

Finance Advisory Committee

Briefing Materials

October 22, 2009

JLBC

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Table of Contents

Jim Rounds Presentation.....	Tab A
(Elliott D. Pollack and Company)	
JLBC Staff Presentation.....	Tab B
Background Information.....	Tab C
Sales Tax.....	1
Growth Rate History Chart.....	2
5-Year Data Table – Total Collections.....	3
5-Year Data Tables – Major Categories	
Retail.....	4
Contracting.....	5
Utilities.....	6
Restaurants and Bars.....	7
Use Tax.....	8
Individual Income Tax.....	9
Growth Rate History Chart.....	10
5-Year Data Table-Payment Breakdown.....	11
5-Year Data Table by Component.....	12
Corporate Income Tax.....	13
Growth Rate History Chart.....	14
5-Year Data Table by Component.....	15
Economic Indicators.....	16
Finance Advisory Committee Member List (with biographies).....	Tab D


JLBC




National and State Outlook

Presented to:
FAC


By:
Jim Rounds
October 22, 2009

 Elliott D. Pollack & Company



Synopsis:

Yes, we are improving, but the recovery will not be all that impressive. Continue to be cautious.

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Is the recession over?



Yes! For sure!
Maybe.

No! No way!

I'm tired.



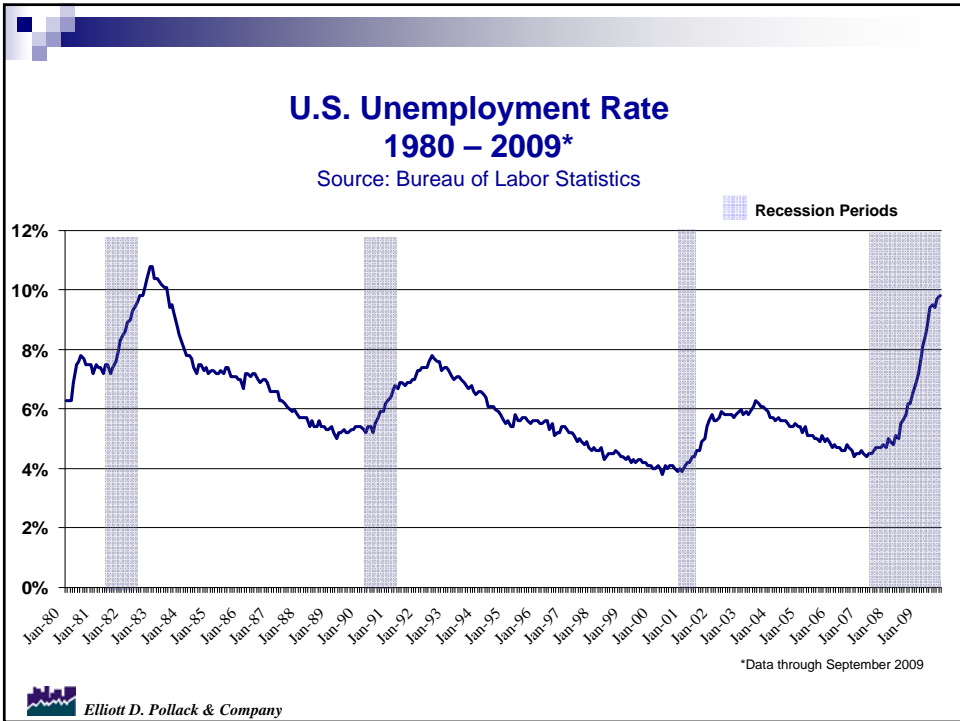
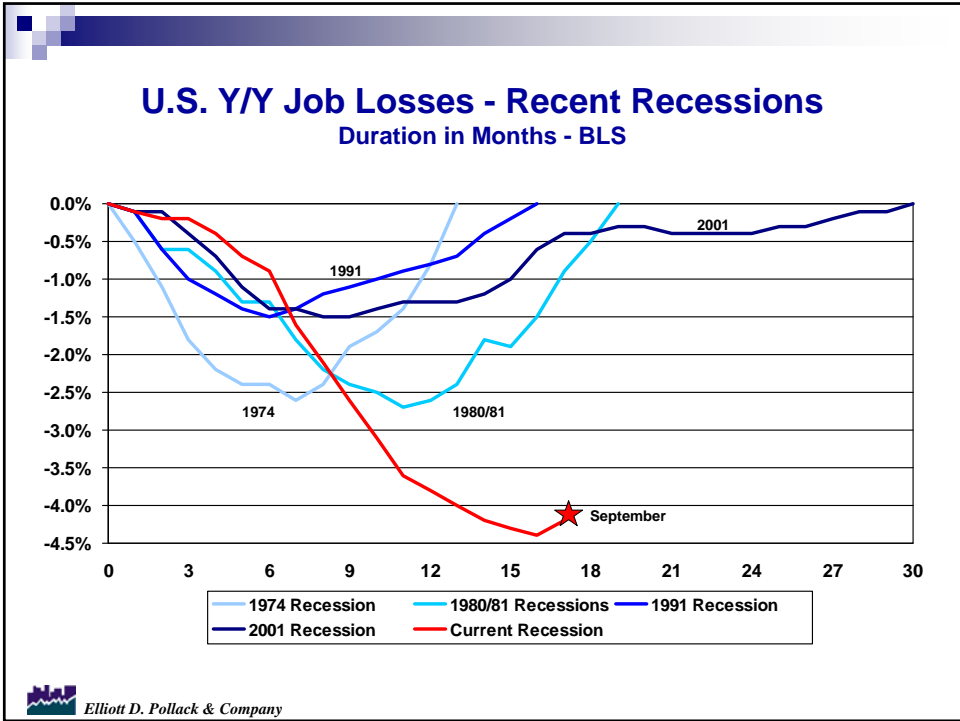
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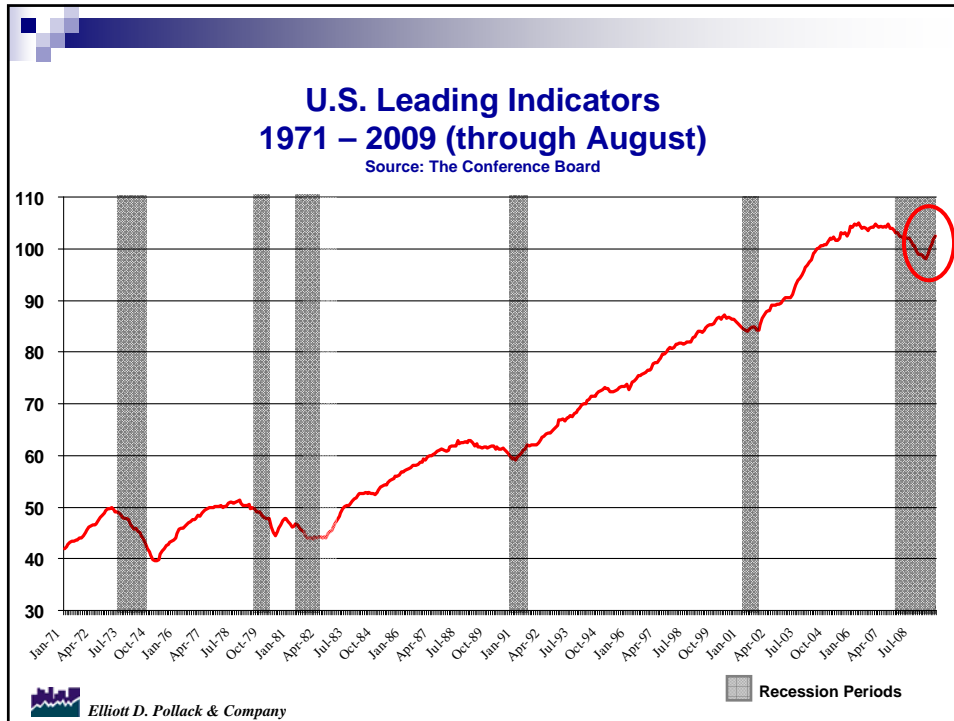
Employment:

We will be getting **bad**
employment news for some
time, even after the recession
is technically over.



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- ## 10 Components of U.S. Leading Indicators
- Vendor performance
 - Claims for unemployment (inverted)
 - **Stock prices**
 - Manuf. new orders – capital goods
 - **Real money supply**
 - **Manuf. new orders – consumer goods**
 - Consumer expectations
 - Manuf. hours
 - Building permits
 - Interest rate spread
- Elliott D. Pollack & Company*

Primary Recession Indicators:

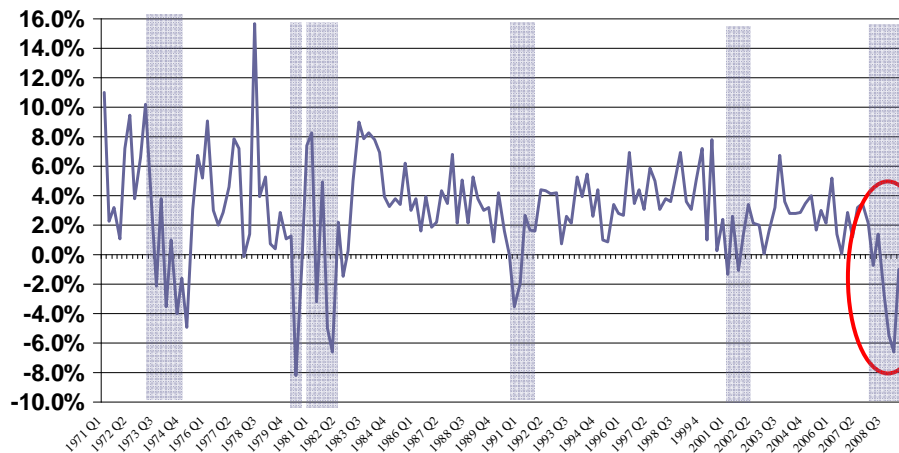
- Real GDP
- Real Income
- Employment
- Industrial Production
- Wholesale – Retail Sales

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Real Gross Domestic Product Percent Change Quarter Ago, Annualized 1971 – 2009*

Source: Bureau of Economic Analysis

 Recession Periods

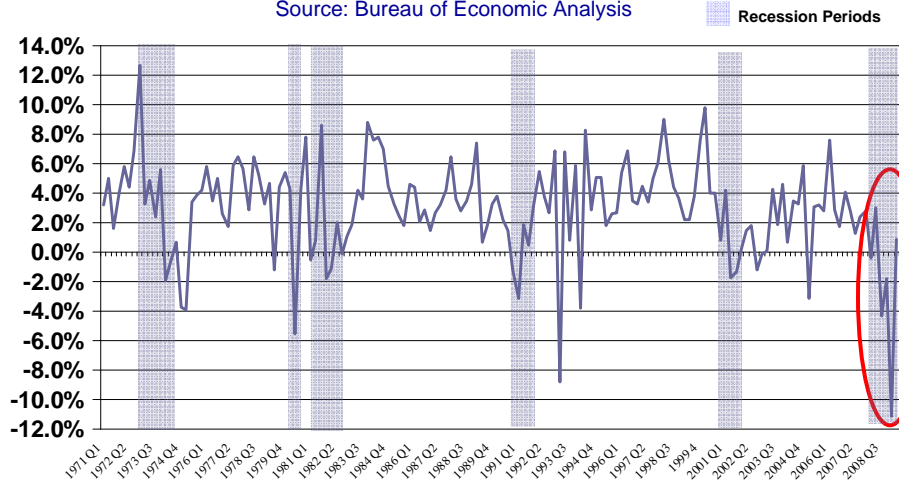


* Data through 2nd quarter 2009

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Real Personal Income Net of Government Transfers Percent Change Quarter Ago, Annualized 1971 – 2009*

Source: Bureau of Economic Analysis

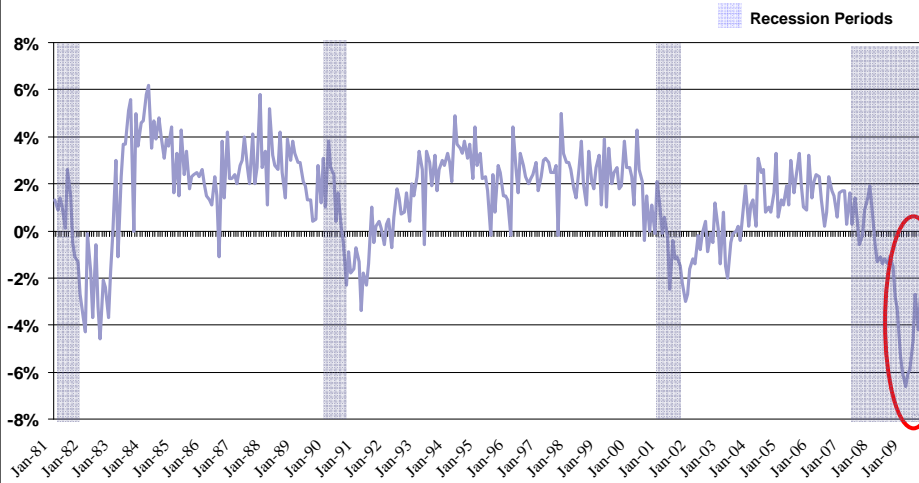


* Data through second quarter 2009

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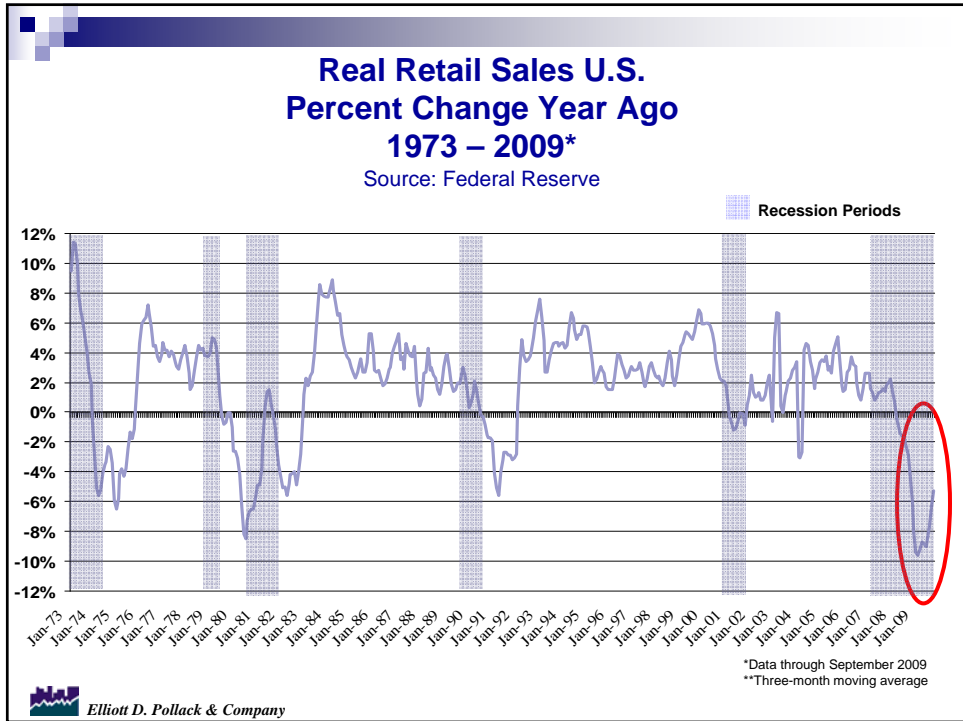
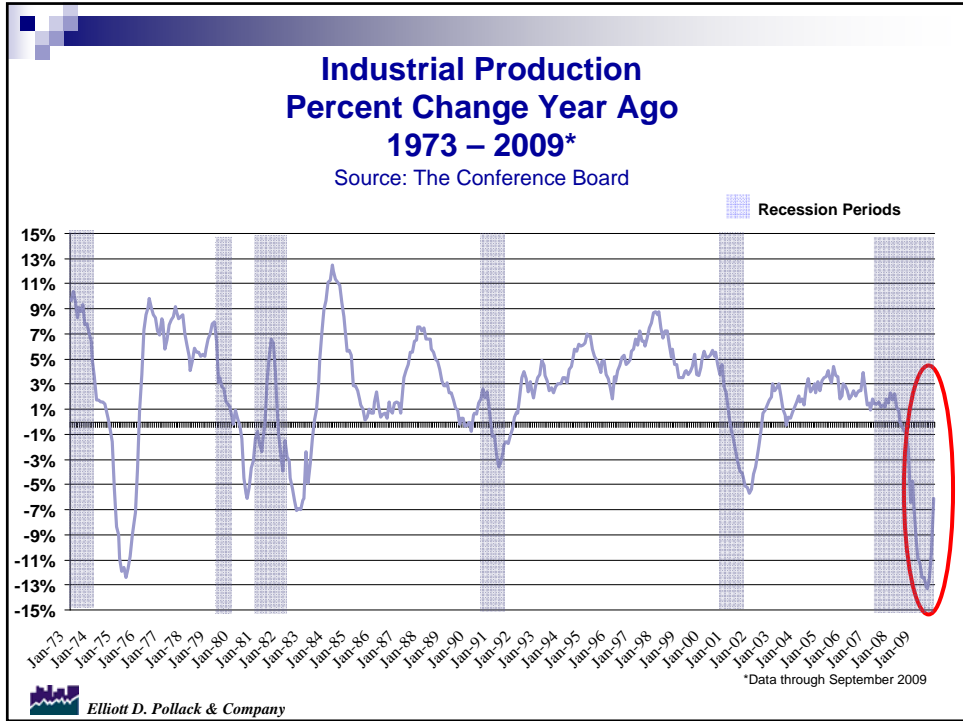
National Employment Percent Change Month Ago, Annualized (S/A) 1981 – 2009*

