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“The February forecast shortfall was largely due to higher than expected Individual Income tax refunds.”

Summary

February collections declined from the prior year, as the state experienced a significant increase in Individual Income Tax refunds. February General Fund revenues totaled \$307.9 million. Excluding one-time adjustments, these base collections were (23.8)% below last year. Overall collections were \$(49.0) million below the Baseline forecast in February.

Year-to-date, base revenues are 5.6% higher than last year. In total, year-to-date General Fund collections are \$(2.5) million below forecast.

In comparison to monthly revenues of \$307.9 million, February 2012 General Fund spending was \$384.8 million, or \$(20.1) million below last year. Fiscal year-to-date, General Fund revenues of \$5.8 billion have been offset by \$6.4 billion in spending.

The February forecast shortfall was largely due to higher than expected Individual Income Tax refunds. As the state begins to process refund checks in February, collections are largely driven by changes in Individual Income Tax return activity. Since the amount of refunds tends to be substantially larger than withholding and payments, changes in refund size and processing can cause large fluctuations in February collections.

The Department of Revenue (DOR) has indicated that as of early March, the number of refunds processed year-to-date has increased by 8% and the average refund has increased 8.5% over the prior year.

In contrast to Individual Income Tax collections, sales tax continued to show positive gains, with base collections 5.7% above the prior year. Sales tax collections have increased all but one month this fiscal year.

Finance Advisory Committee

The Finance Advisory Committee (FAC) will meet on April 12, 2012 to consider updating its revenue forecast. The FAC is a 15 member panel of private and public sector economists and their views serve as one of the 4 equal inputs into JLBC’s Consensus Baseline revenue forecast. The JLBC Staff and 2 University of Arizona (UA) models are the other 3 inputs.

The UA models have been preliminarily updated in advance of the FAC meeting. The UA models are more optimistic for FY 2012, but forecast slower growth in FY 2013.

If the preliminary UA update is averaged with the existing January FAC and JLBC inputs, base FY 2012 revenue growth would increase from 5.3% to 5.9%. The FY 2013 growth rate, however, would decline from 5.1% to 3.5%.

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

February Revenues

	<u>FY 2012 Collections</u>	<u>Difference From January Forecast</u>	<u>Difference From FY 2011</u>
February	\$ 307.9	\$ (49.0)	\$(114.8)
Year-to-Date	\$ 5,764.7	\$(2.5)	\$ 424.4

Sales Tax collections were \$359.9 million, or 6.2% above February 2011 and \$10.1 million above the January JLBC Baseline forecast for the month. Excluding the \$72.1 million from the temporary 1-cent sales tax increase, collections were \$287.8 million, or 5.7% above February 2011. The temporary 1-cent continues to grow more than the base tax because of certain exemptions.

Year-to-date, base sales tax collections are 5.3% above the prior year and are \$3.3 million above forecast.

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

	<u>February</u>	<u>YTD</u>
Retail	5.5%	6.5%
Contracting	12.0%	10.0%
Utilities	(1.8)%	0.5%
Use	1.6%	5.7%
Restaurant & Bar	12.8%	8.3%

Retail and contracting together account for about 60% of all sales tax revenues. February retail, which reflects January's sales, grew by 5.5%. Retail began to grow in December 2010. In recent months, retail growth has continued to grow, but at a slower rate, due in part to the stronger base in the prior year. This trend may continue considering the high growth rates in February through June of last year. Contracting collections have been more volatile, but increased by 12.0% this month.

Individual Income Tax net revenues were \$(72.6) million in February, or \$(124.6) million less than the prior year. Collections were \$(64.5) million below the JLBC Baseline forecast. Year-to-date, revenues have grown 3.4% and are \$(18.7) million below forecast.

As indicated in Table 3, withholding increased by 3.7% in February for a year-to-date increase of 3.2%.

Estimated Payments grew by 4.0% in February for a year-to-date increase of 32.3%.

