

1716 W. Adams
Phoenix, AZ 85007

Phone:
(602) 926-5491
Fax:
(602) 926-5416



www.azleg.gov/jlbc.htm

“Year-to-date, revenues are (13.9)% below the prior year, and \$(33.7) million below the March forecast.”

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on March 31, 2010.

Summary



After breaking several downward trends in January, the state’s February revenue collections returned to being below forecast. February General Fund revenue collections were \$237.1 million. January was the first month above forecast since March 2007. February collections, however, were \$(48.0) million below forecast, which results in a year-to-date decline of (\$33.7) million.

January was the first single digit percentage revenue loss since September 2008. February at least continued that trend, with collections (1.6)% below the prior year. The year-to-date decline is (13.9)%. *(See page 2 and page 7 for more information.)*

Beginning with this March report, we are comparing actual revenue collections to the enacted March budget forecast. The enacted budget forecast assumes a revenue decline of (9.4)% in FY 2010.

February 2010 General Fund spending was \$539.8 million. February expenditures were lower than the prior year due in part to federal stimulus from the American Recovery and Reinvestment Act. Year-to-date spending is (\$319) million less than the prior year.

In February, state expenditures outpaced the rate of revenues. February is traditionally a low

revenue month. General Fund expenditures exceeded revenues by \$302 million for the month. Fiscal year-to-date, General Fund revenues are \$5.04 billion compared to spending of \$6.75 billion, for a 8-month deficit of \$(1.71) billion.

Daily borrowing held steady through March, averaging \$686 million. This stability is due in part to the Treasurer’s policy of maintaining a balance of up to \$300 million with the servicing bank. The bank balance has fluctuated between \$75 million and \$300 million throughout the month. When maintaining the \$300 million balance would require the state to exceed the \$700 million limit on its commercial lending contract, the Treasurer reduces the amount on deposit to stay under the cap.

Other Budget News

The Legislature passed the FY 2011 budget, which was signed by the Governor on the 67th day of session (March 18th). This was the earliest approval since 1993, when the budget was signed on the 65th day.

Congress also enacted federal health care legislation, which will have a significant impact on the state. Both the state budget and the health care legislation are summarized below.

JCCR also favorably reviewed the Phoenix

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Summary (continued)

Table 1

	General Fund Revenues Compared to Forecast and FY 2009 Collections (\$ in Millions)			
	FY 2010 Collections	Difference From Sept '09 Forecast ^{1/}	Difference From Mar '10 Forecast ^{2/}	Difference From FY 2009
February	\$ 237.1	\$ (64.5)	\$ (48.0)	\$ (166.3)
Year-to-Date	\$ 5,035.5	\$ (650.8)	\$ (33.7)	\$ (160.3)

^{1/} Enacted FY 2010 budget (September 2009).
^{2/} Enacted March budget forecast.

Medical School Expansion (*see page 13*).

The state also received favorable news about the Arizona State Retirement System, which appears better funded than most states (*see page 4*).

Economic Indicators

In general, this month's economic indicators continued to indicate a stabilizing economy, albeit at low levels compared to our FY 2007 economy (*see page 8*). While the unemployment rate rose, almost 20,000 new jobs were created in February. Unfortunately, the 2008-2009 downturn was even worse than originally projected as the Department of Commerce released revised employment figures for that time period. Since the December 2007 high point, employment has declined by 324,000 jobs, or almost 12% of the workforce.

Housing prices continue to stabilize but there are on-going concerns about the supply of homes. Some of the current benchmarks of housing supply do not appear to capture the magnitude of the problem. While not formally offered for sale, many potential foreclosure and short-sales seem on the verge of entering the market.

FY 2010 Revenues

While revenues only declined (1.4%) in February, results varied between the two main tax categories (*see page 5*).

- February sales tax collections were down (8.4%) compared to February 2009. Continuing the trend of the last several months, the retail and contracting results diverged substantially. February retail collections were down (5.8%) compared to the prior year, while contracting was down (39.6%).

- February individual income tax collections were \$55.6 million above February 2009 due primarily to a high level of refunds in February of the prior year. In addition, withholding tax collections were 6.3% above last year, breaking a string of 16 consecutive months of year-over-year declines.

FY 2010 Spending

February 2010 spending of \$539.8 million was \$(143) million below February 2009 (*see page 16*). For the year-to-date, spending of \$6.7 billion is (\$319) million below 2009 (*See Table 2*).

- The Arizona Department of Education (ADE) has spent \$3.0 billion year-to-date in 2010, or \$349 million more than 2009. In February, ADE spending was (\$25.8) million lower than the prior year. The year to date increase over last year is primarily due to ADE having made one more payment to districts in FY 2010.
- Spending in AHCCCS, DHS, and DES was a combined (\$57.4) million less in February than in 2009. This is generally consistent with the FY 2010 budget assumption that caseload growth in Medicaid spending in those agencies would be offset by varying degrees by enhanced federal match from the federal stimulus legislation.
- School Facilities Board (SFB) spending in February was (\$22.1) million less than in February 2009. Year-to-date SFB spending is (\$83.8) million below FY 2009. These reductions are due to technical revisions.

“...the 2008-2009 downturn was even worse than originally projected as the Department of Commerce released revised employment figures for that time period.”

Summary (continued)

Agency	Feb 10	Change from Feb 09	Year to Date	YTD Change from FY 09
AHCCCS	102.9	(26.3)	947.5	(137.1)
Corrections	58.6	(12.4)	566.8	(33.2)
Economic Security	(17.4)	(26.8)	507.1	(152.5)
Education	283.4	(25.8)	3,000.7	349.1
Health Services	9.3	(4.3)	402.7	(129.4)
Public Safety	1.6	(5.0)	40.1	(1.4)
School Facilities Board	2.3	(22.1)	104.0	(83.8)
Universities	73.5	(14.7)	708.4	(14.3)
Other	25.6	(5.6)	472.0	(116.4)
Total	539.8	(143.0)	6,749.3	(319.0)

“The 7th Special Session produced \$2.65 billion of solutions, leaving an ending balance of \$73.8 million, of which \$72.8 million was set aside as a contingency.”

7th Special Session Budget Actions

On March 18, the Governor signed budget bills passed in the 7th Special Session. Prior to the Special Session, the FY 2010 shortfall was estimated at about \$(700) million. The budget legislation produced \$749 million of solutions, yielding an estimated FY 2010 ending balance of \$49 million. The solutions included the following:

- \$450 million in rollovers - \$350 million for the K-12 system and \$100 for universities
- \$110 million from net agency spending reductions
- \$48 million from reducing the estimated sales tax payment threshold temporarily
- \$37 million from fund sweeps
- \$104 million from adopting the Executive’s higher revenue estimates. As noted above, revenue figures in this report are discussed in reference to these new estimates.

