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“April collections were... \$(505.9) million below the January revised budget forecast”.

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on May 29, 2009.

Summary



April General Fund revenue collections were \$621.3 million. This amount included \$59.2 million in budgeted fund transfers from the January Special Session. Excluding these transfers and Urban Revenue Sharing, April collections were (47.9)% below the prior year, and \$(505.9) million below the January revised budget forecast.

For the first 10 months of FY 2009, General Fund collections are down (18.6)% when compared to last year (excluding Urban Revenue Sharing and one-time transfers). The year-to-date shortfall is \$(663.9) million below the January revised budget forecast. *(See Table 2 and page 3 for more information).*

Sales taxes and individual income tax withholding are the 2 main sources of revenue collections. Sales tax revenues were (19.8)% below April of last year, and withholding tax collections were down (11.9)%.

While sales tax and withholding collections are both down significantly relative to the January forecast, the largest components of the April revenue shortfall are sharply reduced individual income tax payments, and increased refunds. Payments for April were down almost (44)% compared to the prior year, and were \$(300) million below forecast for the month. Refunds were up almost 34%, and were \$97 million greater than forecast. Overall, individual income tax collections represent \$(422) million of the \$(506) million April revenue shortfall. April's income tax collection level of \$173.2 million is the smallest amount since FY 1996.

State Rankings

Arizona's tax performance is among the worst in the country. In the last week, the National Conference of State Legislatures (NCSL) conducted a state survey of tax collections through April compared to the same period in the prior year.

Arizona's rankings were as follows:

- *Sales Tax* – Arizona's year to date decline of (12.9)% was the 3rd worst showing out of 38 states reporting.
- *Individual Income Tax* – The state's decline of (26.0)% was the highest in the nation.
- *Corporate Income Tax* – the drop of (26.5)% ranked 10th.

FY 2009 Shortfall

At the March Finance Advisory Committee meeting, JLBC Staff recommended that the FY 2009 budget forecast be based on a (14.5)% decline in FY 2009 revenues. At the time, the year to date revenue decline was (13.5)%.

The March forecast equated to a revenue shortfall of \$(487) million compared to the January special session estimate. In the April MFH, the JLBC Staff reported that the preliminary April year-to-date loss could be \$(550) million. The April loss was worse than expected. The year-to-date forecast loss now stands at \$(664) million. In addition, the year-to-date revenue decline has grown from (13.5)% to (18.6)%.

In the April MFH, we further noted that "the

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projected year-end forecast loss of \$(487) million will need to be revised substantially upward, potentially in the range of \$200-\$300 million". Since that time, an additional \$650 million of budget shortfall solutions have been enacted in Chapter 5 and 6, including:

- A \$250 million reduction in Arizona Department of Education K-12 spending, backfilled with Federal Stabilization Funds from the stimulus legislation;
- A \$300 million reduction in the May K-12 payment to school districts, to be replaced by unbudgeted district cash balances or a higher rollover payment, if those balances are not available;
- A \$100 million shift in University General Fund payments to FY 2010.

Along with a \$50 million budget carry-forward balance, these \$650 million in FY 2009 deficit reduction proposals would allow the state to cover a \$700 million revenue shortfall.

Despite these additional solutions, the state may still have a \$(200) million shortfall by the end of FY 2009. This shortfall is a combination of both revenue and spending factors:

- The revenue shortfall may now exceed the upper end of the range that JLBC predicted in the last MFH. Based on preliminary May data, we may lose another \$50 million on top of the April loss. If this projection is correct, the May year to date shortfall will be near \$(710) million. Revenues are now forecast to fall (18.7)% for the entire year, which would result in a \$(850) million revenue loss compared to the January special session estimates.
- The January special session included \$591 million in fund transfers, but approximately \$19 million of that amount may not be collected due to pending litigation or unavailable balances.
- The budget annually includes an estimate of unspent appropriations, otherwise known as "revertments." With the level of reduced appropriations in FY 2009, agencies will likely spend a greater proportion of their appropriation, thereby reducing the savings from year-end revertments by \$35 million. It is difficult to predict this revertment loss with certainty. The final revertment estimate will depend, in part, on how much agencies engage

in "active cash management" to move FY 2009 expenses to FY 2010.