Source: U.S. Bureau of Labor Statistics



*Data through September 2009

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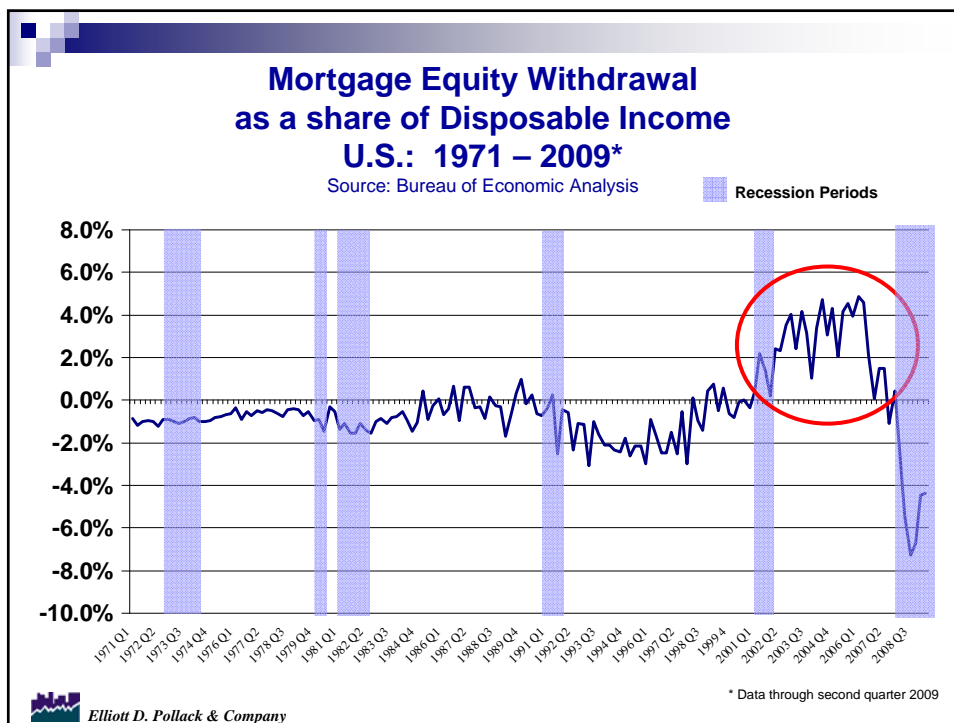
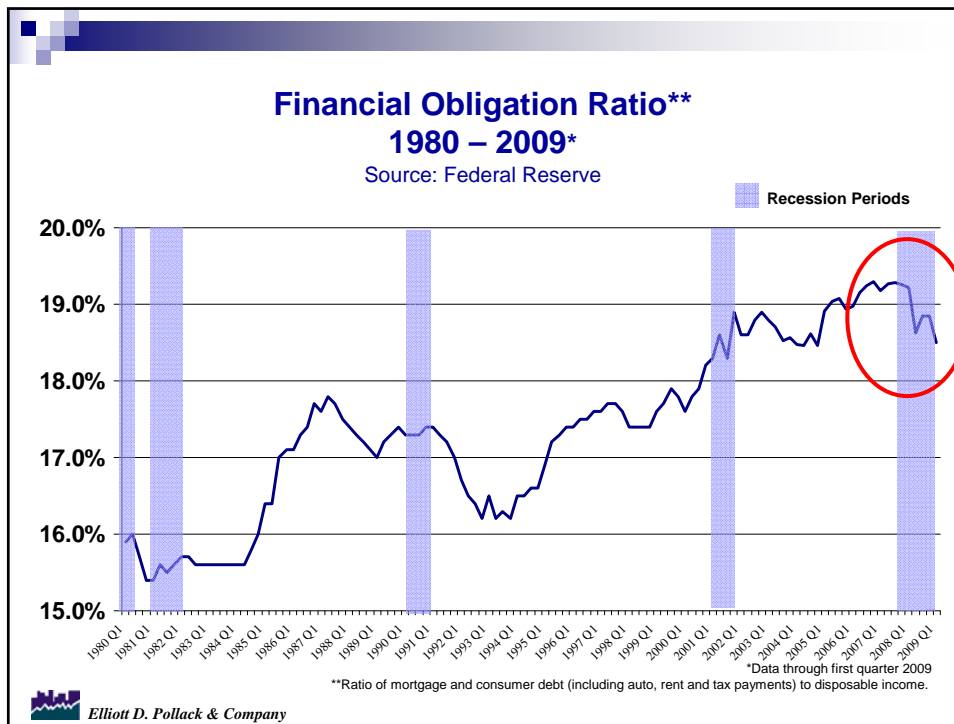


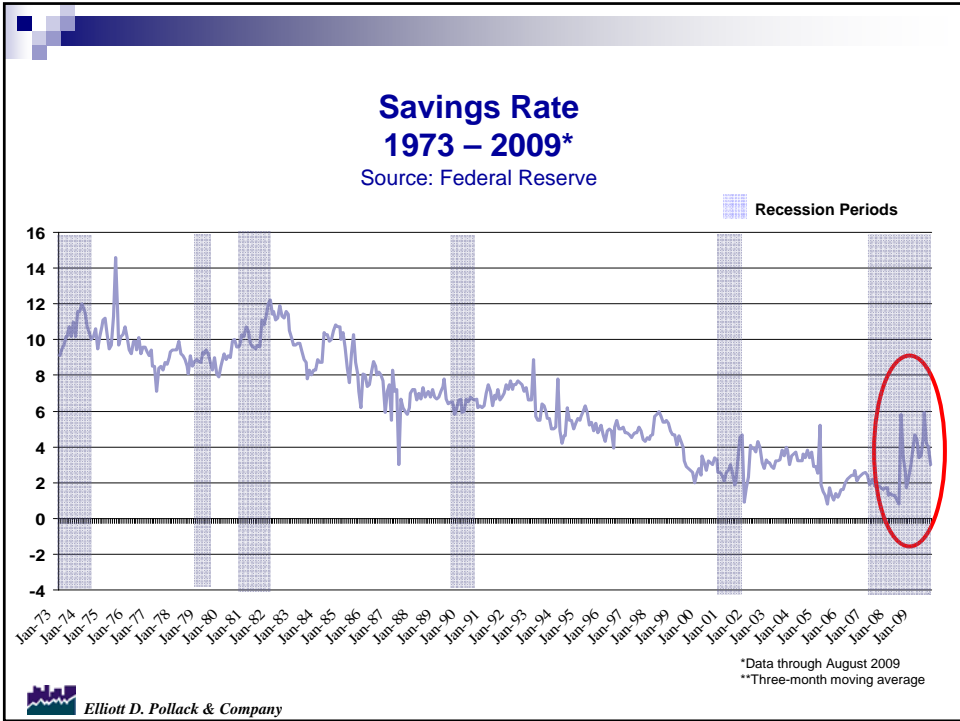
Recession Indicators Summary:

- Real GDP 
- Real Income 
- Employment 
- Industrial Production 
- Wholesale – Retail Sales 

The recession MAY
TECHNICALLY be over, but...

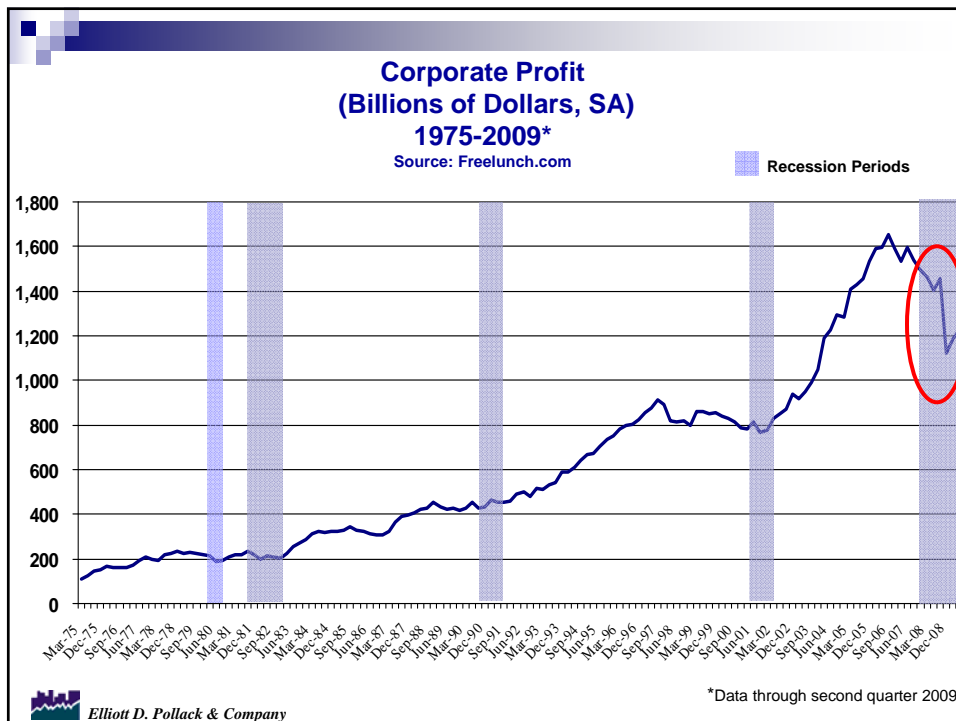
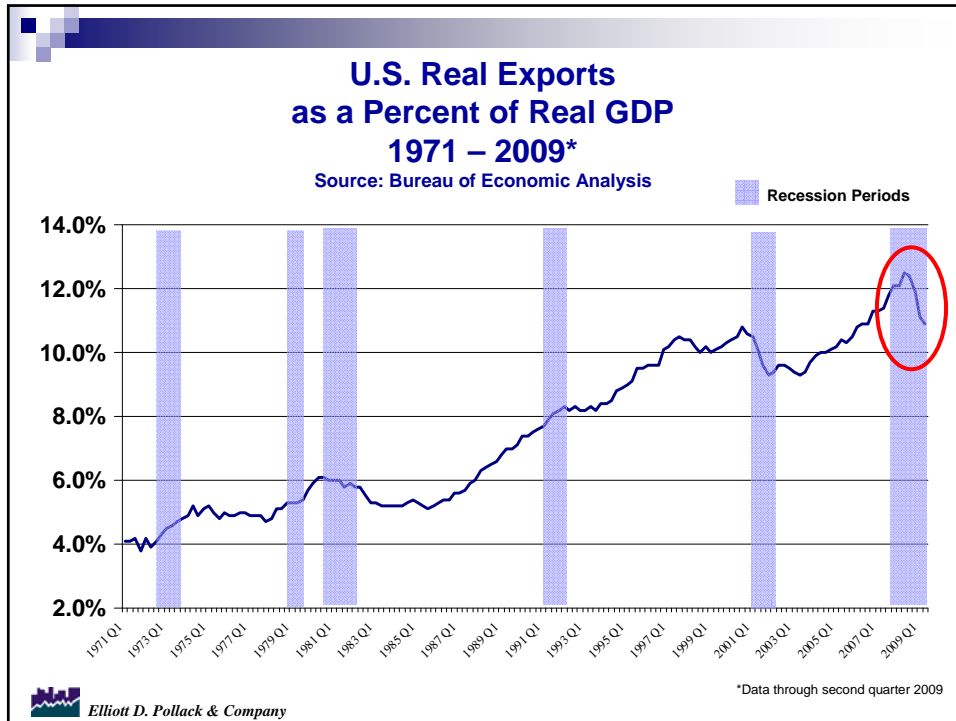
...The recovery will be very
weak and consumers will be a
drag.

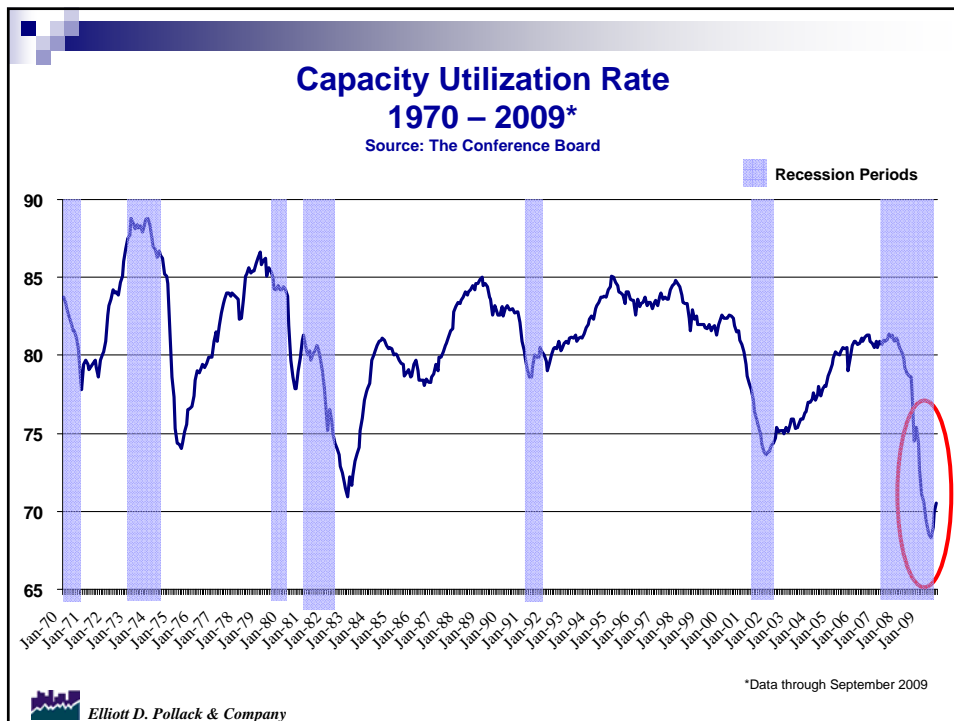
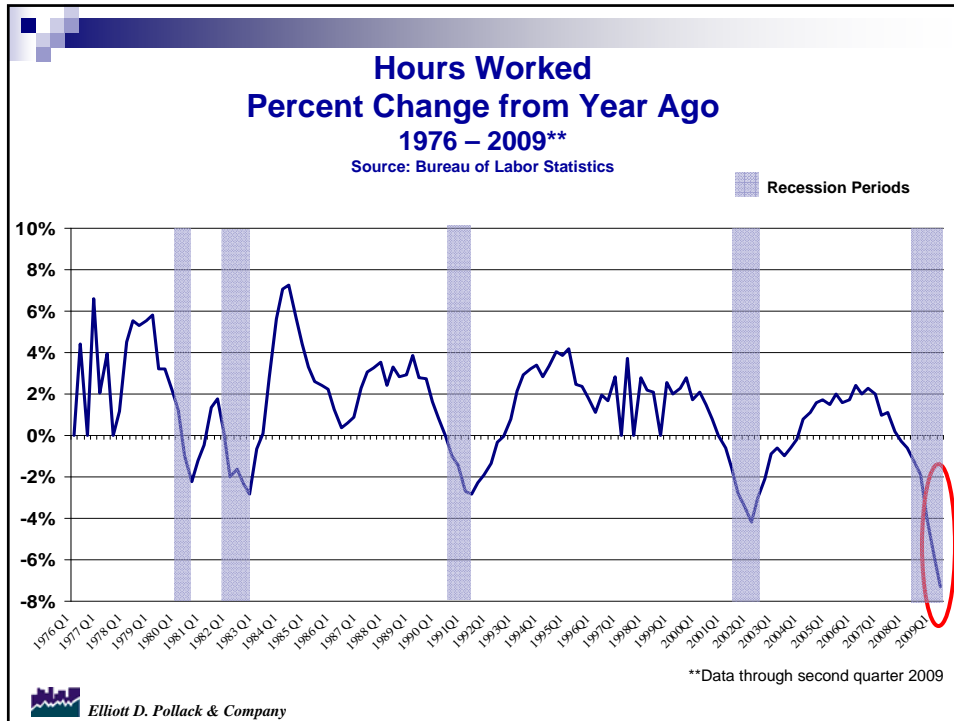