In addition, the estimated FY 2011 shortfall was approximately \$2.58 billion. The 7th Special Session produced \$2.65 billion of solutions, leaving an ending balance of \$73.8 million, of which \$72.8 million was set aside as a contingency. The enacted budget included the following solutions:

- \$1.0 billion due to various revenue proposals, most of which would be generated by voter approval of the

temporary one-cent sales tax increase (\$918 million) in the May election.

- \$1.09 billion in new spending reductions – The two largest reductions are to AHCCCS (\$435.3 million) and ADE (\$292.6 million)
- \$487.5 million in new fund transfers, 2 of which require voter approval in the November General Election: \$325 million from the repeal of the Early Childhood Development and Health Board and \$123.5 million from the transfer of expended monies in the Land Conservation Fund
- \$62.4 million due to lower than expected formula and caseload growth
- \$60 million from refinancing outstanding debt issued by the School Facilities Board
- \$48 million from the FY 2010 carry-forward balance
- \$44.2 million from adopting the Executive’s higher revenue estimates.

Other Issues

Federal Health Care Legislation

The federal government recently enacted health care legislation. This legislation will have several effects on the Arizona Health Care Cost Containment System (AHCCCS) and related programs over the next decade. JLBC Staff developed 2 sets of preliminary cost estimates. The first estimate is relative to the FY 2010 base, which fully funded the Prop 204 and KidsCare programs. From this

Summary (continued)

perspective, the legislation is projected to save the state \$(220) million from the General Fund in FY 2015. This savings grows to \$(448) million by 2020. The cumulative 10-year savings is \$(2.3) billion through FY 2020.

Relative to FY 2011 budget, however, the federal legislation would likely impose a cost. The FY 2011 eliminated KidsCare beginning June 15, 2010 and eliminated General Fund support of the Proposition 204 population beginning January 1, 2011. The federal health care legislation requires that states maintain their current programs as of March 23, 2010. As part of qualifying for any federal Medicaid match, the state would be required to restore these 2 populations.

The FY 2011 budget included \$(385) million in half year savings from eliminating General Fund Proposition 204 support on January 1, 2011 when the federal government's enhanced federal match under the federal stimulus legislation concludes. Congress is currently considering legislation to extend the stimulus enhanced match rate for another 6 months to June 2011. If that legislation is approved, the state would save \$(393) million relative to the enacted budget, which would offset the cost to restore the Proposition 204 program.

Restoring Proposition 204 and KidsCare would cost \$948 million from the General Fund in FY 2012 and further grow in 2013. Beginning in 2015, total net costs fall to \$826 million and continue to decline to \$788 million in FY 2020, as the state begins receiving an enhanced federal match rate for part of the existing Proposition 204 population. The cumulative 10-year cost is \$7.5 billion through FY 2020.

The bill has several impacts on states, including:

- Expands Medicaid eligibility for all individuals up to 133% of the Federal Poverty Level (\$29,300 for a family of 4). The federal government will pay between 90%-100% of costs for newly eligible adults.
- Increases the federal match rate for Proposition 204 childless adults, ranging from 83%-93% in FY 2014-2020. Otherwise, the federal government would pay approximately 65% percent of costs.

- Allows young people to remain on their parent's health plan through age 26. Statutory changes will be required to reflect this change for state health employee insurance.
- Creates exchanges by 2014 in which individuals and small business could purchase insurance, requires oversight of health insurance plans, and establishes an office of health insurance consumer assistance or ombudsman program.

Higher Education Financial Aid

The recently enacted health care legislation also included provisions affecting the higher education financial aid system. These provisions:

- Replace the current system of student loans funded through private financial institutions with student loans that are made directly with the Department of Education. This revision will eliminate subsidies previously paid to financial institutions.
- Increase the maximum Pell Grant will increase from \$5,550 in 2010 to \$5,900 in 2017.

Arizona State Retirement System Funding Levels

A Public Sector Retirement Benefits report issued by the Pew Center last month graded Arizona as one of 16 "Solid Performer" states in the pensions category and one of 9 "Solid Performers" in the retiree health care and non-pension benefits category.

According to the report, Arizona has funded 80% of its total pension liability, which is at the minimum benchmark the U.S. Government Accountability Office says is preferred by experts. Twenty-one states were funded below the 80% benchmark at the end of FY 2008.

Non-pension obligations, or Other Post-Employment Benefits (OPEB), are benefits other than a pension that are earned by an employee during employment, such as healthcare after retirement, life insurance, or disability or long-term care benefits. The state of Arizona offers one direct OPEB: a retiree

Summary (continued)

Health Insurance subsidy. Additionally, retirees who remain in the ADOA health insurance system also receive an indirect subsidy as their health insurance costs are pooled with active employees.

The Pew report found that Arizona was 1 of 2 states that had more than 50% of the assets needed to fund non-pension obligations, as of the end of FY 2008. Many states treat the

future obligations on a pay-as-you-go basis, although the benefits are earned over years of employment. All states set aside pools of assets for long-term pension liabilities; however, 95%, or \$555 billion, of the OPEB obligations from all states were unfunded at the end of FY 2008.

February Revenues

Sales Tax collections were \$257.0 million in February. These revenues were down (8.4)% compared to last February, and were \$(10.2) million below the forecast. The February decline marked the 25th consecutive month of year-over-year reductions. However, the (8)% February decline broke a string of 15 consecutive months of double digit declines compared to the previous year.

Table 3 displays the February growth rates for the largest categories.

	<u>Feb</u>	<u>YTD</u>
Retail	(5.8)%	(7.9)%
Contracting	(39.6)%	(40.6)%
Utilities	1.6%	0.6%
Use	(13.0)%	(22.4)%
Restaurant & Bar	(1.3)%	(3.6)%

As noted in previous months, retail and contracting together account for about 30% of all sales tax revenues. The retail sector decreased by only (5.8)% in February. However, contracting continued its poor performance, with a (39.6)% decrease compared to February of last year.

Retail and contracting are in the third year of decline. Collections in the retail category are down (25.2)% compared to February 2007, and the contracting category is down (65.9)% for the same period.