As noted in the Summary, February individual income tax refunds were extraordinarily high, both compared to the prior year, and to the forecast. The Department of Revenue indicates that both the number of refunds processed and the dollar amount of refunds processed increased in February compared to the prior year.

	<u>February</u>	<u>YTD</u>
Withholding	3.7%	3.2%
Estimated + Final Payments	4.0%	32.3%
Refunds	55.6%	22.2%

Corporate Income Tax net collections were \$12.3 million in February, which is \$5.3 million above the prior year. Collections were \$6.8 million above the JLBC Baseline forecast. Year-to-date, collections have grown 34.5% and are \$17.1 million above forecast.

The **Lottery Commission** reports that February ticket sales were \$60.8 million, which is \$10.1 million, or 19.9%, above sales in the prior year. Year-to-date ticket sales are \$406.3 million, which is 8.6% above last year's sales.

Non-General Fund

Tobacco Tax revenues were \$24.6 million in February. Collections were up 13.7% compared to the prior year. Year-to-date collections are down (0.5)%, and are \$(0.8) million below forecast.

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.

"The Department of Revenue indicates that both the number of refunds processed and the dollar amount of refunds processed increased in February compared to the prior year."

February Revenues (Continued)

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 \$108.1 million in February were up \$4.5 million, or 4.3%, compared to February of last year. Year-to-date revenues are flat compared to the prior year.

Table 4

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

	Current Month					FY 2012 YTD (Eight Months)				
	Actual February 2012	Change From February 2011		January Forecast		Actual February 2012	Change from February 2011		January Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use - Base*	\$287,779,634	\$15,438,745	5.7 %	\$5,853,953	2.1 %	\$2,418,884,716	\$122,819,380	5.3 %	\$3,320,546	0.1 %
- 1¢ Increase*	\$72,088,159	5,616,924	8.5	4,223,984	6.2	601,051,477	57,132,972	10.5	3,736,131	0.6
Income - Individual	(72,643,496)	(124,624,450)	--	(64,519,442)	794.2	2,076,981,659	68,065,007	3.4	(18,691,928)	(0.9)
- Corporate	12,347,154	5,318,534	75.7	6,778,917	121.7	367,550,198	94,278,268	34.5	17,123,671	4.9
Property	459,510	53,621	13.2	(50,117)	(9.8)	10,467,241	(1,715,124)	(14.1)	49,736	0.5
Luxury - Tobacco	2,039,262	54,752	2.8	144,221	7.6	16,638,284	39,691	0.2	(226,233)	(1.3)
- Liquor	1,604,627	442,472	38.1	415,782	35.0	21,141,446	2,291,120	12.2	289,531	1.4
Insurance Premium	3,060,016	1,674,950	120.9	1,460,081	91.3	162,802,313	(16,025,346)	(9.0)	1,416,789	0.9
Estate	0	0	--	0	--	200,825	(236,547)	(54.1)	0	0.0
Other Taxes	37,405	3,628	10.7	(719)	(1.9)	362,644	(503,361)	(58.1)	(4,628)	(1.3)
Sub-Total Taxes	\$306,772,271	(\$96,020,824)	(23.8) %	(\$45,693,340)	(13.0) %	\$5,676,080,804	\$326,146,060	6.1 %	\$7,013,616	0.1 %
Other Revenue										
Lottery	4,865,440	(1,540,200)	(24.0)	(2,751,757)	(36.1)	34,821,180	5,030,270	16.9	(5,391,362)	(13.4)
License, Fees and Permits	1,624,882	(1,004,015)	(38.2)	(423,433)	(20.7)	18,202,173	(761,530)	(4.0)	(921,183)	(4.8)
Interest	3,704	660,041	--	(6,296)	(63.0)	2,102,217	219,742	11.7	(9,633)	(0.5)
Sales and Services	8,962,508	379,592	4.4	3,095,219	52.8	18,357,009	(1,575,542)	(7.9)	(353,364)	(1.9)
Other Miscellaneous	762,862	(3,114,726)	(80.3)	(551,600)	(42.0)	22,928,426	6,955,169	43.5	3,799,986	19.9
Disproportionate Share	0	0	--	0	--	0	(27,146,306)	(100.0)	0	--
Transfers and Reimbursements	101,199	(483,200)	(82.7)	(2,699,374)	(96.4)	12,214,351	(2,683,129)	(18.0)	(6,673,058)	(35.3)
Sub-Total Other Revenue	16,320,595	(5,102,508)	(23.8) %	(3,337,241)	(17.0) %	108,625,357	(19,961,324)	(15.5) %	(9,548,613)	(8.1) %
TOTAL BASE REVENUE	\$323,092,866	(\$101,123,332)	(23.8) %	(\$49,030,581)	(13.2) %	\$5,784,706,160	\$306,184,736	5.6 %	(\$2,534,997)	(0.0) %
Other Adjustments										
Urban Revenue Sharing	(35,368,620)	4,131,923	--	0	0.0	(282,948,960)	33,055,384	--	0	0.0
Budget Plan Transfers	20,132,504	(17,842,039)	(47.0)	0	0.0	250,070,313	72,272,232	40.6	0	0.0
Tax Recovery Program	0	0	--	0	--	12,867,428	12,867,428	--	0	0.0
Sub-Total Other Adjustments	(15,236,116)	(13,710,116)	898.4 %	0	0.0 %	(20,011,219)	118,195,044	-- %	0	(0.0) %
TOTAL GENERAL FUND REVENUE	\$307,856,750	(\$114,833,448)	(27.2) %	(\$49,030,581)	(13.7) %	\$5,764,694,942	\$424,379,781	7.9 %	(\$2,534,997)	(0.0) %
Non-General Funds										
Highway User Revenue Fund	\$108,090,648	\$4,456,816	4.3 %	\$3,524,112	3.4 %	\$798,834,888	\$279,325	0.0 %	(\$9,850,352)	(1.2) %
Tobacco Tax (All Funds Total)	\$24,551,259	\$2,960,396	13.7 %	\$6,121,919	33.2 %	\$212,927,752	(\$979,980)	(0.5) %	(\$803,878)	(0.4) %

