates in April through June of 2011. Contracting collections have been more volatile than retail, and increased by 4.2% this month.

Individual Income Tax net revenues were \$231.8 million in May, or \$(9.0) million less than the prior year. Collections were \$(8.0) million below the budget forecast. Year-to-date, revenues have grown 8.1% and are \$32.8 million above forecast.

The May decline relative to the forecast was the result of less than expected withholding tax collections and final payments, partially offset by less than anticipated refunds. Withholding was \$(13.7) million below

forecast, and payments were \$(2.7) million below. Refunds were \$8.9 million less than expected for the month.

As indicated in Table 3, withholding decreased by (2.4)% in May, compared to the April increase of almost 12%. The weaker May compared to a strong April may simply reflect timing issues in the collection of the withholding tax.

Total payments were \$17.5 million in May, compared to \$19.6 million in May of last year.

Refunds were equal to May of last year, and year-to-date are up 3.1%.

	<u>May</u>	<u>YTD</u>
Withholding	(2.4)%	3.3%
Estimated + Final Payments	(10.6)%	19.0%
Refunds	0.0%	3.1%

Corporate Income Tax net collections were \$10.1 million in May, which is \$(32.4) million below the prior year. Collections were \$(19.6) million below the forecast. Net collections were significantly below last year's total, and below the current year forecast, due to a large unanticipated single corporate refund during the month. Year-to-date, collections have grown 18.4% and are \$14.1 million above forecast.

The **Lottery Commission** reports that May ticket sales were \$55.6 million, which is \$4.2 million, or 8.2%, above sales in the prior year. Year-to-date ticket sales are \$594.9 million, which is 10.7% above last year's sales.

Non-General Fund

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 \$95.5 million in May were up \$0.4 million, or 0.4%, compared to May of last year. Year-to-date revenues continue at 0.2% greater than the prior year.

"Net
[Corporate
Income Tax]
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Table 4

General Fund Revenue: Change from Previous Year and January Baseline Forecast May 2012