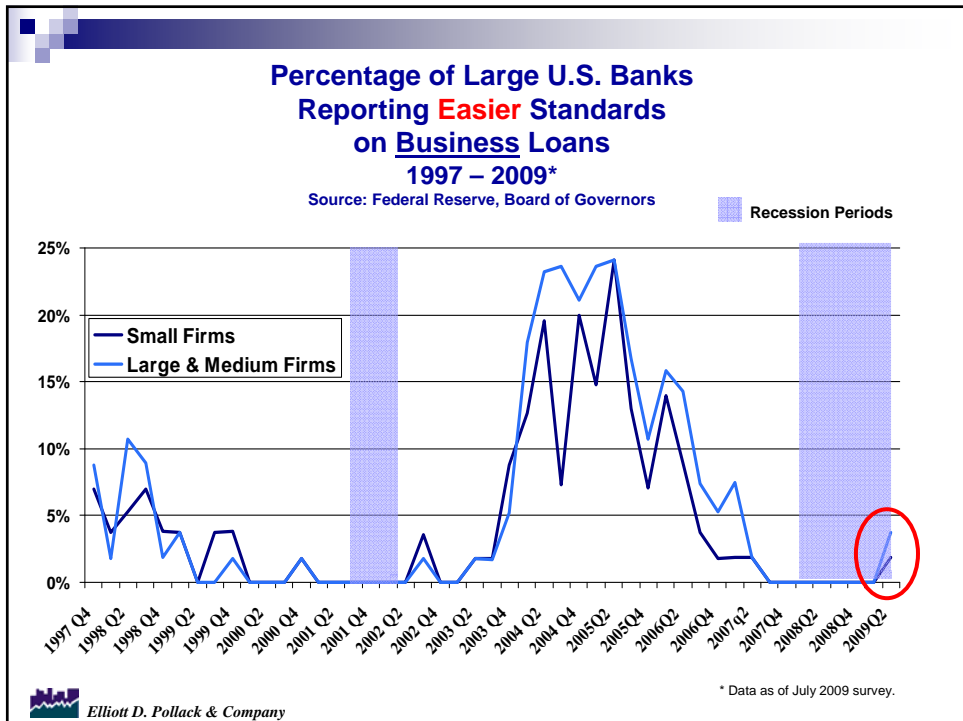
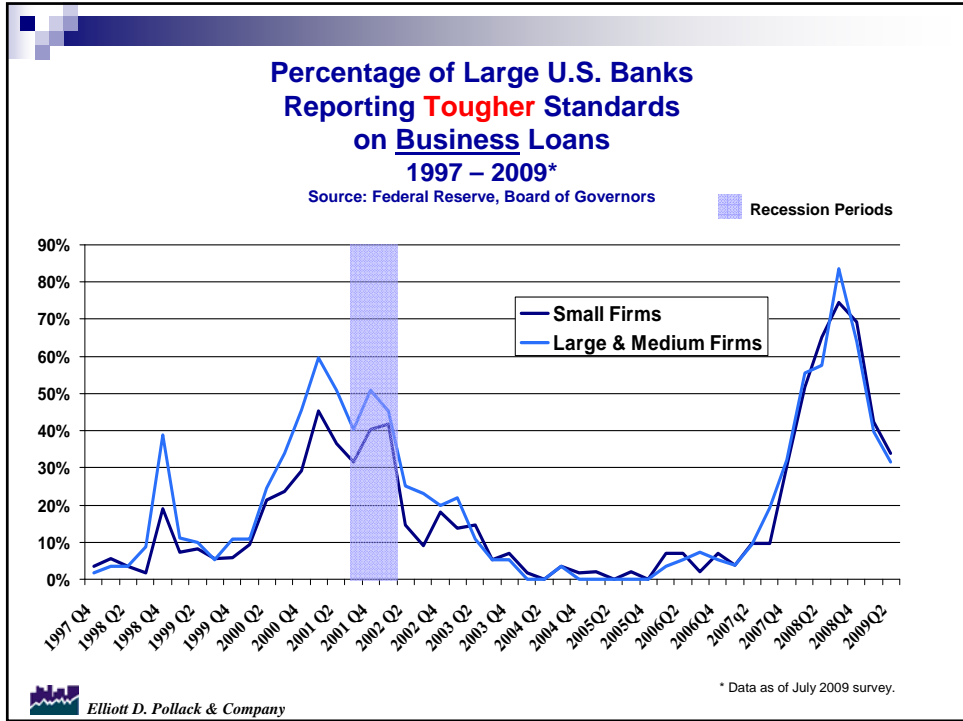


State of Business? Still Ugly?

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Impact of recent government spending?



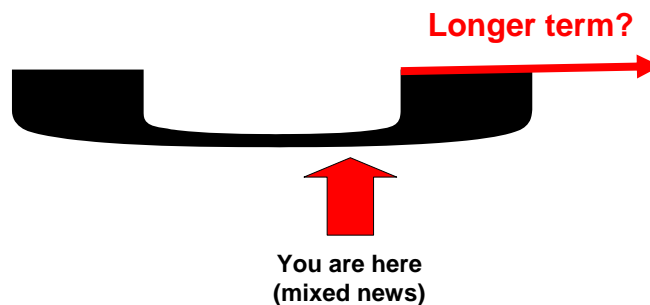
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U.S. Summary:

U vs. V?
or even W; L?

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U.S. Summary:



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Why No Strong Recovery?

- Some confidence will return but consumers will still feel poor (i.e. wealth effect).
- Home sales will eventually increase but housing supply will still exceed demand.
- Job losses will continue past the recession ending date/gains will be slow to materialize.

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Why No Strong Recovery?

- Stock market will initially surge then growth will be slow.
- Just getting started with problems in commercial real estate.
- Excess production capacity will limit investment.
- Little pent up consumer demand created during downturn.



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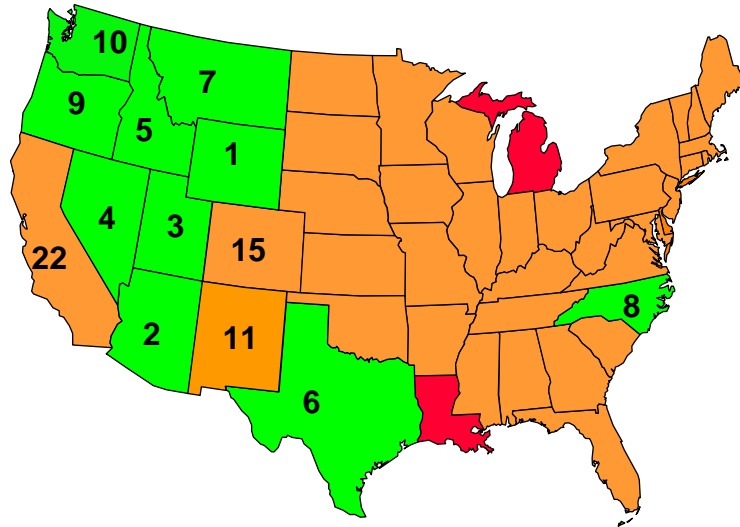
State of Arizona



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Job Growth 2006

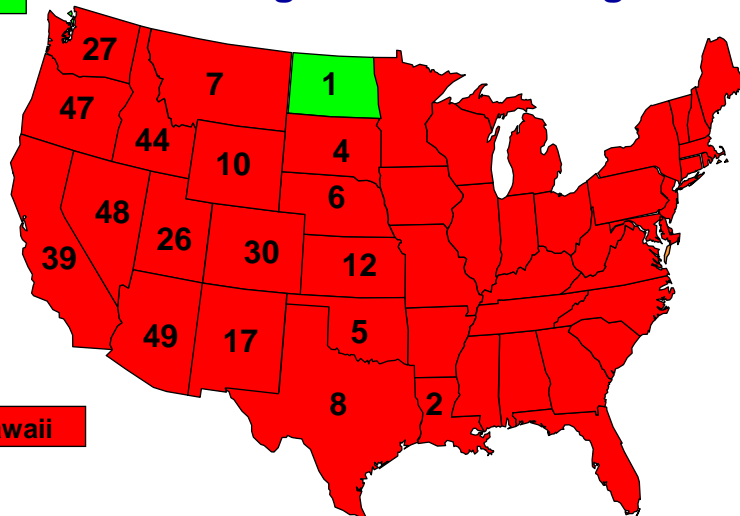
Source: US BLS



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Job Growth Update: Arizona Falls to 49th YTD August 09 v YTD August 08

Alaska
3



Hawaii

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**= 280,000 lost AZ jobs
during last two years.**

(>10% of jobs)



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Employment Growth: Top 10 States

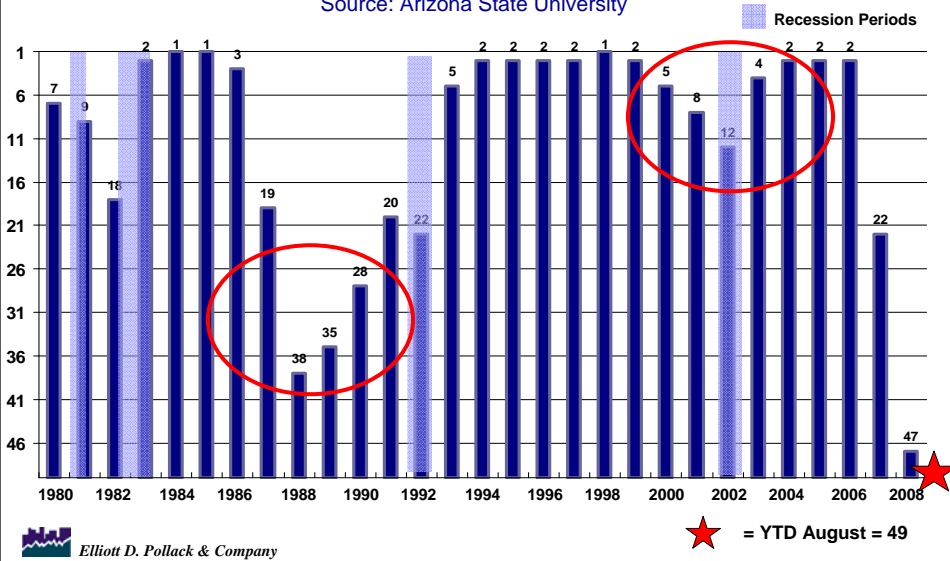
- **North Dakota**
- **Alaska**
- **Louisiana**
- **South Dakota**
- **Oklahoma**
- **Texas**
- **Nebraska**
- **Wyoming**
- **Montana**
- **New
Hampshire**



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Arizona Employment Rank Among 50 States 1980 – 2009 Growth Over Previous Year

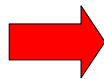
Source: Arizona State University



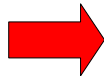
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How did AZ go from 2nd to 49th?

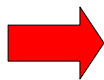
- Financial meltdown.
- Credit crunch/freeze.
- Overextended consumer.



- Loss of wealth incl. home equity.
- Can't sell homes or retire.
- **Population inflows weaken.**



- Excess SF construction.
- Homebuilding crash.
- Excess commercial construction

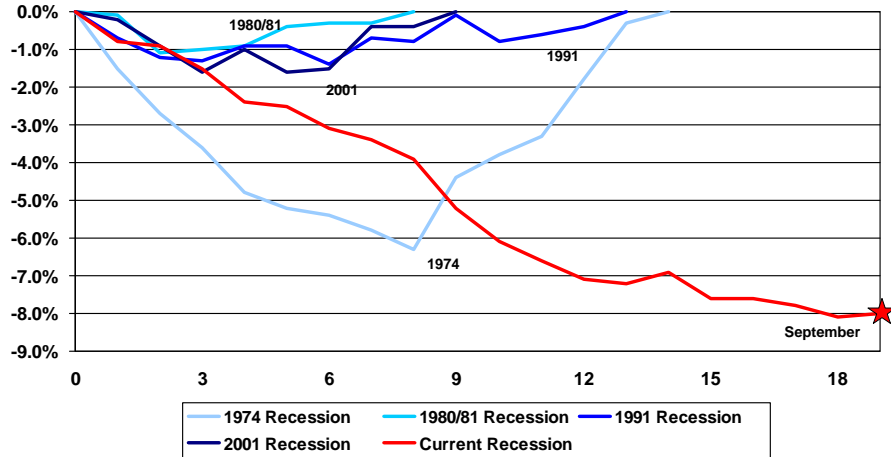


- **Construction job losses.**
- **All sector job losses.**
- Government crisis.

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Greater Phoenix Y/Y Job Losses - Recent Recessions

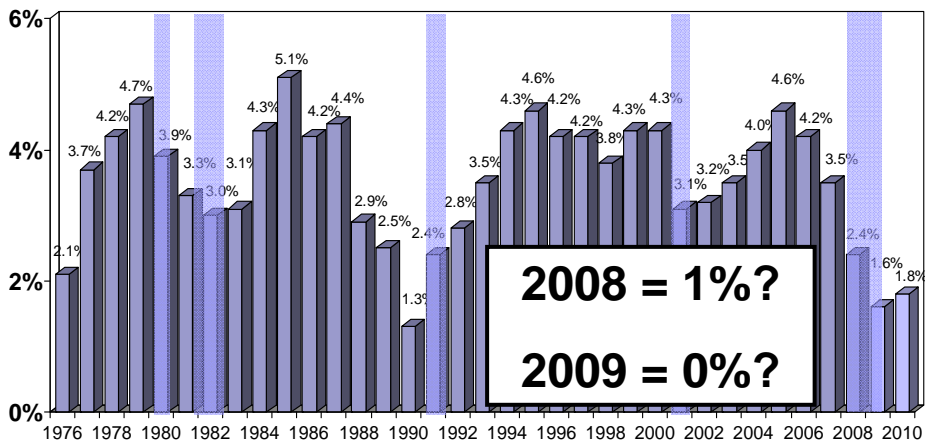
Duration in Months - BLS



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Greater Phoenix Population Annual Percent Change 1976-2010*

Source: Arizona State University & Department of Commerce, Research Administration



2007 and 2008 are estimates put out by ADES and may be subject to substantial revision.

