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“Year-to-date, revenues are \$(35.2) million below forecast.”

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on May 27, 2010

Summary



April General Fund revenues equaled \$680.5 million, which marked the first positive gain in collections since September 2007. Excluding revenue sharing and fund transfers, base revenues grew by 4.1% above the April 2009 level.

As further evidence of the stabilization of the economy, overall sales tax collections were higher than in April 2009. The April increase marks the end of 26 months of year-over-year sales tax reductions.

While overall revenues grew in April, they were still below forecast by \$(4.8) million. A (7.2)% decline in corporate income tax receipts offset gains in both sales and individual income taxes. Year-to-date, revenues are \$(35.2) million below forecast.

April 2010 General Fund spending was \$308.1 million. April expenditures were \$(535) million lower than 2009 in part due to the Arizona Department of Education (ADE) making a single payment to school districts in April 2010 compared to 2 payments in April 2009. Additionally, ADE used \$150 million of state fiscal stabilization monies to make the single payment to school districts.

Year-to-date spending is \$(1.2) billion less than the prior year. Fiscal year-to-date, General Fund revenues are \$6.12 billion compared to spending of \$7.42 billion for a shortfall of \$(1.30) billion. This shortfall is less than March's \$(1.67) billion.

The state will make further progress in reducing the shortfall in the next 2 months.

For example, the state is expected to receive \$750 million in proceeds from lottery bonds and the second state asset/leaseback before the end of the fiscal year. In addition, state spending in the next several months will be relatively low, due to the deferral of payments until FY 2011.

Budget News

Appropriations Report - The JLBC Staff has issued its [Appropriation Report](#) for the FY 2011 budget. This 500-page document provides agency by agency details on the most recently enacted budget.

Budget Projections - Last month, the JLBC Staff released an update of its budget estimates. The FY 2010 budget was estimated to have a \$(150) million shortfall, while the FY 2011 shortfall ranged from \$(368) million to \$(1.3) billion, depending on certain assumptions.

The FY 2010 shortfall projection was primarily due to lower-than-expected revenue estimates. Since those estimates were released, April revenues fell only \$(5) million below the forecast. In addition, preliminary May revenues appear to be above forecast. As a result, the FY 2010 shortfall may not be as large as anticipated and could potentially be eliminated.

The low-end of the FY 2011 shortfall range was based on the passage of the May and November ballot propositions and the extension of enhanced federal Medicaid matching funds. The \$(1.3) billion higher-end

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Summary (continued)

Table 1

	General Fund Revenues (\$ in Millions)		
	FY 2010 <u>Collections</u>	Difference From <u>Budget Forecast</u>	Difference <u>From FY 2009</u>
April	\$ 680.5	\$ (4.8)	\$ 59.2
Year-to-Date	\$ 6,119.0	\$ (35.2)	\$ (261.7)

“As a ratings agency, Moody’s continues to have concerns about the state’s financial condition. On May 6th, they issued a new report and continue to view the ratings outlook as negative.”

estimate was based on rejection of the ballot propositions and no enhanced federal assistance.

With the passage of Proposition 100, the state sales tax will increase from 5.6% to 6.6% on June 1. The state will begin to feel the impact of the increase in July, as sales tax revenues are remitted to the state during the month following collection by businesses.

Congress has not yet acted on the extension of the enhanced federal Medicaid matching funds for the last 6 months of FY 2011, although the Majority Leadership hopes to address this issue in the next several weeks as part of a larger omnibus bill. These monies would be used to pay for the retention of the Proposition 204 program which the original budget would have eliminated in January 2011. Arizona is one of 30 states predicating its budget on the extra federal funding.

The \$(368) million to \$(1.3) billion FY 2011 shortfall range will be revised in the next 2 months once the final status of FY 2010 revenues and the federal match extension become clear. If Congress enacts the extended enhanced federal match rate, the top end of the shortfall range will fall from \$(1.3) billion to \$(900) million.

State Borrowing - The Treasurer’s daily borrowing in May to date has averaged \$606 million, reaching a high of \$690 million. This level continues to be near the borrowing cap of \$700 million with the servicing bank. This level of borrowing allows the Treasurer to retain as much as \$400 million on deposit with the bank to cover state obligations. Without these funds on deposit, the state would have borrowed an average of \$252 million, with a high of \$378 million.

Debt Ratings - As a ratings agency, Moody’s continues to have concerns about the state’s financial condition. On May 6th, they issued a new report and continue to view the state’s ratings outlook as negative.

Moody’s has restored the rating of state General Fund appropriation-backed debt to Aa3, after having downgraded it one level to A1 in December. They warn investors, however, that this shift should not be viewed as a ratings upgrade. Moody’s describes the change as a more broad-based “recalibration” to a different rating scale.

