

**ARIZONA**  
**MONTHLY FISCAL HIGHLIGHTS**  
**November 2004**

General Fund revenue collections were \$529.5 million in November. This amount is \$54.3 million over the forecast for the month and 10.2% greater than November of last year.

Collections for the first 5 months of the fiscal year total \$189.5 million over the budgeted forecast. The General Appropriation Act included a provision that any revenue exceeding the budgeted forecast for the first six months of FY 2005 will be dedicated for specific purposes. This “excess” FY 2005 revenue will be divided evenly between the General Fund and the Budget Stabilization Fund. The existence of surplus FY 2005 revenues does not mean that there will be surplus monies in the next fiscal year. For example, surplus FY 2005 revenues may be used in the FY 2006 budget to offset the loss of one-time FY 2005 financing.

November collections for the Big 3 revenue categories were \$53.8 million over the same month last year. Sales tax collections once again were strong, with an increase of \$22.2 million, or 8.3% (based on preliminary numbers). Individual income tax collections were \$36.2 million, or 19.9% over last year.

This report also includes summaries of the December 16<sup>th</sup> JLBC meeting and the December 20<sup>th</sup> JCCR meeting, as well as an analysis of the recently approved FY 2005 federal budget.

<b>General Fund Revenues</b>			
<b>Compared to Adopted Forecast and FY 2004 Collections</b>			
(\$ in Millions)			
	FY 2005 <u>Collections</u>	Difference <u>From Forecast</u> <sup>1/</sup>	Difference <u>From FY 2004</u>
November	\$ 529.5	\$ 54.3	\$ 49.0
Year-to-Date	\$ 2,848.8	\$ 189.5	\$ 259.1 <sup>2/</sup>

1/ Enacted FY 2005 budget (May)  
2/ Including the receipt of \$87.2 million federal cash assistance grant in October, 2003.

**Sales Tax** revenue increased by 8.3% on a year-over-year basis in November and was \$8.2 million above the forecast for the month. Year-to-date, collections are 9.5% over the first 5 months of last fiscal year and \$44.0 million over forecast for the period. The following is based on collections through October:

- Retail sales tax receipts have increased by 7.7%.
- Contracting continues to exhibit the large increases begun last year, with a year-to-date increase of 17.8%.
- Restaurants and bars collections are up 8.6%.
- Use tax receipts (all of which is retained by the state) are up 15.8%.

**Individual Income Tax** collections for November were 19.9% above last year. Withholding tax collections increased by 14.3% compared to last year due to 2 more processing days for

the month. Estimated/final payments were up more than 35% over last year, and refunds were (26.6)% less. Year-to-date total individual income tax collections are 12.9% above last year, and \$66.9 million above the forecast for through November.

**Corporate Income Tax** revenue of \$5.8 million was \$(4.6) million less than November collections last year. November 2003 net collections, however, were significantly above the seasonal average. November is traditionally a “negative” collection month, with a significant amount of refund activity. Given that November is usually a negative month, this month’s net positive collection of \$5.8 million was \$20.0 million above the monthly forecast. Year-to-date corporate collections are \$58.8 million or 40.1% over forecast.

**Recent Economic Indicators:** After five consecutive declines, the **U.S. Index of Leading Economic Indicators** edged up 0.2% in November. Rising stock prices, manufacturers’ new orders, and falling unemployment



insurance claims were among the influences pushing the index higher. However, the **U.S. Consumer Confidence Index** posted a loss in November, falling (2.6)% from the prior month.

Revised estimates showed real **U.S. Gross Domestic Product (GDP)** expanded at a 3.9% seasonally adjusted annual rate in 2004's third quarter. Rising personal consumption expenditures and residential fixed investment were the key contributing factors.

**U.S. semiconductor billings** (three-month moving average) regained its footing in October, rising by 2.8% from the previous three-month period. The Semiconductor Industry Association cited growth in sales of PC microprocessors as one of the reasons for the improvement.

Arizona's job market showed some recent improvement. Total **non-farm employment** increased by 3.0% on a year-over-year basis in November as manufacturing added another 700 jobs. Most of the remaining gains were in trade, business services, health care, and food services. Arizona's last 3% monthly employment gain occurred in December 2000.

The **Arizona Index of Leading Economic Indicators** slipped (0.7)% in October. New orders, delivery times, and production were among the negative contributors. The **Arizona Business Conditions Index**, derived from a survey of supply chain managers, lost ground again in November, dropping by (1.8)% from the prior month. In spite of the overall decline, an increase in new orders, reversing October's decline, was encouraging.

Among state programs, the **AHCCCS caseload** continued to increase in November. Average enrollment for the most recent three months was 6.6% higher than the previous three-month period. On the other hand, the **number of TANF recipients** (3-month average) declined to 112,650 in October, a (2.1)% drop from the previous three-month period.

From September through November, the **Department of Corrections' inmate population** increased by an average of 169 from the previous three months. The average head count was 1,180 higher than the level from a year ago.