* Total February collections including the temporary 1¢ increase approved by the voters in May 2010 were \$359.9 million. This amount is \$21.1 million, or 6.2%, above February 2011 and \$10.1 million, or 2.9%, above forecast. Year-to-date, total collections including the 1¢ increase were \$3,019.9 million. This amount is \$180.0 million, or 6.3%, above February 2011 and \$7.1 million above forecast.

Economic Indicators

NATIONAL

The Conference Board's **Leading Economic Index** increase of 0.6% in January marked the fourth straight month of growth in the index. January's increase, primarily the result of improvement in the financial climate and growth in average manufacturing hours worked, signals continued growth in the next few months.

The Conference Board's **U.S. Consumer Confidence Index** surged by 9.3 points in January, to a reading of 70.8. This amount represents the index's highest reading in the last 12 months and a month-over-month percentage increase of 15.1%. Consumer optimism was likely bolstered in February by continued reports of a steadily improving labor market and a modest upward revision to 2011 gross domestic product. However, gasoline prices have the potential to dampen confidence in coming months if they continue their ascent.

ARIZONA

Housing

The number of Maricopa County **pending foreclosures** decreased from 18,287 in January to 17,833 in February. The February total is (65.3)% below the peak in December 2009 (51,466). See [Tracking Arizona's Recovery](#) for additional historical information.

Another measure of the health of the Arizona real estate market is permitting activity. Single-family housing permits showed a slight improvement in January 2012. For the 12-month period through January, a total of 10,909 **single-family building permits** had been issued statewide, a 2.9% increase from last year. See [Tracking Arizona's Recovery](#) for additional historical information.