While acknowledging recent efforts at reducing the budget shortfall, Moody’s summary statement for their negative outlook notes that:

“The state is experiencing a serious economic slowdown which, together with tax reductions implemented in 2007 and various spending mandates, has resulted in ongoing, significant fiscal stress and tightening liquidity. While Arizona is acting to stabilize its fiscal situation, diminished state resources, economic uncertainty, uncertainty regarding proposed budget measures, unknown cumulative effect on revenues from the state boycott, and inflexibility related to spending mandates and revenue raising requirements pose considerable challenges to a return to fiscal stability.”

Economic Indicators - Foreclosures and Federal Assistance - In April, the state made progress on reducing the number of pending foreclosures. There are 46,800 pending foreclosures in Maricopa County alone, compared to 51,500 in December.

A recently announced federal assistance program to states with high foreclosure rates will help further shrink that number. Despite \$125 million in new federal aid, however, this effort may reduce the problem by less than 10%.

The Arizona Department of Housing (DOH) has been allocated \$125.1 million in federal monies as part of a \$1.5 billion foreclosure prevention initiative for the states hardest hit by the recent downturn in the housing market. DOH has submitted a plan for the monies that must first be approved by the U.S.

Summary (continued)

Treasury prior to any monies being released, which may begin as soon as June of this year. DOH plans to expend these monies over a 3-year period and estimates that these programs will help approximately 4,350 households statewide. As a result, the new DOH programs will address only a small portion of the state's foreclosure problem.

The DOH proposal would divide the monies into three main programs:

- \$92.4 million for up to \$50,000 (matched with a like amount by the lender) to help pay down the principal on home loans that exceed the current value of the home. The residence must be the borrowers' primary residence. These funds are provided in the form of a loan, which is forgiven after 10 years if the borrower utilizes the home as their permanent residence for that period of time.
- \$7.5 million for assistance of up to \$5,000 to help individuals settle second mortgages with lenders that are hindering the borrower's ability to pay the primary mortgage on their residence.
- \$12 million for temporary assistance to under-employed individuals to pre-pay mortgage payments for a set amount of time not to exceed 2 years or \$12,000. These monies can also be used to help remove second mortgages that are hindering an individual's ability to refinance their primary loan.

In each program, the federal assistance is only available if a) the loan currently exceeds 120% of the value of the home and b) the adjustments bring the mortgage balance to no more than 110% of the current market value.

Additionally, DOH plans to expend \$13.2 million over 3 years for administration of the aforementioned programs including:

- \$5.8 M for staffing by DOH, one-time start-up costs, and supporting costs that are to be borne by the non-profit, Arizona Home Foreclosure Prevention Funding Corporation, which is being created for this program and is to be staffed by DOH employees.

- \$7.4 M for counseling agency partners which will review applications for financial feasibility and help with advising individuals on how to cope with pre-foreclosure or foreclosure.

“DOH plans to expend these monies over a 3-year period and estimates that these programs will help approximately 4,350 households statewide.”

April Revenues

“The April increase [in sales tax] marks the end of 26 consecutive months of year-over-year reductions.”

Sales Tax collections were \$319.3 million in April. These revenues were up 6.5% compared to last April, and were \$15.0 million above the forecast. The April increase marks the end of 26 consecutive months of year-over-year reductions. However, the increase is at least partially due to the collection of sales tax in April which was due in prior months. Absent this collection of prior months’ activity, April collections would have been about equal to April of last year.

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

	<u>April</u>	<u>YTD</u>
Retail	(16.8)%	(8.0)%
Contracting	(33.6)%	(39.6)%
Utilities	3.2%	0.6%
Use	113.3%	(10.7)%
Restaurant & Bar	6.3%	(1.7)%

The (16.8)% decline in April retail collections does not reflect economic activity. In April, about \$35 million collected throughout the past year was reclassified to the Communications category instead of Retail. Without this reclassification, Retail would have been slightly positive for the month. As noted in previous months, retail and contracting together account for about 30% of all sales tax revenues. Contracting continued its poor performance, with another (33.6)% decrease compared to April of last year.

The April Use Tax growth rate is also unrepresentative of economic conditions, as it includes about \$20 million of tax due in prior months, as noted above.

Individual Income Tax net revenues were \$211.4 million in April. Collections were \$19.1 million above the forecast. Year-to-date collections are down by (9.3)%.

As indicated in Table 3 below, withholding tax payments increased by 6.1% in April, the third consecutive month of increase after 16 months of declines.

Table 3
Individual Income Tax Growth Rates
Compared to Prior Year

	<u>April</u>	<u>YTD</u>
Withholding	6.1%	(3.0)%
Estimated + Final Payments	(18.0)%	(21.5)%
Refunds	(21.7)%	(4.3)%

April is by far the largest month for payment collections, with 60%-70% of final payments traditionally collected during the month. Both estimated and final April payments, were down (18.0) % compared to last year, bringing year-to-date total payments to (21.5)% below the prior year.

April refunds totaled \$(338.2) million, which was (21.7)% below the prior year, and a \$75.9 million gain relative to the forecast. The monthly fluctuation in refunds compared to the prior year for the past 3 months is in part due to processing. The losses relative to the forecast for February and March are more than made up for by the April gain, leaving us \$20.5 million above the forecast year-to-date.