	Current Month					FY 2012 YTD (Eleven Months)				
	Actual May 2012	Change From May 2011		January Forecast		Actual May 2012	Change from May 2011		January Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use - Base*	\$306,889,871	21,703,160	7.6 %	10,585,030	3.6 %	\$3,347,758,746	\$168,002,977	5.3 %	\$14,519,783	0.4 %
- 1¢ Increase*	\$77,280,578	4,976,786	6.9	3,466,810	4.7	835,969,200	71,991,420	9.4	14,721,881	1.8
Income - Individual	231,767,419	(8,987,643)	(3.7)	(8,028,522)	(3.3)	2,757,847,335	206,699,821	8.1	32,818,112	1.2
- Corporate	10,052,572	(32,355,542)	(76.3)	(19,634,994)	(66.1)	533,640,448	82,808,964	18.4	14,105,740	2.7
Property	1,305,117	(1,090,935)	(45.5)	(1,588,368)	(54.9)	13,510,025	(2,642,507)	(16.4)	(1,628,096)	(10.8)
Luxury - Tobacco	1,741,242	(392,453)	(18.4)	0	0.0	22,421,222	(472,888)	(2.1)	(257,954)	(1.1)
- Liquor	2,219,465	(367,689)	(14.2)	0	0.0	28,294,366	822,824	3.0	99,064	0.4
Insurance Premium	35,763,095	8,399,576	30.7	8,378,978	30.6	326,730,064	(14,949,131)	(4.4)	706,695	0.2
Estate	0	0	--	0	--	200,825	(236,547)	(54.1)	0	0.0
Other Taxes	37,500	5,492	17.2	9,734	35.1	1,657,969	(437,190)	(20.9)	196,180	13.4
Sub-Total Taxes	\$667,056,859	(\$8,109,248)	(1.2) %	(\$6,811,332)	(1.0) %	\$7,868,030,201	\$511,587,743	7.0 %	\$75,281,406	1.0 %
Other Revenue										
Lottery	8,452,700	176,900	2.1	333,826	4.1	58,374,960	7,324,970	14.3	(6,822,934)	(10.5)
License, Fees and Permits	2,022,046	(29,382)	(1.4)	118,363	6.2	25,175,986	206,035	0.8	(721,625)	(2.8)
Interest	8,478	4,685	123.5	(1,522)	(15.2)	4,569,763	2,676,391	141.4	2,427,913	113.4
Sales and Services	1,886,953	(606,666)	(24.3)	(584,064)	(23.6)	24,196,556	(1,562,648)	(6.1)	(2,502,903)	(9.4)
Other Miscellaneous	2,537,854	(250,543)	(9.0)	375,846	17.4	30,779,529	9,258,125	43.0	5,230,207	20.5
Disproportionate Share	0	(60,432,285)	(100.0)	0	--	17,869,682	(69,708,909)	(79.6)	0	0.0
Transfers and Reimbursements	338,749	(273,024)	(44.6)	(2,639,720)	(88.6)	13,245,924	(2,585,488)	(16.3)	(12,723,728)	(49.0)
Sub-Total Other Revenue	15,246,780	(61,410,315)	(80.1) %	(2,397,271)	(13.6) %	174,212,401	(54,391,523)	(23.8) %	(15,113,069)	(8.0) %
TOTAL BASE REVENUE	\$682,303,639	(\$69,519,563)	(9.2) %	(\$9,208,603)	(1.3) %	\$8,042,242,601	\$457,196,220	6.0 %	\$60,168,337	0.8 %
Other Adjustments										
Urban Revenue Sharing	(35,368,620)	4,131,923	--	0	0.0	(389,054,820)	45,451,153	--	0	0.0
Budget Plan Transfers	17,023,427	(1,077,349)	(6.0)	0	0.0	323,283,334	86,846,750	36.7	0	0.0
Tax Recovery Program	0	0	--	0	--	12,867,428	12,867,428	--	0	0.0
Sub-Total Other Adjustments	(18,345,193)	3,054,574	-- %	0	0.0 %	(52,904,058)	145,165,331	-- %	0	(0.0) %
TOTAL GENERAL FUND REVENUE	\$663,958,446	(\$66,464,989)	(9.1) %	(\$9,208,603)	(1.4) %	\$7,989,338,544	\$602,361,552	8.2 %	\$60,168,337	0.8 %
Non-General Funds										
Highway User Revenue Fund	\$95,474,068	\$427,308	0.4 %	(\$428,113)	(0.4) %	\$1,105,236,259	\$2,334,907	0.2 %	(\$7,591,205)	(0.7) %

* Total May collections including the temporary 1¢ increase approved by the voters in May 2010 were \$384.2 million. This amount is \$26.7 million, or 7.5%, above May 2011 and \$14.1 million, or 3.8%, above forecast. Year-to-date, total collections including the 1¢ increase were \$4,183.7 million. This amount is \$240.0 million, or 6.1%, above May 2011 and \$29.2 million above forecast.

Economic Indicators

NATIONAL

The U.S. Department of Commerce Bureau of Economic Analysis revised its estimate of **U.S. Real Gross Domestic Product** for the first quarter of 2012 down, from an annual rate of 2.2% to 1.9%. This lower growth rate represents an even further deceleration from the 3.0% rate estimated for the fourth quarter of 2011. A reduction in inventory and non-residential fixed investment and an increase in imports were the primary contributors to this slow down.

The Conference Board's **U.S. Consumer Confidence Index** declined by (5.5)% in May to 64.9. The reading represents the index's third consecutive month of decreases, though the May value was still 5.2% above that seen in May 2011. As was the case in April's reading, new optimism from reduced gasoline prices was outweighed by worsening expectations of employment and growth.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the Americas were \$4.56 billion in April. This 2.4% increase was the indicator's second consecutive month of growth and the largest monthly increase since May 2010. Though year over year growth in chip sales for the region was still negative at (0.4)%, the decline was the smallest since June of 2011.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, dropped by (0.3)% in May and increased by 1.7% over the last year. The monthly price decrease was the index's first in two years and largely the result of a (6.8)% decline in the price of gasoline. Meanwhile, core inflation, which excludes food and energy prices, increased by 0.2% in May and 2.3% over the last year.