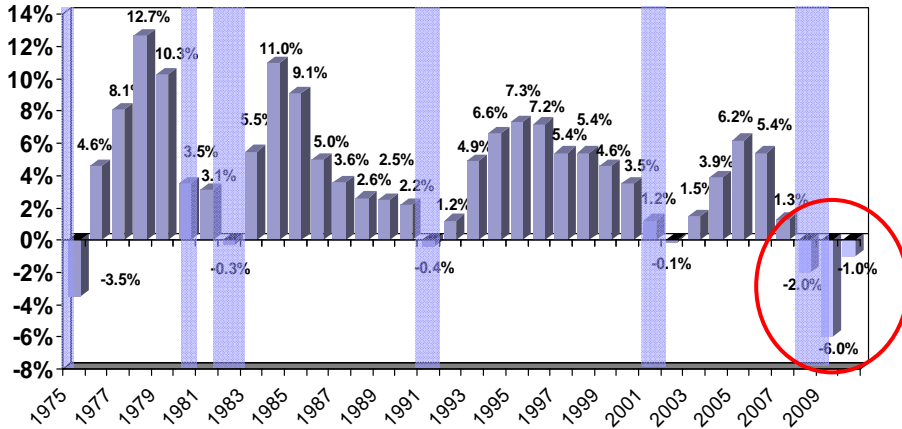
* 2009 & 2010 forecast is from Elliott D. Pollack & Co.

Recession Periods

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Phoenix-Mesa MSA Employment* Annual Percent Change 1975–2010**

Source: Department of Commerce, Research Administration



*Non-agricultural wage & salary employment. Changed from SIC to NAICS reporting in 1990.

** 2008, 2009, & 2010 forecast is from Elliott D. Pollack & Co.

■ Recession Periods

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Phoenix-Mesa Employment

Source: Arizona Department of Commerce, Research Administration

Sectors in Decline

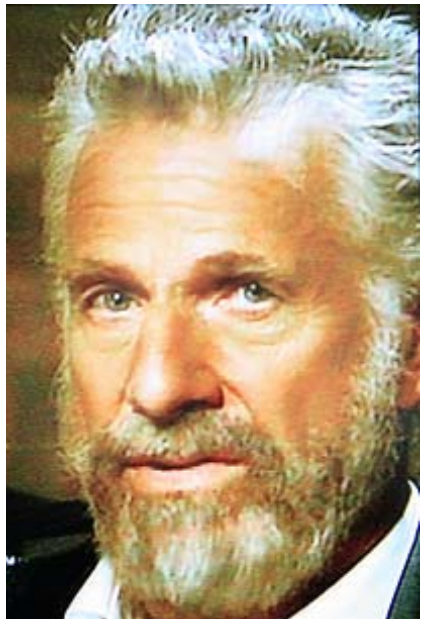
Mining	-20.5%
Construction	-25.5%
Manufacturing	-8.0%
Trade	-7.7%
Transp. & Utilities	-9.9%
Information	-5.3%
Financial Activities	-6.5%
Prof. & Bus. Services	-11.7%
Other Services	-6.6%
Educational Services	-1.2%
Leisure & hosp svcs	-2.8%
Health Services	-1.0%
Government	-5.0%

Sectors Increasing

NONE!!!

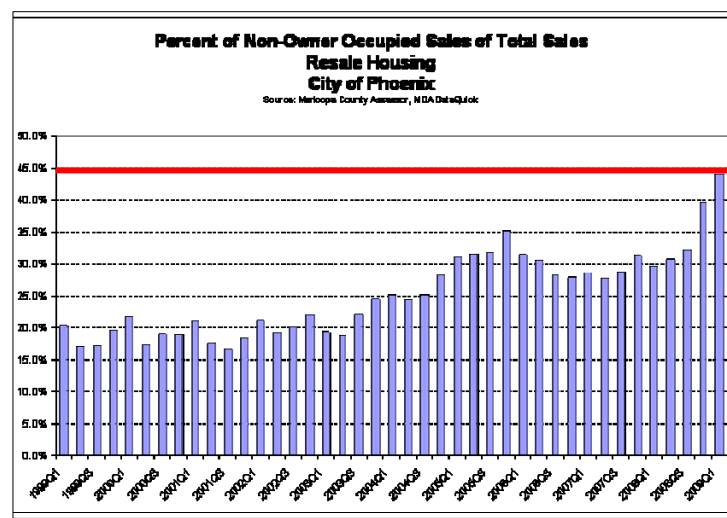
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I don't always
buy houses,
but when I do,
I prefer
foreclosures.



Stay thirsty
my friends.

Investors: 1/3 to 1/2 of Market?



How Investors Impact the Market:

- 1) Temporarily inflate housing prices;
- 2) Temporarily deflate housing “supply.”

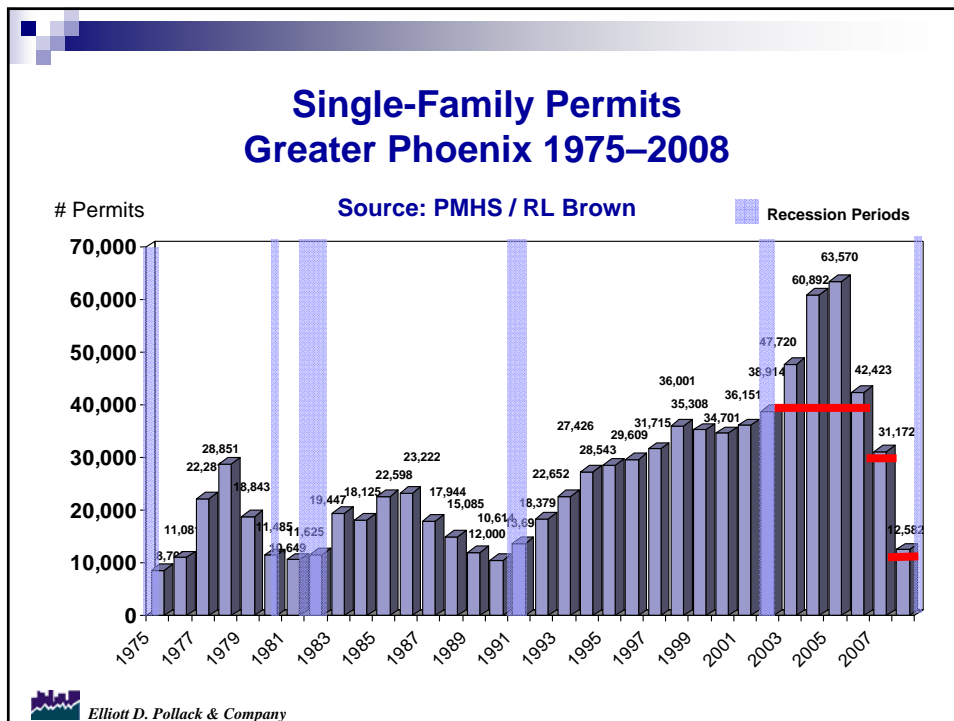
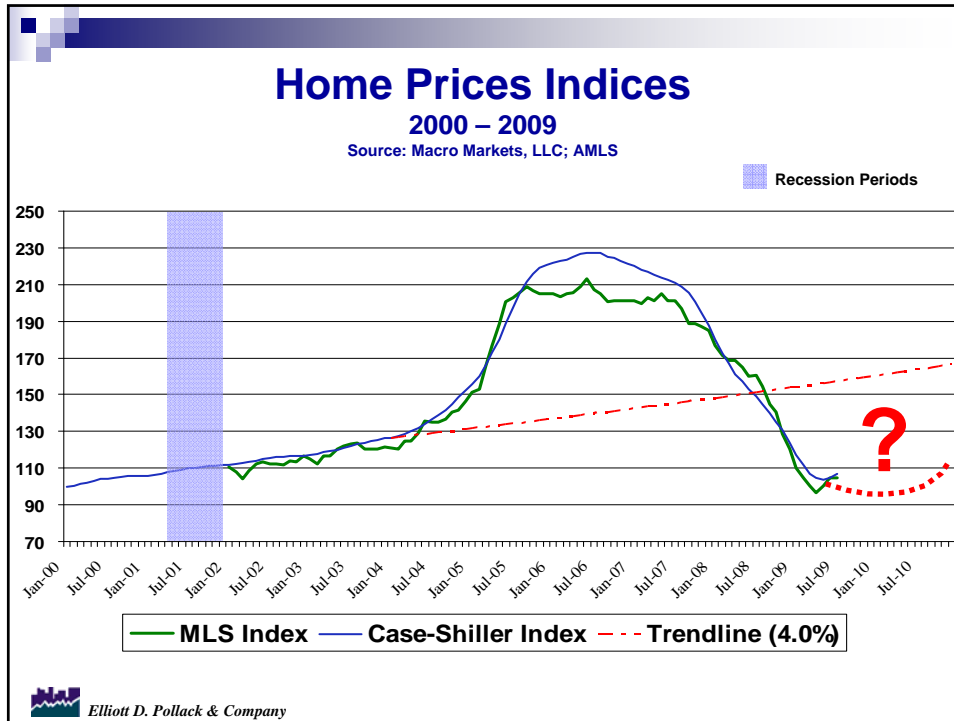


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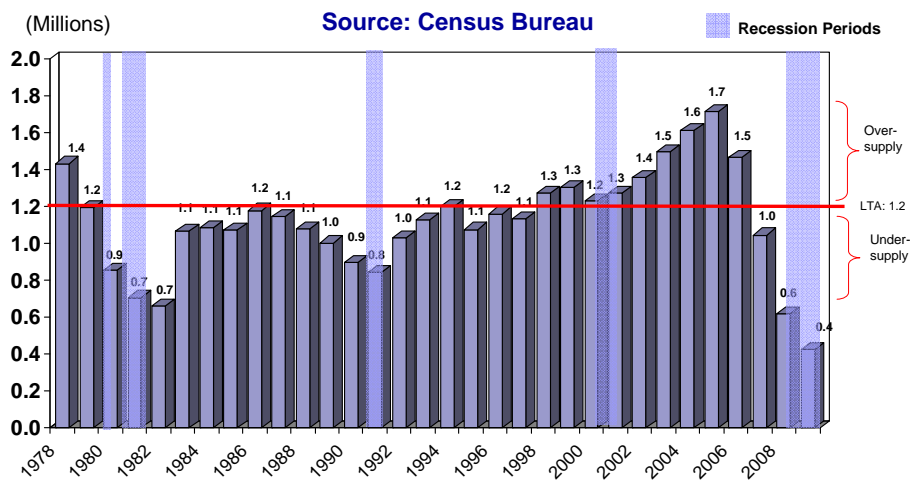
We won't get out of this until population inflows improve.



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U.S. Single-Family Starts 1978–2009^{1/}



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1/ Through August 2009

**Excess SF supply is likely
greater than 50,000 units right
now.**

Not much better in 2010.



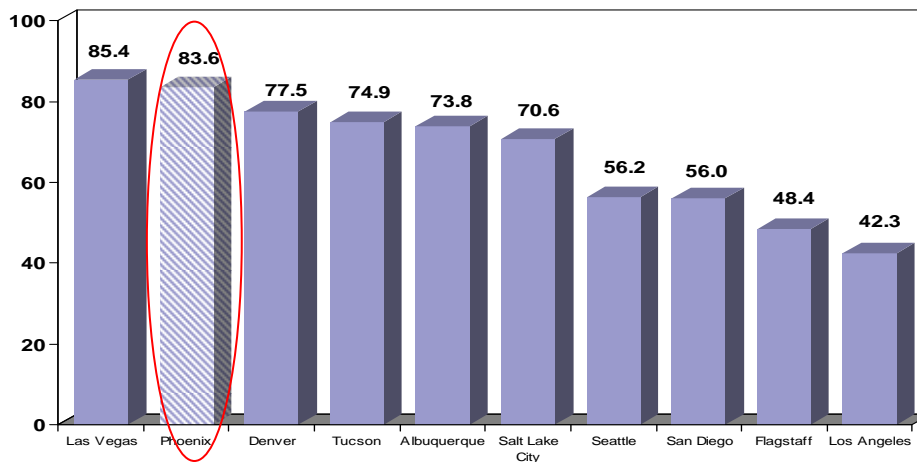
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**Balance between supply and demand
will not be fully achieved until about
2014.**

**But building will still occur between
now and then.**

**Distinguish between % growth and
level !!!**

**Housing Affordability Index
2009 q2**
Source: NAHB





Commercial Real Estate?



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Back to normal vacancy rates (full recovery)?

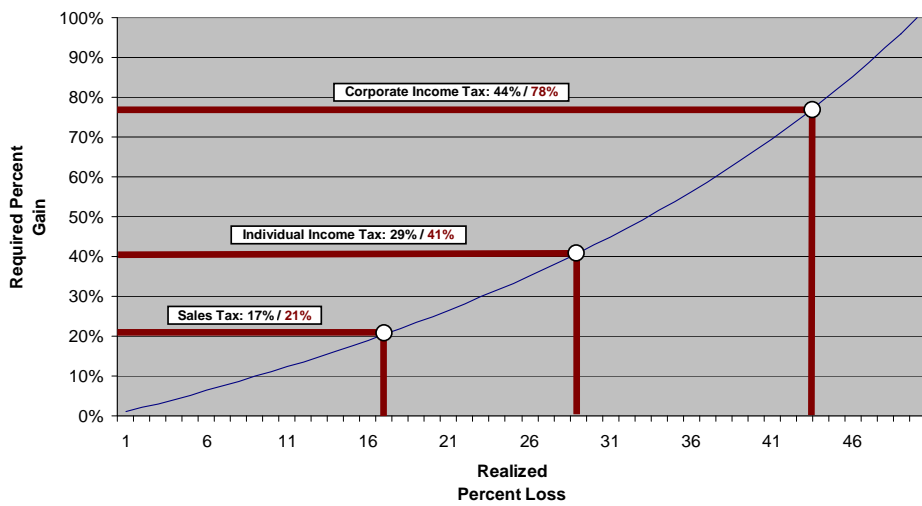
- Office = 2017 *ish*
- Industrial = 2016 *ish*
- Retail = 2015 *ish*



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Discussion of Rates vs. Levels

Gains Needed to Reach Previous Peak



What does all this mean?

- We are in a very weak recovery phase.
- Job losses possible through a good part of 2010.
- We already hit bottom in single family permitting and prices.
- We are just getting started with problems in commercial real estate.



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What does all this mean?

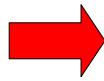
- Don't be surprised if you see a lot of small bank failures during the next two years.
- Because we fell so far, it will be easy to post impressive growth rates in many data categories.
- Even with rapid growth, it will be a while before we get back to previous peaks (or even normal trend levels).



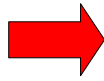
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How does AZ go from 49th to 2nd?

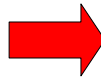
- **Wait. Slow recovery.**
- Credit frees up.
- Consumers more confident.



- Overall US economy improves.
- Stock market improves.
- Housing prices rise.



- **People move to AZ.**
- Excess housing absorbed.
- **Construction job gains.**



- **All sector job gains.**
- Improved government revenue.
- Grow our base industries!!!



