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“April was the ninth consecutive month of year-over-year growth in base General Fund revenue collections.”

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on May 26, 2011.

Summary



April was the ninth consecutive month of year-over-year growth in base General Fund revenue collections. General Fund revenues totaled \$827.0 million. Excluding the temporary 1-cent sales tax, these collections were 17.1% above last year.

In our [Preliminary April Revenue Update](#) of May 9, 2011, we originally reported April revenues were 18.5% above last year, but this was revised downward as the final numbers were received.

Year to date, FY 2011 General Fund revenues are \$6.66 billion, or 9.2% above FY 2010 without the 1-cent sales tax.

April General Fund collections were \$86.1 million above the January budget forecast. Year-to-date, revenues are \$194.6 million above the January forecast. The recently enacted budget incorporated \$40 million of that higher revenue level, leaving year-to-date collections at \$154.6 million above the enacted budget.

Given preliminary May revenue figures, it appears likely these gains will be maintained through the end of the fiscal year.

The FY 2011 enacted budget revisions presumed a year-end shortfall of \$(332) million. The budget then resolved this shortfall during FY 2012. If the year-to-date “above forecast” revenue gain of \$155 million is sustained through the end of June, the FY 2011 shortfall would decline to \$(177) million.

In comparison to April revenue of \$827.0 million, April 2011 General Fund spending was \$621.7 million. April expenditures were \$313.6 million higher than the prior year, primarily due to differences in the timing of the K-12 rollover and federal fiscal stabilization fund monies

received last year. Year-to-date, spending has declined (1.4)%.

Fiscal year-to-date, General Fund revenues of \$6.66 billion have been offset by \$7.32 billion in spending.

The state began FY 2011 with an operating balance of \$1.5 billion. The divergence of revenues and spending year-to-date has caused the operating fund balance to decline to \$950.2 million.

Growth in April Revenues

April collections were largely driven by growth in individual income tax collections, specifically estimated and final payments which were 25.4% greater than the prior year. These income tax payments likely increased for two reasons: a reduction in the use of itemized deductions, along with an increase in capital gains.

The state experienced a significant decline in the use of itemized deductions compared to the prior year. This may be caused by the state’s high foreclosure rate reducing home ownership, leading to a corresponding decline in the use of the mortgage interest deduction. Recent census data indicate that Arizona homeownership rates have declined to approximately 66%, from a high of over 73% during calendar year 2006. This decline is likely understated, as the Census data excludes vacant housing from the overall supply of housing.

Another factor involved in the growth of payments was an increase in capital gains, which could be due to both the improved performance of the stock market in calendar year 2010 and real estate investment income involving the purchase and resale of foreclosed properties.

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April Revenues

Table 1

General Fund Revenues (\$ in Millions)			
	<u>FY 2011 Collections</u>	<u>Difference From Jan. Forecast</u>	<u>Difference From FY 2010</u>
April	\$ 827.0	\$ 86.1	\$ 146.5
Year-to-Date	\$ 6,656.6	\$ 194.6	\$ 537.5

Sales Tax collections were \$387.9 million in April. Excluding the \$77.1 million from the temporary 1-cent increase, collections were \$310.8 million, or (2.7)% below April 2010. This decline, however, is due more to technical adjustments in the prior year than economic conditions. In April of last year, a one-time \$20 million Use Tax deposit and a large shift of prior collections from the Retail to the Communications subcategory overstated General Fund sales tax collection. Excluding these adjustments, this April's collection would have been about a 5.5% increase over the prior year.

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

Table 2

Sales Tax Growth Rates Compared to Prior Year		
	<u>April</u>	<u>YTD</u>
Retail	36.2%	6.0%
Contracting	8.4%	(6.6)%
Utilities	(2.5)%	0.6%
Use	(58.1)%	(10.0)%
Restaurant & Bar	3.3%	3.2%

Retail and contracting together account for about 60% of all sales tax revenues. This month's large swing in Retail (as well as a large swing in Use Tax) is explained by the prior year adjustment discussed above. Contracting had another strong month compared to April of last year; however, losses earlier in the year continue to weigh down the year-to-date growth.

Historically, Contracting has been the second largest category. Since FY 2007, however, Contracting revenues have declined by over 60%. FY 2010 was the first time in at least the past 20 years that Contracting slipped from the second position, falling just short of Utilities.

Since the start of FY 2011, Utilities collections have exceeded Contracting 6 of the 10 months, making the year-to-date Utilities collections \$34.9 million, or 11.0% greater than

Contracting. For the past 3 months, Restaurant & Bar collections have also exceeded Contracting.

Including the 1-cent increase, year-to-date collections were \$20.9 million above the forecast.