RECENT 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>
<b>Arizona</b>				
- Unemployment Rate	November	4.5%	(0.3)%	(0.5)%
- Jobs	November	2.41 million	1.2%	3.0%
- Contracting Tax Receipts (3-month average)	Aug-Oct	\$56.9 million	6.2%	17.8%
- Retail Sales Tax Receipts (3-month average)	Aug-Oct	\$133.7 million	(2.3)%	8.2%
- Residential Building Permits - (3-month moving average)				
Single-unit	October	6,543	(10.3)%	17.0%
Multi-unit	October	661	(12.3)%	(20.9)%
- Arizona Tourism Barometer	September	96.9	10.6%	6.7%
- Phoenix Sky Harbor Air Passengers	October	3.39 million	12.2%	7.7%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	September	\$5.24	(5.2)	7.4%
- Leading Indicators Index	October	124.5	(0.7)%	1.1%
- Business Conditions Index (>50 signifies expansion)	November	62.0	(1.8)%	(3.9)%
- Consumer Confidence Index	4 <sup>th</sup> Quarter 2004	101.1	(0.2)%	10.1%
- Business Leaders Confidence Index	4 <sup>th</sup> Quarter 2004	65.5	(4.1)%	5.1%
- Arizona Personal Income	2 <sup>nd</sup> Quarter 2004	\$158.8 billion	1.4%	6.4%
- Arizona Population	1 <sup>st</sup> Quarter 2004	5.76 million	0.9%	3.2%
- AHCCCS Recipients (3-month average)	Sep-Nov	795,812	6.6%	6.2%
- TANF Recipients (3-month average)	Aug-Oct	112,650	(2.1)%	(12.8)%
- DOC Inmate Growth (3-month average)	Sep-Nov	32,456	169 inmates	1,180 inmates
<b>United States</b>				
Gross Domestic Product (seasonally adjusted annual growth rate)	3 <sup>rd</sup> Quarter 2004	\$10.9 trillion	3.9%	4.0%
- Consumer Confidence Index	November	90.5	(2.6)%	(2.2)%
- Leading Indicators Index	November	115.2	0.2%	0.9%
- U.S. Semiconductor Billings -(3-month moving average)	August-October	\$3.5 billion	2.8%	19.7%
- Consumer Price Index - (3-month moving average)	Sep-Nov	190.6	0.3%	3.1%