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When confused about the strength of our recovery, simply ask:

- 1) Are population flows improving?**
- 2) Are we creating jobs?**



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Economic and Real Estate Consulting

WWW.ARIZONAECONOMY.COM

INFO @ EDPCO.COM

7505 East Sixth Avenue, Suite 100 Scottsdale, Arizona 85251
480-423-9200 P 480-423-5942 F www.arizonaeconomy.com

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Finance Advisory Committee

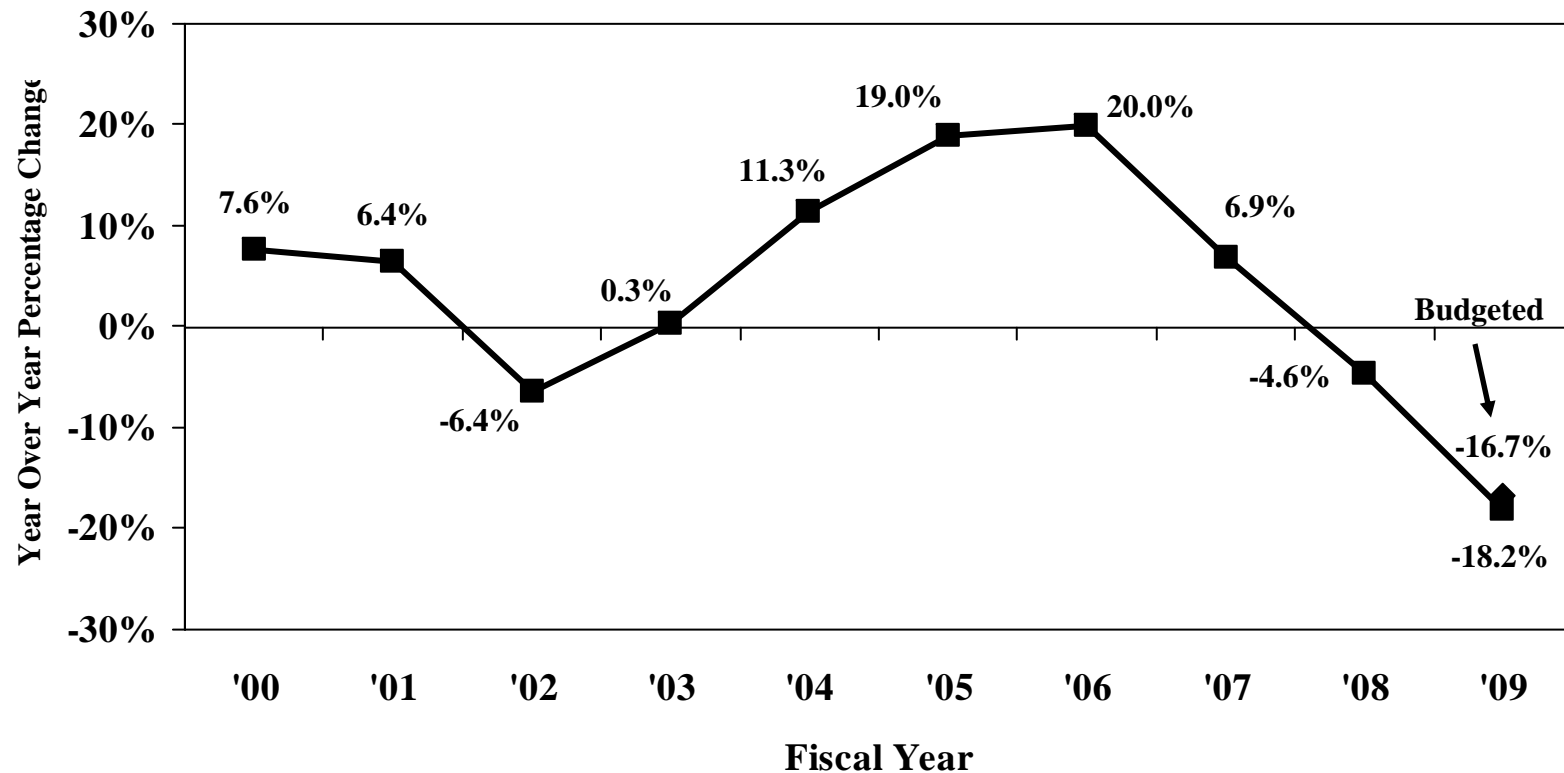
Revenue and Budget Update

October 22, 2009

JLBC

'09 General Fund Base Revenue Decline of (18.2)% Was Greater Than Budgeted

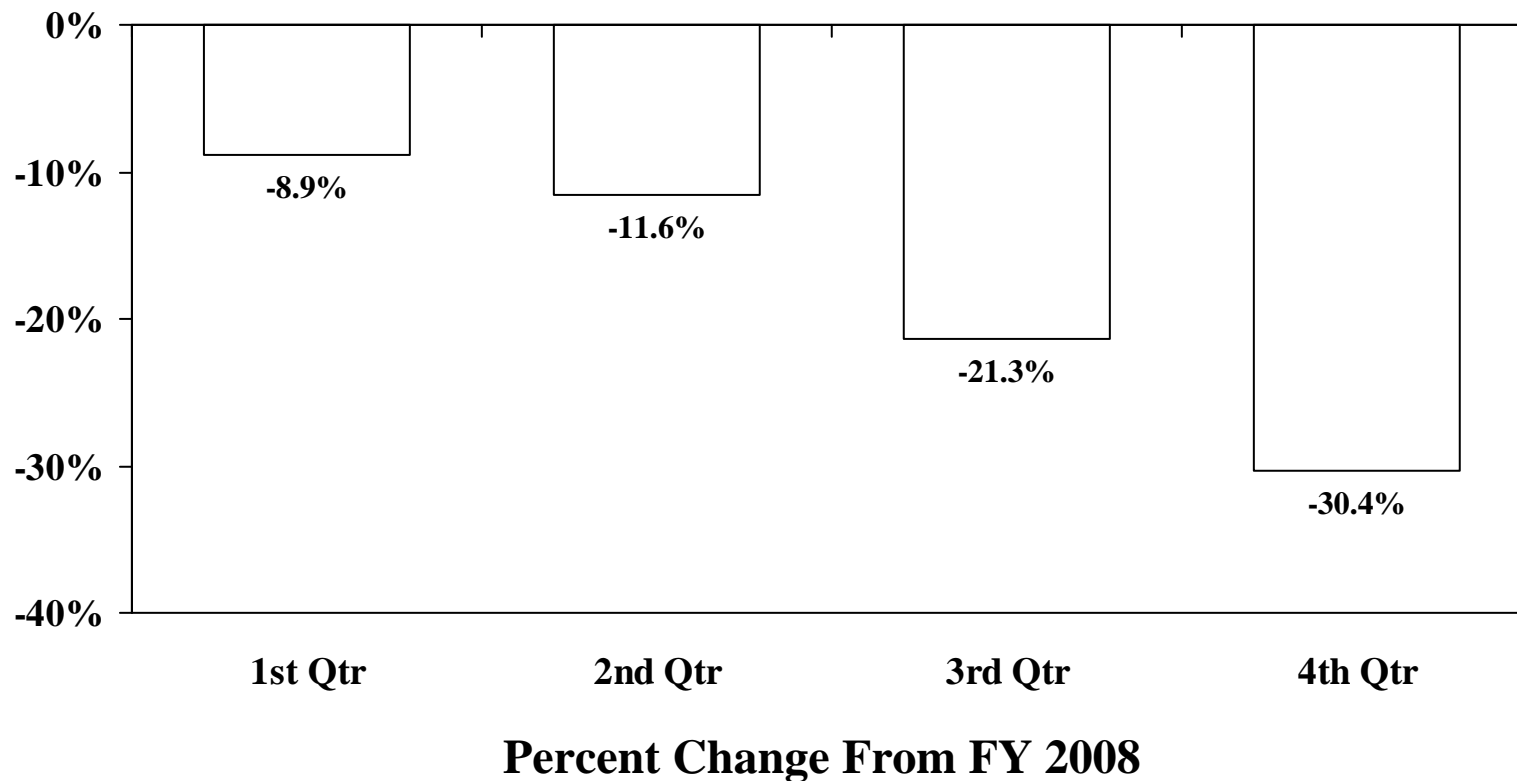
- Represents Worst Two Year Loss in Modern Era



Excludes statutory and one-time changes.

Decline Accelerated Throughout FY '09

- Given This Pattern, Can Expect
Higher % Losses in 1st Half of FY '10



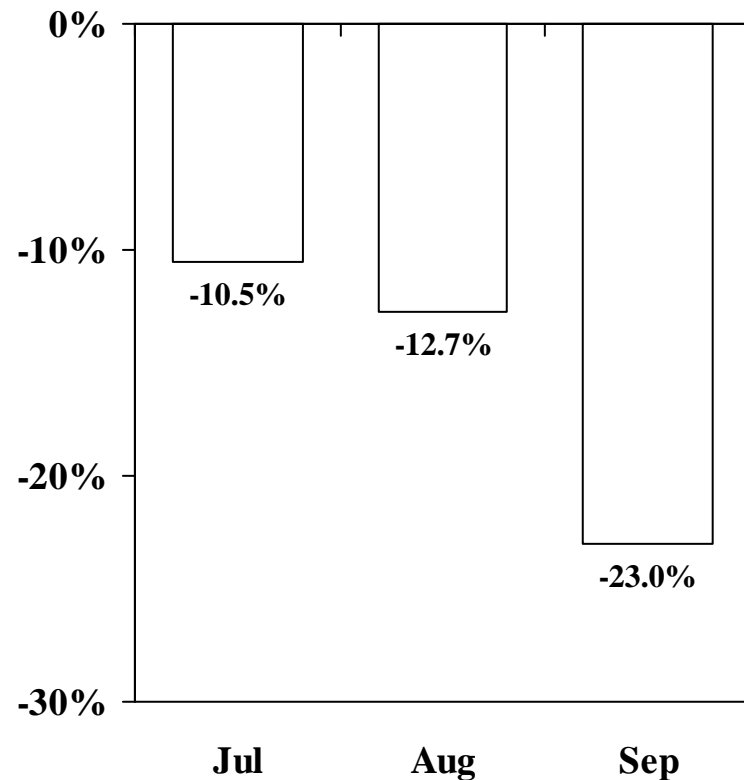
FY '10 Revenues Will Need to Grow By 0.9% to Meet \$7.1 B Budgeted Level

- Enacted budget FY '10 (0.9)%
growth compared to enacted
'09 Budget
- Growth adjusted for lower 0.9%
'09 Base

'10 Revenue Collections Continuing to Decline

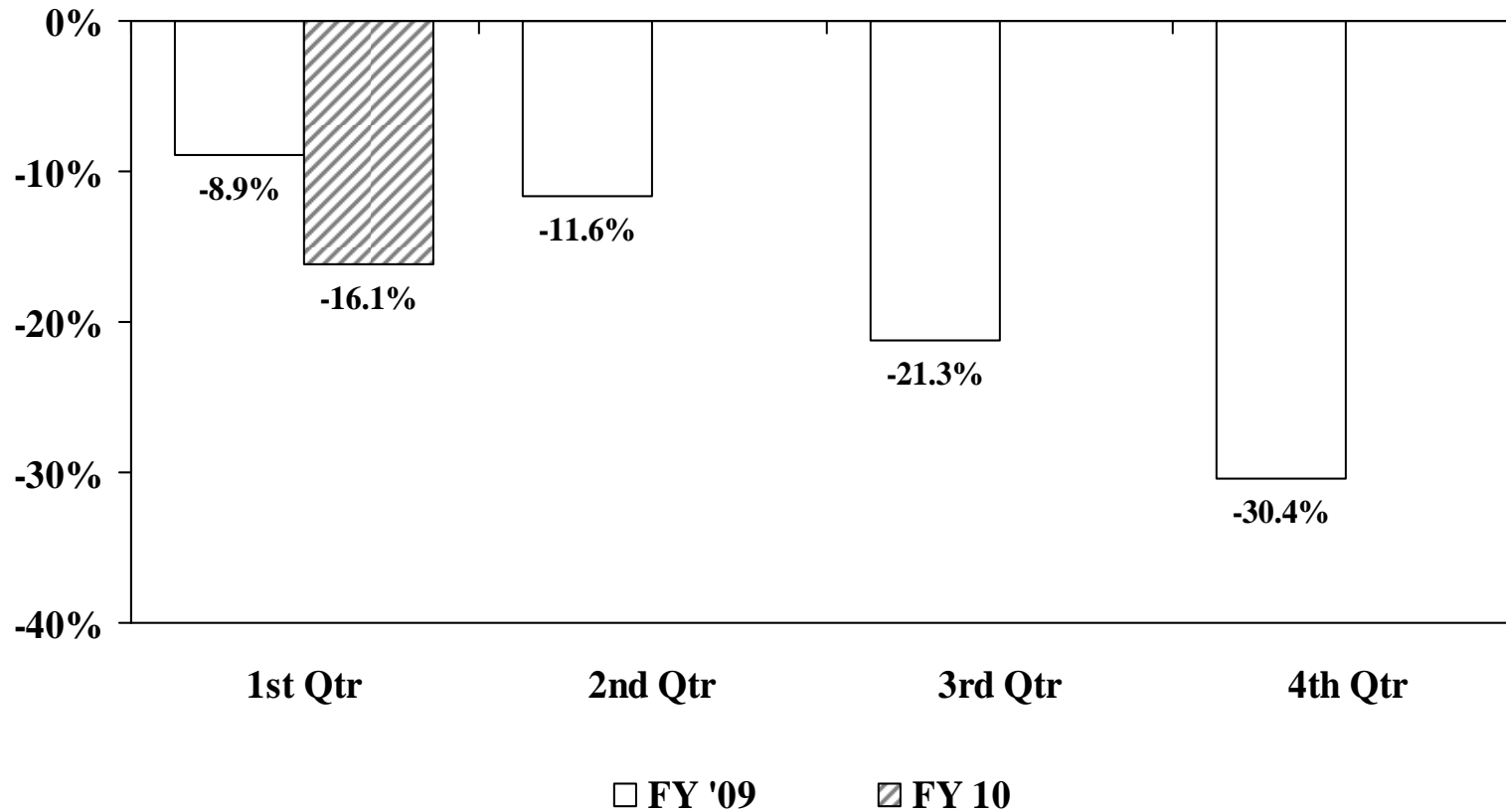
- 1st Quarter Decline = (16.1)%

- 1st quarter revenue shortfall = \$(233) M
- September decline due primarily to low quarterly income tax collections



(16)% 1st Quarter Decline is Relative to a “Higher” Base

- % Decline Unlikely to be Replicated for Full Year



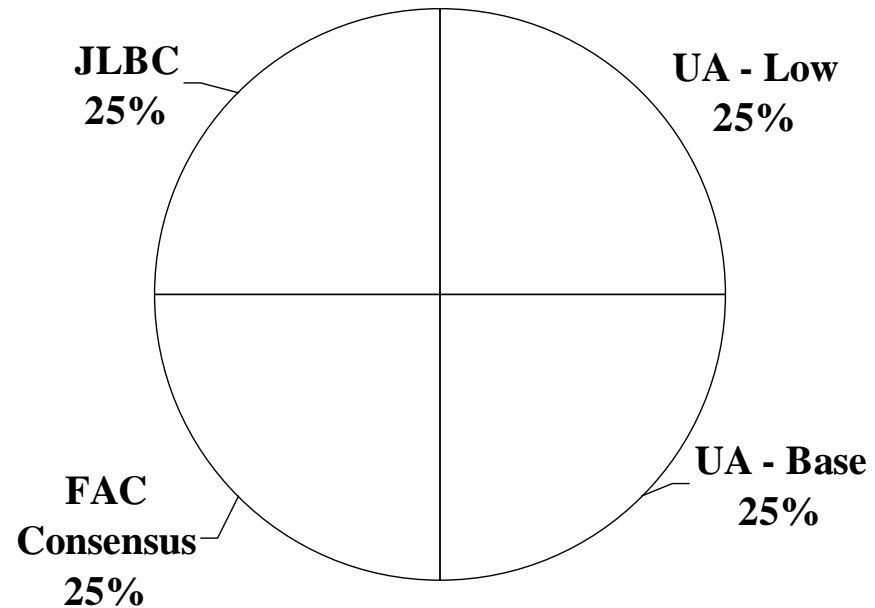
Percent Change From Prior Year

Where Are We Headed Over the Next Few Years?

- Four-Sector Consensus Forecast Incorporates Different Economic Views, Including the FAC

4-sector forecast equally weights:

- FAC average
- UofA model - base
- UofA model - low
- JLBC Staff forecast
- Remaining revenues (10% of total) are staff forecast



* Includes Big 3 categories of sales tax, individual income and corporate income taxes.