The revenue and expenditure shortfalls add to \$(900) million, and would be offset by the \$650 million in enacted May solutions, plus the \$50 million budgeted carry-forward for a possible total net shortfall of approximately \$(200) million (*see Table 1 below*).

Even if the state were to pursue one or a combination of strategies to generate \$200 million to balance the budget, there is no guarantee that would solve the problem. While the current shortfall estimate is \$(200) million, the problem could be as low as \$(150) million or as high as \$(250) million. The actual FY 2009 budget balance will ultimately depend on the level of June revenues and expenditures.

Even at the end of June, there will not be a final estimate of the ending balance. The state allows FY 2009 claims to be paid through July and still count as an FY 2009 expenditure. The FY 2009 ending balance will not be finalized until December when the Department of Administration publishes the state's Annual Financial Report.

"Despite these additional solutions, the state may still have a \$(200) million shortfall by the end of FY 2009".

Revenue shortfall	\$(850)
AHCCCS caseloads	--
Fund transfer reduction	(19)
Net revertment loss	<u>(35)</u>
Gross Shortfall	(904)
Chapter 5/6 adjustments	650
Budgeted carry-forward	<u>50</u>
Net shortfall	\$(204)

We also anticipate that AHCCCS caseloads will exceed budget. AHCCCS, however, has not requested a supplemental and they are expected to take internal steps to remain within their appropriation. AHCCCS caseloads have grown by 4.1% in just the last 2 months. The June caseload is expected to be 36,700 members above the budgeted projection, which would result in a \$46 million shortfall.

Summary (continued)

“While the economy no longer appears to be in a “free fall,” there are still considerable downside risks in the near term...”.

The AHCCCS deficit may be reduced in half if the state receives the highest level of federal matching rate for the final quarter of the fiscal year. The federal stimulus legislation increased the federal matching rate for Medicaid programs and conditioned the level of the match on the state's unemployment rate. The state's current rate will qualify the state for the highest level of federal match by at least the beginning of FY 2010, but AHCCCS is seeking to receive that higher rate now.

In addition, AHCCCS may shift some of its FY 2009 payments to FY 2010 to eliminate the remainder of its shortfall.

Potential Solutions

The state has the following options for addressing the overall budget shortfall:

- Shift additional FY 2009 spending into FY 2010. There are very limited opportunities in this regard as the final K-12 and University payments have already been made. Most AHCCCS June payments are scheduled to be distributed by June 5.
- Increase the use of Federal Stabilization funds above the \$250 million in Chapter 5. This option would allow K-12 spending to be reduced and replaced with federal funds. The Governor, however, has submitted an application to the federal government to only use \$250 million in FY 2009. A state, however, does not appear to be prohibited from modifying its application.
- Permit the state General Fund to run a

shortfall in FY 2009 and address that deficit as part of the FY 2010 budget. While the state is generally thought to have a balanced budget requirement, the Arizona Constitution does permit the state to address any year-end shortfall in the next fiscal year. Running a cash shortfall could have a negative effect on the state's credit rating, but that impact could be lessened if the state demonstrated how it were to resolve the shortfall during FY 2010.

Economic Indicators – Newly released employment data by the Arizona Department of Commerce suggests that the rate of decline in the Arizona economy may be starting to slow. Other encouraging signs are the reduced number of foreclosed homes sold relative to total existing home sales and the continued decrease in the month's supply of housing.

The economy still remains weak, however, as evidenced by current unemployment levels, initial and continued claims for jobless benefits, and decline in the length of the average work week of factory workers. While the economy no longer appears to be in a “free fall,” there are still considerable downside risks in the near term, especially in regards to the housing and financial sectors.

JLBC/JCCR Meetings – There were no JLBC or JCCR meetings in May.