# State of Arizona

## General Fund Revenue: Change from Previous Year and Original Budget Forecast November 2004

	Current Month					FY 2005 YTD (Five Months)				
	Actual	Change From		Budgeted Forecast		Actual	Change from		Budgeted Forecast	
		November 2004	November 2003	Percent	Amount		Percent	November 2003	Percent	Amount
<b><u>Taxes</u></b>										
Sales and Use	\$289,485,900	\$22,197,256	8.3 %	\$8,284,213	2.9 %	\$1,459,901,735	\$127,196,569	9.5 %	\$44,011,836	3.1 %
Income - Individual	218,542,604	36,199,655	19.9	19,279,701	9.7	1,068,738,950	121,861,076	12.9	66,895,091	6.7
- Corporate	5,793,228	(4,572,687)	(44.1)	19,994,976	--	205,507,923	65,494,375	46.8	58,838,712	40.1
Property	9,295,934	(1,332,396)	(12.5)	1,952,140	26.6	11,630,763	(8,288,959)	(41.6)	1,152,732	11.0
Luxury	5,445,099	43,699	0.8	30,099	0.6	25,691,578	1,286,857	5.3	616,578	2.5
Insurance Premium	50,567	(88,427)	(63.6)	98,731	--	100,931,011	30,320,594	42.9	6,676,900	7.1
Estate	3,262,715	1,394,814	74.7	1,587,715	94.8	18,283,362	2,784,683	18.0	9,908,362	118.3
Other Taxes	376,322	198,562	111.7	(493,678)	(56.7)	1,549,794	(102,414)	(6.2)	(2,800,206)	(64.4)
<b>Sub-Total Taxes</b>	<b>\$532,252,369</b>	<b>\$54,040,476</b>	<b>11.3 %</b>	<b>\$50,733,897</b>	<b>10.5 %</b>	<b>\$2,892,235,116</b>	<b>\$340,552,781</b>	<b>13.3 %</b>	<b>\$185,300,005</b>	<b>6.8 %</b>
<b><u>Other Revenue</u></b>										
Lottery	3,911,100	(561,600)	(12.6)	811,100	26.2	12,541,200	(3,291,000)	(20.8)	141,200	1.1
License, Fees and Permits	1,794,455	460,560	34.5	253,266	16.4	10,919,714	1,243,374	12.8	1,273,122	13.2
Interest	1,663,524	465,755	38.9	666,989	66.9	7,006,193	(8,975,737)	(56.2)	2,380,343	51.5
Sales and Services	3,731,470	645,952	20.9	444,270	13.5	14,440,810	(5,562,271)	(27.8)	(2,719,232)	(15.8)
Other Miscellaneous	1,565,409	847,463	118.0	496,793	46.5	6,529,099	(3,920,506)	(37.5)	(1,511,886)	(18.8)
Disproportionate Share	0	0	--	0	--	0	(5,625,187)	(100.0)	0	--
Transfers and Reimbursements	1,736,020	(4,929,097)	(74.0)	916,240	111.8	16,260,696	(78,545,640)	(82.8)	4,645,476	40.0
<b>Sub-Total Other Revenue</b>	<b>14,401,978</b>	<b>(3,070,967)</b>	<b>(17.6) %</b>	<b>3,588,658</b>	<b>33.2 %</b>	<b>67,697,712</b>	<b>(104,676,967)</b>	<b>(60.7) %</b>	<b>4,209,023</b>	<b>6.6 %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$546,654,347</b>	<b>\$50,969,509</b>	<b>10.3 %</b>	<b>\$54,322,555</b>	<b>11.0 %</b>	<b>\$2,959,932,828</b>	<b>\$235,875,814</b>	<b>8.7 %</b>	<b>\$189,509,028</b>	<b>6.8 %</b>
<b><u>One-Time Revenue</u></b>										
Urban Revenue Sharing	(31,089,382)	(667,285)	2.2	135	(0.0)	(155,446,907)	(3,336,422)	2.2	678	(0.0)
Budget Balancing Transfers	0	0	--	0	--	0	0	--	0	--
VLT Transfer	13,921,962	13,921,962	--	0	0.0	42,183,962	42,183,962	--	0	0.0
Tax Amnesty	0	(15,080,406)	(100.0)	0	--	0	(15,080,406)	(100.0)	0	--
Judicial Enhancement	40,000	(134,885)	(77.1)	0	0.0	2,146,600	(497,500)	(18.8)	0	0.0
<b>Sub-Total Transfers In</b>	<b>(17,127,420)</b>	<b>(1,960,614)</b>	<b>12.9 %</b>	<b>135</b>	<b>(0.0) %</b>	<b>(111,116,345)</b>	<b>23,269,634</b>	<b>(17.3) %</b>	<b>678</b>	<b>(0.0) %</b>
<b>TOTAL REVENUE</b>	<b>\$529,526,927</b>	<b>\$49,008,895</b>	<b>10.2 %</b>	<b>\$54,322,690</b>	<b>11.4 %</b>	<b>\$2,848,816,483</b>	<b>\$259,145,448</b>	<b>10.0 %</b>	<b>\$189,509,706</b>	<b>7.1 %</b>

VP% = Percent change from comparable period in prior year

VF% = Variance from forecast

F% = Forecast percent change for the fiscal year.

R% = Average percent change from comparable period in prior year which must be attained over remaining months to realize the forecast for year.

<b>JLBC MEETING</b>
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At its December 16th meeting, the Joint Legislative Budget Committee considered the following issues:

**Arizona Department of Administration – Review of Mileage and Lodging Reimbursement Rates** – The Committee approved increasing the mileage rates for travel by motor vehicle (from 34.7 cents per mile to 37.5 cents per mile) and by airplane (from 42 cents per mile to 99.5 cents per mile) as well as ADOA's requested lodging reimbursement rates. The various state agencies will absorb any additional travel costs as a result of the approved rates. The Committee also requested that ADOA report on the establishment of a tiered rate system depending on the availability of state motor pool vehicles.

**State Compensation Fund – Approval of Calendar Year 2005 and 2006 Budgets** – The Committee took no action on the proposed CY 2005 and 2006 budgets for the State Compensation Fund. SCF is required to submit their budget to the Committee for approval. The SCF, however, does not believe that the Committee's action limits their budget. In FY 2004, the Committee did not approve a budget for SCF. From 2001 to 2003, SCF's expenditures exceeded the approved level of spending.

**Department of Public Safety – Quarterly Review of the Arizona Public Safety Communications Advisory Commission** – The Committee favorably reviewed the FY 2005 1<sup>st</sup> quarter expenditures report of the Arizona Public Safety Communication Advisory Commission. First quarter expenditures totaled \$249 of the \$5 million in available funding for the design costs of a statewide interoperability communication system.

**Joint Legislative Budget Committee – Consider Approval of Year 2005-2006 Strategic Program Area Review Topic Candidates** – The Committee approved 4 program areas to receive Strategic Program Area Reviews (SPAR) in the Year 2005-2006. Program areas to be reviewed include Workforce Development, Homeland Security, University Financial Aid and Ports of Entry. The SPAR process is designed to look at programs that involve multiple state agencies.