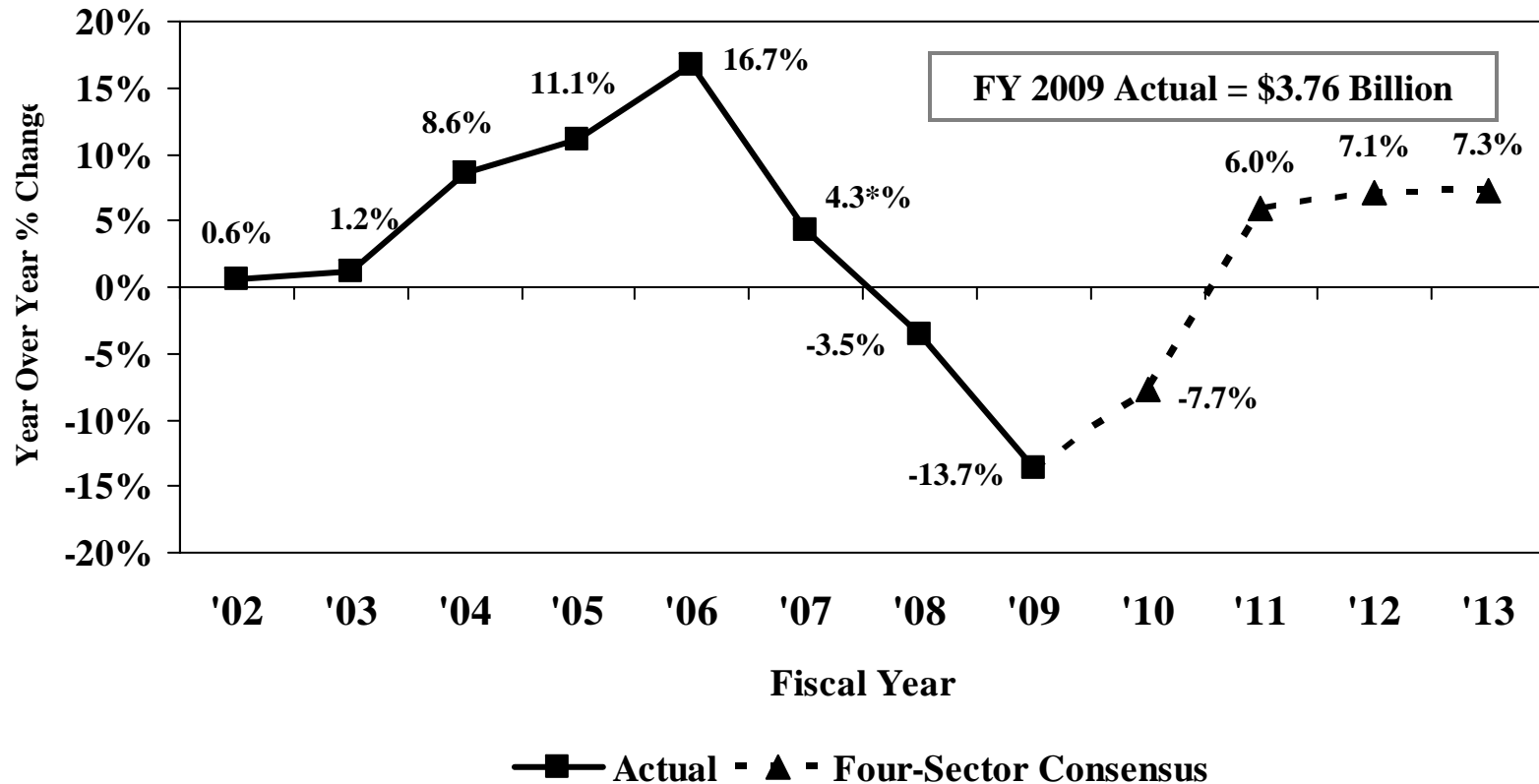
Consensus Forecasts 7.8% Growth in FY '11

- What Would Cause the Turnaround?

- National economic recovery is expected to pull the Arizona economy along
- Retail sales will increase as a result of some pent-up demand built up during the downturn
- Starting point of the recovery is so low in dollar terms that it may be relatively easy to generate positive growth

Sales Tax

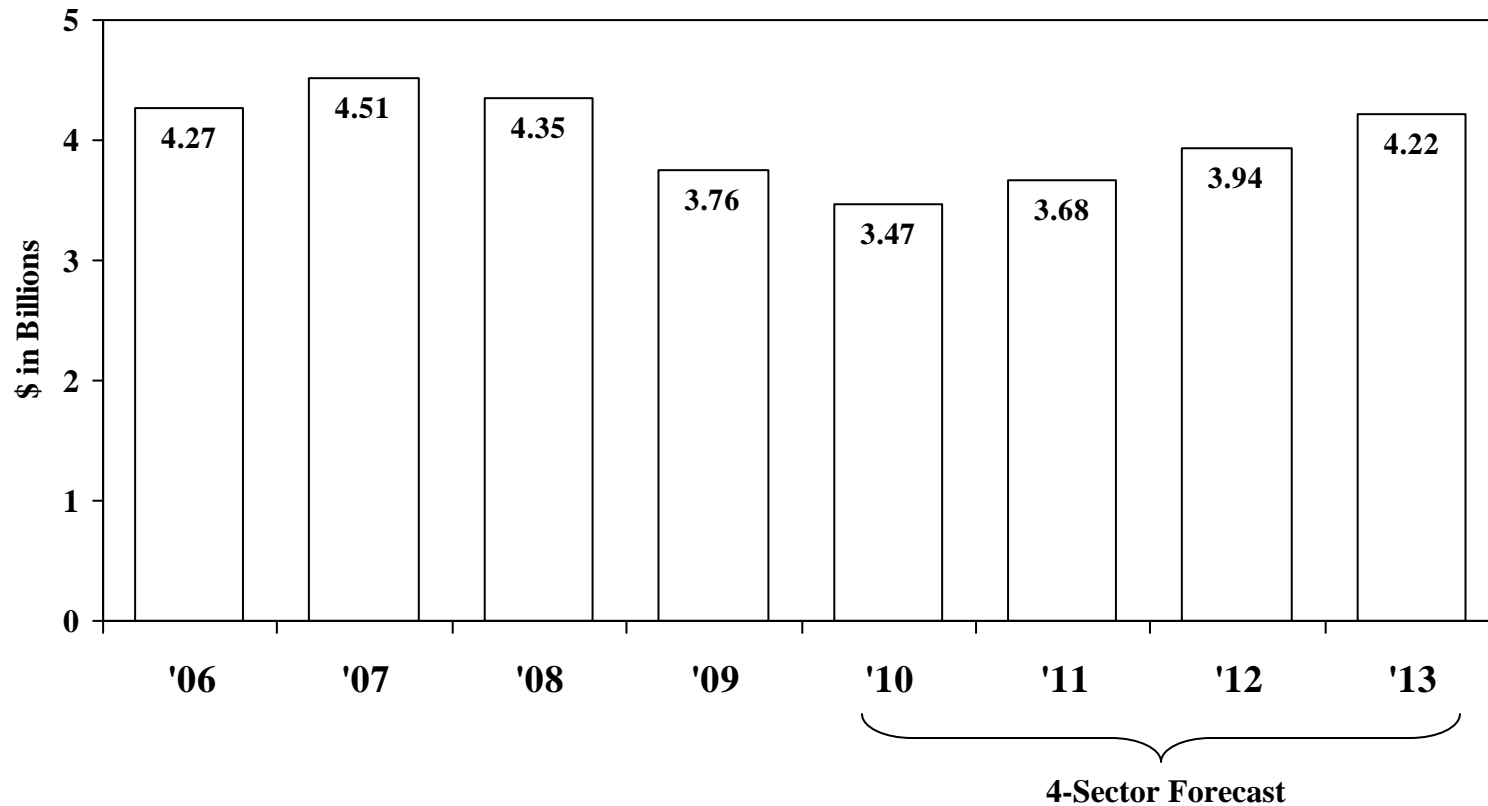
- The Consensus Forecasts Decline of (7.7)% in FY '10, with Positive Growth Rates Beginning in FY '11



* 5.6% without the \$(55.2) million estimated payment threshold change.

Sales Tax

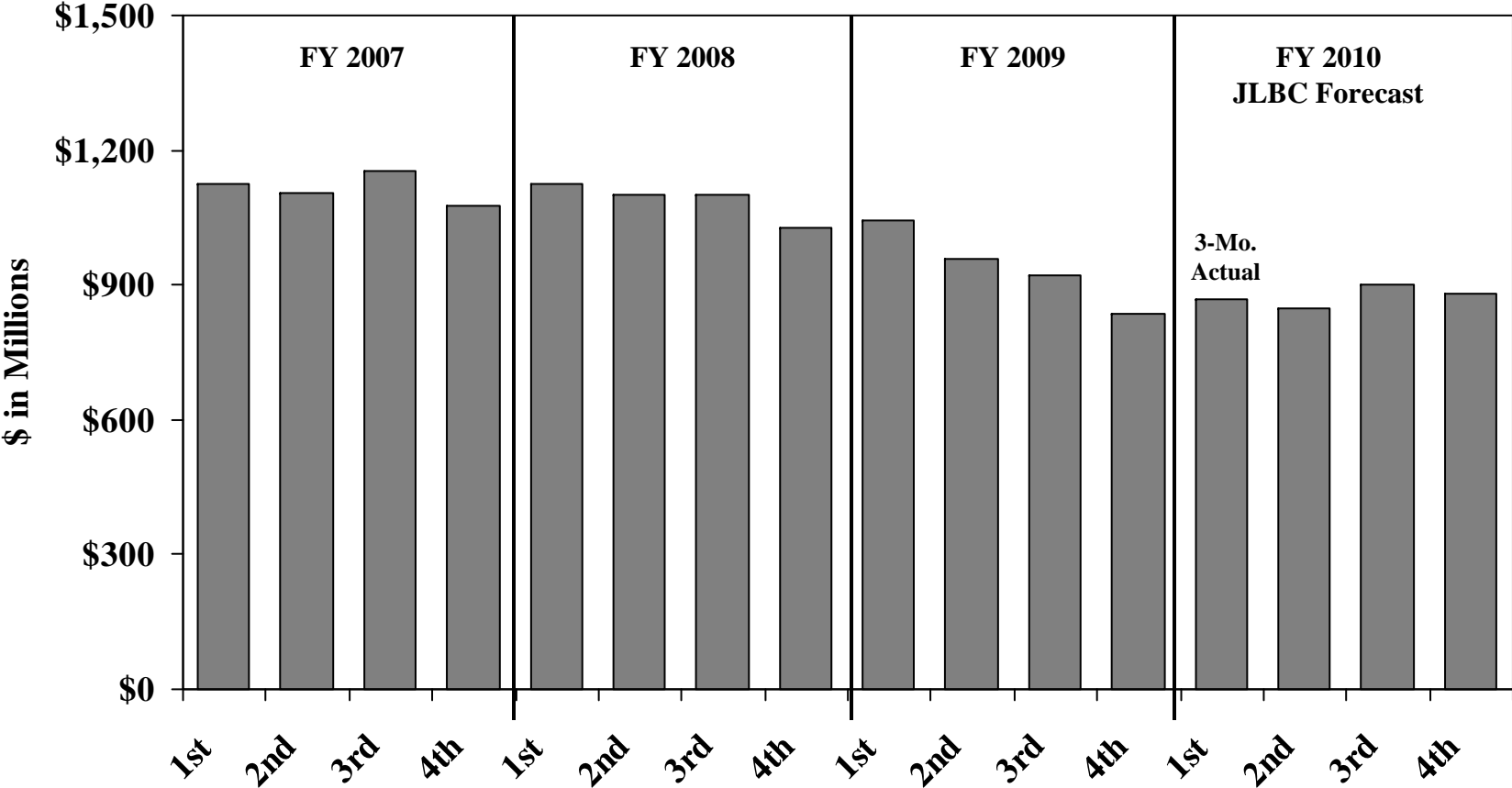
- Despite 6% - 7% Growth, Collections Would Not Reach FY '06 Level Until FY '13



Includes enacted tax law changes.