Corporate Income Tax net collections were \$61.5 million in April. This amount was \$(30.6) million below the forecast for the month. Some of the collections normally received in April appear to have been collected in March. As we noted last month, March collections were \$26.0 million above forecast. Combined March and April collections were \$16.8 million or 15.1% above the prior year, but were \$(4.6) million below the forecast. Year-to-date, corporate collections are (39.3)% below last year.

The **Lottery Commission** reports that April ticket sales were \$51.8 million, which is 15.0% above sales last year. Year-to-date, ticket sales are \$57.6 million or 14.4% above last year. While ticket sales have increased, distributions to state beneficiaries are down \$(7.6) 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).

Non-General Funds

Tobacco Tax revenues were \$30.2 million in April. Collections were down (2.4)% compared

April Revenues

to the prior year. Year-to-date collections are down by (13.2)%.

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 \$109.8 million in April were down \$(0.8) million or (0.7)% compared to April of last year. Year-to-date, total HURF collections of \$992.7 million are down \$(57.5) million or (5.5)% compared to the prior year.

Table 4

State of Arizona

General Fund Revenue:

Change from Previous Year and Enacted Budget Forecast

April 2010

	Current Month					FY 2010 YTD (Ten Months)				
	Actual April 2010	Change From April 2009		Forecast		Actual April 2010	Change from April 2009		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	\$319,285,645	\$19,421,371	6.5 %	\$14,992,721	4.9 %	\$2,857,464,009	(\$364,321,646)	(11.3) %	(\$14,067,360)	(0.5) %
Income - Individual	211,434,444	38,191,575	22.0	19,126,826	9.9	1,985,774,047	(204,026,399)	(9.3)	(25,423,191)	(1.3)
- Corporate	61,529,296	(4,807,028)	(7.2)	(30,580,650)	(33.2)	271,215,670	(175,472,464)	(39.3)	7,073,408	2.7
Property	918,486	114,066	14.2	273,486	42.4	13,982,519	1,578,904	12.7	616,292	4.6
Luxury - Tobacco	2,030,034	(234,549)	(10.4)	(647,575)	(24.2)	21,310,484	(3,730,343)	(14.9)	(2,747,225)	(11.4)
- Liquor	2,129,072	(700,377)	(24.8)	(780,928)	(26.8)	23,881,968	(423,510)	(1.7)	(1,016,039)	(4.1)
Insurance Premium	40,872,325	(5,704,670)	(12.2)	(3,507,675)	(7.9)	307,205,546	6,853,459	2.3	6,109,253	2.0
Estate	(25,833)	(113,023)	--	(25,833)	--	358,995	148,623	70.6	25,611	7.7
Other Taxes	88,723	(560,680)	(86.3)	59,723	205.9	1,394,807	316,019	29.3	821,898	143.5
Sub-Total Taxes	\$638,262,192	\$45,606,685	7.7 %	(\$1,089,905)	(0.2) %	\$5,482,588,045	(\$739,077,357)	(11.9) %	(\$28,607,353)	(0.5) %
Other Revenue										
Lottery	4,150,300	2,509,800	153.0	1,050,300	33.9	30,115,200	163,200	0.5	2,177,600	7.8
License, Fees and Permits	2,803,337	(447,256)	(13.8)	193,337	7.4	22,325,254	(5,887,482)	(20.9)	1,881,926	9.2
Interest	(43,828)	(372,036)	--	(43,828)	--	537,938	(9,732,882)	(94.8)	(636,599)	(54.2)
Sales and Services	1,716,385	(1,174,241)	(40.6)	(2,213,615)	(56.3)	23,972,810	(12,602,016)	(34.5)	(1,310,080)	(5.2)
Other Miscellaneous	932,642	(2,108,974)	(69.3)	(2,067,358)	(68.9)	28,356,685	(7,139,927)	(20.1)	(4,317,980)	(13.2)
Disproportionate Share	0	(18,727,942)	(100.0)	0	--	0	(18,727,942)	(100.0)	0	--
Transfers and Reimbursements	174,653	(467)	(0.3)	(640,347)	(78.6)	34,080,343	3,813,365	12.6	(4,426,295)	(11.5)
Sub-Total Other Revenue	9,733,489	(20,321,116)	(67.6) %	(3,721,511)	(27.7) %	139,388,230	(50,113,684)	(26.4) %	(6,631,428)	(4.5) %
TOTAL BASE REVENUE	\$647,995,681	\$25,285,569	4.1 %	(\$4,811,416)	(0.7) %	\$5,621,976,275	(\$789,191,041)	(12.3) %	(\$35,238,781)	(0.6) %
Other Adjustments										
Urban Revenue Sharing	(52,387,054)	8,252,729	--	0	0.0	(523,870,525)	82,527,308	--	0	0.0
Budget Plan Transfers	84,901,781	25,702,933	43.4	0	0.0	285,488,489	(290,441,594)	(50.4)	0	0.0
Leaseback Proceeds	0	0	--	0	--	735,419,300	735,419,300	--	0	0.0
Sub-Total Other Adjustments	32,514,727	33,955,662	-- %	0	0.0 %	497,037,264	527,505,014	-- %	0	0.0 %
TOTAL GENERAL FUND REVENUE	\$680,510,408	\$59,241,231	9.5 %	(\$4,811,416)	(0.7) %	\$6,119,013,539	(\$261,686,027)	(4.1) %	(\$35,238,781)	(0.6) %
Non-General Funds										
Highway User Revenue Fund	\$109,845,000	(\$819,000)	(0.7) %	(\$1,957,000)	(1.8) %	\$992,733,000	(\$57,542,000)	(5.5) %	(\$43,059,000)	(4.2) %
Tobacco Tax (All Funds Total)	\$30,245,422	(\$729,512)	(2.4) %	\$3,283,675	12.2 %	\$274,896,470	(\$41,804,383)	(13.2) %	\$5,161,022	1.9 %