The performance of the multi-family housing sector has been significantly better than single-family housing. For the 12-month period ending in January, a total of 2,984 **multi-family building permits** had been issued in the state, a 101.8% increase from the prior year. Even with this growth, multi-family permitting activity still remains (77)% below the peak of activity in June 2006.

Employment

As a result of the annual benchmarking revision of establishment survey data, the Department of Administration (DOA) reported in March that Arizona nonfarm employment growth in 2010 and 2011 was marginally higher than previous estimates had indicated. By incorporating more comprehensive data based on unemployment insurance records, the Bureau of Labor Statistics (BLS) determined that the state added on average 4,700 more jobs per month in both 2010 and 2011 than previously reported. The historical revision was relatively small compared to previous years.

The largest positive revision occurred in the professional and business services sector of the economy. This industry added on average 6,200 more jobs per month in 2011 than previously reported. A large portion of these job gains were attributable to temporary staffing agencies. In the past, increases in temporary employment have typically been followed by an acceleration in permanent job growth.

The benchmarking process revealed that the educational and health services sector did not perform as well in 2011 as previous estimates had shown. Prior to the March revision, employer survey data indicated that private education and health care employment grew by 4.5% in 2011. The revised data indicated that the actual 2011 job growth in this sector was (1.6)% less, or 2.9%. In spite of this downward revision, this industry still remains one of the strongest engines of job growth in Arizona.

The latest estimate of **nonfarm employment** showed that the state shed (34,300) jobs in January over December in the prior year. Job losses typically occur in January when the holiday season comes to an end. The average job reduction for the month of January in the prior 10 years was (59,700). Compared to January 2011, nonfarm employment is up by 1.6%, or 37,800 jobs.

As of January of 2012, nonfarm employment was (303,000) jobs below pre-recession levels. While this figure is somewhat overstated due to seasonal factors, it still shows that the road to full recovery is not months but years away.

"As a result of the annual benchmarking revision of establishment survey data, the Department of Administration (DOA) reported in March that Arizona nonfarm employment growth in 2010 and 2011 was marginally higher than previous estimates had indicated."

Economic Indicators (Continued)

Manufacturing employment shrank by (0.1)%, or (100) jobs, in January over December. The state typically loses manufacturing jobs in January. The industry employed 0.7% more workers in January 2012 than January 2011. The March benchmark revision revealed that the manufacturing sector did not grow as quickly in 2011 as previously reported. New, revised data indicates that manufacturing employment increased by 0.8% in 2011 compared to the previous estimate of 1.9%.

Construction employment also decreased by (100) jobs, month over month, in January. This was significantly less than the 10-year average loss for January of (5,700) jobs. Year over year, construction employment is up by 5.1%. The March data revision indicates that construction employment bottomed out in February 2011. Despite recent gains, construction employment remains (55)% below peak in June 2006.

The household survey data used to estimate the state's **unemployment rate** was also revised in March. The historical revision, which covered the period from 2007 to 2011, showed that state's jobless rate during the recession was significantly higher than first estimated. The average unemployment rate in 2010 was on average 0.5% higher than previously reported. The corresponding figure for 2011 was 0.3%. This revision in the unemployment rate data contrasts with the higher than anticipated overall employment figure as the 2 measures are developed using samples from 2 separate surveys.

State Agency Data

In March, total AHCCCS caseloads equaled 1.30 million members, a (1.0)% decrease from the prior month. Overall AHCCCS caseloads are currently (2.6)% below March 2011 levels.

The traditional AHCCCS population, which consists primarily of lower-income children and their parents, decreased (0.6)% from February and increased 5.3% 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 and this population has declined (86,185) since July to 138,307. Of the decline, (10,757) is attributed to members who were transferred to the SSI program. As a whole, the Proposition 204 program has declined (2.8)% compared to the prior month, and (21.5)% from the prior year.