**Arizona Department of Transportation – Review of Intergovernmental Agreement Between ADOT and Maricopa County** – The Committee gave a favorable review of the intergovernmental agreement related to road improvements near Phoenix International Raceway (PIR). Laws 2004, Chapters 182 and 282 authorized the use of state sales tax revenues generated at PIR to pay the debt service for the improvements if PIR were chosen for an additional major race. PIR has been awarded a second NASCAR race beginning Spring 2005. As a result, legislation allows for a transfer of \$416,700 annually from state sales tax collections over a 12 year period (totaling \$5 million) beginning in FY 2008.

**Department of Economic Security – Review of Expenditure Plan for Discretionary Workforce Investment Act (WIA) Monies** – The Committee deferred a decision on the department's expenditure plan for \$2.2 million in discretionary federal WIA monies received by the state for FY 2005. The deferral was necessary so that JLBC Staff can analyze additional information provided by the agency. The Committee also had questions on how WIA dollars are being used.

**Governor's Office of Strategic Planning and Budgeting (OSP) – Report on Federal Maximization Initiative** – The Committee heard testimony on a quarterly report submitted by OSPB on the status of a Federal Revenue Maximization Initiative. The item was for information only and no Committee action was required.

To date, 3 projects have been completed, with 11 ongoing and 7 potential projects. While the enacted budget included \$25 million in savings for this initiative, these projects are not expected to produce substantial reductions in current appropriations. Some AHCCCS and DES projects may reduce the magnitude of potential supplemental requests.

**Attorney General – Report on New Staffing of Child Protective Services (CPS) Attorneys** – The Committee heard testimony on the hiring of new AG staff working in the Division of Children, Youth and Families within the Department of Economic Security. No action was required by the Committee. The report indicated that:

- 1) Of the 65 AG positions appropriated in the General Appropriation Act, 50 have been filled;
- 2) At the end of the 1<sup>st</sup> Quarter of FY 2005, there were 10,434 children awaiting placement, up from 9,771 children a year ago;
- 3) Of the 10,434, 2,935 children had been awaiting placement for longer than 24 months (compared to 2,618 a year ago);
- 4) Since the 2<sup>nd</sup> Special Session in the fall of 2003, there have been a total of 119 jury trial requests and 16 actual jury trials. Of these amounts, 39 requests and 4 trials occurred in the 1<sup>st</sup> Quarter of FY 2005.

**Arizona State Retirement System (ASRS) – Report on Contribution Rates** – The Committee heard an update on projected increases in the ASRS contribution rate. This item was for information only and no Committee action was required. ASRS projects an increase in the contribution rate from 5.2% to 7.75% beginning in FY 2006. The increase produces an estimated FY 2006 cost of \$22 million to state General Fund agencies and \$51 million to each public school district and teachers.

<b>JCCR MEETING</b>
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At its December 20 meeting, the Joint Committee on Capital Review considered the following issues:

**Executive Session – Telecommunications Privatization Contract** – The JCCR favorably reviewed the Arizona Department of Administration's (ADOA) proposed Statewide Telecommunications Management Contract with the provisions that JLBC Staff, GITA and ADOA develop items to

be reported quarterly on the status of contract implementation, and that the review did not constitute endorsement of General Fund appropriations to offset any additional telecommunications or capital expenditures at any agency that result from the contract. The contract has not yet been publicly announced.

**SFB/ASDB Building Renewal and New Construction Estimates** – The JCCR received the report on the School Facilities Board (SFB) estimates for building renewal and new construction formula requirements for the Arizona State Schools for the Deaf and the Blind facilities. Building renewal requirements are estimated to be \$799,800 in FY 2006 and \$838,200 in FY 2007. New school construction requirements are estimated to be \$2.7 million in FY 2006 and \$1.3 million in FY 2007, assuming FY 2006 requirements are funded.

**SFB FY 2006 New School Construction** – The JCCR received an update from SFB on estimates for new school construction requirements in FY 2006. The original estimate of \$357.6 million submitted by SFB has been revised to \$300 million. The amount includes FY 2005 and FY 2006 projects. The Committee was not able to fulfill its statutory requirement to review the estimates as SFB had not submitted all of the required information. SFB has requested an extension until May, but the Committee does not have the authority to grant extensions. The Committee requested that SFB include the statutorily required items related to demographic assumptions, projected construction schedules and cost estimates when it submits the entire report by January 15. In addition, the Committee requested the construction schedules also include outstanding projects as well as cash flow estimates.

**ASU Land Acquisition** – The JCCR favorably reviewed the acquisition of 2.7 acres of property with a \$5.7 million system revenue bond issuance. ASU plans on providing a ground lease on the property to a private developer for construction of student housing on the site, which is near Rural and Apache in Tempe. Bonds would be repaid over a 30-year period using lease payments from the developer. The review included provisions requiring ASU to submit for review any increases that exceed 5% of the purchase price and that a favorable review did not constitute endorsement of General Fund appropriations for debt service or operating costs. The Committee also requested that ASU report on the final development plans, including associated financing devices and cash flow.