Within the retail category, General Merchandise and Miscellaneous Retail were down (3.4)% in January (latest available data)

compared to the prior year. The Motor Vehicles category was down (8.8)% compared to January 2009. The Motor Vehicle category continues to improve each month from the (32.9)% decline for all of FY 2009 (*see Table 5*).

Individual Income Tax net revenues were \$13.7 million in February. Collections were up \$55.7 million compared to the prior year, but were \$(22.0) million below the forecast. Year-to-date collections are down by (7.8)%.

As indicated in *Table 4* below, withholding tax payments increased by 6.3% in February.

	<u>February</u>	<u>YTD</u>
Withholding	6.3%	(4.5)%
Estimated + Final Payments	(4.8)%	(26.6)%
Refunds	(13.9)%	(9.3)%

February estimated and final payments were (4.8)% below last year, and about equal to the forecast. Year-to-date, payments are (26.6)% below last year. As we noted last month, while payments are down significantly for the first portion of the fiscal year, April final payments are key to individual income tax collections for the year. Approximately 80% of final individual income tax payments are collected after April 15th.

February refunds totaled \$(256.5) million, which was (13.9)% below the prior year, and a \$(31.2) million loss relative to the forecast. Year-to-date, refunds are (9.3)% below the prior year.

“The February decline [in sales tax] marked the 25th consecutive month of year-over-year reductions...[but] broke a string of 15 consecutive months of double digit declines...”

February Revenues (Continued)

Table 5

January YTD Taxable Retail Sales by Subcategory

	<u>% of Total Sales</u>	<u>% Change Over FY 2009</u>
General/Misc. Merchandise	31.0%	(3.4)%
Motor Vehicles/Misc. Auto.	20.1%	(8.8)%
Bldg Materials and Supplies	7.4%	(5.7)%
Food and Liquor Stores	7.5%	(5.6)%
Furniture, Home Furnishings	6.9%	(17.5)%
Clothing and Accessories	5.8%	(6.3)%
Manufacturing	5.5%	(21.6)%
Other Subcategories	<u>15.8%</u>	<u>(11.8)%</u>
Total	100.0%	(8.2)%

“Year-to-date, total HURF collections of \$784.7 million are down \$(44.5) million or (5.4)% compared to the prior year.”

Corporate Income Tax net collections were \$(4.6) million in February, as refunds exceeded collections. This amount was \$(12.2) million below the forecast for the month. February is a relatively small collection month for the corporate income tax category; however, gross payments were down (66.7)% compared to the prior year, while refunds were almost double. Year-to-date, corporate collections are (57.3)% below last year.

The **Lottery Commission** reports that ticket sales for the month of February were \$46.2 million, which is \$(285,000) below sales in February 2009, a decrease of (0.6)%. Year-to-date, ticket sales of \$350.2 million are \$40.9 million or 13.2% above last year.

While ticket sales have increased \$40.9 million above last year at this time, distributions to state beneficiaries are down \$(10.0) million. As we have noted in previous months, it appears that sales have increased as prize payouts have increased (which reduces payments to state beneficiaries).

The deposit of lottery monies to the state's General Fund for February was made after the books were closed for the month, and will appear in March's activity.

Non-General Funds

Tobacco Tax revenues were \$24.6 million in February. Collections were up 16.4% compared to the prior year, and were \$6.2 million above the estimate for the month. Year-to-date collections are down by (13.6)%.

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.

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 \$100.4 million in February were up \$1.6 million or 1.6% compared to February of last year. Year-to-date, total HURF collections of \$784.7 million are down \$(44.5) million or (5.4)% compared to the prior year.

Table 6

State of Arizona

General Fund Revenue:

Change from Previous Year and March Budget Forecast February 2010

	Current Month					FY 2010 YTD (Eight Months)				
	Actual February 2010	Change From February 2009		Forecast		Actual February 2010	Change from February 2009		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	\$256,963,944	(\$23,710,650)	(8.4) %	(\$10,197,388)	(3.8) %	\$2,268,906,194	(\$370,845,554)	(14.0) %	(\$19,703,656)	(0.9) %
Income - Individual	13,744,413	55,664,212	--	(22,047,329)	(61.6)	1,793,149,458	(151,574,494)	(7.8)	(18,120,344)	(1.0)
- Corporate	(4,646,425)	(38,977,274)	--	(12,181,246)	--	143,202,076	(192,327,683)	(57.3)	11,611,648	8.8
Property	325,178	33,997	11.7	(35,822)	(9.9)	12,397,959	1,417,641	12.9	161,732	1.3
Luxury - Tobacco	1,705,666	(114,426)	(6.3)	(599,334)	(26.0)	16,842,234	(3,333,314)	(16.5)	(1,447,048)	(7.9)
- Liquor	2,644,031	560,964	26.9	(76,014)	(2.8)	18,793,346	(352,785)	(1.8)	(714,661)	(3.7)
Insurance Premium	1,729,689	1,563,206	--	(1,160,311)	(40.1)	175,487,859	11,596,048	7.1	(1,858,434)	(1.0)
Estate	0	0	--	0	--	384,828	259,495	207.0	51,444	15.4
Other Taxes	38,992	8,264	26.9	9,992	34.5	555,808	169,105	43.7	40,899	7.9
Sub-Total Taxes	\$272,505,488	(\$4,971,707)	(1.8) %	(\$46,287,452)	(14.5) %	\$4,429,719,762	(\$704,991,541)	(13.7) %	(\$29,978,420)	(0.7) %
Other Revenue										
Lottery	0	(1,724,000)	(100.0)	(3,100,000)	(100.0)	19,084,700	(7,849,300)	(29.1)	(2,652,900)	(12.2)
License, Fees and Permits	1,337,322	(591,764)	(30.7)	217,322	19.4	16,849,028	(4,746,504)	(22.0)	955,700	6.0
Interest	(464,148)	(714,471)	--	(464,148)	--	647,053	(9,148,989)	(93.4)	(527,484)	(44.9)
Sales and Services	7,090,428	3,914,938	123.3	3,590,428	102.6	20,124,182	(10,435,966)	(34.1)	2,691,292	15.4
Other Miscellaneous	2,104,766	1,798,132	586.4	(895,234)	(29.8)	24,307,963	(964,706)	(3.8)	(2,366,702)	(8.9)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	656,359	(2,308,563)	(77.9)	(1,043,641)	(61.4)	34,128,795	4,192,869	14.0	(1,862,843)	(5.2)
Sub-Total Other Revenue	10,724,727	374,272	3.6 %	(1,695,273)	(13.6) %	115,141,721	(28,952,596)	(20.1) %	(3,762,937)	(3.2) %
TOTAL BASE REVENUE	\$283,230,215	(\$4,597,435)	(1.6) %	(\$47,982,725)	(14.5) %	\$4,544,861,483	(\$733,944,137)	(13.9) %	(\$33,741,357)	(0.7) %
Other Adjustments										
Urban Revenue Sharing	(52,387,052)	8,252,731	--	0	0.0	(419,096,419)	66,021,847	--	0	0.0
Budget Plan Transfers	6,256,899	(169,974,776)	(96.4)	0	0.0	174,355,280	(227,798,187)	(56.6)	0	0.0
Leaseback Proceeds	0	0	--	0	--	735,419,300	735,419,300	--	0	0.0
Sub-Total Other Adjustments	(46,130,153)	(161,722,045)	-- %	0	0.0 %	490,678,161	573,642,960	-- %	0	0.0 %
TOTAL GENERAL FUND REVENUE	\$237,100,062	(\$166,319,480)	(41.2) %	(\$47,982,725)	(16.8) %	\$5,035,539,644	(\$160,301,177)	(3.1) %	(\$33,741,357)	(0.7) %
Non-General Funds										
Highway User Revenue Fund	\$100,422,000	\$1,593,000	1.6 %	(\$5,530,000)	(5.2) %	\$784,678,000	(\$44,464,000)	(5.4) %	(\$29,798,000)	(3.7) %
Tobacco Tax (All Funds Total)	\$24,643,322	\$3,470,822	16.4 %	\$6,213,982	33.7 %	\$218,096,627	(\$34,264,382)	(13.6) %	\$4,364,997	2.0 %