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.

In April, 46 out of 50 states had increases in their coincident indexes. Arizona's coincident index increased by 0.4% compared to the prior

month. Year-over-year, the Arizona index is 2.9% above last year, which is the 25th highest growth in the country. While this is a significant improvement, Arizona's index is still (11.3)% below its peak, which occurred in August 2007. See [Tracking Arizona's Recovery](#) for additional historical information.

The Federal Reserve Bank of Philadelphia also publishes a **leading index** for each state that forecasts economic conditions for the next 6 months. In addition to the coincident index, Arizona's leading index is based on Arizona housing permits, Arizona initial unemployment insurance claims, national delivery times from a manufacturing survey, and the interest rate spread between the 3-month and 10-year Treasury instruments.

Using a 3-month average, Arizona's leading index projects that state GDP will grow at an annualized rate of 4.9% over the next 6 months. This is unchanged from the revised 4.9% growth projection in March, and higher than the 1.5% projection in April 2011.

Employment

According to the Arizona Department of Administration's employment report for May, the private sector added 6,700 jobs while the government sector lost (14,800) jobs, for a net loss of (8,100) **nonfarm jobs** in May. The average month-over-month job loss for May in the prior 10 years was (300).

The larger-than-average job loss in May appears to be attributable to state and local public education. While the government sector typically sheds jobs in May as the school year ends, the job loss this year (14,800) was significantly higher than the average in the prior 10 years (1,200). This may be due to an earlier ending of the school year this year than normally. If so, next month's (June) seasonal job loss should be smaller than typically reported.

Year over year, nonfarm employment grew by 1.7%, or 41,600 jobs, in May. This was less than March's and April's growth rates of 2.0% and 1.9%, respectively. Although Arizona's job growth, year over year, remains above the national average, it appears to follow a similar trajectory as the rest of the U.S., for which job growth also slowed in April and May.

"The Conference Board's U.S. Consumer Index declined by (5.5)% in May...the index's third consecutive month of decreases"

Economic Indicators (Continued)

After several consecutive years with year-over job losses, the construction sector is now leading job creation in the state (+10,200), closely followed by private education and health services (+9,900) and leisure and hospitality (+9,900). The government sector (-8,900) along with other services (-2,500) remain the only negative contributors to year-over-year job growth.

In May, the state remained (9.4)% or (256,000) jobs, below peak employment in December 2007. At the current rate of job growth, Arizona is several years away from returning to the employment level at the outset of the last recession.

Arizona's **unemployment rate** of 8.2% in May was the same as in the prior month. The U.S. jobless rate, however, increased from 8.1% in April to 8.2% in May, the first such increase since June 2011. May marked the first time in 4 years that Arizona's unemployment rate was not higher than the nation's.

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

Housing

The number of Maricopa County **pending foreclosures** increased slightly from 18,056 in April to 18,596 in May. This represents the third monthly increase in this measure after 15 consecutive months of declines in pending foreclosures. The May total, however, is substantially below the peak in December 2009 (51,466). See [Tracking Arizona's Recovery](#) for additional historical information.

The total housing inventory in the Greater Phoenix area decreased from 31,661 in May 2011 to 20,162 in May 2012, a (36.3)% decrease. In the Metropolitan Phoenix area, the **median price of a single family home** was \$140,000 in April. This represents an increase of 3.8% from March, and a 12.0% increase from April of last year.

Another measure of the health of the Arizona real estate market is permitting activity. Single-family housing permits increased in April 2012. For the 3-month period through April, a total of 1,339 **single-family building permits** had been issued statewide, a 46.4% increase from last year. However, this is still far below a more normal 3-month average of 3,000 to 4,000 permits. See [Tracking Arizona's Recovery](#) for additional historical information.

Although the performance of the single-family housing sector has improved recently, multi-family housing continues to be the strongest sector. For the 3-month period ending in April, a total of 415 **multi-family building**

permits had been issued in the state, a 122.7% increase from the prior year. Even with this growth, multi-family permitting activity still remains (71.1)% below the peak of activity in April 2007.