**ADOA Building Renewal** – The JCCR favorably reviewed a revised allocation plan for an additional \$100,000 of the \$3.5 million FY 2005 building renewal appropriation from the Capital Outlay Stabilization Fund. The \$100,000 would fund design costs for the replacement of metal roofs at 8 Department of Corrections facilities.

**ADOA Private Leases** – The JCCR received the report on private office leases that exceeded the Lease Cost Review Board (LCRB) estimates for FY 2003 and FY 2004. Ten leases exceed the LCRB rate of \$17.25 per square foot in FY 2003. Three leases exceeded the LCRB rate of \$18.25 per

square foot in FY 2004. ADOA was asked to report by January 10 on why some of the leases in FY 2003 did not appear in FY 2004 even though the lease terms went beyond FY 2004 and exceeded the LCRB rate for FY 2004.

**UofA Contingency Allocation** – The JCCR received a report on the reallocation of \$0.3 million from the \$2.8 million in the contingency allocation for infrastructure improvements. The total project budget of \$30.8 million remains unchanged. UofA reported that the reallocation is needed as a result of cost increases for construction materials such as steel and concrete. This project was favorably reviewed at the Committee's September 2003 meeting. UofA was asked to report on whether the construction manager at risk (CMAR) process was used for this project.

#### Trends in Spending for Major Federal Programs

The President signed the federal FY 2005 budget in early December 2004. Total funding for major federal programs in Arizona increased from \$5.7 billion to \$6.0 billion (4.0%) from FY 2004 to FY 2005. (Please see attached table and program descriptions.) Over the two year period from FY 2003 to FY 2005, total funding in Arizona increased from \$5.0 billion to \$6.0 billion (18.8%). Arizona's increase in federal funds over the past few years is due to the overall rising trend in total federal spending and because Arizona's proportional share of the growing federal budget increased during this time period as well (from 1.7% in FY 2003 to 1.9% in FY 2005).

The information is compiled from Federal Funds Information for States (FFIS) data. FFIS is a joint effort of the National Governors Association and the National Conference of State Legislatures. They report on the largest federal grant programs, which reflect the overwhelming share of total federal assistance to state governments. The grants shown here represent formula grants to states including recent federal match rate adjustments. However, the amounts do not include discretionary grants, competitive grants or direct cash assistance to individuals (such as Medicare and Social Security). These grants reflect appropriations rather than actual expenditures. In some cases, state agency estimates for these grants may not match the amounts shown in the table. For another perspective on federal funds, the Governor's Office of Strategic Planning and Budget (OSPB) publishes an annual compilation of federal expenditures by state agency. The OSPB Report estimates spending at higher levels due to the inclusion of discretionary grants and pass through funds. The May 2004 OSPB report can be found at <http://www.ospb.state.az.us/pdf/FedFunds.pdf>.

Arizona received increases in some federal grant programs and decreases in others from FY 2004 to FY 2005. Arizona's social grant programs administered through the Departments of Education, and Health and Human Services received decreases in several individual programs, but received greater funding when considered as a whole. Programs administered through the Departments of Labor and Transportation generally increased from FY 2004 to FY 2005. As was the case for the two previous years, the largest single gain for Arizona came

from federal Medicaid Vendor Payments. After adjusting for decreases of \$33 million in the State Children's Health Insurance Program (SCHIP) and \$5 million in Medicaid Administration, Arizona received \$318 million more for Medicaid in FY 2005 than in FY 2004. If Medicaid Payments, Medicaid Administration and SCHIP are excluded, funding for major federal programs in Arizona decreased by 1.5% from FY 2004 to FY 2005. Without Medicaid dollars, Arizona's share of major federal programs decreased slightly during the period, representing 1.56% of the total US non-Medicaid budget in FY 2004 and 1.54% of the total US non-Medicaid budget in FY 2005.

Other federal programs which grew from FY 2004 to FY 2005 in Arizona include:

- Basic State Grant for Special Education increased by \$10 million or 6.6%
- Women, Infants & Children (WIC) Supplemental Feeding Program increased by \$12 million or 14.1%
- Vaccines for Children increased by \$1 million or 4%

Federal programs which decreased from FY 2004 to FY 2005 in Arizona include:

- State Fiscal Relief Payments decreased by \$87 million ("one-time" funding eliminated)
- Election Reform Grants decreased by \$26 million (program eliminated)
- Community Development Block Grant (CDBG) – Entitlement and Non-entitlement decreased by \$3 million or 5.2%
- EPA – Clean Water State Revolving Fund decreased by \$2 million or 18.7%
- Homeland Security Formula Grants decreased by \$11 million from FY 2004 to FY 2005.

The attached table and program descriptions provide more detailed information.