Economic Indicators

NATIONAL

According to the U.S. Department of Commerce Bureau of Economic Analysis (BEA), the third and final estimate of the **U.S. Real Gross Domestic Product (GDP)** for the 4th quarter of 2009 was revised down from 5.9% to 5.6%. The growth in real GDP was primarily driven by the inventory cycle. Final sales, which excludes inventories and is therefore an arguably better measure of the underlying path of the economy, increased by 1.7%, a downward revision of 0.2% from the previous estimate. Real GDP growth in the 1st quarter of 2010 has likely slowed due to the fading impact of the inventory cycle. Most analysts expect a growth rate in the 2.5% to 3.0% range.

In March, the Conference Board's **U.S. Consumer Confidence Index** increased to 52.5, up 6.1 points from a revised February level of 46.4. Since May 2009, this measure has been somewhat volatile month-to-month and has bounced between the mid 40's and the mid 50's. In March, the report suggests those surveyed had a less pessimistic view of current day conditions and a less negative view in the short-term. Views of business conditions and the labor market, however, continue to be unfavorable overall.

In February, the Conference Board's **U.S. Index of Leading Economic Indicators** increased to 107.6, which is 0.1% above the revised January level, and 9.6% above the index a year ago. The index, designed to anticipate economic activity 3 to 6 months in advance, has now increased for 11 consecutive months. In January, 4 of the 10 components that make up the composite index advanced, relative to the prior month, with interest rate spreads and real money supply having the greatest increase.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, were unchanged in February after 5 consecutive months of month-over-month increases of 0.2%.

Compared to the same month in the prior year, the CPI was up by 2.2%. The core CPI, which excludes food and energy prices, rose by 0.1% in February and was 1.3% above last year's level.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the U.S. were \$3.76 billion

in January, a (1.9)% decrease from the prior month but a 48.2% improvement over January 2009 levels. According to SIA, the marked improvement in semiconductor sales reflects increased demand for a range of "demand drivers" of semiconductors, including personal computers, cell phones, automobiles, and industrial applications.

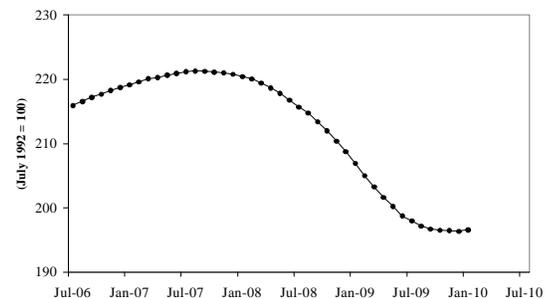
ARIZONA

The Federal Reserve Bank of Philadelphia's coincident index is a relatively new measure designed to gauge current economic activity in the nation's 50 states, including Arizona. The index combines four state-level indicators into a single statistic: nonfarm payroll employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wages.

The January **state coincident index** for Arizona increased by 0.1% over the prior month's reading. The index was down by (5.0)% compared to same month last year and (11.2)% off its peak reading in August 2007. The national index also rose by 0.1% in January and was (2.8)% below last year's level. The Fed reported that the index increased in 19 states, decreased in 23 states, and remained unchanged in the remaining 8 states last month.

The graph below shows the history of the Arizona coincident index.

Arizona Coincident Economic Activity Index



The federal Bureau of Economic Analysis (BEA) recently reported that **Arizona personal income** was \$218.1 billion in the 4th quarter of 2009. This was a 1.1% increase over the prior quarter but a (1.8)% decline compared to the same period in 2008. On a calendar year

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Economic Indicators (Continued)

basis, Arizona personal income fell by (2.7)% in 2009. According to the BEA, only 8 states had a steeper decline in personal income growth in 2009. Arizona per capita personal income was \$32,935 in 2009, a (4.1)% decline over the prior year. The state's per capita personal income was ranked 43rd in the nation in 2009.

Employment

The annual revision of employment data was completed in the first week of March. By benchmarking the previous two years' employment estimates to actual unemployment insurance records, the Arizona Department of Commerce determined that job losses in 2009 were considerably worse than previously reported. The state lost on average (14,500) more jobs per month than originally reported. The most significant revisions occurred in the goods-producing sector of the economy (manufacturing, construction, and mining) where the state lost on average (21,400) more jobs per month than first believed. As a result of the benchmarking of employment data, the total loss of nonfarm jobs since the recession started in December 2007 to December 2009 was revised from (276,100) to (297,100).

According to latest release of employment data by Arizona Department of Commerce, the state added 19,900 **nonfarm payroll jobs** in February. This should be compared to the average increase of 29,400 jobs in the prior 10 years. Year over year, total nonfarm employment was down by (3.9)%, or (97,100) jobs. The state has shed (11.9)% of its workforce, or (323,700) jobs, since the recession started in December 2007.