Individual Income Tax net revenues were \$306.0 million in April. Collections were \$118.8 million above the forecast. Year-to-date, revenues have grown 16.3% and are \$191.2 million above forecast through April.

As indicated in Table 3 below, withholding grew by 7.7% in April for a year-to-date increase of 6.0%. For several months this increase was assumed to be due to changes in the state withholding rates last July. (See the August MFH for additional information.) April refunds, however, have only grown by 0.9%, which seems to indicate that while some overwithholding may have occurred, overall liability growth has far outpaced that factor.

The most significant April growth occurred in quarterly and final payments which grew by 25.4% in April compared to last year. Year-to-date, these payments are up 12.7% compared to the prior year.

While the detailed data will not be available for some time, this year's increase appears to be related to lower itemized deductions and significantly higher capital gains.

Based on DOR data, itemized deductions are down by (26)% compared to the same period (January through April) last year. This may be due to a decline in the use of the mortgage interest deduction (which historically comprises 40% to 45% of total deductions). The state's high foreclosure rate may be reducing home ownership and eliminating the mortgage interest deduction for some taxpayers.

Capital gains appear to be another factor behind April's surge in tax payments. One source of this growth may be real estate

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April Revenues (Continued)

investors realizing a significant amount of profit from reselling foreclosed properties at higher prices.

In addition, the improved performance of the stock market during calendar 2010 may have generated substantial capital gains, which in turn raised the level of April tax payments. The Investment Company Institute, a national association of investment companies serving over 90 million shareholders, reports an almost 3-fold increase in mutual fund capital gains distributions in 2010 compared to the prior year.

Federal income tax data also shows a significant increase in estimated and final tax payments, which further suggests a nationwide trend of increasing capital gains being reported by taxpayers.

Table 3
Individual Income Tax Growth Rates
Compared to Prior Year

	<u>April</u>	<u>YTD</u>
Withholding	7.7%	6.0%
Estimated + Final Payments	25.4%	12.7%
Refunds	0.9%	(7.3)%

Corporate Income Tax net collections were \$83.9 million in April, or \$22.4 million above the prior year. Collections were \$(12.9) million below the forecast. Year-to-date through April, revenues are up 50.6% and (3.1)% below forecast.

The **Lottery Commission** reports that April ticket sales were \$51.5 million, which is \$(0.3) million, or (0.6)%, below sales in the prior year. Year-to-date, ticket sales are \$485.9 million, which is 6.2% above last year's sales. The General Fund share of sales has increased significantly more than overall sales, however, due to changes in the distribution formula.

Non-General Fund

Tobacco Tax revenues were \$30.1 million in April. Collections were down (0.6)% compared to the prior year, but were \$2.8 million above the budget estimate for the month. Year-to-date collections are down (3.3)% and are \$2.4 million above the budget estimate.

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.

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 \$110.7 million in April were up \$0.9 million or 0.8% compared to April of last year. Year-to-date, revenues have grown 1.5%.

"The improved performance of the stock market during calendar 2010 may have generated substantial capital gains, which in turn raised the level of April tax payments."

General Fund Revenue: Change from Previous Year and January Budget Forecast April 2011