There were 39,454 **TANF recipients** in the state in February, a monthly caseload decrease of (0.7)% Year-over-year, the number of TANF recipients has declined

by (6.8)%. 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.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In February, there were a total 1.1 million food stamp recipients in the state, a (1.2)% decrease over the prior month. Compared to the same month last year, food stamp participation was up by 8.5%. 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** decreased to 39,901 inmates between December 2011 and February 2012. Relative to the prior 3-month period, the population has decreased by (64) inmates. Compared to a year ago, the population has declined by (162) 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)	January	8.7%	(0.3)%	(1.2)%
- Initial Unemployment Insurance Claims	January	26,870	25.7%	(7.7)%
- Unemployment Insurance Claimants	January	56,418	2.3%	(18.4)%
- Non-Farm Employment - Total	January	2.41 million	(1.4)%	1.6%
Manufacturing	January	149,400	(0.1)%	0.7%
Construction	January	112,000	(0.1)%	5.1%
- Average Weekly Hours, Manufacturing	January	40.3	(3.6)%	0.0%
- Contracting Tax Receipts (3-month average)	Dec-Feb	\$33.2 million	(3.6)%	7.4%*
- Retail Sales Tax Receipts (3-month average)	Dec-Feb	\$158.9 million	0.6%	4.5%*
- Residential Building Permits (3-month moving average)				
Single-family	Nov-Jan	815	4.5%	34.2%
Multi-unit	Nov-Jan	314	19.8%	114.8%
- Greater Phoenix Home Sales				
Single-Family	January	7,926	(0.2)%	(4.8)%
Townhouse/Condominium	January	1,219	2.4%	(7.7)%
- Greater Phoenix Median Home Price				
Single-Family	January	\$120,500	(3.6)%	(8.5)%
Townhouse/Condominium	January	\$70,000	(10.6)%	(17.6)%
- Greater Phoenix S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	December	101.91	0.8%	(1.2)%
- Foreclosure Activity, Maricopa County				
Pending Foreclosures (Active Notices)	February	17,833	(2.5)%	(54.5)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	February	23,736	(5.2)%	(41.6)%
- Phoenix Sky Harbor Air Passengers	January	3.20 million	(5.0)%	(1.5)%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	December	\$5.01	(8.6)%	(24.5)%
- Arizona Consumer Confidence Index (1985 = 100)	1 st Quarter 2012	69.5	20.9%	10.7%
- Arizona Coincident Index (July 1992 = 100)	December	178.48	0.0%	1.7%
- Arizona Leading Index -- 6 month projected growth rate	Oct-Dec	1.6%	(0.6)%	(0.3)%
- Arizona Personal Income	3rd Quarter 2011	\$232.2 billion	0.2%	4.3%
- Arizona Population	July 1, 2011	6.48 million	N/A	1.1%
- AHCCCS Recipients	March	1,303,625	(1.0)%	(2.6)%
Acute Care Traditional		890,414	(0.6)%	5.3%
Spend Down		-	(100.0)%	(100.0)%
Prop 204 Childless Adults		138,307	(4.9)%	(37.5)%
Other Prop 204		153,653	(0.8)%	2.1%
Kids Care		11,647	(4.1)%	(44.7)%
Long-Term Care – Elderly & DD		52,028	0.5%	2.2%
Emergency Services		57,576	1.5%	31.2%
- TANF Recipients	February	39,454	(0.7)%	(6.8)%
- SNAP (Food Stamps) Recipients	February	1,137,136	(1.2)%	8.5%
- ADC Inmate Growth (3-month average)	Dec-Feb	39,901	(64) inmates	(162) inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	January	18,417	(213)	(1,110)
Maricopa County	January	25,630	(7)	(482)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	4th Quarter 2011 (2nd Estimate)	\$13.4 trillion	3.0%	1.7%
- Consumer Confidence Index (1985 = 100)	February	70.8	15.1%	(1.7)%
- Leading Indicators Index (2004 = 100)	January	94.9	0.6%	
- U.S. Semiconductor Billings (3-month moving average)	Oct-Dec	\$4.36 billion	(4.9)%	(4.6)%
- Consumer Price Index, SA (1982-84 = 100)	January	227.51	0.2%	2.9%

