

ARIZONA
REVENUE HIGHLIGHTS
DECEMBER 2001

Final December revenues finished \$(62.6) million below forecast for the month, bringing the year-to-date forecast shortfall to \$(46.8) million. The final December results compare to our earlier estimate of a \$(59.6) million monthly shortfall. Revenue collections are being compared against the forecast adopted in the fall budget special session.

The primary contributors to this month's subpar showing were the corporate income tax, the individual income tax, and the sales tax. Corporate collections came in \$(31.9) million below forecast, individual income tax receipts were \$(28.2) million under expectations, and the sales tax was \$(12.4) million below projections.

Due to sluggish tax collections, the JLBC Staff and the Office of Strategic Planning and Budgeting have reduced their estimate of General Fund revenue collections by \$(119) million from the forecast adopted in the special session. As we noted above, the December year-to-date results are \$(46.8) million below the fall special session forecast.

Sales Tax revenues in December declined by (3.4)% from the same month in the prior year, lowering the year-to-date growth rate to (0.5)%. The (3.4)% drop gives this December the distinction of being the worst sales tax month in perhaps a decade. A brief description of collections in the major sales tax categories follows:

- **Retail Sales Tax** revenues inched upward by 0.2% for the month and are now 0.9% ahead for the year.
- **Contracting Tax** collections grew by a surprising 17.4% in December, bringing the year-to-date growth rate up to 5.7%. The growth in this category for December is believed to be due to activity in the Phoenix area.
- **Use Tax** revenues plunged by (82.5)% in December. This translates into a drop of \$(12.7) million from December of last year. Through the first six months of FY 2002, the use tax is

down (25.5)% from the prior year. We are trying to determine precisely what is responsible for this decline.

Individual Income Tax revenues for the month were \$(28.2) million below forecast. Most of the forecast deficit was due to significantly lower estimated tax payments than expected. However, it is still too early to know to what extent this may serve as a predictor of April collections. For the first six months of FY 2002, total individual income tax collections were (1.8)% below the comparable period last year. Withholding, the largest component of income tax collections, was 1.3% above last year's level on a cumulative basis.

Corporate Income Tax revenues in December declined by (61.8)% from the same month in the prior year, lowering year-to-date growth to (45.4)%. The forecast error for the first half of the fiscal year was \$(36.4) million.

JLBC

**FY 2002 GENERAL FUND REVENUE COLLECTIONS
DIFFERENCE FROM PRIOR YEAR AND THE FORECAST**
(\$ in Millions)

	Current Month					Fiscal 2002 Year-to-Date (Six Months)				
	Actual	Difference From		Difference From		Actual	Difference From		Difference From	
	Dec. 2001	Amount	%	Amount	%	Dec. 2001	Amount	%	Amount	%
TAX REVENUE										
Sales and Use	\$230.5	\$(8.2)	(3.4)%	\$(12.4)	(5.1)%	\$1,457.7	\$(7.3)	(0.5)%	\$(8.1)	(0.6)%
Income - Individual	243.0	(23.5)	(8.8)	(28.2)	(10.4)	1,234.0	(22.4)	(1.8)	(24.8)	(2.0)
- Corporate	52.4	(84.7)	(61.8)	(31.9)	(37.9)	168.6	(140.0)	(45.4)	(36.4)	(17.8)
Property	2.5	(6.4)	(72.1)	(5.6)	(69.6)	19.1	(2.3)	(10.8)	0.8	4.5
Other Taxes	11.0	(5.1)	(31.7)	(0.7)	(5.9)	140.3	17.3	(31.7)	6.2	(5.9)
Urban Rev. Sharing	<u>(35.2)</u>	<u>(2.1)</u>	<u>6.4</u>	<u>0.0</u>	<u>(0.0)</u>	<u>(210.9)</u>	<u>(12.7)</u>	<u>6.4</u>	<u>0.0</u>	<u>(0.0)</u>
Sub-Total Taxes	504.1	(130.0)	(20.5)	(78.9)	(13.5)	2,808.9	(167.4)	(5.6)	(62.3)	(2.2)
OTHER REVENUE										
Lottery	1.7	(3.6)	(68.5)	(0.8)	(31.1)	16.1	6.4	66.3	(0.1)	(0.4)
Interest	2.8	(5.8)	(67.8)	(0.5)	(14.6)	17.9	(18.4)	(50.7)	0.1	0.8
Other Miscellaneous	<u>32.8</u>	<u>25.4</u>	<u>341.5</u>	<u>17.5</u>	<u>191.0</u>	<u>88.1</u>	<u>49.8</u>	<u>341.5</u>	<u>15.4</u>	<u>191.0</u>
Sub-Total Other	37.3	15.9	74.8	16.3	77.9	122.1	37.8	44.8	15.5	14.5
TOTAL REVENUE	\$541.4	\$(114.1)	(17.4)%	\$(62.6)	(10.4)%	\$2,931.0	\$(129.6)	(4.2)%	\$(46.8)	(1.6)%
Education Sales Tax	36.2	36.2	0.0	0.1	0.3	216.2	216.2	0.0	1.2	0.6
GRAND TOTAL	\$577.6	\$(77.8)	(11.9)%	\$(62.5)	(9.8)%	\$3,147.2	\$86.6	2.8%	\$(45.6)	(1.4)%

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SELECT ECONOMIC INDICATORS

<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change Over Prior Period</u>	<u>Change Over Prior Year</u>
Arizona Consumer Confidence	3 rd Quarter	95.1	(11.0)%	(17.0)%
Arizona Unemployment Rate	December	5.8%	0.2%	1.8%
Arizona Jobs	December	2.28 million	0.2%	(1.4)%
Arizona Building Permits (\$ amount)	3 rd Quarter	\$3.1 billion	(10.0)%	9.0%
Arizona Building Permits (number)	3 rd Quarter	30,043	(19.0)%	(1.0)%
Arizona Population	July	5.3 million	NA	3.7%
Arizona Personal Income	2 nd Quarter	\$135.0 billion	0.1%	5.7%
U.S. Consumer Confidence	December	93.7	13.6%	(18.1)%
U.S. Leading Economic Indicators Index	December	111.4	0.8%	2.9%
U.S. Real GDP	3 rd Quarter	\$9.3 trillion	(1.1)%	0.6%
U.S. CPI Index	3 rd Quarter	177.7	0.7%	2.7%