Sales Tax Collections Appear to Have Stabilized

- Second-Half Flat Growth Still Leads to Yearly Decline

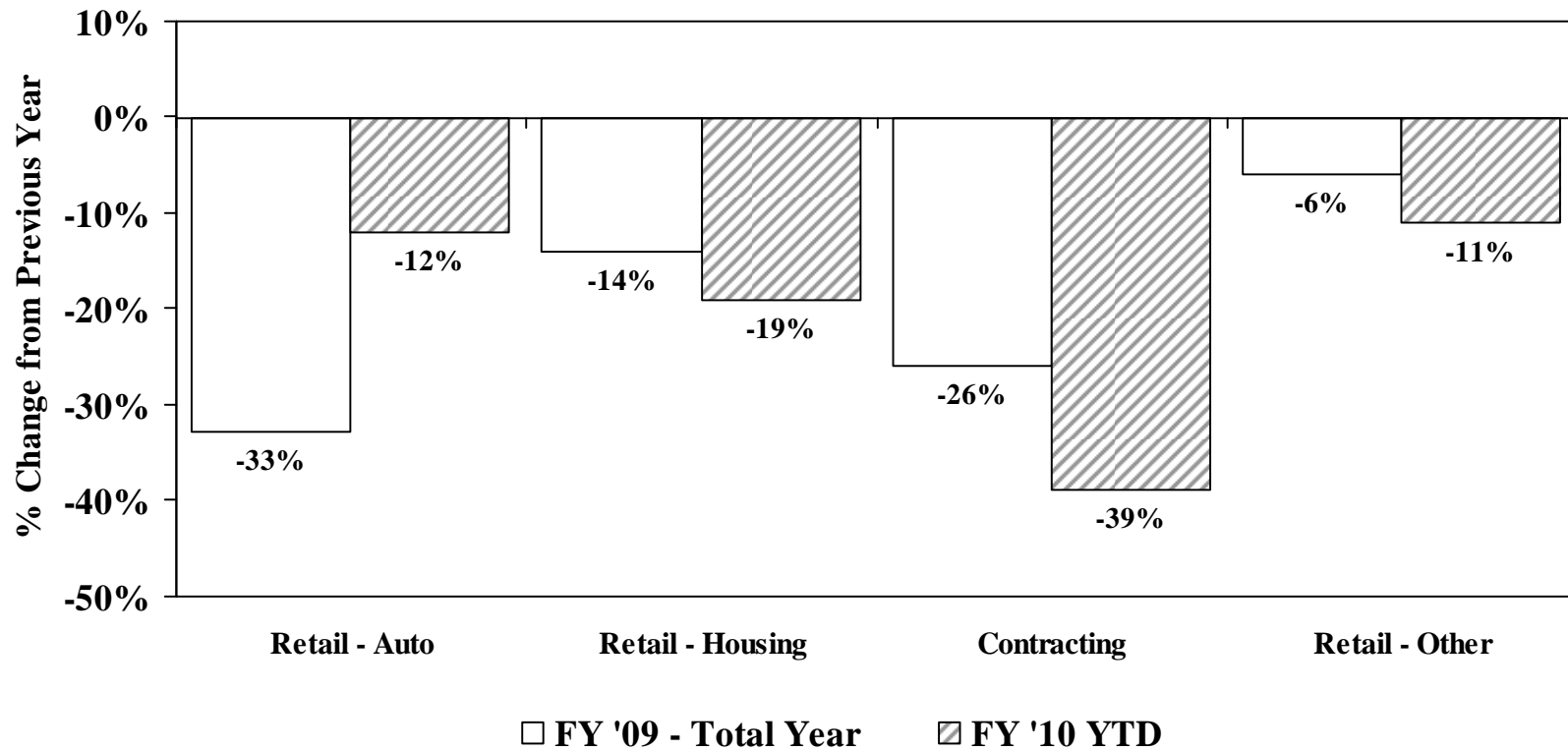


Collections by Quarter



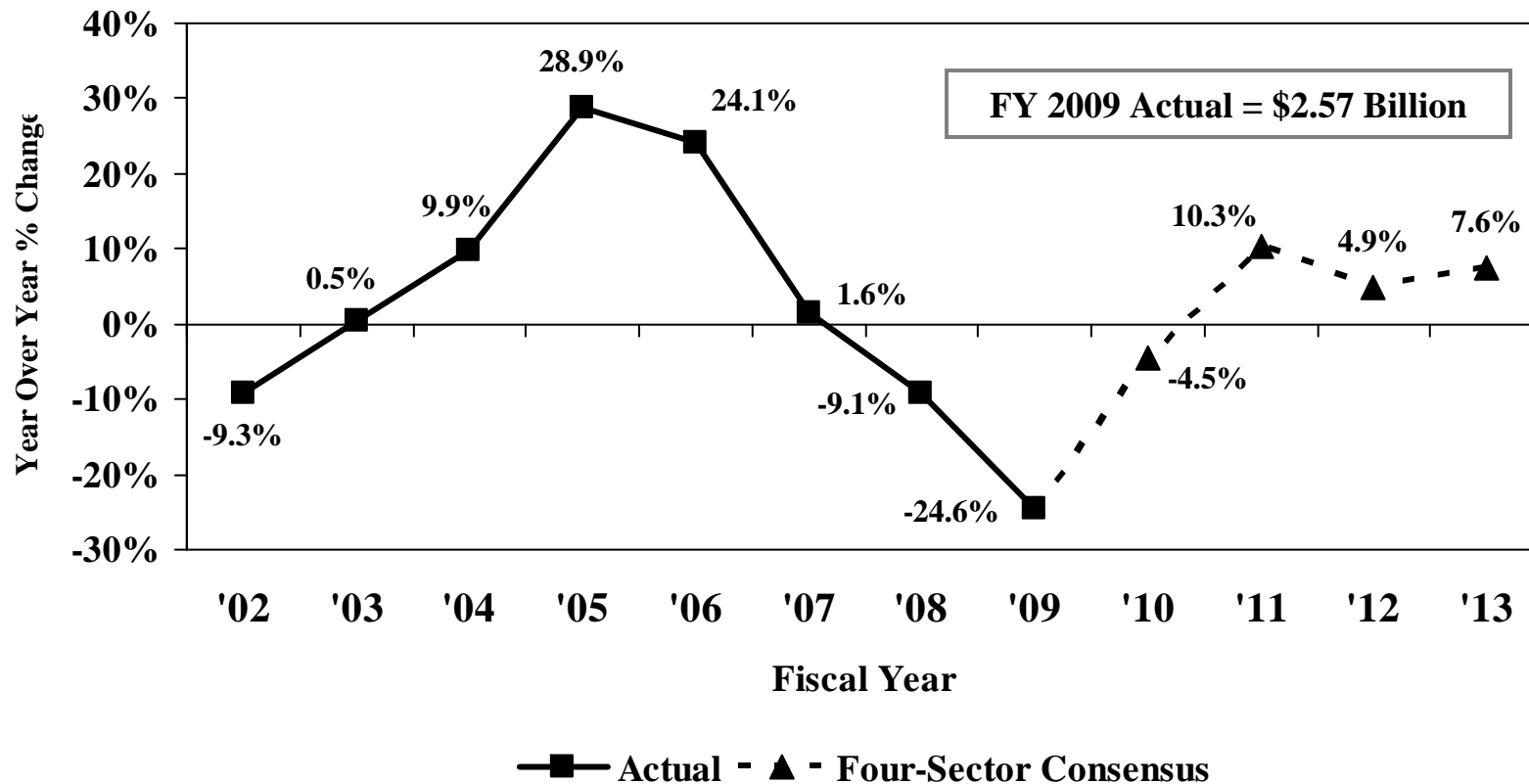
Building and Vehicle Spending Represent 30% of Sales

- In 1st Quarter, Vehicles “Improved” and Contracting Declined



Individual Income Tax

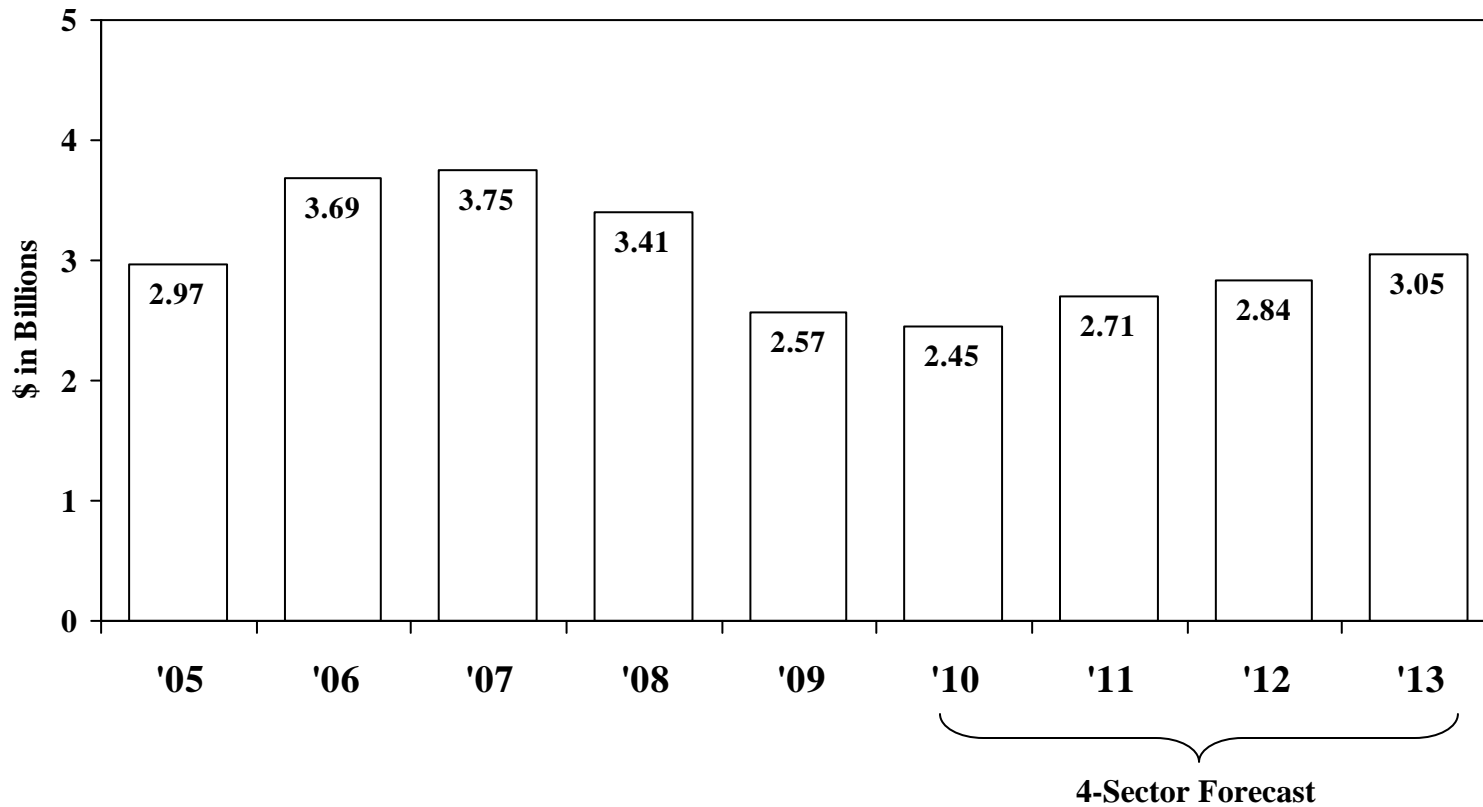
- The Consensus Forecasts Decline of (4.5)% in FY '10, with Positive Growth Rates Beginning in FY '11



* Excluding the 10% phased-in rate reduction, growth would have been 6.3% in '07, and (4.1)% in '08.

Individual Income Tax

- Collections Reach FY '05 Level in FY '13



Includes enacted tax law changes.



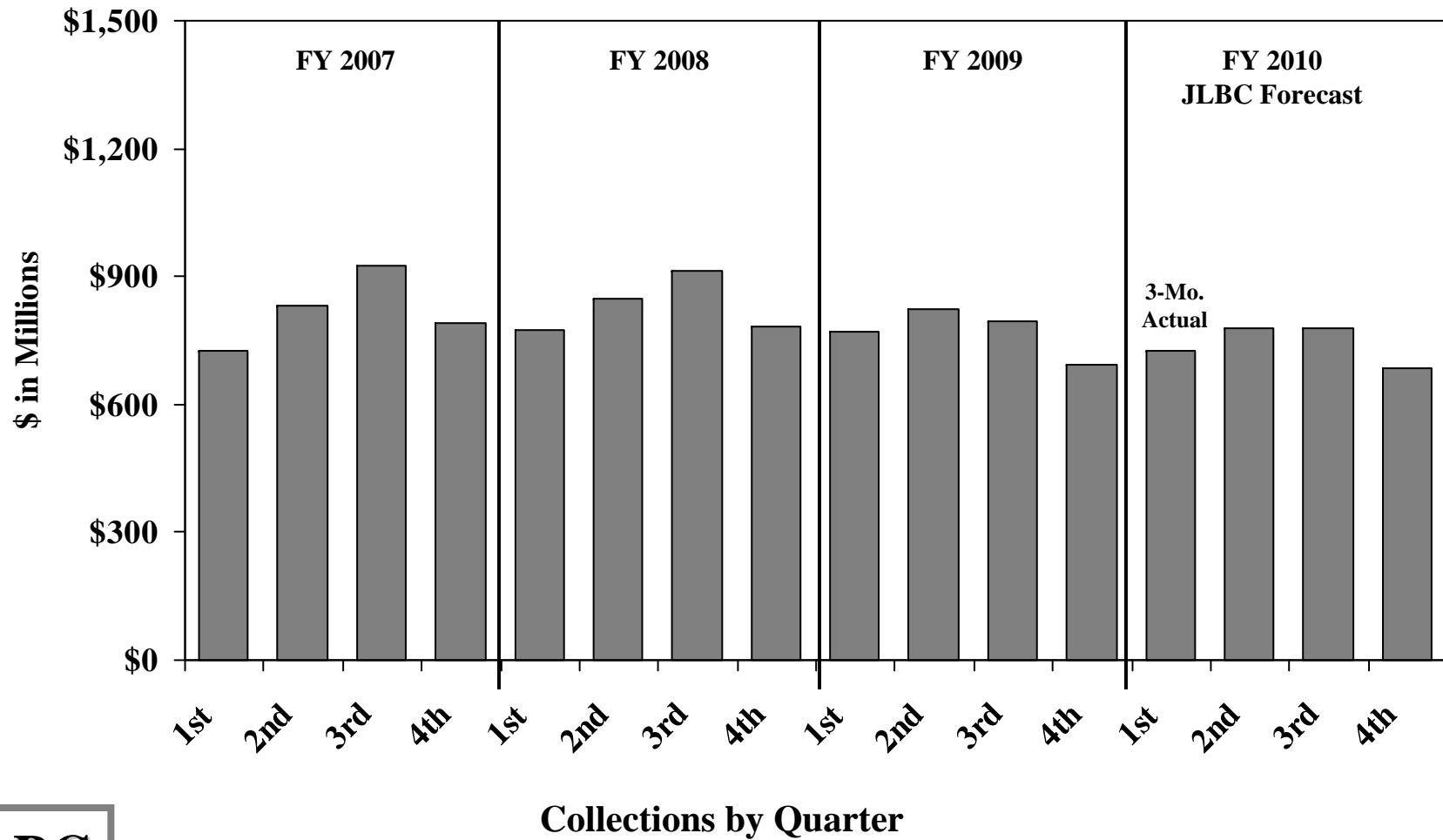
Income Tax Continues Record Losing Streak in 1st Quarter

- Data Available from 1960

- Estimated payments declined for the 10th consecutive quarter (previous record = 4 qtrs.)
- Withholding fell for the 7th consecutive quarter (previous record = 4 qtrs.)
- Arizona's withholding and estimated payment decline was the 3rd worst in the nation

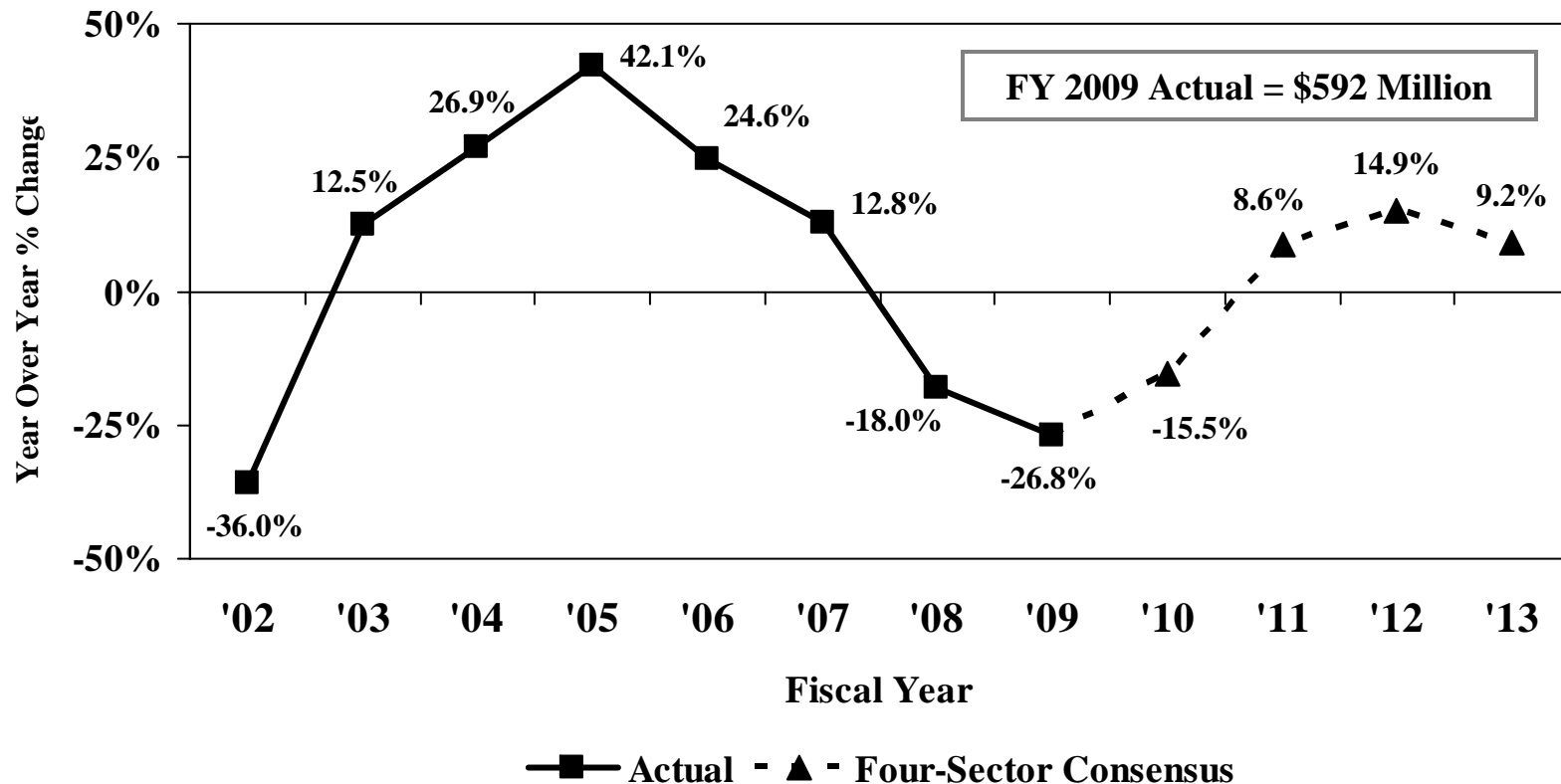
As With Sales, Withholding Appears to Have Bottomed Out