Economic Indicators

NATIONAL

According to the second estimate of the **U.S. Real Gross Domestic Product (GDP)** for the 1st quarter of 2010, the nation's economy grew at an annual rate of 3.0%, a (0.2)% revision of from the advance estimate released last month. According to the federal Bureau of Economic Analysis (BEA), the (0.2)% revision was primarily reflecting an upward revision to imports and a downward revision to personal consumption expenditures.

In May, the Conference Board's **U.S. Consumer Confidence Index** increased to 63.3, up 5.5 points from a revised April level of 57.7. The May reading registered the highest level of consumer confidence since March 2008. The latest survey result from the Conference Board suggests that consumers are slowly gaining confidence in the economic outlook despite recent setbacks in the stock market and ongoing concerns related to the Eurozone debt crisis.

In April, the Conference Board's **U.S. Index of Leading Economic Indicators** ended its streak of 12 consecutive gains. At a reading of 109.3, the index declined by (0.1)% over the prior month. Some analysts believe that the slight drop in consumer confidence last month may signal a possible slowdown of the economy's recovery in the coming 3 to 6 months. Six of the index's 10 components deteriorated in April with the largest negative contribution being attributed to single-family permitting activity.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, declined by (0.1)% in April, the first drop since March 2009. Compared to the same month in the prior year, the CPI was up by 2.2%. The slight month-over-month decrease of the CPI was primarily due to falling gasoline and vehicle prices. The core CPI, which excludes food and energy prices, remained unchanged in April and was 1.0% above last year's level, the lowest rate of core inflation since the mid-1960s.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the U.S. reached \$3.82 billion in March, a 5.6% improvement from the prior month and a 48.2% increase over March 2009 levels. Semiconductor billings have

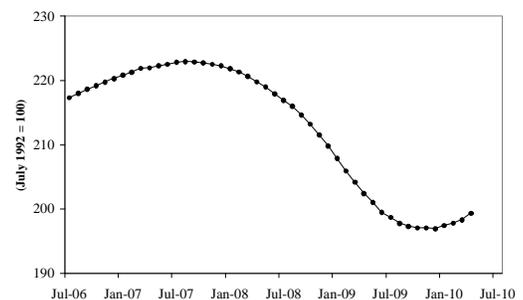
advanced by close to 60% since sales levels bottomed out in February 2009.

ARIZONA

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

The **state coincident index** for Arizona registered its fourth consecutive increase in April with a month-over-month gain of 0.5%. The April reading was down by (1.5)% compared to last year. As seen in the graph below, the Arizona coincident index reached a trough in December 2009. See [Tracking Arizona's Recovery](#), for additional historical information.

Arizona Coincident Economic Activity Index



While general economic conditions are improving, the Arizona **Consumer Confidence Index** retreated in April from the last reading in January. The index in April registered a reading of 49.6 compared to 50.2 in January 2010 and 60.2 in September 2009. The April reading was the second lowest on record (data available from 1985).

Employment

According to latest release of employment data by Arizona Department of Commerce, the state added 19,500 **nonfarm payroll jobs** in April. This was a significant improvement over the average April increase of 2,900 jobs since 2000. Most of the new jobs added to payrolls in April were in employment services and accommodation and food services. Year-over-year, total nonfarm employment was down by (1.6)%, or (38,200) jobs. This was the

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Economic Indicators (Continued)

“...the private service-providing sector, which represents 70% of the state’s total workforce, increased in April (on a year-over-year basis) for the first time since March 2008.”

slowest rate of decline since May 2008.

Another positive sign for the state’s economy is that the private service-providing sector, which represents 70% of the state’s total workforce, increased in April (on a year-over-year basis) for the first time since March 2008. Even more strikingly, employment services (primarily jobs provided by temporary employment agencies) grew, year over year, in April, for the first time since January 2007. Temporary employment tends to lead the overall labor market by several months.

While the goods-producing sector (manufacturing, construction, and mining) of the Arizona economy is still experiencing a year-over-year job decline of close to (10)%, there have been some positive developments in recent months. For example, the **construction sector** added jobs in both February and April for the first time in more than 2 years. The 2,200 additional construction jobs reported for April represented the largest month-over-month increase since June 2007. Year over year, construction employment is down by (14.9)%, or (19,800) jobs. The construction industry has shed close to (55)% of its workforce since the height of the housing boom in the summer of 2006.