The **construction sector** added 1,300 jobs in February, the first month-over-month job gain since August 2007. Year over year, construction employment is down by (20.1)%, or (28,200) jobs. With 112,200 construction workers on the payroll in February, the industry employed the fewest number of workers since July 1994. The industry has lost almost 55% of its workforce since the height of the housing boom in June 2006.

The **manufacturing sector** also added 1,300 jobs in February. This was the second time in the last two and a half years that the manufacturing sector experienced month-

over-month job gains. Compared to the same month in 2009, manufacturing employment is down by (8.0)%, or (12,700) jobs. Manufacturing employment made up 6.1% of all nonfarm jobs in February. The industry's importance as "job engine" has declined steadily over the last 4 decades. To provide some perspective, manufacturing employment comprised more than 18% of Arizona's workforce in 1969. The comparable figures in 1990 and 2000 were 12% and 9%, respectively.

The state's **unemployment rate** in February increased from 9.2% to 9.5%, the highest figure since August 2009. At 9.7%, the nation's unemployment rate was unchanged from the prior month.

The Department of Commerce reported that 23,411 **initial claims for unemployment insurance** were filed in February, the lowest number of claims since August 2008. Initial jobless claims in February fell by (25.8)% over the prior month. Much of this decline, however, can be attributed to seasonal factors (average decline for the same month in the prior 10 years was (14.4)%). February marked the fourth straight month with a year-over-year decline in claims. Initial jobless claims peaked in April when more than 41,000 individuals filed for benefits.

According to Department of Commerce, the state had a total of 92,691 **claimants receiving unemployment insurance benefits** in February. This figure was (5.6)% less than in the prior month but 18.9% above the February 2009 level. At the start of the recession in December 2007, the state reportedly had a total of 31,973 persons receiving unemployment insurance benefits. This figure rose to a record-high of 117,270 in August 2009. Since this time, the total number of claimants has declined in each successive month.

Housing

The level of the state's housing supply continues to draw interest. The seasonally adjusted MLS data suggests the **month's supply of housing** indicator increased by 0.5 months between January and February 2010 to 6.5 months. At this level, the supply of housing is (2.0) months less than it was a year ago. The indicator reached a high of 16.7

"The state has shed (11.9)% of its workforce, or (323,700) jobs, since the recession started in December 2007."

Economic Indicators (Continued)

months in September 2007 but has averaged 5.2 months since January 1995.

However, the month's supply of housing indicator may not accurately capture actual activity. One drag on recovery for Arizona's housing market is an inventory of potential listings that could be listed for sale within the next year. A large inventory of potential listings could cause recovery to slow as houses flood the market, expanding supply and stunting any recovery in housing prices.

Several factors are contributing to growing concerns about the effects of Arizona's potential listings. There is an inventory of homes which have been foreclosed on by lenders but have not yet been listed for sale. If this inventory is large enough and lenders list these homes for sale rapidly enough, this influx of homes onto the market could stifle increases in home prices.

Many homeowners who purchased homes during the latest real estate bubble now require loan modifications in order to continue making payments. However, if loan modifications are not as effective as they were believed they would be, a higher number of homes may slip into foreclosure than was expected.

As a wave of adjustable rate mortgages and negative amortization loans are scheduled to reset between now and 2012, it is possible that a higher amount of homeowners will become delinquent on their payments or default on their loans in the near future. Additionally, there is some concern that investors who are unable to profitably rent homes may sell these homes for below market price.

Strategic defaults could also contribute to a change in the composition and size of the shadow inventory. Homeowners who owe more for their mortgage than their house is worth may choose to strategically default on their loan, meaning the homeowner would cease payments and allow the house to be repossessed. This can damage the credit rating of the homeowner but may be a financially sound decision when contrasted with fulfilling the loan obligation for a home with negative equity.

Uncertainty regarding Arizona's housing inventory is primarily due to 2 factors. The size of the inventory is inherently immeasurable because data on the number of homes that will fall into foreclosure in the future does not exist. Furthermore, it is not possible to determine how many of the homes that compose the inventory will actually be listed for sale in the short term.

Other real estate indicators exhibit signs of stabilization and improvement. Specifically, the February 2010 data published by various sources reflects month-over-month improvements in all measures tracked; permitting activity, resale transactions, and resale prices. Further, each of these measures appears to have bounced off the lows experienced over the past year. With that said, concerns still loom given the current state of the economy and these measures are anticipated to remain volatile in the near term as the economy remains fragile.

With respect to new construction, it appears that the number of building permits being issued on a monthly basis has stabilized at levels above the February 2008 low (799) but well below the 3-month moving average over the past 10 years (4,772). According to data released by the U.S. Census Bureau, an average of 1,269 building permits were issued each month for the period between December 2009 and February 2010. This amount includes an average of 1,074 **single-family residential building permits** and 194 **multi-family permits**. Compared to the prior 3-month period, the number of single-family permits issued increased 4.4% while the number of multi-family permits fell slightly. Compared to the same period in the prior year, permitting activity in the single family segment increased 76.7%, while permits in the multi-family segment was up 1.6%.

In the Greater Phoenix area, the number of resale transactions as well as the median resale price continues to exhibit signs of stabilizing. According to ASU's February real estate report, the **single-family median resale home price** was \$145,000 based on a total of 7,925 **single-family existing home sales**. Month-over-month, the median resale price increased 1.4% while the total number of units bought and sold increased 2.6%. On a year-over-year basis, however, both measures

Economic Indicators (Continued)

were down (3.3)% and (6.9)%, respectively. Sales activity reached a high of 11,820 in June 2009 and the median resale price peaked in June 2006 at \$267,000.

In the multi-family segment, ASU's report indicates there were 1,300 **townhouse-condominium transactions** with a **median resale price** of \$103,500. Month-over-month, the total number of units bought and sold increased 13.0% while the resale price increased 4.0%. On a year-over-year basis the number of transactions increased 38.3% while the median resale price fell (17.2)%. The median resale price reached a high of \$189,990 in May 2007.

The **S&P/Case-Shiller Home Price Index** measures housing prices based on repeat sales. While the other housing measures reflect information from February, this measure has a 2 month lag. In January 2010, the index for the Phoenix metropolitan area totaled 111.76, down (0.6)% relative to the prior month and down (4.6)% on a year-over-year basis. The Phoenix index peaked in June 2006 at 227.42. The S&P/Case-Shiller composite index which measures housing prices in 20 metropolitan areas, is down (0.4)% and (0.7)% on a month-over-month and year-over-year basis, respectively.