**Amount of Federal Grant-in-aid Money Distributed to Arizona for Major Programs**

( Dollars in thousands)

<b>Federal Agency</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY05 \$ above FY04</b>	<b>FY05 % above FY04</b>
<b>Department of Agriculture</b>					
Women, Infants & Children (WIC) Suppl. Feeding Program	81,671	82,247	93,825	11,578	14.1%
<b>Department of Education</b>					
Title I – Grants to Local Education Agencies	187,860	229,949	238,417	8,468	3.7%
Vocational Rehabilitation – State Grants	45,401	48,460	50,376	1,916	4.0%
Special Education – Basic State Grant	132,563	152,382	162,465	10,083	6.6%
State Grants for Improving Teacher Quality	45,804	48,198	47,975	(223)	(0.5%)
Vocational Education – State Grants	23,460	24,282	24,269	(13)	(0.1%)
<b>Department of Health and Human Services</b>					
Adoption Assistance	0	23,092	24,047	955	4.1%
CDC: State and Local Capacity	15,755	15,926	15,799	(127)	(0.8%)
Child Care and Development Block Grant	45,571	47,827	47,728	(99)	(0.2%)
Child Care Entitlement – Mandatory and Matching	48,948	50,364	50,364	0	0.0%
Child Support Enforcement Administration	42,329	45,405	46,400	995	2.2%
Community Services Block Grant	5,247	5,217	5,177	(40)	(0.8%)
Consolidated Health Centers	25,716	27,643	29,633	1,990	7.2%
Foster Care	43,218	44,275	46,269	1,994	4.5%
Head Start	100,061	101,978	102,886	908	0.9%
Low-Income Home Energy Assistance Program (LIHEAP)	6,719	6,720	7,079	359	5.3%
Medicaid – Administration	110,482	117,237	112,584	(4,653)	(4.0%)
Medicaid – Vendor Payments	2,979,417	3,475,538	3,831,182	355,644	10.2%
Promoting Safe and Stable Families	6,107	6,107	6,071	(36)	(0.6%)
Social Services Block Grant (SSBG)	31,503	31,987	31,987	0	0.0%
State Children’s Health Insurance Program (SCHIP)	87,709	139,151	106,473	(32,678)	(23.5%)
Substance Abuse and Prevention Block Grant	30,549	30,988	30,916	(72)	(0.2%)
Temporary Assistance for Needy Families (TANF)	226,131	226,131	226,131	0	0.0%
Vaccines for Children	25,561	26,551	27,610	1,059	4.0%
<b>Department of Homeland Security</b>					
Homeland Security Formula Grants	38,617	31,304	20,733	(10,571)	(33.8%)

**Amount of Federal Grant-in-aid Money Distributed to Arizona for Major Programs**

( Dollars in thousands)

<b>Federal Agency</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY05 \$ above FY04</b>	<b>FY05 % above FY04</b>
<b>HUD and Independent Agencies</b>					
Community Development Block Grant (CDBG) – Entitlement	50,395	49,135	46,589	(2,546)	(5.2%)
CDBG – Non-entitlement	13,637	14,409	13,624	(785)	(5.4%)
EPA – Clean Water SRF	9,036	9,042	7,350	(1,692)	(18.7%)
Election Reform Grants	14,523	26,061	0	(26,061)	(100.0%)
<b>Department of Justice</b>					
Edward Byrne Memorial Grant Program <u>1/</u>	9,040	8,825	0	(8,825)	(100.0%)
State Criminal Alien Assistance Program	9,326	9,083	9,211	128	1.4%
<b>Department of Labor</b>					
Workforce Investment Act – Adult Employment and Training Activities	16,031	16,109	15,967	(142)	(0.9%)
Dislocated Workers	19,177	19,644	19,814	170	0.9%
Employment Service State Grants	12,708	12,629	13,115	486	3.8%
Unemployment – State Administration	25,606	26,733	27,299	566	2.1%
Workforce Investment Act – Youth Activities	17,619	17,629	17,469	(160)	(0.9%)
<b>Department of Transportation</b>					
Federal Aid Highways – Bridge R & R	9,858	11,412	11,861	449	3.9%
Federal Aid Highways – Interstate Maintenance	79,935	92,543	96,177	3,634	3.9%
Federal Aid Highways – Minimum Guarantee	67,353	71,618	68,829	(2,789)	(3.9%)
Federal Aid Highways – National Highway System	86,527	100,206	104,141	3,935	3.9%
Federal Aid Highways – Surface Transportation Program	98,064	113,571	118,031	4,460	3.9%
<b>Department of Treasury</b>					
State Fiscal Relief Payments	87,234	87,234	0	(87,234)	(100.0%)
<b>Total Arizona Funding</b>	<b>5,012,468</b>	<b>5,724,842</b>	<b>5,955,872</b>	<b>231,030</b>	<b>4.0%</b>
<b>Total US Funding</b>	<b>288,344,846</b>	<b>311,889,305</b>	<b>313,223,450</b>	<b>1,334,145</b>	<b>0.4%</b>
<b>Arizona % Share of US Total</b>	<b>1.74%</b>	<b>1.84%</b>	<b>1.90%</b>		
<b>Arizona % Share of US Total (without Medicaid)</b>	<b>1.52%</b>	<b>1.56%</b>	<b>1.54%</b>		

1/ Replaced by new Justice Assistance Grants. No formula is available.