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

State Agency Data

At the beginning of June, total AHCCCS caseloads equaled 1.28 million members, a (0.5)% decrease from the prior month. Overall AHCCCS caseloads are currently (6.0)% below June 2011 levels.

The traditional AHCCCS population, which consists primarily of lower-income children and their parents, decreased (0.1)% from May and increased 2.9% from a year ago. The total population in this program is almost 900,000. This growth has been offset by declines in other populations. The Proposition 204 childless adult program has not allowed new participants since July 2011 and this population has declined (108,089) since July to 116,403. Of the decline, (11,193) is attributed to members who were transferred to the SSI program. As a whole, the Proposition 204 program has declined (2.9)% compared to the prior month, and (29.0)% from the prior year.

Enrollment for KidsCare, which provides coverage for children with incomes above those in the traditional population, has declined since an enrollment freeze was implemented in January 2010. Enrollment declined (2.7)% compared to the prior month and (44.1)% from the prior year. Beginning on May 1, 2012, AHCCCS began a new program, entitled KidsCare II. KidsCare II provides coverage for children up to 175% of the Federal Poverty. The state match is provided by voluntary payments from political subdivisions. As of the beginning of June, 1,907 children were enrolled in KidsCare II.

There were 39,573 **TANF recipients** in the state in May, a monthly caseload increase of 0.3%. Year over-year, the number of TANF recipients has declined by (5.1)%. 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 2012 budget assumed caseloads of approximately 36,000 in FY 2012.

Economic Indicators (Continued)

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In May, there were a total 1.1 million food stamp recipients in the state, a (0.1)% decrease over the prior month. Compared to the same month last year, food stamp participation was up by 4.5%. 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 39,999 inmates between March 2012 and May 2012. Relative to the prior 3-month period, the population has increased by 59 inmates. Compared to a year ago, the population has declined by (194) inmates.

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	8.2%	0.0 %	(1.4)%
- Initial Unemployment Insurance Claims	April	29,208	42.3%	(2.1)%
- Unemployment Insurance Recipients	April	57,118	9.1%	(12.7)%
- Non-Farm Employment - Total	May	2.46 million	(0.3)%	1.7%
Manufacturing	May	150,600	0.1%	0.5%
Construction	May	120,300	2.5%	9.3%
- Average Weekly Hours, Manufacturing	April	40.9	(0.5)%	0.5%
- Contracting Tax Receipts (3-month average)	Mar-May	\$32.0 million	3.8%	0.6%*
- Retail Sales Tax Receipts (3-month average)	Mar-May	\$155.0 million	3.3%	3.7%*
- Residential Building Permits (3-month moving average)				
Single-family	Feb-Apr	1,339	20.4%	46.4%
Multi-unit	Feb-Apr	415	(12.6)%	122.7%
- Greater Phoenix Home Sales				
Single-Family	April	8,890	(7.7)%	(13.4)%
Townhouse/Condominium	April	1,584	(3.4)%	(5.4)%
- Greater Phoenix Median Home Price				
Single-Family	April	\$140,000	3.8%	12.0%
Townhouse/Condominium	April	\$89,050	9.9%	4.8%
- Greater Phoenix S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	March	106.38	2.2%	6.1%
- Foreclosure Activity, Maricopa County				
Pending Foreclosures (Active Notices)	May	18,596	3.0%	(35.1)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	May	20,162	(2.5)%	(36.3)%
- Phoenix Sky Harbor Air Passengers	March	3.83 million	21.4%	1.7%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	March	\$4.88	(8.8)%	(18.5)%
- Arizona Consumer Confidence Index (1985 = 100)	2nd Quarter 2012	68.6	(1.3)%	32.2%
- Arizona Coincident Index (July 1992 = 100)	April	181.93	0.4%	2.9%
- Arizona Leading Index -- 6 month projected growth rate	Feb-Apr	4.9%	(0.1)%	3.3%
- Arizona Personal Income	4th Quarter 2011	\$235.5 billion	0.9%	4.5%
- Arizona Population	July 1, 2011	6.48 million	N/A	1.1%
- AHCCCS Recipients	June	1,280,177	(0.5)%	(6.0)%
Acute Care Traditional		887,077	(0.1)%	2.9%
Spend Down		-	-	(100.0)%
Prop 204 Childless Adults		116,403	(5.8)%	(48.1)%
Other Prop 204		151,328	(0.5)%	(0.7)%
Kids Care		10,331	(2.7)%	(44.1)%
Kids Care II		1,907	441.8%	-
Long-Term Care – Elderly & DD		52,322	0.2%	2.3%
Emergency Services		60,809	1.7%	29.1%
- TANF Recipients	May	39,573	0.3%	(5.1)%
- SNAP (Food Stamps) Recipients	May	1,131,620	(0.1)%	4.5%
- ADC Inmate Growth (3-month average)	Mar - May	39,999	59 inmates	(194) inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	April	18,164	(62)	(863)
Maricopa County	April	25,629	76	(628)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	1st Quarter 2012 (2nd Estimate)	\$13.5 trillion	1.9%	2.0%
- Consumer Confidence Index (1985 = 100)	May	64.9	(5.5)%	5.2%
- Leading Indicators Index (2004 = 100)	April	95.5	(0.1)%	1.9%
- U.S. Semiconductor Billings (3-month moving average)	Feb.-April	\$4.56 billion	2.4%	(0.4)%
- Consumer Price Index, SA (1982-84 = 100)	May	228.5	(0.3)%	1.7%