In April, **average weekly hours** for production workers in Arizona’s manufacturing industry increased by 0.8%. The April average work week of 39.5 hours was a 3.1% improvement over last year. The measure has been improving (year-over-year) in each of the last 3 months. This increase comes after 19 straight months with year-over-year declines. While still significantly below pre-recession levels, a continued increase of the average work week for manufacturing workers may result in companies adding people to their payrolls in the coming months.

The Department of Commerce reported that 31,806 **initial claims for unemployment insurance** were filed in April. The month-over-month increase of 15.6% and 17.5% in March and April, respectively, was mainly attributable to seasonal factors. April marked the sixth consecutive month with a year-over-year decline in claims. Initial jobless claims peaked in April 2009 when more than 41,000 individuals filed for benefits. See [Tracking Arizona’s Recovery](#), for historical information.

While most employment news was positive, the recovery is only in its initial stages. Arizona

economy has lost a total of (293,800) jobs since the recession started in December 2007. This figure represents a (10.8)% reduction in total nonfarm employment in the state. See [Tracking Arizona’s Recovery](#), for historical information.

Housing

Some of the good news related to the labor market must also be weighed against the more mixed news from the housing market. ASU’s Realty Studies Group reported earlier this month that short sales and foreclosures continue to drive the housing market in the Greater Phoenix area. Foreclosures combined with the resales of previously foreclosed properties accounted for 60% of all existing single-family home sales in April. Additionally, sales of new homes fell to a new record low in the first quarter of 2010 (data available from first quarter of 1995).

The silver lining in ASU’s realty data is that the median price for existing single-family homes appears to have bottomed out in the second quarter of 2009 and that the affordability index for such properties continues to remain at a near-record high level. The May 2010 S&P/Case-Shiller Home Price Index, however, suggests that while housing prices have rebounded from recent lows, there does appear to be renewed weakness in prices due to the expiration of tax credits and the number of foreclosures.

In Phoenix, the **S&P/Case-Shiller Home Price Index** declined for the third straight month in April to 109.52 but remains above the recent low of 103.56 seen in May 2009. On the positive side, however, April was the first month there has been a year-over-year increase in the measure since the index peaked in December 2009.

In terms of foreclosures, the news in April was improved from the prior month. Initial Maricopa County **foreclosure notices** - the initial step in the foreclosure process - were 7,064, (981) less than in March. In total, there were 46,834 **pending foreclosures** in Maricopa County during April. While this level is still higher than a year ago, the April numbers are down from the highpoint of 51,466 in December. See [Tracking Arizona’s Recovery](#), for additional historical information. Given the weakness in the economy, decline

Economic Indicators (Continued)

in housing prices, and excess supply, permitting activity remains relatively low. In Arizona, an average of 1,204 **single-family residential building permits** and 110 **multi-family residential building permits** were issued per month between February and April 2010. Over the last year, a total of 14,514 single-family permits have been issued.

State Agency Data

Participation in income driven programs did not change much over the prior month, and continues to remain significantly above last year.

In May, **AHCCCS caseloads** equaled 1.36 million members, a 0.2% increase over the prior month. AHCCCS caseloads are currently 11.1% above May 2009 levels. Total enrollment has stayed essentially unchanged since December 2009. The FY 2010 budget funded a projected June caseload growth of 14.4%, for a total of 1,435,445 members.

There were 76,404 **TANF recipients** in the state in March, a monthly caseload decrease of (2.5)%. Year-over-year, the number of TANF recipients has declined by (10.8)%. 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 March, there were a total 1.04 million food stamp recipients in the state, an increase of 0.9% over the prior month. Compared to the same month last year, food stamp participation was up by 28.6%. 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 40,507 inmates between February and April 2010. While population growth averaged 44 inmates per month during the period, fiscal year-to-date population growth is half that amount, or an increase of 22 inmates per month.