	Current Month					FY 2011 YTD (Ten Months)				
	Actual April 2011	Change From April 2010		Forecast		Actual April 2011	Change from April 2010		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use w/o 1¢ *	\$310,811,250	(\$8,474,395)	(2.7) %	(\$14,860,108)	(4.6) %	\$2,894,569,059	\$37,105,050	1.3 %	\$8,785,634	0.3 %
Income - Individual	306,040,868	94,606,424	44.7	118,774,466	63.4	2,310,392,453	324,618,406	16.3	191,238,016	9.0
- Corporate	83,904,743	22,375,447	36.4	(12,906,068)	(13.3)	408,423,368	137,207,698	50.6	(12,870,710)	(3.1)
Property	917,314	(1,172)	(0.1)	117,314	14.7	13,756,480	(226,038)	(1.6)	222,413	1.6
Luxury - Tobacco	2,732,746	702,712	34.6	341,129	14.3	20,760,416	(550,066)	(2.6)	(2,823,768)	(12.0)
- Liquor	2,921,397	792,325	37.2	(58,236)	(2.0)	24,884,383	1,002,415	4.2	3,097,995	14.2
Insurance Premium	41,029,360	157,035	0.4	(770,640)	(1.8)	314,315,675	7,110,130	2.3	1,183,819	0.4
Estate	0	25,833	(100.0)	0	--	437,372	78,377	21.8	0	0.0
Other Taxes	76,144	(12,579)	(14.2)	(46,356)	(37.8)	2,063,150	668,343	47.9	808,177	64.4
Sub-Total Taxes	\$748,433,822	\$110,171,629	17.3 %	\$90,591,501	13.8 %	\$5,989,602,356	\$507,014,315	9.2 %	\$189,641,577	3.3 %
Other Revenue										
Lottery	7,320,740	3,170,440	76.4	2,320,740	46.4	42,774,189	12,658,989	42.0	5,942,559	16.1
License, Fees and Permits	1,715,461	(1,087,876)	(38.8)	(784,539)	(31.4)	22,918,522	593,268	2.7	1,959,378	9.3
Interest	1,278	45,106	--	(288,722)	(99.6)	1,889,579	1,351,640	251.3	(1,530,422)	(44.7)
Sales and Services	1,456,488	(259,897)	(15.1)	(43,512)	(2.9)	23,265,585	(707,226)	(3.0)	3,345,918	16.8
Other Miscellaneous	(501,231)	(1,433,873)	--	(2,201,231)	--	18,733,007	(9,623,678)	(33.9)	(4,109,156)	(18.0)
Disproportionate Share	0	0	--	0	--	27,146,306	27,146,306	--	0	0.0
Transfers and Reimbursements	120,035	(54,618)	(31.3)	(3,379,965)	(96.6)	15,219,639	(18,860,704)	(55.3)	(12,760,434)	(45.6)
Sub-Total Other Revenue	10,112,771	379,282	3.9 %	(4,377,229)	(30.2) %	151,946,827	12,558,596	9.0 %	(7,152,156)	(4.5) %
TOTAL BASE REVENUE	\$758,546,593	\$110,550,911	17.1 %	\$86,214,272	12.8 %	\$6,141,549,183	\$519,572,911	9.2 %	\$182,489,421	3.1 %
Other Adjustments										
Urban Revenue Sharing	(39,500,543)	12,886,509	--	0	0.0	(395,005,431)	128,865,090	--	0	0.0
1¢ TPT Increase*	77,108,546	77,108,546	--	(75,566)	(0.1)	691,673,987	691,673,987	--	12,146,458	1.8
Budget Plan Transfers	30,890,463	(54,011,318)	(63.6)	0	0.0	218,335,809	(67,152,680)	(23.5)	0	0.0
Leaseback Proceeds	0	0	--	0	--	0	(735,419,300)	(100.0)	0	--
Sub-Total Other Adjustments	68,498,466	35,983,737	110.7 %	(75,566)	(0.1) %	515,004,365	17,967,096	3.6 %	12,146,458	2.4 %
TOTAL GENERAL FUND REVENUE	\$827,045,059	\$146,534,648	21.5 %	\$86,138,706	11.6 %	\$6,656,553,548	\$537,540,007	8.8 %	\$194,635,879	3.0 %
Non-General Funds										
Highway User Revenue Fund	\$110,715,000	\$870,000	0.8 %	\$11,031,642	11.1 %	\$1,007,855,000	\$15,122,000	1.5 %	\$12,040,369	1.2 %
Tobacco Tax (All Funds Total)	\$30,057,747	(\$187,675)	(0.6) %	\$2,815,324	10.3 %	\$271,582,902	(\$3,313,567)	(1.2) %	\$2,408,806	0.9 %

* Sales and Use line excludes revenue from the temporary 1¢ increase approved by the voters in May 2010. That revenue is shown under One-Time Revenues. Total April collections including the 1¢ increase were \$387.9 million. This amount is \$68.6 million, or 21.5%, above April 2010 and \$(14.9) million, or (3.7)%, below forecast. Year to date, total collections including the 1¢ increase were \$3.59 billion. This amount is \$728.8 million, or 25.5%, above April 2010 and \$20.9 million, or 0.6%, above forecast.

Economic Indicators

NATIONAL

The Conference Board's **U.S. Index of Leading Economic Indicators** fell by (0.3)% in April, and marked the first such decline since June 2010. April's positive contributions from the three financial components of the index (money supply, interest rate spread, and stock market performance), along with consumer expectations, were more than offset by an increase in initial jobless claims, a slower pace of supplier deliveries, and a decrease in building permits. Although April represented the first decline of the index in the last 10 months, analysts generally believe that the significant increase in payroll employment over the last 4 months suggests that the economy is continuing to expand.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, rose by 0.4% in April, following a 0.5% increase in both February and March. These price increases come on top of the 0.4% CPI increases in December and January. The rise in consumer prices over the last 5 months is primarily due to energy and food. In April alone, higher gasoline prices accounted for half of the monthly CPI increase of 0.4%. Although higher energy and food prices are being passed through to consumers, core inflation, which excludes these items, remains muted. Compared to 12 months prior, core inflation has risen by 1.3%. Any price pressure in the short term is expected to come from higher commodity prices as opposed to rising labor costs.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the U.S. were \$4.69 billion in March, a 1.7% gain over the prior month and a year-over-year increase of 18.2%. According to SIA, the growth in semiconductor sales in the first quarter of 2011 was primarily due to increased consumer and business demand for high-quality electronic products and the increased application of integrated circuits throughout most industries. The fallout from Japan's natural disaster in March does not appear to have materially affected semiconductor sales.