<b>Program Descriptions for Major Federal Grants</b>
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**Department of Agriculture**Women, Infants & Children (WIC) Supplemental Feeding Program

To provide, low-income pregnant, breastfeeding and postpartum women, infants, and children to age five determined to be at nutritional risk, at no cost, supplemental nutritious foods, nutrition education, and referrals to health care providers.

**Department of Education**Title I – Grants to Local Education Agencies

To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards.

Vocational Rehabilitation – State Grants

To assist States in operating programs of vocational rehabilitation; to provide vocational rehabilitation services for individuals with disabilities so they may prepare for and engage in competitive employment.

Special Education – Basic State Grant

To provide grants to States to assist them in providing a free appropriate public education to all children with disabilities.

State Grants for Improving Teacher Quality

To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement.

Vocational Education – State Grants

Basic grants assist States and outlying areas to expand and improve their programs of vocational education and provide equal access in vocational education to special needs populations. The populations assisted by Basic Grants range from secondary students in pre-vocational courses through adults who need retraining to adapt to changing technological and labor market conditions.

**Department of Health and Human Services**Adoption Assistance

To provide Federal Financial Participation to States in adoption subsidy costs for the adoption of children with special needs and who meet certain eligibility tests.

Centers for Disease Control and Prevention: State and Local Capacity

To ensure that state and local health departments, hospitals, and other health care entities are able to mount a collective response featuring seamless interaction of their event-specific capabilities in areas related to bioterrorism.

Child Care and Development Block Grant (includes Entitlement – Mandatory and Matching program)

To make grants to States and Tribes to assist low-income families with child care and to: (1) Allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within State; (2) promote parental choice to empower working parents to make their own decisions on the child care that best suits their family's needs; (3) encourage States to provide consumer education information to help parents make informed choices about child care; (4) assist States to provide child care to parents trying to achieve independence from public assistance; and (5) assist States in implementing the health, safety, licensing, and registration standards established in State regulations.

Child Support Enforcement Administration

To enforce the support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support.

Community Services Block Grant

To provide assistance to States and local communities, working through a network of community action agencies and other neighborhood-based organizations, for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.

Consolidated Health Centers

To support the development and operation of health centers which provide preventive and primary health care services, supplemental health and support services and environmental health services to medically underserved areas/populations.

Foster Care

To help States provide safe, appropriate, 24-hour, substitute care for children who are under the jurisdiction of the administering State agency and need temporary placement and care outside their homes; and to provide Federal Financial Participation in costs related to the program.

Head Start

To promote school readiness by enhancing the social and cognitive development of low-income children, including children on federally recognized reservations and children of migratory farm workers, through the provision of comprehensive health, educational, nutritional, social and other services; and to involve parents in their children's learning and to help parents make progress toward their educational, literacy and employment goals.

Low-Income Home Energy Assistance Program (LIHEAP)

To make Low Income Home Energy Assistance Program (LIHEAP) grants available to States and other jurisdictions to assist eligible households to meet the costs of home energy.

Medicaid: Title XIX – AdministrationMedicaid: Title XIX – Vendor Payments

To provide financial assistance to States for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements, and other categorically-eligible groups. Financial assistance is provided to States to pay for Medicare premiums, copayments and deductibles of qualified Medicare beneficiaries meeting certain income requirements. More limited financial assistance is available for certain Medicare beneficiaries with higher incomes.

Promoting Safe and Stable Families

To fund community-based family support services that promote the safety and well-being of children and families by enhancing family functioning and child development; to fund family preservation services that serve families at risk or in crisis, including the following services: reunification and adoption services, preplacement/preventive services, follow-up services after return of a child from foster care, respite care, services designed to improve parenting skills; and infant safe haven programs; to fund time-limited family reunification services to facilitate the reunification of the child safely and appropriately within a timely fashion; and to fund adoption promotion and support services designed to encourage more adoptions out of the foster care system, when adoptions promote the best interests of children.

Social Services Block Grant (SSBG)

To enable each State to furnish social services best suited to the needs of the individuals residing in the State. Federal block grant funds may be used to provide services directed toward one of the following five goals specified in the law: (1) To prevent, reduce, or eliminate dependency; (2) to achieve or maintain self-sufficiency; (3) to prevent neglect, abuse, or exploitation of children and adults; (4) to prevent or reduce inappropriate institutional care; and (5) to secure admission or referral for institutional care when other forms of care are not appropriate.

State Children's Health Insurance Program (SCHIP)

To provide funds to States to enable them to initiate and expand child health assistance to uninsured, low-income children. Assistance should be provided primarily by two methods: (1) Obtain health insurance coverage that meets the requirements relating to the amount, duration, and scope of benefits; or (2) expand eligibility for children under the State's Medicaid program.