April Revenues

Table 2

	General Fund Revenues Compared to Forecast and FY 2008 Collections (\$ in Millions)			
	<u>FY 2009 Collections</u>	<u>Difference From June '08 Forecast</u> ^{1/}	<u>Difference From Jan '09 Forecast</u> ^{2/}	<u>Difference From FY 2008</u>
April	\$ 621.3	\$ (632.9)	\$ (505.9)	\$ (516.2)
Year-to-Date	\$ 6,380.7	\$ (1,932.5)	\$ (663.9)	\$ (945.7)

^{1/} Enacted FY 2009 budget (June 2008).

^{2/} Revised JLBC Baseline

April Revenues (continued)

Sales Tax collections were \$299.9 million in April. These revenues were down (19.8)% compared to last April, and were \$(48.4) million below the budget forecast. Sales tax collections are down (12.9)% through the first 10 months of the fiscal year. The April decline marked the 16th consecutive month of year-over-year reductions, and the 6th consecutive month of double digit declines compared to the previous year.

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

	<u>Apr</u>	<u>YTD</u>
Retail	(17.7)%	(12.2)%
Contracting	(33.2)%	(23.5)%
Utilities	8.3%	1.1%
Use	(33.5)%	(11.6)%
Restaurant & Bar	(8.2)%	(5.5)%

As noted in previous months, retail and contracting together account for two-thirds of all sales tax revenues. The retail sector decreased by (17.7)% in April, and contracting fell by (33.2)%.

As noted in *Table 4*, through April, taxable sales in the retail category are down (12.2)% from the prior fiscal year. The largest subcategory within retail is the General Merchandise and Miscellaneous Retail category, which is down (7.2)%. The largest subcategory decline is in Motor Vehicles, which represents 20.8% of the total, and is down (32.8)% compared to the prior year.

Individual Income Tax net revenues were \$173.2 million in April. Collections were down (71.4)% compared to the prior year, and were \$(422.5) million below the budget forecast. *Table 5* displays April and year-to-date growth rates for individual categories.

	<u>April</u>	<u>YTD</u>
Withholding	(11.9)%	(6.5)%
Estimated + Final Payments	(43.6)%	(34.4)%
Refunds	33.7%	13.2%

Year to date, the state has collected \$2.19 billion in individual income tax collections, the lowest level for the same period since FY 2004. April's net collections of \$173.2 million are the smallest amount since FY 1996. In terms of the individual components of the tax, withholding fell by (11.9)% and payments by (43.6)% whereas refunds increased by 33.7%.

The large forecast variance in April was mostly due to much lower-than-expected final payments, which fell to the lowest level in 5 years.

The withholding tax decline in April may have been influenced by the recent change in rates. State withholding rates are tied to federal withholding rates, which were reduced early in the year as part of the federal stimulus package. Laws 2009, Chapter 2 increased state withholding rates to compensate for the reduction in federal rates, effective no later than May 1st. Businesses may have begun to adjust the rates in April.

Corporate Income Tax collections were \$66.3 million in April, or (47.0)% below last year. Collections were \$(29.2) million below forecast for the month. Year-to-date, collections are (26.5)% below last year. April is one of the 4 large collection months for corporate income tax.

The **Lottery Commission** reports that ticket sales for the month of April were \$45.1 million, which was \$2.6 million above sales in April 2008. Year-to-date, ticket sales have increased by 0.4% compared to last year. Through April, ticket sales have generated \$31.0 million in revenue to the General Fund. LTAF II, LTAF, CAF, and the Heritage Fund have all reached their statutory caps.