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.

Arizona's coincident index rose for the 8th consecutive month in April. The month-over-month increase was 0.4%, which matched the national average. When compared to the same month in the prior year, Arizona's coincident index was up by 1.3%, which was significantly below the national average of 2.8%. The Arizona coincident index is currently more than (13)% below its peak reading in August of 2007, almost 3 times the national average decline for the comparable period. See [Tracking Arizona's Recovery](#) for additional historical information.

As described in more detail below, April's release of economic data showed a mixed picture for the state, with some indicators improving while others were worsening. For example, payroll employment increased and the unemployment rate declined at the same time as unemployment insurance (both first-time and continued) claims rose. In addition, after two consecutive quarters of improved consumer sentiments, the latest survey conducted in May suggests that Arizona residents are once again becoming less confident about the state of the economy.

Employment

According to most recent Arizona Workforce Employment Report, the state added 17,200 **nonfarm jobs** in April. This represents a month-over-month increase of 0.7%, or almost twice the average gain for April in the 10-year period prior to the last recession. All but one of the state's major industry sectors (financial activities) expanded their payrolls in April.

April marked the 4th consecutive month with year-over-year growth in payroll employment. There were 10,800, or 0.4% more, payroll jobs in the state in April than one year ago. This increase in nonfarm employment is entirely due to the private sector, which added 18,200 jobs between April 2010 and April 2011 at the same time as the government sector reduced its workforce by (7,400) positions. Most of the gains in the private sector are for service-related jobs, especially in the health care and accommodation and food services industries.

The construction sector added 3,900 jobs in April, the largest monthly gain since June 2007. A few more months of data will be

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Economic Indicators (Continued)

required before we will know whether April marked the beginning of a turnaround in the construction industry, or merely represented a statistical anomaly, as construction employment tends to fluctuate. The construction sector as a whole employed (2,000) fewer persons in April 2011 than one year ago.

The turnaround in the manufacturing sector appears to be on a more solid footing. The industry has seen employment gains in 6 of the last 7 months. There were 1,700, or 1.1%, more manufacturing jobs in the state in April 2011 than in the same month last year. All the subsectors of the industry, with the exception for aerospace production, have expanded their payrolls over the last 12 months.

Although the state's job market appears to be on the mend following the deepest and longest recession in post-war era, there is still significant ground to be made up. The state had (302,400) fewer jobs last month than at the outset of the recession in December 2007. This represents a net job loss of (11.1)%. See [Tracking Arizona's Recovery](#) for additional historical information.

Besides the job gains reported from the April payroll survey, there were also good news from the household survey, as it showed that Arizona's seasonally adjusted **unemployment rate** fell for the second consecutive month. The state's jobless rate of 9.3% in April was the lowest since April 2009. The unemployment rate has been trending down ever since it peaked at 10.4% in December 2009.

The goods news related to payroll employment and unemployment in April was to some extent tempered by increased **claims for unemployment insurance**. First, April had the largest number of first-time claims for jobless benefits since July 2010. The federal Bureau of Labor Statistics (BLS) reported that 29,838 Arizona residents filed initial claims for unemployment insurance in April, a 29.5% increase over the prior month. While this was a significant increase, it should be noted that April historically has a large increase in first-time claims. The average monthly increase for April in the 10-year period prior to the recession was about 5,000. Moreover, even with the large increase in April, initial claims remain (6.2)% below last year's level.

Claims peaked in April 2009 when more than 41,000 individuals filed for initial jobless benefits. See [Tracking Arizona's Recovery](#), for

additional historical information.

In addition to the increase in first-time claims for unemployment insurance, April also saw an increase in the total **number of claimants receiving jobless benefits**. BLS reported that the state's Unemployment Compensation Fund paid out benefits to a total of 65,434 persons in April, a 4.3% increase over March. While this figure was below that reported for the same month in the previous two years, it still remained more than 100% above pre-recession levels. This suggests that the state's labor market is still far from a full recovery.