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	April	9.5%	(0.1)%	0.9%
- Initial Unemployment Insurance Claims	April	31,806	17.5%	(22.6)%
- Unemployment Insurance Claimants	April	87,347	(3.8)%	(14.3)%
- Non-Farm Employment – Total	April	2.42 million	0.8%	(1.6)%
Manufacturing	April	147,100	(0.1)%	(5.0)%
Construction	April	112,800	2.0%	(14.9)%
- Average Weekly Hours, Manufacturing	April	39.5	0.8%	3.1%
- Contracting Tax Receipts (3-month average)	Feb-Apr	\$27.1 million	(5.2)%	(35.6)%
- Retail Sales Tax Receipts (3-month average)	Feb-Apr	\$121.4 million	(14.0)%	(7.6)%
- Residential Building Permits (3-month moving average)				
Single-unit	Feb-Apr	1,204	2.9%	52.7%
Multi-unit	Feb-Apr	110	(39.8)%	(25.0)%
- Greater Phoenix Existing Home Sales				
Single-Family	April	10,255	(5.6)%	12.7%
Townhouse/Condominium	April	1,670	(5.1)%	74.9%
- Greater Phoenix Median Home Sales Price				
Single-Family	April	\$148,000	0.0%	12.4%
Townhouse/Condominium	April	\$102,000	2.0%	(11.3)%
- Foreclosure Activity, Maricopa County				
Foreclosure Notices (Notice of Trustee's Sales Recorded)	April	7,064	(12.2)%	(22.3)%
Pending Foreclosures (Active Notices)	April	46,834	(4.6)%	8.5%
S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	March	109.52	(0.5)%	2.5%
- Months Supply of Housing, (ARMLS)	April	6.6 months	0.2 months	(0.2) months
- Phoenix Sky Harbor Air Passengers	March	3.58 million	23.2%	2.5%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	February	\$7.24	(3.8)%	(12.7)%
- Arizona Consumer Confidence Index (1985 = 100)	2 nd Quarter 2010	49.6	(1.2)%	NA
- Arizona Coincident Index (July 1992 = 100)	April	199.38	0.5%	(1.5)%
- 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	May	1,359,534	0.2%	11.1%
- TANF Recipients	March	76,404	(2.5)%	(10.8)%
- SNAP (Food Stamps) Recipients	March	1,042,748	0.9%	27.6%
- ADC Inmate Growth (3-month average)	Feb-Apr	40,507	44 inmates	499 inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	Jan/Mar	19,738	2	(459)
Maricopa County	Jan/Mar	28,932	(333)	(955)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	1st Quarter 2010 (Second Estimate)	\$13.2 trillion	3.0%	2.5%
- Consumer Confidence Index (1985 = 100)	May	63.3	9.7%	15.5%
- Leading Indicators Index (2004 = 100)	April	109.3	(0.1)%	10.5%
- U.S. Semiconductor Billings (3-month moving average)	Jan-Mar	\$3.82 billion	5.6%	48.2%
- Consumer Price Index, SA (1982-84 = 100)	April	217.6	(0.1)%	2.2%

April Spending

FY 2010 Spending

April 2010 General Fund spending of \$308 million was \$(535) million below April 2009. For the year-to-date, spending of \$7.4 billion is (\$1.2) billion below 2009. *Table 6* below provides a summary of April spending, and *Table 7* at the end of this document provides detailed spending by agency.

- The Arizona Department of Education (ADE) has spent \$3.1 billion year-to-date in 2010, or \$(0.4) million less than 2009. In April, ADE spending was (\$465.6) million lower than the prior year. April expenditures were lower than the prior year due to a single payment to school districts, compared to double payments in FY 2009. Additionally, the state used \$150 million of state fiscal stabilization monies to pay school districts.
- The Arizona Health Care Cost Containment System (AHCCCS) spent \$19.4 million in April. This low expenditure amount is due to the use of tobacco settlement monies instead of General

Fund for capitation payments in April.

- Spending in AHCCCS, DHS, and DES is a combined (\$22.0) million less in April 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.
- University spending was (\$55.8) million less than in April of the prior year. This decrease was due to a rollover of the monthly payment. Year to date University spending is \$783 million, or \$(49.6) million below FY 2009.
- The Department of Public Safety (DPS) spending was \$(3.4) million in April. The negative monthly expenditure amount reflects a technical adjustment to shift funds throughout the year.

Table 6

<u>Agency</u>	<u>General Fund Spending (\$ in Millions)</u>			
	<u>Apr 10</u>	<u>Change from Apr 09</u>	<u>Year to Date</u>	<u>YTD Change from FY 09</u>
AHCCCS	19.4	(0.8)	1,076.2	(204.8)
Corrections	83.2	10.6	720.1	(27.6)
Economic Security	31.4	(22.3)	510.1	(207.4)
Education	88.6	(465.6)	3,148.2	(0.4)
Health Services	13.0	1.1	468.6	(86.6)
Public Safety	(3.4)	(12.1)	38.7	(13.3)
School Facilities Board	0.6	0.5	104.6	(83.2)
Universities	0.8	(55.8)	783.0	(49.6)
Other	<u>74.5</u>	<u>9.8</u>	<u>569.7</u>	<u>(529.8)</u>
Total	308.1	(534.6)	7,419.2	(1,202.7)

Summary of Recent Agency Reports

AHCCCS – Report on Graduate Medical Education Residency Positions – Pursuant to A.R.S. § 36-2903.01, the Arizona Health Care Cost Containment System has submitted its annual report on the number of new residency positions funded by local, county, or tribal governments. The agency indicates that these contributions in FY 2009 provided partial funding for an additional 458 residency positions. The positions were funded by local contributions of \$14,516,300 and a federal match of \$27,991,200, resulting in \$42,507,500 total new funding. (Aaron Galeener)

State Department of Corrections/ Arizona Department of Administration – Report on the Status of Public and Private Beds – Laws 2007, Chapter 261 authorized the Arizona Department of Administration to contract for 2,000 new private prison beds, as well as the construction of 4,000 new public beds, to be funded via a 20-year, \$200 million lease-purchase agreement. Highlights of this report for the 3-month period ending March 31, 2010 are as follows:

2,000 Private Beds

- Construction of the 2,000 private bed expansions in Kingman, which results in a total of 3,400 beds, has been completed and the beds are currently operational. The per diem rate is approximately \$59.