"Sales tax collections are down (12.9)% throughout the first 10 months of the fiscal year"

April Revenues (Continued)

Table 4

YTD (10-Month) Taxable Retail Sales by Subcategory

	<u>% of Total Sales</u>	<u>% Change Over FY 2008</u>
General/Misc. Merchandise	30.6%	(7.2)%
Motor Vehicles/Misc. Auto.	20.8%	(32.8)%
Bldg Materials and Supplies	7.4%	(14.9)%
Food and Liquor Stores	7.4%	(5.5)%
Furniture, Home Furnishings	6.9%	(16.2)%
Clothing and Accessories	5.8%	(13.7)%
Manufacturing	5.6%	(12.5)%
Other Subcategories	<u>15.5%</u>	<u>3.1%</u>
Total	100.0%	(12.2)%

Economic Indicators

NATIONAL

According to the federal Bureau of Economic Analysis, the **real Gross Domestic Product** (GDP) declined a revised (5.7)% in the 1st quarter of 2009. This was less than the previous estimate of (6.1)% reported last month. The main reason for the downward revision was that inventories were cut less steeply than first estimated.

The Conference Board's **U.S. Consumer Confidence Index**, a measure based on a survey of 5,000 U.S. households, increased from a reading of 40.8 in April to 54.9 in May -- reaching its highest level since September 2008. Consumers' assessment of both current and future conditions improved, with a more optimistic short-term outlook and expectations that business conditions, the labor market, and incomes will improve in the coming months.

The Conference Board's **U.S. Index of Leading Economic Indicators** rose by 1.0% in April, the first increase in seven months. Additionally, the April reading marked the largest increase since November 2005. Seven of the 10 components that make up the composite index advanced in April. The largest positive contributions came from rising stock prices, increased interest rate spread and improved consumer confidence. To signal a turnaround in the economy, the index would have to extend the April gains over the coming months.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, were unchanged in April. The CPI would have declined in April if it were not for the surge in tobacco prices due to the recent increase of the federal tobacco excise tax. The core CPI, which excludes food and energy prices, increased by 0.3% over the prior month.

ARIZONA

Newly released employment data by the Arizona Department of Commerce suggests that the rate of decline in the Arizona economy may be starting to slow. Other encouraging signs are the reduced number of foreclosed homes sold relative to total existing home sales and the continued decrease in the month's supply of housing.

The economy still remains weak, however, as evidenced by either record-high or near record-high unemployment levels, initial and continued claims for jobless benefits, and decline in the length of the average work week of factory workers.

While the economy no longer appears to be in a "free fall," there are still considerable downside risks in the near term especially in regards to the housing and financial sectors.

According to the Commerce Department's monthly *Workforce Report*, **nonfarm payroll employment** in April declined by (6.6)% when compared to the same month in the prior

"Newly released employment data by the Arizona Department of Commerce suggests that the rate of decline in the Arizona economy may be starting to slow."

Economic Indicators (Continued)



year. This figure translates into a net loss of (175,700) jobs over the last 12 months. This was a slight improvement over prior month's year-over-year job loss of (185,100). April also marked the first time since August 2007 when year-over-year growth in employment improved relative to the prior month.

Month over month, the state lost (1,600) non-farm jobs in April. The federal government's continued hiring of individuals in preparation for the 2010 Census helped to mitigate the job loss somewhat. A 1,200 job gain in the public sector was offset by a (2,800) job loss in the private sector.

While job losses continued in April, there were still some encouraging signs in the employment report. For example, employment services (primarily temporary employment) increased by 5.6% month over month, the largest such increase since April 1994. Additionally, the leisure and hospitality industry has seen a modest increase in employment over the last 3 months. Both of these sectors of the economy tend to lead the business cycle.

The **construction sector** lost another (2,700) jobs in April, which brought its workforce to 140,700 employees, the lowest number since June 1997. Since construction employment peaked in June 2006, the industry has shed close to (107,000) jobs, or (43.1)% of its workforce.

For the first time since July 2007, the **manufacturing sector** added jobs month over month in April. Although the industry expanded its payrolls with 300 jobs in April, it still employs (8,400) fewer workers than a year ago. The ongoing recession has reduced manufacturing employment in the state to a level not seen since the early 1990's.

The **average weekly hours** of production workers in manufacturing industries is another measure of labor market conditions. Economists consider this measure a leading indicator since "factory hours" tends to lead the business cycle as employers usually adjust work hours before increasing or decreasing the size of their workforce. According to the Department of Commerce, average weekly hours fell from 39.1 in March to 38.1 in April, which was the lowest reading on record

(data is available from January 2001).