*Adjusted for 1¢ sales tax

Summary of Recent Agency Reports

Arizona Department of Administration – Report on State Surplus Materials Revolving Fund Excess Revenue – Pursuant to the FY 2012 General Appropriation Act, all State Surplus Materials Revolving Fund revenues received by the Arizona Department of Administration (ADOA) in excess of the \$1.3 million appropriation to State Surplus Property Sales Proceeds line item in FY 2012 are appropriated to ADOA. Prior to expending the additional State Surplus Materials Revolving Fund receipts, ADOA is required to report the intended use of the monies to the Joint Legislative Budget Committee.

Monies appropriated to the State Surplus Property Sales Proceeds line item are used to reimburse agencies for the sale of surplus materials and are funded out of the State Surplus Property Revolving Fund. ADOA indicates the Surplus Property Management Program has experienced an increase in proceeds from the sale of materials and that the Surplus Materials Revolving Fund will receive \$300,000 above the appropriated amount in FY 2012. ADOA will expend the additional \$300,000 from the State Surplus Materials Revolving Fund to reimburse agencies for the sale of surplus materials. (Brett Searle)

Economic Estimates Commission – Report on the Budget Stabilization Fund – 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 deposit whenever the annual adjusted personal income growth rate exceeds the trend growth rate. According to an EEC report issued May 25, 2012, the calendar year 2011 growth rate was 3.42% compared to the trend growth rate of 1.35%. Since the requirement for a fund deposit was met, the BSF formula recommends that \$167.4 million be transferred from the General Fund to the BSF in FY 2012. In comparison, Laws 2012, Chapter 294 transferred \$250.0 million from the General Fund to the BSF in FY 2012. (Hans Olofsson)

Department of Economic Security – Report on Cash Assistance – Pursuant to the FY 2012 General Appropriation Act, the Department of Economic Security reported its intent to use \$500,000 in appropriation authority for TANF Cash Benefits in FY 2012. These monies

are intended to ensure sufficient cash flow for tribes operating their own programs. Instead, the department will use the authority to pay for benefits.