4,000 State Beds

- Construction of the additional beds at the Yuma (2,000 beds) and Tucson (1,000 beds) prisons is 100% complete, while construction of the beds at the Perryville (1,000 beds) prison is 99% complete.
- During the remodel to address code violations in the existing kitchen at the Perryville prison, the contractor encountered unforeseen mold and corrosion. While demolition and

abatement has been completed, project completion will be delayed by 1 month, or until August 2010.

- Previous concerns regarding reduced water quality from the expansion of the wastewater treatment plant at the Yuma facility were unfounded and ADC received a permit by the Department of Environmental Quality to operate the plant. (Martin Lorenzo)

Department of Public Safety – Quarterly Report on GIITEM – Pursuant to Laws 2009, 1st Regular Session, Chapter 12 (General Appropriation Act), the 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 2010, DPS had spent or encumbered \$6.1 million of the \$9.4 million appropriation for the direct DPS immigration staff. In terms of local law enforcement grants, DPS has not spent any of the FY 2010 \$2.6 million appropriation but has spent \$3.4 million of an available \$3.5 million in non-lapsing FY 2009 monies. (Eric Billings)

Department of Public Safety – Quarterly Report on Photo Enforcement – Pursuant to a footnote in Laws 2009, 1st Regular Session, Chapter 12 (General Appropriation Act), the Department of Public Safety (DPS) is required to report quarterly on the Photo Enforcement program in FY 2010. During the third quarter of FY 2010, the Photo Enforcement Program issued 93,138 Notices of Violation (NOVs) and 80,901 citations from 40 mobile units and 36 stationary units. Of these NOVs, 48,528 became either civil or criminal citations. A total of 22,447 NOVs were paid within 40 days of issuance with an additional 42,694 citations also receiving payment.

Since the inception of the program in September 2008, a total of 1,011,174 NOVs and citations have been issued and 368,122, or 36%, have been paid.

The NOVs and citations issued by the Photo Enforcement Program generated \$8.9 million in revenue for the third quarter of FY 2010 and have generated \$56 million since the program's inception. The General Fund share was \$4.8 million in the third quarter and \$34.7 million since the program's start.

DPS has announced that it intends to end the current photo radar program on July 15. (Eric Billings)

Arizona Board of Regents – Report on Paid Speakers – Pursuant to Laws 2009, 3rd Special Session, Chapter 9, Section 19 (FY 2010 Higher Education Budget Reconciliation Bill), the Arizona Board of Regents is required to submit a report that lists invited paid speakers and the associated costs for those speakers to state universities in FY 2009. Arizona State University reported 545 different paid speakers with associated costs of \$1,197,800, Northern Arizona University reported 376 paid speakers with costs of \$364,400, and University of Arizona listed 584 paid speakers and costs of \$495,900. The report noted that some speakers had presented more than once. (Marge Zylla)