State Agency Data

Participation in income driven programs saw slight declines, but remained significantly above last year.

In March, **AHCCCS caseloads** equaled 1,357,472 members, a (0.4)% decline over the prior month. AHCCCS caseloads are currently 16.5% above March 2009 levels. The FY 2010 budget funded a projected June caseload growth of 14.4%, for a total of 1,435,445 members.

There were a reported 81,198 **TANF recipients** in the state in January, a monthly caseload decrease of (5.6)%. Year-over-year, the number of TANF recipients has declined by (6.4)%. The FY 2010 budget assumed that the June 2010 TANF caseload would be 84,287.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food

Stamps, provides assistance to low-income households to purchase food. In January, there were a total 1,024,659 food stamp recipients in the state, a decrease of (0.8)% over the prior month. Compared to the same month last year, food stamp participation was up by 31.8%. The number of food stamp recipients began increasing steadily in July 2007, after several years in the 550,000 to 575,000 range.

The **Department of Correction's (ADC) inmate population** 3-month average count totaled 40,476 inmates between December 2009 and February 2010. This equates to an average monthly decrease of (103) inmates and a year-over-year increase of 786 inmates. The department was funded for growth of 151 inmates per month in FY 2010. Fiscal year-to-date, however, population growth has decreased by an average of 4 inmates per month.

In counties other than Maricopa County (who funds all of their probation programs), the state and counties share the costs of **adult and juvenile probation programs**. Based on adult and juvenile probation data from November and January, respectively, the non-Maricopa probation caseload was 19,843 individuals – 122 more probationers than the prior month and 176 probationers less than a year ago. In Maricopa County, there were 29,519 probationers during the period, 455 more than the prior month and 418 less than a year ago.

Economic Indicators (Continued)

Table 7

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	February	9.5%	0.3%	1.2%
- Initial Unemployment Insurance Claims	February	23,411	(25.8)%	(33.0)%
- Unemployment Insurance Claimants	February	92,691	(5.6)%	18.9%
- Non-Farm Employment – Total	February	2.39 million	0.8%	(3.9)%
Manufacturing	February	146,800	0.9%	(8.0)%
Construction	February	112,200	1.2%	(20.1)%
- Average Weekly Hours, Manufacturing	January	39.0	0.5%	(1.3)%
- Contracting Tax Receipts (3-month average)	Dec-Feb	\$31.1 million	(9.4)%	(39.6)%
- Retail Sales Tax Receipts (3-month average)	Dec-Feb	\$143.2 million	(1.7)%	(3.0)%
- Residential Building Permits (3-month moving average)				
Single-unit	Dec-Feb	1,074	4.4%	76.7%
Multi-unit	Dec-Feb	194	(0.2)%	1.6%
- Greater Phoenix Existing Home Sales				
Single-Family	February	7,925	2.6%	(6.9)%
Townhouse/Condominium	February	1,300	13.0%	38.3%
- Greater Phoenix Median Home Sales Price				
Single-Family	January	\$145,000	1.4%	(3.3)%
Townhouse/Condominium	January	\$103,500	4.0%	(17.2)%
S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	January	111.76	(0.6)%	(4.6)%
- Months Supply of Housing, (ARMLS)	February	6.5 months	0.4 months	(2.0) months
- Phoenix Sky Harbor Air Passengers	January	3.07 million	(4.6)%	2.2%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	December	\$6.69	(10.1)%	(19.1)%
- Arizona Consumer Confidence Index (1985 = 100)	4 th Quarter 2009	50.2	(16.6)%	NA
- Arizona Coincident Index (July 1992 = 100)	January	196.61	0.1%	(5.0)%
- Arizona Personal Income	4 th Quarter 2009	\$218.1 billion	1.1%	(1.8)%
- Arizona Population	July 1, 2009	6.60 million	N/A	1.5%
- AHCCCS Recipients	March	1,357,472	(0.4)%	16.5%
- TANF Recipients	January	81,198	(5.6)%	(6.4)%
- SNAP (Food Stamps) Recipients	January	1,024,659	(0.8)%	31.8%
- ADC Inmate Growth (3-month average)	Dec-Feb	40,476	(103) inmates	786 inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	Nov/Jan	19,843	(122)	(176)
Maricopa County	Nov/Jan	29,519	455	(418)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	4 th Quarter 2009 (Final Estimate)	\$13.2 trillion	5.6%	0.1%
- Consumer Confidence Index (1985 = 100)	March	52.5	6.1%	25.6%
- Leading Indicators Index (2004 = 100)	February	107.6	0.1%	9.6%
- U.S. Semiconductor Billings (3-month moving average)	Nov-Jan	\$3.76 billion	(1.9)%	48.2%
- Consumer Price Index, SA (1982-84 = 100)	February	217.59	0.0%	2.2%

JCCR Meeting

At its March 23, 2010 meeting, the Joint Committee on Capital Review considered the following issues:

Arizona Game & Fish Department – Review of Flagstaff Area Shooting Range Land Acquisition – The Committee favorably reviewed the department's request to purchase 162 acres of private land 30 miles east of Flagstaff for a shooting range. The land will be purchased for the appraised value of \$1,120,000.

Arizona Board of Regents – Review of Phoenix Biomedical Campus Projects – The Committee favorably reviewed the universities' request to issue a \$172.9 million revenue bond to build a new Health Sciences Education Building and renovate the Arizona Biomedical Collaborative Building. This project will allow expansion of the College of Medicine, house a new University of Arizona College of Pharmacy, relocate 2,000 Arizona State University (ASU) nursing students from the downtown campus and expand the ASU Department of Biomedical Informatics and the Northern Arizona University Health Care professionals program.

The favorable review included a provision that the universities will not request review of any of their remaining \$459.4 million in University/Lottery bonding authority for the next 18 months, which was a limitation volunteered by the universities. The universities are authorized to issue \$800 million in University/Lottery bonds of which the Committee favorably \$167.7 million for building renewal projects at its February 2009 meeting and \$172.9 million for the Phoenix Biomedical Campus at this meeting.

As required by law, annual debt service payments for the University/Lottery bonds are comprised of up to 80% Lottery revenues and at least 20% state university system revenues. Law prohibits General Fund monies from being obligated for this bonding package. Current lottery revenue projections are expected to be insufficient to cover 80% of the annual debt service payments in FY 2011 and FY 2012 so the universities will have to use university system revenues to backfill the difference along with their regular 20% share requirement.