Another factor that may slow the state's recovery is declining **consumer confidence**. The Behavior Research Center reported that its May survey showed that consumer confidence fell to 51.9 in May from January's reading of 62.8. Most of this decline was due to a decidedly more pessimistic outlook over the next 6 months. A smaller percentage of the survey respondents expected employment opportunities and family income to improve in May compared to January. Plans of making a new car purchase within the next 6 months fell markedly. Rising gas prices and a still sluggish job market are believed to be largely responsible for the more pessimistic outlook among consumers. If this trend continues in the coming months, it could result in less consumer spending and thus a slower economic recovery than desirable.

Housing

In April, the number of new Maricopa County **foreclosure notices** decreased (22.4)% from March levels to 4,418. The number of Maricopa County **pending foreclosures** decreased in April. The April total of 32,203 is (37.4)% below the peak in December 2009 (51,466). See [Tracking Arizona's Recovery](#) for additional historical information.

While foreclosure notices and pending foreclosures continue their decline from recent highs, they continue to be a major influence on existing home sales and the respective prices. In the Metropolitan Phoenix area in April, there were a total of 10,265 **existing single-family home sales** that resulted in a **median resale home price** of \$125,000. Relative to the prior year, the number of sales is up 0.1%, while prices are (15.5)% lower. Of the existing sales, 36.5%, or 3,745 were foreclosures.

The number of new single family building permits averaged 915 for the 3-month period

"Arizona's seasonally adjusted unemployment rate fell for the second consecutive month. The state's jobless rate of 9.3% in April was the lowest since April 2009."

Economic Indicators (Continued)

ending in April. This was a 14.3% increase over the previous 3-month period (through March), but was (24.0)% below the same period last year.

State Agency Data

In May **AHCCCS caseloads** equaled 1.35 million members, a 0.8% increase over the prior month. AHCCCS caseloads are currently (0.8)% below May 2010 levels. Total enrollment reached its peak in June 2010 and has generally trended downward since then.

There were 41,781 **TANF recipients** in the state in April, a monthly caseload increase of (0.9)%. Year-over-year, the number of TANF recipients has declined by (45.2)%. This decline is the result of changes to the statutory lifetime limit a person may receive cash assistance. Beginning in July 2010, recipients could only receive benefits for a maximum of 36 months in a lifetime. The FY 2012 budget further reduces this limit to 24 months. Previously, the maximum had been 60 months. The FY 2011 budget assumed caseloads of approximately 70,000 in FY 2011.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In April, there were a total 1.1 million food stamp recipients in the state, a 1.2% increase over the prior month. Compared to the same month last year, food stamp participation was up by 2.6%. The number of food stamp recipients began increasing steadily in July 2007, after several years in the 550,000 to 575,000 range.

The 3-month average count of the **Department of Correction's (ADC) inmate population** declined to 40,131 inmates between March and May 2011. Relative to the prior period, the population has increased by 61 inmates, and compared to a year ago the population has declined by (376) inmates.

"In April, there were a total 1.1 million food stamp recipients in the state."

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)	April	9.3%	(0.2)%	(0.8)%
- Initial Unemployment Insurance Claims	April	29,838	29.5%	(6.2)%
- Unemployment Insurance Claimants	April	65,434	4.3%	(25.1)%
- Non-Farm Employment - Total	April	2.41 million	0.7%	0.4%
Manufacturing	April	149,800	0.5%	1.1%
Construction	April	109,500	3.7%	(1.8)%
- Average Weekly Hours, Manufacturing	April	40.7	0.5%	3.6%
- Contracting Tax Receipts (3-month average)	Feb-Apr	\$30.0 million	(3.7)%	10.8%*
- Retail Sales Tax Receipts (3-month average)	Feb-Apr	\$143.4 million	(5.3)%	18.1%*
- Residential Building Permits (3-month moving average)				
Single-family	Feb-Apr	915	14.3%	(24.0)%
Multi-unit	Feb-Apr	186	(5.6)%	69.4%
- Greater Phoenix Existing Home Sales				
Single-Family	April	10,265	(7.1)%	0.1%
Townhouse/Condominium	April	1,675	(6.2)%	(0.3)%
- Greater Phoenix Median Resale Home Price				
Single-Family	April	\$125,000	(3.0)%	(15.5)%
Townhouse/Condominium	April	\$85,000	0.0%	(16.7)%
- Foreclosure Activity, Maricopa County				
Foreclosure Notices (Notice of Trustee's Sales Recorded)	April	4,418	(22.4)%	(37.5)%
Pending Foreclosures (Active Notices)	April	32,203	(9.3)%	(31.2)%
- Greater Phoenix S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	February	100.81	(0.7)%	(8.4)%
- Arizona Months Supply of Housing, (ARMLS)	April	3.7 months	(0.1) months	(0.8) months
- Phoenix Sky Harbor Air Passengers	February	2.98 million	(8.7)%	2.6%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	February	\$6.23	(3.3)%	(14.0)%
- Arizona Consumer Confidence Index (1985 = 100)	2 nd Quarter 2011	51.9	(17.4)%	4.6%
- Arizona Coincident Index (July 1992 = 100)	April	180.02	0.4%	1.3%
- Arizona Personal Income	4 th Quarter 2010	\$226.7 billion	1.1%	3.3%
- Arizona Population	April 1, 2010	6.39 million	N/A	N/A
- AHCCCS Recipients	May	1,348,143	0.8%	(0.8)%
- TANF Recipients	April	41,781	(0.9)%	(45.2)%
- SNAP (Food Stamps) Recipients	April	1,080,247	1.2%	2.6%
- ADC Inmate Growth (3-month average)	Mar-May	40,131	61 inmates	(376) inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	March	19,265	188	(413)
Maricopa County	March	26,319	253	(2,160)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	1st Quarter 2011 (Advance Estimate)	\$13.4 trillion	2.3%	1.8%
- Consumer Confidence Index (1985 = 100)	April	65.4	2.5%	13.3%
- Leading Indicators Index (2004 = 100)	April	114.0	(0.3)%	5.0%
- U.S. Semiconductor Billings (3-month moving average)	Jan-Mar	\$4.69 billion	1.7%	18.2%
- Consumer Price Index, SA (1982-84 = 100)	April	224.43	0.4%	3.1%