*Adjusted for 1¢ sales tax

Summary of Recent Agency Reports

AHCCCS, DES, & DHS – Report on Preliminary Actuarial Estimates for FY 2013 Capitation Rate Changes – Pursuant to FY 2012 General Appropriation Act footnotes, AHCCCS has submitted a report on preliminary Medicaid capitation rate increases for contract year (CY) 2013. Their submission includes information for AHCCCS, the Department of Economic Security (DES), and the Department of Health Services (DHS).

In their report, AHCCCS provided information on components of potential CY 2013 capitation rate increases:

- AHCCCS estimates that utilization increases will increase capitation rates by an average of 2% in CY 2013 across the 3 agencies.
- Any increases in provider rates will lead to an increase in capitation rates. The Executive budget includes a recommended 3% provider rate increase for certain provider types. Statute requires that inpatient hospital tiered per diem rates and the hospital outpatient fee schedule are adjusted annually for inflation.
- The federal government requires that primary care physicians be reimbursed at 100% of the Medicare rates in 2013 and 2014. AHCCCS estimates this will cost a total of \$150 million to \$200 million on an annualized basis. AHCCCS did not provide a General Fund cost. However, the Executive budget estimates this will result in a \$6.3 million General Fund cost in FY 2013 if the federal Affordable Care act is not ruled unconstitutional by the Supreme Court, with most of the cost of this policy assumed to be borne by the federal government. (Amy Upston)

Department of Economic Security (DES) - Semi-Annual Report on CPS - Pursuant to A.R.S. § 8-818, DES has submitted its semi-annual financial and program accountability report. According to the report, out-of-home placements increased from 11,082 in June to 11,502 in December. Caseloads are above the department's goals and turnover for Child Protective Services (CPS) case managers was approximately 26.3%. Employee satisfaction is stable at a 3.6 rating out of 5.0. The highlights of this report, covering the first 6 months of FY 2012, are summarized below.

- The CPS Training Academy had 164 new case managers in training as of December 2011.
- As of December 2011, the number of filled positions was 855 of 1,043 authorized and funded positions, excluding those in training. This figure is 29 higher than last April. Considering only filled positions, caseloads per worker remain considerably higher than caseload goals, with investigations at 15 (goal: 10), in-home at 32 (goal: 19), and out-of-home at 27 (goal: 16).
- DES reports that annualized case manager turnover during June - December 2011 was 26.3%, up from a

23.4% annualized rate in the last report.

- The percent of CPS dependency cases denied or dismissed in the last 6 months remained at the same level (0.0%) as the previous 6 months, while the percent of Office of Administrative Hearing's decisions affirming CPS case findings increased from 88.0% to 89.0%. The percent of complaints validated by the Ombudsman decreased from 2.9% to 2.1% (5 of 242 complaints).
- The number of children in out-of-home family placements increased from 9,118 in June to 9,262 in December, while the number of congregate care placements increased from 1,438 to 1,592. DES also reports that from June to December the number of children aged 0-3 in shelter care decreased from 24 to 20, the number of children aged 0-6 in group homes increased from 14 to 27, and the number of children in shelter care for more than 21 days increased from 433 to 747. The December numbers are labeled as preliminary. (Ben Beutler)

Arizona Department of Transportation (ADOT) - New Full-Time Equivalent Positions from Proposed Rules - A.R.S. § 41-1055 requires that agencies notify the Joint Legislative Budget Committee on the number of full-time employees (FTE) necessary to implement and enforce a rule before the rule is approved by the Governor's Regulatory Review Council. In accordance with this requirement, ADOT has submitted notification that proposed rulemaking for Highway Traffic Control Devices will require 2 new FTE Positions.