The state's **unemployment rate** unexpectedly fell from 7.8% in March to 7.7% in April, the first month-over-month decline since May 2007. By contrast, the U.S. unemployment rate increased from 8.5% to 8.9%. The reason for the unexpected drop in the state's unemployment rate is not currently known. One possible explanation is that the ranks of workers that are "marginally attached to the labor force" are disproportionately higher in Arizona than in the nation as a whole. The federal Bureau of Labor Statistics (BLS) defines such individuals as those who have searched for work during the prior 12 months (but not the prior 4 weeks) and were available to take a job during the reference week of the household survey. Many of these individuals leave the labor force (and are therefore no longer counted as unemployed) due to discouragement over current job prospects. This phenomenon, which tends to become more pronounced during recessions, results in an understatement of the "real" unemployment rate.

The Department of Commerce reported that a record-high 41,068 **initial claims for unemployment insurance** were filed in April, an increase of 55.9% over last year. For the week ending on May 9, a new record-high of 108,420 Arizona residents filed continued claims for jobless benefits. This means that at least twice as many individuals are currently receiving unemployment checks from the state as any week during the recessions in 1990/1991 and 2001.

Between February and April 2009, an average of 788 **single-family residential building permits** were authorized based on data released by the U.S. Census Bureau. In percentage terms, single-family permitting activity surged by 26.1% over the prior months rolling average. **Multi-family permits**, however, fell (28.0)%, to a new low of 147 permits being authorized, during the same period. Year-over-year, permitting activity in the single-family and multi-family segments are down (58.0)% and (76.2)%, respectively.

ASU's April real estate report indicates the Greater Phoenix **single-family median resale home price** was \$131,715 based on 9,100 transactions. For the third straight month, the median resale price for foreclosed properties

Economic Indicators (Continued)

(\$145,965) was greater than those for traditional transactions (\$125,000 due to a large number of more expensive homes being foreclosed on (there were 25 transactions with values over \$1 million and roughly 123 sales were in the \$400,000 to \$1 million), and 2) previously purchased foreclosed homes continue to be resold at prices that are (15.0)% lower. Of the 9,100 **single-family existing home sales**, 6,640 (or 73%) were traditional sales and 2,460 (or 27%) were foreclosed transactions. Year-over-year, the number of traditional transactions increased 74%, while foreclosed transactions fell 4.7%.

The **S&P/Case-Shiller Home Price Index** measures the change in housing prices based on repeat sales. In March, the home price index in Phoenix was 106.83, (4.5)% below February levels and (36.0)% below the same month last year. In April, the 20 metropolitan area index, including Phoenix, was (18.7)% below levels a year ago. Phoenix, however, remains the metropolitan area with the largest year-over-year decline.

Based on MLS data released in May, the **month's supply of housing** in April was 6.6 months. On a seasonally adjusted basis, this was the lowest supply of unsold homes since March 2006. The comparable figure in April 2008 was 12.3 months.

A total of 3.5 million passengers entered and exited aircraft at the **Phoenix Sky Harbor International Airport** in March. This was a decrease of (9.7)% from the same month in the prior year. Year to date, air passenger traffic is down by (11.1)%, the largest first quarter decline on record (data is available from 1980).

In May, **AHCCCS caseloads** increased to a total of 1,224,247 members, a 2.3% increase over the prior month. At current levels, the AHCCCS caseloads are 10.9% above May 2008 levels. The revised FY 2009 budget funded a projected caseload growth of 7.8%, or a total of 1,234,901 members.

There were a reported 85,607 **TANF recipients** in the state in March, a decrease of (0.7)% from the prior month. Year-over-year, caseload is up by 8.3%. The FY 2009 budget assumes the TANF caseload will grow by 2.5%.

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 801,339 food stamp recipients in the state, an increase of 2.0% over the prior month. Compared to the same month last year, food stamp participation was up by 27.5%.