*Adjusted for 1¢ sales tax

Summary of Recent Agency Reports

Department of Commerce – Annual Report on the Healthy Forest Enterprise Incentives Program – Pursuant to A.R.S. § 41-1516 I the Department of Commerce is required to report on the Healthy Forest Enterprise Incentives Program regarding the: 1) quantity and measured weight of qualifying forest products reported; 2) number of new full-time employees hired in qualified employment positions; 3) number of all full-time employees employed in qualified employment positions. In calendar year 2010 the total weight of qualified harvest, processed or transported forest products was 144,977 tons. Additionally, none of the companies participated in the tax credit portion of the program.

The Healthy Forest Enterprise Incentives Program allows businesses primarily engaged in the harvesting, initial processing or transporting of forest products in Arizona to exempt qualified purchases from Use and Transaction Privilege Taxes, a 50% reduction in the Use Fuel Tax, a reduction in the assessment ratio of personal and real property from 25% to 5% and an income tax credit of up to \$3,000 per employee on new jobs created. (Eric Billings)

Department of Public Safety – Quarterly Report on Photo Enforcement – Pursuant to a footnote in the General Appropriation Act, the Department of Public Safety (DPS) is required to report quarterly on the Photo Enforcement program in FY 2011.

Since the inception of the program in September 2008, a total of 1,695,625 Notices of Violation (NOVs) and citations have been issued and 453,587, or 26.8%, have been paid.

DPS ended the Photo Radar Program effective July 15. During the third quarter of FY 2011, 1,440 citations that were issued prior to

July 15 were paid.

The NOVs and citations issued by the Photo Enforcement Program generated \$507,500 in revenue for the third quarter of FY 2011 and \$77.8 million since the program's inception. The General Fund received \$3.0 million in the third quarter, which includes balances from revenue in prior quarters, and \$47.1 million since the program's start. (Eric Billings)

State Parks Board – Report on Reservation Surcharge Fund Revenue – Pursuant to a FY 2011 General Appropriation Act footnote, the State Parks Board is submitting a report on Reservation Surcharge Fund revenue in excess of its appropriation of \$207,600 and the intended use of these additional monies. The footnote stipulates that during FY 2011, all Reservation Surcharge Fund receipts received by the Parks Board in excess of \$207,400 are appropriated to the fund. However, prior to expenditure of any excess revenue, the Parks Board must report the intended use of these monies to the JLBC.

The State Parks Board estimates that the Reservation Surcharge Fund will generate additional receipts of about \$192,400, or \$400,000 in total revenue, due to the implementation of a new electronic reservation system. Since the new system is also creating additional expenses, the Parks Board intends to use the additional revenues for administering and maintaining the reservation system. The Parks Board expects to spend \$289,900 from the fund, plus transfer \$102,400 to the General Fund for a required fund sweep. (Art Smith)

Department of Public Safety – Quarterly Report on GIITEM – Pursuant to the General Appropriation Act, the Department of Public Safety (DPS) is required to report quarterly on the Gang and

Immigration Intelligence Team Enforcement Mission (GIITEM). Through the third quarter of FY 2011, DPS spent or encumbered \$6.1 million of the \$9.2 million appropriation for the direct DPS immigration staff. In terms of local law enforcement grants, DPS spent \$2.3 million of the non-lapsing FY 2010 \$2.6 million appropriation and \$467,100 of the \$2.6 million FY 2011 appropriation for a total of \$2.7 million. The \$2.6 million in new FY 2011 local law enforcement grants will be available for use through FY 2012.