ADOT has authority in A.R.S. § 28-7311 to establish a logo sign program along rural, interstate, and urban highway exits. Beginning July 1, 2012, the department will cease its practice of administering the program through a contractor and administer the program itself. ADOT anticipates this change will generate about \$2.3 million minus the maintenance, employee, and program administrative costs of \$443,000 for the State Highway Fund.

The Arizona Department of Administration has approved ADOT's proposal to hire 2 new FTE Positions to assist with the production and accounting activities necessary to implement and administer the logo sign program at a cost of about \$143,000 annually. (Ben Beutler)

February Spending

February 2012 General Fund spending was \$384.8 million.

FY 2012 Spending

February 2012 spending of \$384.8 million was \$(20.1) million less than February 2011 (*See Table 6*).

- In February, Universities spending was \$(15.6) million less than the prior year. The universities received a \$198 million lump sum reduction in FY 2012, which will be spread out throughout the fiscal year.

- Department of Health Services spending decreased by \$(29.6) million from the previous year to \$10.0 million. This decline was primarily due to changes in the timing of a transfer for the Medicaid state match for the Behavioral Health program.
- The Department of Education spent \$117.6 million, or \$54.7 million more than the previous year due to the timing of formula payments.

Agency	<u>February 12</u>	<u>Change from February 11</u>	<u>Year to Date</u>	<u>YTD Change from FY 11</u>
AHCCCS	115.4	(8.7)	1,063.6	49.3
Corrections	66.8	9.7	610.0	18.0
Economic Security	7.2	0.1	490.9	27.7
Education	117.6	54.7	2,598.0	13.6
Health Services	10.0	(29.6)	453.0	72.9
Public Safety	1.5	0.1	38.5	5.1
School Facilities Board	0.1	(33.6)	163.6	96.6
Universities	42.5	(15.6)	555.5	(108.9)
Leaseback Debt Service	0.0	0.0	49.1	3.0
Other	<u>23.7</u>	<u>2.8</u>	<u>339.4</u>	<u>(90.0)</u>
Total	384.8	(20.1)	6,361.6	87.3

Agency	General Fund Spending (\$ in Thousands)			YTD Change from FY 11
	February 12	Change from February 11	Year-to-Date	
Department of Administration	610.4	(457.3)	11,309.2	(3,214.9)
Department of Admin Sale/Leaseback D/S	-	-	49,050.7	(3,016.2)
Office of Administrative Hearings	62.8	19.4	556.4	(107.5)
Department of Agriculture	161.9	(296.8)	5,000.9	(937.9)
AHCCCS	115,371.2	(8,698.2)	1,063,627.0	49,296.1
Attorney General	1,148.4	1,042.2	11,350.1	(436.9)
AZ Capital Post Conviction Public Defender	54.4	2.1	409.7	(66.7)
State Board of Charter Schools	50.8	11.9	493.8	(31.7)
Department of Commerce/AZ Commerce Authority	2,625.0	2,517.9	21,000.0	18,186.6
Community Colleges	-	-	51,433.0	(47,886.8)
Corporation Commission	36.5	(64.2)	354.3	(82.4)
Department of Corrections	66,784.2	9,730.4	610,031.7	17,981.9
AZ State Schools for the Deaf & Blind	1,520.7	1,176.6	14,265.9	(768.5)
Department of Economic Security	7,228.3	105.1	490,853.9	27,720.4
Department of Education	117,575.3	54,687.1	2,598,014.0	13,630.3
DEMA	428.8	(7.0)	4,533.4	(3,214.6)
Department. of Environmental Quality	-	-	-	(0.6)
DEQ – WQARF	-	-	7,000.0	-
Office of Equal Opportunity	11.9	3.0	116.5	(12.8)
State Board of Equalization	20.1	2.3	409.1	(41.2)
Board of Executive Clemency	51.3	8.0	541.5	(78.2)
Department of Financial Institutions	174.2	19.0	1,806.2	(144.0)
Department of Fire, Life, Bldg Safety	113.6	(7.9)	1,240.6	(283.0)
Office of the State Forester	187.3	(8.4)	3,412.9	1,455.7
Arizona Geological Survey	50.8	(45.8)	590.9	91.2
Government Information Tech.	-	(34.2)	(3.1)	(345.3)
Governor	508.6	258.3	3,081.1	(1,700.4)
Gov. - OSPB	142.0	(2.0)	1,251.3	(89.4)
Department of Health Services	10,030.6	(29,590.6)	452,988.1	72,874.1
Arizona Historical Society	190.2	10.7	2,225.3	(2,376.1)
Prescott Historical Society of AZ	47.2	(116.1)	476.2	(63.3)
Independent Redistricting Comm.	481.2	481.2	3,042.1	3,042.1
Commission on Indian Affairs	3.4	(10.3)	31.3	(13.7)
Department of Insurance	343.4	41.1	3,510.3	(551.7)
Judiciary	-	-	-	-
Supreme Court	753.0	430.1	9,667.5	(5,668.5)
Superior Court	1,452.1	72.7	47,365.6	(72.3)
Court of Appeals	995.8	107.5	9,190.5	(1,529.1)
Department of Juvenile Corrections	3,085.7	(69.7)	31,679.7	(6,548.7)
State Land Department	21.4	(121.8)	722.0	(1,619.3)
Law Enforcement Merit System	4.8	0.2	37.8	(13.2)
Legislature				
Auditor General	1,329.6	189.8	11,705.0	(572.2)
House of Representatives	1,002.0	201.4	8,081.1	(367.1)