Between February and April 2009, the **Department of Correction's (ADC) inmate population** increased by an average of 178 inmates per month. ADC now has an average population of 40,009 inmates, or 1,635 more inmates than in the same period last year. (Hans Olofsson, Martin Lorenzo)

Economic Indicators (Continued)

Table 6

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	April	7.7%	(0.1)%	2.8%
- Initial Unemployment Insurance Claims	April	41,068	4.8%	55.9%
- Non-Farm Employment – Total	April	2.48 million	(0.1)%	(6.6)%
Manufacturing	April	166,500	0.2%	(4.8)%
Construction	April	140,700	(1.9)%	(27.8)%
- Average Weekly Hours, Manufacturing	April	38.1	(2.6)%	(5.7)%
- Contracting Tax Receipts (3-month average)	Feb-Apr	\$42.1 million	(10.3)%	(33.8)%
- Retail Sales Tax Receipts (3-month average)	Feb-Apr	\$131.4 million	(8.6)%	(15.2)%
- Residential Building Permits (3-month moving average)				
Single-unit	Feb-April	788	26.1%	(58.0)%
Multi-unit	Feb-April	147	(28.0)%	(76.2)%
- Greater Phoenix Existing Home Sales				
Single-Family, Traditional Sales	April	6,640	11.8%	74.0%
Single-Family, Foreclosed Sales	April	2,460	(7.9)%	(4.7)%
Townhouse/Condominium, Traditional Sales	April	685	13.2%	2.2%
Townhouse/Condominium, Foreclosed Sales	April	270	(8.5)%	35.0%
- Greater Phoenix Median Home Sales Price				
Single-Family, Traditional Sales	April	\$125,000	(1.6)%	(44.4)%
Single-Family, Foreclosed Sales	April	\$145,965	(0.6)%	(19.4)%
Townhouse/Condominium, Traditional Sales	April	\$116,500	1.3%	(31.5)%
Townhouse/Condominium, Foreclosed Sales	April	\$112,250	6.8%	(23.2)%
S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	March	106.83	(4.5)%	(36.0)%
- Months Supply of Housing, (ARMLS)	April	6.6 months	(1.4) months	(5.7) months
- Phoenix Sky Harbor Air Passengers	March	3.5 million	25.2%	(9.7)%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	February	\$8.29	(4.8)%	(5.7)%
- Consumer Confidence Index (1985 = 100)	1st Quarter 2009	44.2	N/A	(58.4)%
- Business Leaders Confidence Index	2nd Quarter 2009	33.0	2.8%	(10.6)%
- Arizona Personal Income	4th Quarter 2008	\$213.4 billion	(0.7)%	1.0%
- Arizona Population	July 1, 2008	6.50 million	146,759	2.3%
- AHCCCS Recipients	May	1,224,247	2.3%	10.9%
- TANF Recipients	March	85,607	(0.7)%	8.3%
- SNAP (Food Stamps) Recipients	March	801,339	2.0%	27.5%
- DOC Inmate Growth (3-month average)	Feb-Apr	40,009	141 inmates	1,635 inmates
United States				
- Gross Domestic Product (Chained 2000 dollars, seasonally adjusted)	1st Quarter 2009	\$11.4 trillion	(5.7)%	(2.5)%
- Consumer Confidence Index (1985 = 100)	May	54.9	34.6%	(5.5)%
- Leading Indicators Index (2004 = 100)	April	99.0	1.0%	(3.0)%
- U.S. Semiconductor Billings (3-month moving average)	Jan-Mar	\$2.58 billion	5.1%	(22.2)%
- Consumer Price Index, SA (1982-84 = 100)	April	212.671	0.0%	(0.6)%

Summary of Recent Agency Reports

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). The agency reports that HCG has an estimated net gain of \$2.1 million for the first 2 quarters of FY 2009. According to its annual audit, HCG began FY 2009 with total unpaid prior year obligations and other liabilities of \$15.8 million, resulting in total obligations of \$13.8 million at the present.