Report on the Transfer of TANF to SSBG – Pursuant to the FY 2013 General Appropriation Act, the Department of Economic Security (DES) has submitted a FY 2013 expenditure plan for the transfer of \$20.0 million from the Temporary Assistance to Needy Families (TANF) Block Grant to the Social Services Block Grant (SSBG) in the following line items:

- \$4.8 million - Children Support Services
- \$10.8 million - CPS Emergency and Residential Placement
- \$4.4 million - Foster Care Placement

The transfer to SSBG provides additional funding flexibility to DES. The federal government caps the amount of TANF Block Grant monies that can be transferred to the SSBG at 10% of the base TANF Block Grant to the state. The \$20.0 million request is 10% of the base. Once deposited in SSBG, the monies are spent on the Children Services program in the line items listed above. Should any changes be made to the amounts allocated in the expenditure plan, DES will notify JLBC. (Ben Beutler)

Arizona State Parks Board – Report on Reservation Surcharge Fund Revenue – Pursuant to a FY 2012 General Appropriation Act footnote, the State Parks Board is submitting a report on Reservation Surcharge Fund revenue in excess of its appropriation of \$203,800 and the intended use of these additional monies. The footnote stipulates that during FY 2012, all Reservation Surcharge Fund receipts received by the Parks Board in excess of \$203,800 are appropriated to the fund. However, prior to expenditure of any excess revenue, the Parks Board must report the intended use of these monies to the JLBC.

The State Parks Board estimates that the Reservation Surcharge Fund will generate additional receipts of about \$384,400, or \$588,200 in total revenue, due to the implementation of a new electronic reservation system. Since the new system is also creating additional expenses, the Parks Board intends to use the additional revenues for administering and maintaining the reservation system. The Parks Board expects to spend \$483,200 from the fund, plus transfer \$105,000 to the General Fund for a required fund sweep. (Art Smith)

May Spending

May 2012 spending of \$525.6 million was \$3.4 million more than May 2011 (*See Tables 6 and 7*). While there was more variation in individual agency spending, these changes were due to technical timing issues.

Year to date, General Fund spending is \$7.7 billion, or \$(128) million less than FY 2011.

Agency	<u>May 12</u>	<u>Change from May 11</u>	<u>Year to Date</u>	<u>YTD Change from FY 11</u>
AHCCCS	104.7	0.6	1,301.3	25.2
Corrections	98.4	25.7	856.1	47.5
Economic Security	24.5	4.4	557.0	19.8
Education	168.9	(61.3)	3,072.6	(177.8)
Health Services	23.8	17.3	497.0	78.3
Public Safety	1.4	(0.4)	43.9	4.7
School Facilities Board	11.6	11.6	175.4	108.0
Universities	42.7	(13.8)	683.9	(150.2)
Leaseback Debt Service	0.0	0.0	49.1	3.0
Other	<u>49.6</u>	<u>19.3</u>	<u>473.8</u>	<u>(86.6)</u>
Total	525.6	3.4	7,710.1	(128.1)