The \$2.7 million has been distributed as follows in *Table 6*: (Eric Billings)

Table 6

FY 2011 GIITEM Local Illegal Immigration Enforcement Grant Expenditures	
<u>State Organization</u>	
Maricopa County Sheriff	\$1,200,000
Pima County Sheriff	500,000
Phoenix Police Department	390,500
Other Agencies	398,000
Support	<u>163,000</u>
Total	\$2,651,500

April Spending

“April 2011 spending of \$621.7 million was \$313.6 million higher than April 2010.”

April 2011 General Fund spending was \$621.7 million. April expenditures were higher than the prior year in part due to differences in the timing of the K-12 rollover and federal stabilization act monies received last year.

FY 2011 Spending

April 2011 spending of \$621.7 million was \$313.6 million higher than April 2010 (See Table 7).

- In April, the Arizona Department of Education spending was \$251.1 million higher than the prior year. April expenditures were higher compared to the prior year due to differences in the timing of the K-12 rollover and federal stabilization act monies received last year.
- University spending was \$56.2 million in April, or \$55.3 million higher than the prior

year. The increased expenditure amount reflects the rollover being spread out over the course of the fiscal year.

- Department of Public Safety (DPS) spending was \$5.7 million higher than April of the prior year. The increased expenditures amount is due to DPS front-loading their General Fund expenditures in the prior year since they were unable to access Highway Fund monies until later in the year because of the delayed implementation of the Criminal Justice Budget Reconciliation Bill.

Table 7

Agency	General Fund Spending (\$ in Millions)			
	<u>April 11</u>	<u>Change from April 10</u>	<u>Year to Date</u>	<u>YTD Change from FY 10</u>
AHCCCS	28.2	8.8	1,172.0	95.8
Corrections	84.6	1.4	735.9	15.8
Economic Security	24.4	(6.9)	517.0	6.7
Education	339.6	251.1	3,020.2	(128.0)
Health Services	10.2	(2.7)	412.2	(56.4)
Public Safety	2.3	5.7	37.3	(1.4)
School Facilities Board	0.2	(0.4)	67.3	(37.3)
Universities	56.2	55.3	777.5	(5.5)
Leaseback Debt Service	-	-	52.1	52.1
Other	<u>76.0</u>	<u>1.3</u>	<u>524.4</u>	<u>(45.0)</u>
Total	621.7	313.6	7,315.9	(103.2)

Agency	General Fund Spending (\$ in Thousands)			YTD Change from FY 10
	April 11	Change from April 10	Year-to-Date	
Department of Administration	1,603.3	(806.3)	17,788.4	1,850.7
Department of Admin Sale/Leaseback D/S	-	-	52,066.9	52,066.9
Office of Administrative Hearings	136.4	(6.9)	801.7	(13.3)
Department of Agriculture	523.4	27.2	7,112.2	(222.2)
AHCCCS	28,211.4	8,811.9	1,171,992.6	95,755.1
Arizona Commission on the Arts	51.1	(86.7)	546.5	(247.6)
Arizona Exposition and State Fair Board	-	-	-	(400.0)
Attorney General	1,088.1	(129.6)	13,882.4	(1,636.8)
AZ Capital Post Conviction Public Defender	70.7	(34.2)	598.7	20.1
State Board of Charter Schools	45.0	7.2	597.1	(2.2)
Board of Chiropractic Examiners	-	-	-	(148.0)
Department of Commerce	121.3	69.7	3,017.9	549.7
Community Colleges	33,106.6	-	132,426.3	-
Corporation Commission	44.0	(27.6)	511.3	25.9
Department of Corrections	84,627.2	1,429.5	735,872.9	15,751.9
Board of Cosmetology	-	-	-	(252.0)
AZ Criminal Justice Commission	-	-	-	4.6
AZ State Schools for the Deaf & Blind	3,691.9	813.5	19,782.3	1,596.7
Department of Economic Security	24,443.1	(6,910.8)	517,045.6	6,964.7
Department of Education	339,642.8	251,051.0	3,020,178.9	(128,039.4)
DEMA	534.3	(763.0)	8,989.4	747.6
Department. of Environmental Quality	-	(613.4)	0.6	(4,740.2)
DEQ – WQARF	-	-	7,000.0	-
Office of Equal Opportunity	8.7	(4.4)	147.2	(23.0)
State Board of Equalization	22.0	(82.4)	489.9	(91.7)
Board of Executive Clemency	48.1	9.9	730.3	(67.6)
Department of Financial Institutions	153.2	(9.5)	2,252.9	(389.6)
Department of Fire, Bldg, Life Safety	107.0	27.4	1,749.1	(158.6)
Office of the State Forrester	1,550.4	1,550.4	3,546.6	3,546.6
Board of Funeral Directors	-	-	-	(100.0)
Arizona Geological Survey	28.4	(30.8)	569.6	(96.3)
Government Information Tech.	26.1	(11.1)	407.3	18.7
Governor	377.1	190.3	5,257.4	(846.1)
Gov. - OSPB	152.6	14.9	1,566.9	(117.8)
Department of Health Services	10,238.0	(2,739.3)	412,182.2	(56,368.9)
Arizona Historical Society	168.6	(153.8)	4,939.9	1,419.5
Prescott Historical Society of AZ	51.5	19.3	615.3	40.5
Independent Redistricting Comm.	3.7	3.7	4.4	(21.7)
Commission on Indian Affairs	3.9	0.6	50.4	(29.9)
Department of Insurance	356.2	(70.3)	4,763.1	(159.1)
Judiciary				
Supreme Court	1,255.2	205.2	17,266.4	2,670.9
Superior Court	9,768.3	(764.5)	65,572.2	(8,490.4)
Court of Appeals	1,251.8	(235.0)	12,557.5	527.5
Department of Juvenile Corrections	3,005.0	(1,004.2)	43,415.6	(11,357.5)