The Committee also included a provision that its favorable review did not constitute endorsement of General Fund monies for any operations or maintenance costs when the project is complete. Operating and maintenance costs for the new Health Sciences Education Building are projected to be \$3.0 million, which will be allocated among the universities through a joint agreement.

Summary of Recent Agency Reports

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) provided its quarterly report on the collection and verification of documentation associated with the Systematic Alien Verification for Entitlements (SAVE) program.

AHCCCS, in conjunction with the Department of Economic Security (DES), verified the immigration status of 20,598 individuals between July 1, 2009 and September 30, 2009. During this period, AHCCCS and DES did not identify any fraudulent documents using the SAVE program. (Aaron Galeener)

AHCCCS – Report on Healthcare Group – Pursuant to A.R.S. § 36-2912AA, the Arizona Health Care Cost Containment System (AHCCCS) is submitting its quarterly financial report for Healthcare Group (HCG) for the period October 1, 2009 to December 31, 2009. The agency reports that HCG has an estimated net gain of \$647,600 for the first 2 quarters of FY 2010, of which about \$319,000 was from the second quarter. HCG began FY 2010 with total unpaid prior year obligations and other liabilities of \$13.4 million. As of December 2009, total liability was \$13.0 million.

AHCCCS reports that as of December 2009, total statewide HCG medical plan enrollment was 12,171, with participating members from 4,436 private employers. Since December 2008, enrollment has decreased by (4,651) people. AHCCCS attributes the enrollment decreases to the economic downturn. (Aaron Galeener)

Department of Economic Security – Report on Preliminary Actuarial Estimates of Long Term Care Developmental Disabilities Capitation Rate Increases for the Following Fiscal Year – Pursuant to a FY 2010 General Appropriation Act footnote, the Department of Economic Security (DES) has submitted preliminary actuarial estimates of the FY 2011 capitation rate increases for its Title XIX Long Term Care Developmental Disabilities program.

The FY 2011 budget assumes capitation rate growth of 0% for the Developmental Disabilities Long Term Care program unless the voters approve the repeal of First Things First, in which case the FY 2011 General Appropriation Act appropriates DES additional monies. The agency may use a portion of this funding for provider rate growth. DES indicates the preliminary review of capitation rates includes a 3% to 5% increase for medical service utilization and no increase for home and community based services provider rates. (Jay Chilton)

Department of Education – Budget Status Report – Pursuant to A.R.S. § 35-131D and a footnote in the FY 2010 General Appropriation Act, the Arizona Department of Education (ADE) recently provided an update regarding its budget status for FY 2010. In that report, ADE estimates that it will experience a \$(51.2) million net funding shortfall for formula programs for FY 2010. This figure is preliminary in nature, as ADE's final budget status for FY 2010 will depend on 100th Day Average Daily Membership (ADM) counts from public schools for the current year, which are still being compiled. (Steve Schimpp)

Department of Health Services – Report on Preliminary Actuarial Estimates of the Capitation Rate Increases for the Following Fiscal Year – Pursuant to a FY 2010

General Appropriation Act footnote, the Department of Health Services (DHS) has submitted preliminary actuarial estimates of the capitation rate increases for FY 2011.

Behavioral Health Services (BHS) capitation rate growth is expected to be approximately 0% in FY 2011. DHS states that keeping rates flat will fund medical service utilization increases, while there will be an offsetting reduction to the utilization rate.

Children's Rehabilitative Services (CRS) rates are projected to increase by at least 5% as a result of ongoing acute care needs for this population.

The FY 2011 enacted budget assumed a capitation rate decrease of (12.3)% for the Behavioral Health program due to an expected decrease in the utilization of those services and 0% growth for the Children's Rehabilitative Services program. (Art Smith)

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 2009. New fund revenues during the 29th Annual Indian Town Hall totaled \$6,600. For FY 2009, the commission had \$9,260 in disbursements. (Ted Nelson)

Department of Revenue – Report on Temporary Collectors – A FY 2010 General Appropriation Act footnote requires the Department of Revenue (DOR) to report on the results of temporary collectors. Beginning in FY 2010, DOR was appropriated \$3 million from the General Fund for temporary collectors to assist in the collection of already established debt.

Summary of Recent Agency Reports (Continued)

DOR reports that through December 2009, 71 temporary collectors have been hired and trained at a cost of \$1.2 million. These temporary collectors have generated approximately \$31.8 million in total funds, which resulted in \$21.3 million in additional revenue to the General Fund. It was originally estimated that they would generate a total of \$45 million in additional General Fund revenue in FY 2010. DOR has further reduced this estimate to \$37 million. (Juan Beltran)

Department of Revenue – Report on Withholding Tables – Pursuant to Laws 2009, 1st Regular Session, Chapter 2, the Department of Revenue (DOR) is submitting the new withholding tax rate tables, which will become effective July 1, 2010.

The new withholding tax rate tables calculate the state withholding rate as a percentage of gross taxable wages. Previously, the state withholding rates were percentages of federal withholding amounts. Gross taxable wages are defined as the amount of each paycheck net of pretax deductions. *Table 1* shows the new withholding tax rate options as adopted by DOR.

Gross Taxable Wages	
If less than \$15,000	If greater than \$15,000
1.3%	0.0%
1.8%	1.8%
2.7%	2.7%
3.6%	3.6%
4.2%	4.2%
5.1%	5.1%

A goal of DOR was to minimize changes to withholding cashflow. DOR will notify employers and taxpayers of the new withholding tables beginning in April 2010. (Juan Beltran)

Secretary of State – Report on Election Systems Improvement Fund Expenditures – Pursuant to a footnote in the FY 2010 General Appropriation Act, the Secretary of State is reporting on actual expenditures from the Election Systems Improvement Fund in FY 2009 as well as estimated expenditures from the fund in FY 2010. Monies in the fund are to be used to implement the provisions of the Help America Vote Act (HAVA). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections.