AHCCCS reports that, as of December 31, 2008, total statewide HCG medical plan enrollment was 16,822, with participating members from 6,263 private employers. Since September 2008, enrollment has decreased by (2,087) people. AHCCCS attributes the enrollment decreases to rate increases that went into effect in September 2008. (Amy Upston/Blake Riley)

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 40,651 individuals between October 1, 2008 and December 31, 2008. During this period, AHCCCS and DES did not identify any fraudulent documents using the SAVE program. The program did refer one citizen and one non-citizen for prosecution on other grounds. (Blake Riley)

Arizona Community Colleges – Annual Report – Pursuant to A.R.S. § 15-1427, the Arizona Community Colleges are required to report on their progress during the previous

year. The FY 2008 report includes the following summary information on the state system:

- 196,849 students (headcount) were enrolled for credit, resulting in a Full-Time Student Equivalent count of 118,434.
- 87% of enrolled students resided within the district, while 13% did not reside within the district.
- Total number of instructors employed was 9,900, of which 2,567 (26%) were full-time and 7,333 (74%) were part-time.
- Total operating revenues were \$1.3 billion (this amount excludes bond proceeds and fund balance which total \$170 million).
- Total expenditures were \$1.4 billion.

In addition, districts are statutorily required to provide a listing and description of both credit and non-credit courses. The districts also included a description of their major accomplishments in FY 2008. (Marge Zylla)

Arizona Community Colleges – Report on Workforce Development Expenditures – The Arizona Community Colleges are reporting on their previous year's workforce development plan activities and expenditures. A.R.S. § 15-1472 requires each community college district to establish a workforce development account. Monies in the account are derived from Proposition 301 sales tax revenues and shall be used for workforce development and job training. Total revenues in FY 2008 were \$17,272,000 and total expenditures in the same year were \$17,725,700. (Marge Zylla)

State Department of Corrections – Report on Bed Plan – The State Department of Corrections (ADC) has provided a report to JLBC Staff with updated information related to their bed plan. Based on the report, ADC awarded a new

contract for 752 provisional beds to Corrections Corporation of America. The beds will house medium security inmates at the Huerfano County Correctional Center in Walsenburg, Colorado and inmates began being transferred to the facility April 27, 2009. As of May 20, 2009 all 752 beds were filled. (Martin Lorenzo)

Department of Education – Budget Status Report – Pursuant to A.R.S. § 35-131D and a footnote in the FY 2009 General Appropriation Act, the Arizona Department of Education (ADE) recently provided an update regarding its budget status for FY 2009. In that report, ADE estimates that it will experience a \$4 million net funding surplus for FY 2009. This figure, however, does not yet reflect adjustments for current year Average Daily Membership (ADM) growth that typically are made late in the fiscal year, so is preliminary in nature. ADE is expected to release a further update in early June that will provide a better sense of its overall formula costs for the year. (Steve Schimpp)

Arizona Department of Public Safety – Quarterly Report on GIITEM – Pursuant to Laws 2008, Chapter 285 (General Appropriation Act), the Arizona Department of Public Safety (DPS) is required to report quarterly on the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). As of the third quarter of FY 2009, DPS had spent or encumbered \$7.5 million of the \$10.4 million appropriation for the DPS immigration staff. In addition, in FY 2009, DPS spent \$698,500 of the FY 2009 \$10 million appropriation and \$7.6 million from the remaining portion of non-lapsing FY 2008 monies for local law enforcement grants. After third quarter spending, \$2.2 million still remains of the non-lapsing FY 2008 local law enforcement grant funding. (Kim Cordes-Sween)

State of Arizona

General Fund Revenue:

Change from Previous Year and January Baseline Forecast April 2009

	Current Month					FY 2009 YTD (Ten Months)				
	Actual April 2009	Change From				Actual April 2009	Change from			
		April 2008 Amount	Percent	Forecast Amount	Percent		April 2008 Amount	Percent	Forecast Amount	Percent
Taxes										
Sales and Use	299,864,274	(\$73,973,977)	(19.8) %	(\$48,443,126)	(13.9) %	\$3,221,785,655	(\$479,011,144)	(12.9) %	(\$133,549,465)	(4.0) %
Income - Individual	173,242,869	(432,751,502)	(71.4)	(422,496,687)	(70.9)	2,189,800,446	(767,551,690)	(26.0)	(523,557,776)	(19.3)
- Corporate	66,336,324	(58,877,240)	(47.0)	(29,212,876)	(30.6)	446,688,134	(160,826,596)	(26.5)	(11,439,791)	(2.5)
Property	804,420	93,198	13.1	(48,280)	(5.7)	12,403,615	(856,004)	(6.5)	354,129	2.9
Luxury - Tobacco	2,264,583	(474,554)	(17.3)	(243,609)	(9.7)	25,040,829	(1,885,349)	(7.0)	(481,570)	(1.9)
- Liquor	2,829,449	(594,514)	(17.4)	(698,051)	(19.8)	24,305,477	495,784	2.1	(46,633)	(0.2)
Insurance Premium	46,576,995	(10,894,366)	(19.0)	(3,490,305)	(7.0)	300,352,087	2,557,182	0.9	190,922	0.1
Estate	87,190	35,309	68.1	87,190	--	210,372	(109,631)	(34.3)	106,059	101.7
Other Taxes	649,403	(166,402)	(20.4)	602,403	--	1,078,788	(169,398)	(13.6)	623,679	137.0
Sub-Total Taxes	\$592,655,507	(\$577,604,048)	(49.4) %	(\$503,943,341)	(46.0) %	\$6,221,665,403	(\$1,407,356,846)	(18.4) %	(\$667,800,446)	(9.7) %
Other Revenue										
Lottery	1,640,500	(4,661,100)	(74.0)	0	0.0	29,952,000	(1,703,119)	(5.4)	0	0.0
License, Fees and Permits	3,250,593	(1,223,995)	(27.4)	(1,398,907)	(30.1)	28,212,736	(2,715,013)	(8.8)	(2,473,665)	(8.1)
Interest	328,208	(4,606,334)	(93.3)	(842,792)	(72.0)	10,270,820	(70,942,858)	(87.4)	(5,195,965)	(33.6)
Sales and Services	2,890,626	(1,562,296)	(35.1)	(808,074)	(21.8)	36,574,826	(4,858,066)	(11.7)	936,152	2.6
Other Miscellaneous	3,041,616	803,487	35.9	1,915,216	170.0	35,496,612	5,477,596	18.2	6,411,750	22.0
Disproportionate Share	18,727,942	18,727,942	--	0	0.0	18,727,942	18,727,942	--	0	0.0
Transfers and Reimbursements	175,120	(1,661,569)	(90.5)	(824,880)	(82.5)	30,266,978	(3,403,620)	(10.1)	4,224,513	16.2
Sub-Total Other Revenue	30,054,605	5,816,135	24.0 %	(1,959,437)	(6.1) %	189,501,914	(59,417,138)	(23.9) %	3,902,785	2.1 %
TOTAL BASE REVENUE	\$622,710,112	(\$571,787,913)	(47.9) %	(\$505,902,778)	(44.8) %	\$6,411,167,317	(\$1,466,773,984)	(18.6) %	(\$663,897,661)	(9.4) %
Other Adjustments										
Urban Revenue Sharing	(60,639,783)	(3,594,872)	6.3	0	0.0	(606,397,832)	(35,948,725)	6.3	0	0.0
'09 Budget Plan Transfers	5,780,267	5,780,267	--	0	0.0	251,425,865	232,549,686	--	0	0.0
'09 Budget Revision Transfers	53,418,581	53,418,581	--	0	0.0	324,504,217	324,504,217	--	0	0.0
Sub-Total Other Adjustments	(1,440,935)	55,603,976	-- %	0	0.0 %	(30,467,750)	521,105,178	-- %	0	0.0 %
TOTAL REVENUE	\$621,269,177	(\$516,183,937)	(45.4) %	(\$505,902,778)	(44.9) %	\$6,380,699,567	(\$945,668,806)	(12.9) %	(\$663,897,661)	(9.4) %