Agency	February 12	Change from February 11	Year-to-Date	YTD Change from FY 11
Joint Legislative Budget Comm.	174.4	26.7	1,329.3	(160.7)
Legislative Council	322.3	(4.7)	3,588.9	208.8
Senate	707.9	95.9	5,567.8	(410.1)
Board of Medical Student Loans	-	-	20.5	(323.3)
Mine Inspector	71.3	13.5	740.4	(58.3)
Department of Mines & Mineral Resources	-	(14.0)	-	(807.1)
Nav. Streams & Adjudication	6.8	1.9	103.7	2.0
OSHA	-	-	-	-
Arizona State Parks Board	-	-	-	(20,000.0)
Pioneers' Home	60.9	(106.4)	1,568.2	583.7
Comm. for Postsecondary Ed.	-	-	1,396.8	786.4
Department of Public Safety	1,514.8	(60.2)	38,490.4	5,051.7
Arizona Department of Racing	33.3	(96.7)	2,734.3	(697.0)
Radiation Regulatory Agency	44.0	35.0	1,033.0	1.7
Arizona Rangers Pension	-	-	-	(8.3)
Real Estate Department	162.5	22.5	1,627.6	(426.2)
Department of Revenue	2,391.3	(939.4)	32,760.2	3,279.7
School Facilities Board	65.4	(33,571.0)	163,586.4	96,558.1
Secretary of State	679.8	107.9	6,444.6	(4,864.1)
Tax Appeals Board	16.1	(0.7)	180.4	(4.0)
Department of Transportation	7.5	(3.9)	31.8	(4.7)
State Treasurer	133.6	73.1	2,083.6	229.7
Universities				
Board of Regents	27.4	(2,272.0)	15,734.1	(19.7)
Arizona State University	19,169.4	(6,196.8)	243,930.3	(49,819.6)
Northern Arizona University	6,431.6	(2,120.3)	81,947.8	(16,961.2)
University of Arizona	16,872.6	(5,262.5)	213,910.4	(42,098.9)
Department of Veteran Services	638.9	(1,542.9)	5,633.1	(3,597.0)
Department of Water Resources	517.0	327.6	3,328.9	(1,457.7)
Department of Weights & Measures	82.1	1.4	709.5	(62.7)
Other	32.4	(235.6)	679.4	(31.3)
Grand Total	384,822.4	(20,133.4)	6,361,614.5	87,314.1