Table 7				
General Fund Spending				
(\$ in Thousands)				
Agency	April 10	Change from April 09	Year-to-Date	YTD Change from FY '09
Department of Administration	2,409.6	1,888.2	15,937.7	(7,578.4)
Office of Administrative Hearings	143.3	44.1	815.0	(180.6)
Department of Agriculture	496.2	(133.9)	7,334.5	(1,691.1)
AHCCCS	19,399.5	(818.1)	1,076,237.5	(204,754.5)
Arizona Commission on the Arts	137.9	(31.7)	794.1	(540.0)
Arizona Exposition and State Fair Board	-	-	400.0	400.0
Attorney General	1,217.7	(188.3)	15,519.2	(2,540.4)
AZ Capital Post Conviction Public Defender	104.9	55.6	578.5	(81.4)
State Board of Charter Schools	37.7	(20.8)	599.3	(148.0)
State Bd. of Chiropractic Exam.	-	-	148.0	148.0
Department of Commerce	51.5	(203.9)	2,468.2	(23,581.7)
Community Colleges	33,016.6	5,957.7	132,426.3	(3,309.5)
Corporation Commission	71.6	(327.9)	485.4	(3,575.8)
Department of Corrections	83,197.7	10,558.0	720,121.0	(27,633.4)
AZ Criminal Justice Commission	-	(175.8)	(4.6)	(1,190.2)
AZ State Board of Cosmetology	-	-	252.0	252.0
AZ St. Schools for the Deaf & Blind	2,878.4	1,993.8	18,185.6	(2,558.9)
Dept. of Economic Security	31,353.9	(22,345.1)	510,080.9	(207,411.9)
Department of Education	88,591.8	(465,593.1)	3,148,218.3	(420,994.0)
DEMA	1,297.3	680.4	8,241.8	(1,217.1)
Dept. of Environmental Quality	613.4	283.7	4,740.8	(31.9)
DEQ-WQARF	-	-	7,000.0	(6,000.0)
Office of Equal Opportunity	13.1	2.2	170.2	(5.6)
State Board of Equalization	104.4	89.2	581.5	29.6
Board of Executive Clemency	38.2	(22.6)	797.9	(113.5)
Dept. of Financial Institutions	162.7	1.5	2,642.5	(318.1)
Department of Fire, Life, Bldg Safety	79.6	(118.4)	1,907.7	(707.6)
State Board of Funeral Directors	-	-	100.0	100.0
Arizona Geological Survey	59.2	28.0	666.0	(55.6)
Government Information Tech.	37.2	(134.1)	388.6	(951.2)
Governor	186.8	(160.3)	5,794.7	(40.8)
Gov. - OSPB	137.7	(18.5)	1,993.5	215.1
Department of Health Services	12,977.4	1,132.7	468,551.1	(86,647.5)
Arizona Historical Society	322.4	182.7	3,520.4	(220.2)
Prescott Historical Society of AZ	32.1	5.1	574.8	(24.7)
Independent Redistricting Comm.	-	(18.9)	26.1	(193.6)
AZ Commission of Indian Affairs	3.3	-	80.3	(111.5)
Department of Insurance	426.5	169.3	4,922.3	(1,010.2)
Judiciary				
Supreme Court	1,050.0	492.3	14,595.5	1,086.0
Superior Court	10,532.8	1,879.7	74,062.6	(2,710.2)
Court of Appeals	1,486.7	514.6	12,030.0	405.6
Dept. of Juvenile Corrections	4,009.2	(1,035.8)	54,773.1	(6,897.3)
State Land Department	1,085.6	(224.1)	11,725.8	(2,886.1)
Law Enforcement Merit System	13.0	6.0	67.3	1.2

Agency	April 10	Change from April 09	Year-to-Date	YTD Change from FY '09
Legislature				
Auditor General	1,047.5	(351.1)	12,470.8	(2,090.7)
House of Representatives	858.9	(22.1)	10,505.0	(302.2)
Joint Legislative Budget Comm.	142.9	(0.2)	1,947.0	(156.2)
Legislative Council	293.6	(116.7)	4,260.6	(7,438.0)
AZ Library and Archives	301.6	125.6	5,453.7	(460.2)
Senate	599.4	(22.2)	7,430.8	(19.5)
Dpt. of Liquor Licenses	-	(247.9)	747.7	(2,674.9)
Board of Medical Student Loans	-	-	801.9	(199.1)
Mine Inspector	52.8	(45.7)	1,068.1	(229.7)
Dpt. of Mines & Mineral Resources	23.7	(6.6)	630.8	(174.5)
Nav. Streams & Adjudication	6.0	(14.4)	112.0	(133.0)
State Board of Nursing	-	(0.8)	-	(94.4)
OSHA	-	-	14.4	14.4
Arizona State Parks Board	213.9	77.5	22,114.2	(2,780.1)
Personnel Board	-	(27.7)	-	(288.1)
Comm. for Postsecondary Ed.	903.1	(546.2)	3,331.0	(662.7)
State Board of Psychologist Exam.	-	-	300.0	300.0
Department of Public Safety	(3,410.0)	(12,145.1)	38,700.6	(13,306.5)
Arizona Department of Racing	438.6	328.0	4,505.2	2,435.7
Radiation Regulatory Agency	218.2	(19.2)	1,289.4	(315.5)
Arizona Rangers Pension	1.3	0.2	11.7	0.3
Real Estate Department	132.7	(21.3)	2,686.8	(596.6)
Department of Revenue	3,853.4	604.8	30,399.2	(27,183.5)
School Facilities Board	646.0	546.9	104,630.7	(83,215.6)
Secretary of State	463.3	282.1	5,979.0	68.8
Tax Appeals Board	22.5	6.2	220.8	(7.8)
Office of Tourism	-	-	200.0	(112.2)
Department of Transportation	10.0	5.1	52.8	(1.1)
State Treasurer	192.1	(39.1)	2,236.9	29.1
Universities				
Board of Regents	170.8	(3,083.9)	20,092.3	965.4
Arizona State University	-	(24,198.0)	345,234.6	(23,293.1)
Northern Arizona University	658.3	(7,483.1)	116,881.2	(7,108.5)
University of Arizona	-	(21,079.6)	300,833.4	(20,201.2)
Department of Veteran Services	768.3	141.8	7,699.0	1,426.9
AZ State Veterinary Medical Examining Board	-	-	250.0	250.0
Department of Water Resources	1,053.2	(66.4)	14,019.4	5,847.8
Dept. of Weights & Measures	166.8	77.4	1,045.5	(162.8)
Other	473.4	(1,669.7)	20,455.1	(5,498.7)
Grand Total	308,079.2	(534,617.9)	7,419,163.0	(1,202,702.2)