In FY 2009, the Secretary of State’s office spent a total of \$11,795,100 from the Election Systems Improvement Fund, distributed in these areas as follows: voter accessibility – 63%; voter registration - 29%; administration – 2%; and poll workers – 6%. The Secretary of State’s office estimates that it will spend \$4,000,000 from the Election Systems Improvement Fund in FY 2010, with the expenditures following the same pattern as FY 2009. (Jack Brown)

Agency	General Fund Spending (\$ in Thousands)			YTD Change from FY '09
	Feb 10	Change from Feb 09	Year-to-Date	
Department of Administration	878.4	159.8	12,671.9	(10,409.7)
Office of Administrative Hearings	11.5	(41.9)	670.0	(213.9)
Department of Agriculture	296.0	(330.0)	6,332.7	(1,551.4)
AHCCCS	102,873.4	(26,250.8)	947,506.1	(137,106.5)
Arizona Commission on the Arts	111.8	(101.7)	563.5	(536.7)
Arizona Exposition and State Fair Board	-	-	400.0	400.0
Attorney General	1,014.5	0.8	13,564.6	(2,047.8)
AZ Capital Post Conviction Public Defender	42.4	(3.5)	457.7	(102.0)
State Board of Charter Schools	46.2	8.9	521.2	(132.3)
State Bd. of Chiropractic Exam.	-	-	148.0	148.0
Department of Commerce	16.9	(262.2)	2,367.9	(23,211.4)
Community Colleges	-	-	99,319.8	(9,357.2)
Corporation Commission	47.0	(333.5)	378.4	(3,205.8)
Department of Corrections	58,620.6	(12,409.2)	566,769.4	(33,238.6)
AZ Criminal Justice Commission	-	(77.0)	(4.6)	(1,014.4)
AZ State Board of Cosmetology	-	-	252.0	252.0
AZ St. Schools for the Deaf & Blind	1,159.6	(1,226.4)	15,062.6	(4,177.2)
Dept. of Economic Security	(17,385.9)	(26,800.3)	507,078.0	(152,532.6)
Department of Education	283,376.0	(25,977.9)	3,000,692.7	349,059.6
DEMA	347.7	(1,152.9)	6,047.2	(2,472.9)
Dept. of Environmental Quality	341.9	(52.8)	3,797.2	(1,198.5)
DEQ-WQARF	-	-	7,000.0	(6,000.0)
Office of Equal Opportunity	16.5	3.3	157.0	3.0
State Board of Equalization	27.0	6.6	456.8	(67.2)
Board of Executive Clemency	40.0	(18.2)	716.1	(77.6)
Dept. of Financial Institutions	141.1	50.2	2,360.4	(279.7)
Department of Fire, Life, Bldg Safety	87.9	(71.1)	1,750.7	(480.8)
State Board of Funeral Directors	-	-	100.0	100.0
Arizona Geological Survey	75.0	(76.5)	596.6	(63.0)
Government Information Tech.	27.1	(79.4)	317.2	(742.2)
Governor	105.6	(201.7)	5,451.3	230.1
Gov. - OSPB	129.5	19.0	1,425.3	52.6
Department of Health Services	9,323.3	(4,266.3)	402,681.6	(129,398.7)
Arizona Historical Society	168.3	4.5	3,121.3	(337.5)
Prescott Historical Society of AZ	32.8	(31.1)	507.4	(38.4)
Independent Redistricting Comm.	-	(19.9)	26.1	(159.5)
AZ Commission of Indian Affairs	111.8	(101.7)	71.1	(79.5)
Department of Insurance	310.8	(115.7)	4,190.2	(1,183.4)
Judiciary				
Supreme Court	1,010.2	569.0	12,915.2	973.0
Superior Court	9,445.6	7,819.6	61,693.1	2,965.4
Court of Appeals	907.9	(50.2)	10,165.4	438.3
Dept. of Juvenile Corrections	3,305.8	(1,684.2)	47,862.5	(4,825.3)
State Land Department	(140.4)	(606.9)	11,807.4	(664.2)
Law Enforcement Merit System	3.4	(2.1)	54.2	(1.0)

Legislature				
Auditor General	76.2	(1,165.7)	10,268.1	(2,456.1)
House of Representatives	925.8	(350.7)	8,778.0	(247.0)
Joint Legislative Budget Comm.	175.0	(29.9)	1,633.4	(115.8)
Legislative Council	286.8	(710.0)	3,672.4	(7,949.8)
AZ Library and Archives	363.6	(42.8)	4,813.4	(548.8)
Senate	647.4	(51.3)	6,232.4	23.8
Dpt. of Liquor Licenses	0.6	(192.4)	740.5	(2,277.1)
Board of Medical Student Loans	34.7	34.7	801.9	(199.1)
Mine Inspector	88.5	(0.2)	937.0	(148.8)
Dpt. of Mines & Mineral Resources	23.0	(11.7)	452.5	(166.3)
Nav. Streams & Adjudication	5.5	(32.3)	99.9	(100.1)
State Board of Nursing	-	(8.7)	-	(92.7)
OSHA	-	-	14.4	14.4
Arizona State Parks Board	-	(537.4)	21,900.3	(4,038.7)
Personnel Board	-	(20.0)	-	(256.5)
Arizona Pioneers Home	-	-	-	(5.3)
Comm. for Postsecondary Ed.	879.9	290.4	2,252.0	87.7
State Board of Psychologist Exam.	-	-	300.0	300.0
Department of Public Safety	1,613.9	(5,080.0)	40,084.2	(1,352.0)
Arizona Department of Racing	131.6	(16.4)	4,034.4	2,212.9
Radiation Regulatory Agency	4.5	4.5	1,071.3	(296.3)
Arizona Rangers Pension	1.2	-	9.3	0.2
Real Estate Department	141.8	(58.6)	2,419.9	(569.7)
Department of Revenue	(1,283.0)	(5,580.6)	22,289.5	(28,406.0)
School Facilities Board	2,316.9	(22,084.4)	103,959.5	(83,804.1)
Secretary of State	237.8	40.7	2,095.9	(2,536.7)
Tax Appeals Board	16.0	-	187.9	(8.6)
Office of Tourism	-	-	200.0	(112.2)
Department of Transportation	2.7	(1.8)	39.9	(5.1)
State Treasurer	178.4	31.7	1,908.0	91.9
Universities				
Board of Regents	27.5	(53.1)	19,815.3	3,690.7
Arizona State University	33,217.3	(6,635.6)	311,799.5	(8,168.7)
Northern Arizona University	11,220.2	(2,243.1)	105,002.6	(2,704.1)
University of Arizona	29,041.4	(5,818.0)	271,792.0	(7,083.5)
Department of Veteran Services	1,295.5	807.4	6,190.0	893.2
AZ State Veterinary Medical	-	-	250.0	250.0
Examining Board				
Department of Water Resources	1,394.4	454.2	12,165.3	3,087.8
Dept. of Weights & Measures	74.8	(8.9)	867.6	(170.1)
Other	(280.9)	(203.7)	20,167.3	(3,568.1)
Grand Total	539,786.1	(142,977.0)	6,749,268.8	(319,019.2)