Agency	April 11	Change from April 10	Year-to-Date	YTD Change from FY 10
State Land Department	502.9	(582.6)	2,976.6	(8,749.2)
Law Enforcement Merit System	5.2	(7.8)	60.2	(7.1)
Legislature				
Auditor General	1,091.7	44.2	14,430.9	1,960.1
House of Representatives	858.6	(0.3)	10,155.1	(349.9)
Joint Legislative Budget Comm.	115.0	(27.9)	1,718.2	(228.9)
Legislative Council	287.4	(6.2)	3,938.7	(321.9)
Senate	630.5	31.1	7,201.8	(229.0)
Department of Liquor Licenses	-	-	3.3	(744.4)
Board of Medical Student Loans	-	-	360.7	(441.2)
Mine Inspector	81.8	29.0	945.0	(123.1)
Department of Mines & Mineral Resources	-	(23.7)	815.8	185.0
Nav. Streams & Adjudication	6.0	-	112.6	0.5
OSHA	-	-	-	(14.4)
Arizona State Parks Board	-	(213.9)	20,000.0	(2,114.2)
Pioneers' Home	86.4	86.4	1,267.6	1,267.6
Board of Psychologist Examiners	-	-	25.0	(275.0)
Comm. for Postsecondary Ed.	609.9	(293.2)	1,220.8	(2,110.2)
Department of Public Safety	2,263.1	5,673.1	37,333.5	(1,367.1)
Arizona Department of Racing	144.5	(294.1)	3,685.3	(819.8)
Radiation Regulatory Agency	283.2	65.1	1,314.5	25.1
Arizona Rangers Pension	-	(1.3)	8.3	(3.4)
Real Estate Department	131.0	(1.7)	2,339.8	(347.0)
Department of Revenue	6,806.8	2,953.4	38,118.1	7,718.9
School Facilities Board	220.6	(425.4)	67,314.5	(37,316.2)
Secretary of State	1,747.9	983.0	13,860.1	2,427.4
Tax Appeals Board	15.6	(6.9)	215.4	(5.3)
Office of Tourism	-	-	-	(200.0)
Department of Transportation	14.0	4.0	51.4	(1.4)
State Treasurer	-	(192.1)	-	(2,236.9)
Universities				
Board of Regents	80.8	(90.0)	16,636.6	(3,455.7)
Arizona State University	25,400.9	25,400.9	344,586.5	(648.2)
Northern Arizona University	8,551.9	7,893.6	116,012.9	(868.3)
University of Arizona	22,135.0	22,135.0	300,279.4	(553.9)
Veterinary Medical Examiners Board	-	-	-	(250.0)
Department of Veteran Services	1,161.1	392.8	10,460.6	2,761.6
Department of Water Resources	362.0	(691.2)	5,551.9	(8,467.5)
Department of Weights & Measures	74.3	(92.5)	907.4	(138.0)
Other	1,476.4	1,092.9	3,711.9	(16,743.4)
Grand Total	621,660.7	313,581.5	7,315,916.3	(103,246.7)