Substance Abuse and Prevention Block Grant

To provide financial assistance to States and Territories to support projects for the development and implementation of prevention, treatment and rehabilitation activities directed to the diseases of alcohol and drug abuse.

Temporary Assistance for Needy Families (TANF)

To provide grants to States, Territories, or Tribes to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families.

Vaccines for Children

To assist States and communities in establishing and maintaining preventive health service programs to immunize individuals against vaccine-preventable diseases (including measles, rubella, poliomyelitis, diphtheria, pertussis, tetanus, hepatitis B, hepatitis A, varicella, mumps, haemophilus influenza type b, influenza, and pneumococcal pneumonia).

**Department of Homeland Security**Homeland Security Formula Grants

SHSP: The State Homeland Security Program (SHSP) enables states to prepare for and mitigate the effects of attacks from chemical, biological, radiological, nuclear and explosive terrorist attacks. The SHSP replaces the counterterrorism grants formerly awarded by the Justice Department's Office for Domestic Preparedness (ODP).

LETTP: The Law Enforcement Terrorism Prevention Program (LETTP) may be used for law enforcement planning, organizational activities and equipment to enable information sharing, reducing vulnerability of potential targets, threat recognition, intervention activities and interoperable communications. The LETTP is similar in structure to the prior Critical Infrastructure Grants.

**HUD and Independent Agencies**Community Development Block Grant (CDBG) – Entitlement

To develop viable urban communities, by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for persons of low and moderate income.

Community Development Block Grant (CDBG) – Non-entitlement

This grant has the same basic objective as the previous CDBG. However grant recipients also must demonstrate that each activity funded meets one of the program's National Objectives by either: benefiting low and moderate income families; aiding in the prevention or elimination of slums or blight; or meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available.

EPA – Clean Water SRF

To create State Revolving Funds (SRFs) through a program of capitalization grants to States which will provide a long term source of State financing for construction of wastewater treatment facilities and implementation of other water quality management activities.

Election Reform Grants

To improve the administration of elections for Federal office and to replace punch card voting systems or lever voting systems.

Department of JusticeEdward Byrne Memorial Grant Program

To provide leadership and direction in controlling the use and availability of illegal drugs, with emphasis on violent crime and serious offenders. Replaced by new Justice Assistance Grants program.

State Criminal Alien Assistance Program

The State Criminal Alien Assistance Program (SCAAP) provides Federal assistance to states and units of local government incurring costs of incarcerating illegal aliens convicted of one felony or two misdemeanor offenses and to expedite the transfer of custody for certain deportable aliens.

**Department of Labor**Workforce Investment Act – Adult Employment and Training Activities

To provide workforce investment activities that increase the employment, retention and earnings of participants, and increase occupational skill attainment by the participants. This program is designed to increase employment, as measured by entry into unsubsidized employment, retention in unsubsidized employment six months after entry into employment, and wage gain.

**Workforce Investment Act – Dislocated Workers**

This grant has the same basic objective as the prior program with an emphasis on employing dislocated workers.

**Employment Service State Grants**

To place persons in employment by providing a variety of placement-related services without charge to job seekers and to employers seeking qualified individuals to fill job openings.

**Unemployment – State Administration**

To administer this program of unemployment insurance for eligible workers through Federal and State cooperation; to administer payment of trade adjustment assistance; disaster unemployment assistance; unemployment compensation for Federal employees and ex-service members.

**Workforce Investment Act – Youth Activities**

To design, with States and local communities, a revitalized, workforce investment system that will help low income youth between the ages of 14 and 21 acquire the educational and occupational skills, training and support needed to achieve academic and employment success and successfully transition to careers.

**Department of Transportation****Federal Aid Highways – Bridge R & R****Federal Aid Highways – Interstate Maintenance****Federal Aid Highways – Minimum Guarantee****Federal Aid Highways – National Highway System****Federal Aid Highways – Surface Transportation Program**

To assist State transportation agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the National Highway System, including the Interstate System; and for transportation improvements to all public roads except those functionally classified as local; to provide aid for the repair of Federal-aid roads following disasters; to foster safe highway design; to replace or rehabilitate deficient or obsolete bridges; and to provide for other special purposes. The Federal Lands Highway Program provides assistance to the Federal Land Management Agencies for Federally-owned roads.

**Department of Treasury****State Fiscal Relief Payments**

To provide fiscal relief to each state as part of the Jobs and Growth Tax Relief Reconciliation Act of 2003. Amount is based on relative state population. Permitted use of the funds include financing essential government services or covering the state cost of complying with an unfunded federal intergovernmental mandate (as defined in section 421(5) of the Congressional Budget Act of 1974). A state may use funds only for the types of expenditures permitted under the most recently approved budget for the state. State fiscal relief was provided in FY 2003 and FY 2004 only.