Agency	General Fund Spending (\$ in Thousands)			YTD Change from FY 11
	May 12	Change from May 11	Year-to-Date	
Department of Administration	920.6	780.5	13,641.6	(4,286.8)
Department of Admin Sale/Leaseback D/S	-	-	49,050.7	(3,016.2)
Office of Administrative Hearings	93.1	39.5	775.2	(80.1)
Department of Agriculture	948.9	400.0	7333.2	(328.0)
AHCCCS	104,698.3	552.6	1,301,306.7	25,168.5
Attorney General	1,617.9	28.4	15,194.2	(277.7)
AZ Capital Post Conviction Public Defender	78.7	41.1	595.1	(41.1)
State Board of Charter Schools	79.2	37.1	680.1	40.9
Department of Commerce/AZ Commerce Authority	2,625.0	2,534.4	28,875.0	25,766.5
Community Colleges	-	-	68,577.3	(63,849.0)
Corporation Commission	49.6	13.2	468.9	(78.8)
Department of Corrections	98,444.1	25,682.5	856,131.0	47,496.5
AZ State Schools for the Deaf & Blind	2,669.5	1,790.5	19,872.2	(789.1)
Department of Economic Security	24,540.2	4,357.0	557,018.6	19,789.8
Department of Education	168,919.1	(61,295.2)	3,072,567.5	(177,825.7)
DEMA	880.2	(62.6)	6,631.1	(3,301.2)
Department. of Environmental Quality	-	-	-	(0.6)
DEQ – WQARF	-	-	7,000.0	-
Office of Equal Opportunity	28.9	19.6	172.5	16.0
State Board of Equalization	37.4	20.0	492.9	(14.4)
Board of Executive Clemency	72.7	17.6	733.3	(52.1)
Department of Financial Institutions	270.7	93.0	2,455.6	25.0
Department of Fire, Bldg, Life Safety	129.3	20.7	1635.2	(222.4)
Office of the State Forester	1,812.6	1,658.6	5,655.3	1,954.7
Arizona Geological Survey	109.3	69.2	845.7	236.0
Government Information Tech.	-	(37.0)	(3.1)	(447.4)
Governor	647.9	155.9	4,559.5	(1,189.9)
Gov. - OSPB	199.3	63.0	1,676.1	(27.0)
Department of Health Services	23,790.6	17,347.9	496,952.6	78,327.6
Arizona Historical Society	1,415.3	1,250.2	4,017.3	(1,087.7)
Prescott Historical Society of AZ	63.8	30.1	622.1	(26.9)
Independent Redistricting Comm.	168.6	136.5	3,789.2	3,752.8
Commission on Indian Affairs	6.4	3.7	50.9	(2.2)
Department of Insurance	576.5	247.4	4,832.6	(259.6)
Judiciary	-	-	-	-
Supreme Court	2,334.8	866.5	15,273.5	(3,461.9)
Superior Court	10,195.6	(801.2)	77,163.1	594.7
Court of Appeals	1,730.2	776.7	12,820.1	(690.9)
Department of Juvenile Corrections	4,660.8	785.5	42,391.2	(4,899.8)
State Land Department	268.9	120.1	1,130.6	(1,994.8)
Law Enforcement Merit System	7.5	2.5	54.8	(10.3)
Legislature				
Auditor General	1,861.0	605.7	16,179.0	492.8
House of Representatives	1,379.1	622.4	11,463.5	551.7
Joint Legislative Budget Comm.	214.4	92.2	1,827.8	(12.4)

Agency	May 12	Change from May 11	Year-to-Date	YTD Change from FY 11
Legislative Council	463.4	184.0	4,693.6	475.6
Senate	955.7	427.2	7,889.8	159.5
Board of Medical Student Loans	-	-	41.1	(319.7)
Mine Inspector	127.4	108.0	1,058.5	94.0
Department of Mines & Mineral Resources	-	-	-	(815.8)
Nav. Streams & Adjudication	11.2	6.3	129.3	11.8
OSHA	-	-	-	-
Arizona State Parks Board	-	-	-	(20,000.0)
Pioneers' Home	(14.5)	(307.2)	1,568.3	8.0
Comm. for Postsecondary Education	-	-	1,396.8	176.0
Department of Public Safety	1,420.8	(372.3)	43,862.3	4,735.7
Arizona Department of Racing	13.1	(95.8)	2,814.0	(980.1)
Radiation Regulatory Agency	69.1	5.9	1,366.2	(11.5)
Arizona Rangers Pension	-	-	-	(8.3)
Real Estate Department	273.9	138.1	2,196.0	(279.6)
Department of Revenue	3,804.1	3,347.3	40,884.2	2,309.2
School Facilities Board	11,645.4	11,554.2	175,375.3	107,969.6
Secretary of State	3,183.7	2,647.1	11,158.8	(3,237.9)
Tax Appeals Board	27.0	10.8	240.3	8.7
Department of Transportation	6.4	7.3	51.3	0.8
State Treasurer/JP Salaries	-	-	818.7	31.2
Universities				
Board of Regents	256.8	(186.0)	16,655.9	(423.4)
Arizona State University	19,169.4	(6,231.5)	301,438.4	(68,548.9)
Northern Arizona University	6,431.6	(2,120.3)	101,242.7	(23,322.1)
University of Arizona	16,872.6	(5,262.5)	264,528.1	(57,886.3)
Department of Veteran Services	745.1	(500.2)	7,846.6	(3,859.3)
Department of Water Resources	1,375.3	973.9	5,248.2	(705.0)
Department of Weights & Measures	139.9	60.5	1,027.3	40.4
Other	71.3	(94.5)	4,010.5	345.6
Grand Total	525,594.6	3,366.2	7,710,051.9	(128,092.8)