- More Difficult to Project Estimated Payments



Corporate Income Tax

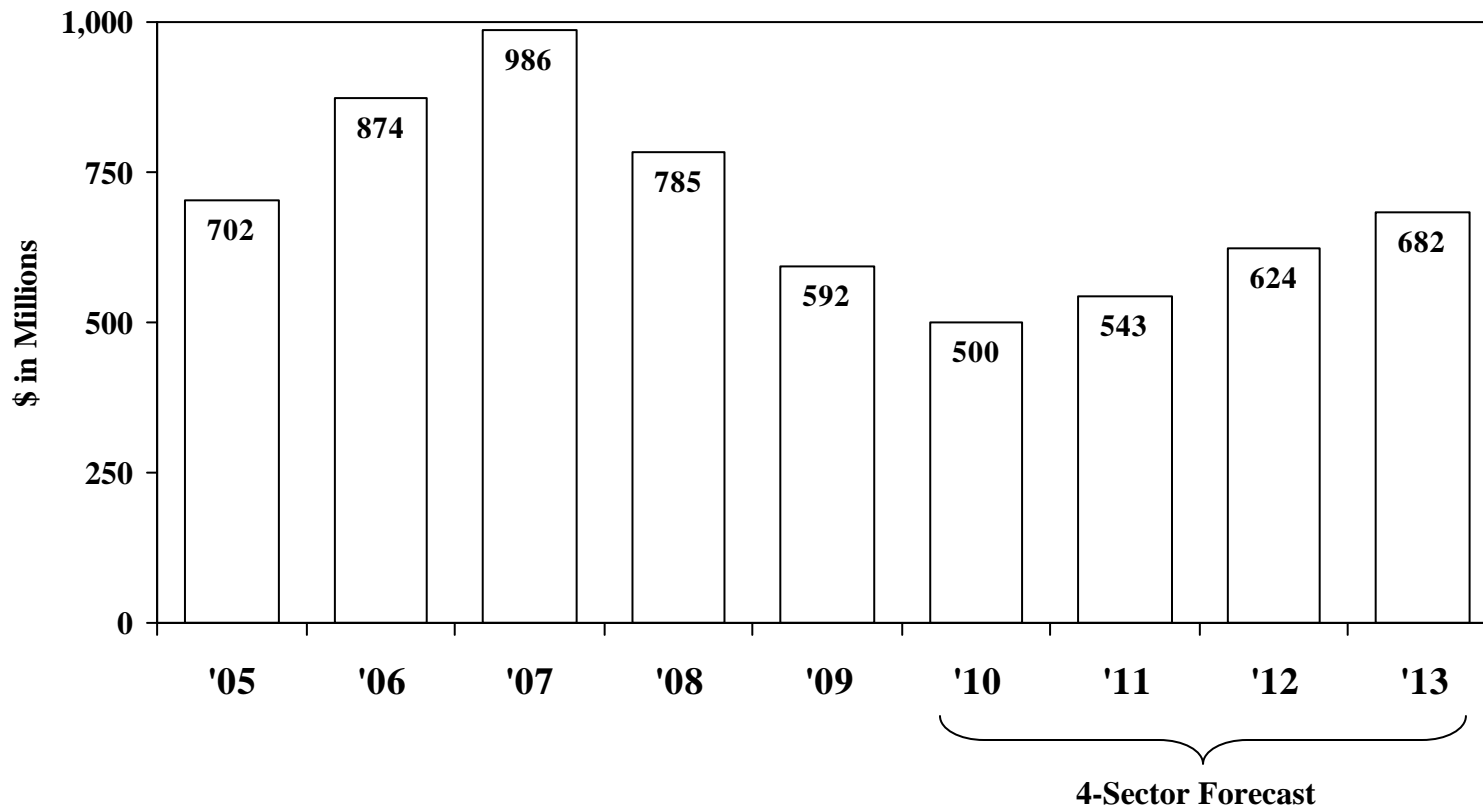
- The Consensus Forecasts Decline of (15.5)% in FY '10, with Positive Growth Rates Beginning in FY '11



* The '08 – '11 percentages include the impact of the consolidated reporting credit and the phase-in of the corporate sales factor. Excluding these tax law changes, baseline growth for '08 – '11 would be (14.4)%, (20.7)%, (9.9)% and 14.4% respectively.

Corporate Income Tax

- FY '13 Collections Below FY '05 Level

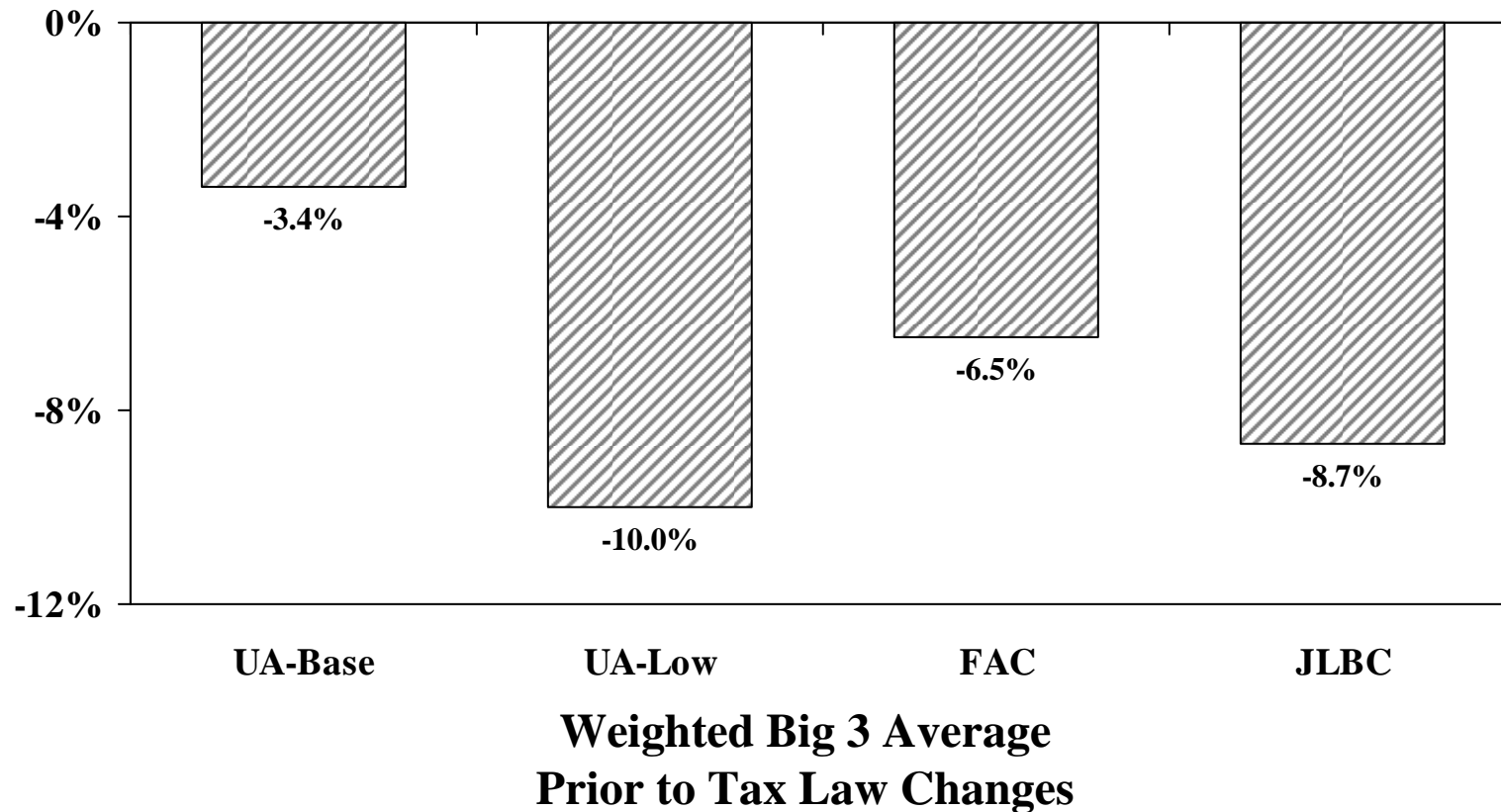


Includes enacted tax law changes.



October 4-Sector Projecting Revenue Decline of (7.2)% in FY '10

- Enacted Budget Forecast for FY '10 was 0.9% Increase

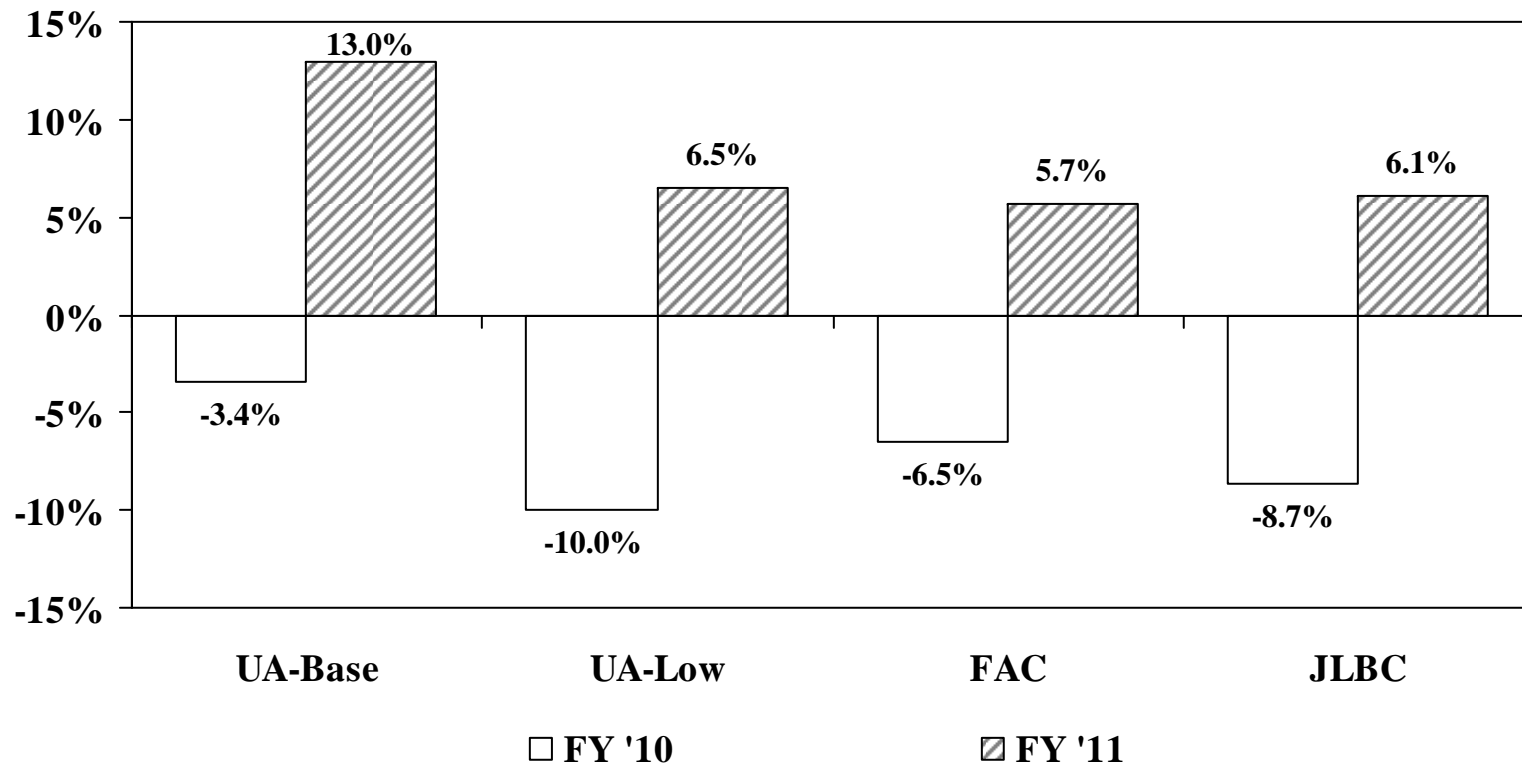


Rather Than Consensus, JLBC Recommends Using Its (8.7)% FY '10 Forecast

- Better to be cautious and improve rather than to see it get worse
- Equates to (4.9)% decline in remaining 9 months rather than (3.5)%
- After adjusting for changes in smaller categories, FY '10 forecast is (8.2)%
- Results in \$(698) M revenue shortfall

7.8% Consensus Forecast Growth for FY '11

- UA 13% Gain is the Outlier



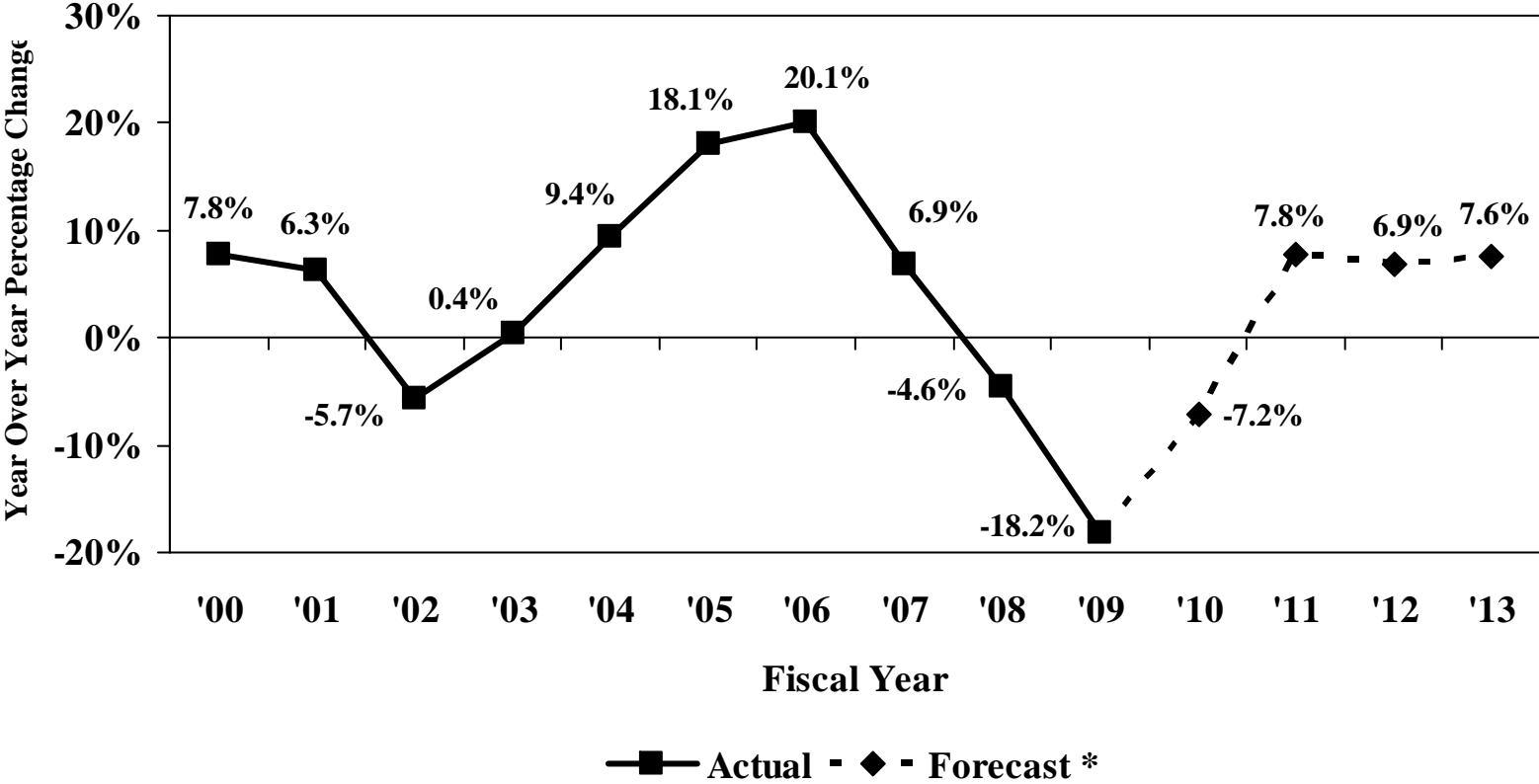
Weighted Big 3 Average
Prior to Tax Law Changes



FY '11 Revenue Base Also Adjusted for Tax Laws and Urban Revenue Sharing

- Enacted tax law changes of \$(45) M
 - Corporate sales factor phase-in \$(29) M
 - Phoenix Convention Center payment \$(5) M
 - Research and Development tax credit \$(6) M
 - Solar tax credit \$(5) M – 1st year difficult to predict
- Urban Revenue Sharing decreases by \$(115) M from \$629 M in '10 to \$474 M in '11
 - Due to lagged decline in income tax collections

Consensus Forecasts 7% Growth Through FY '13

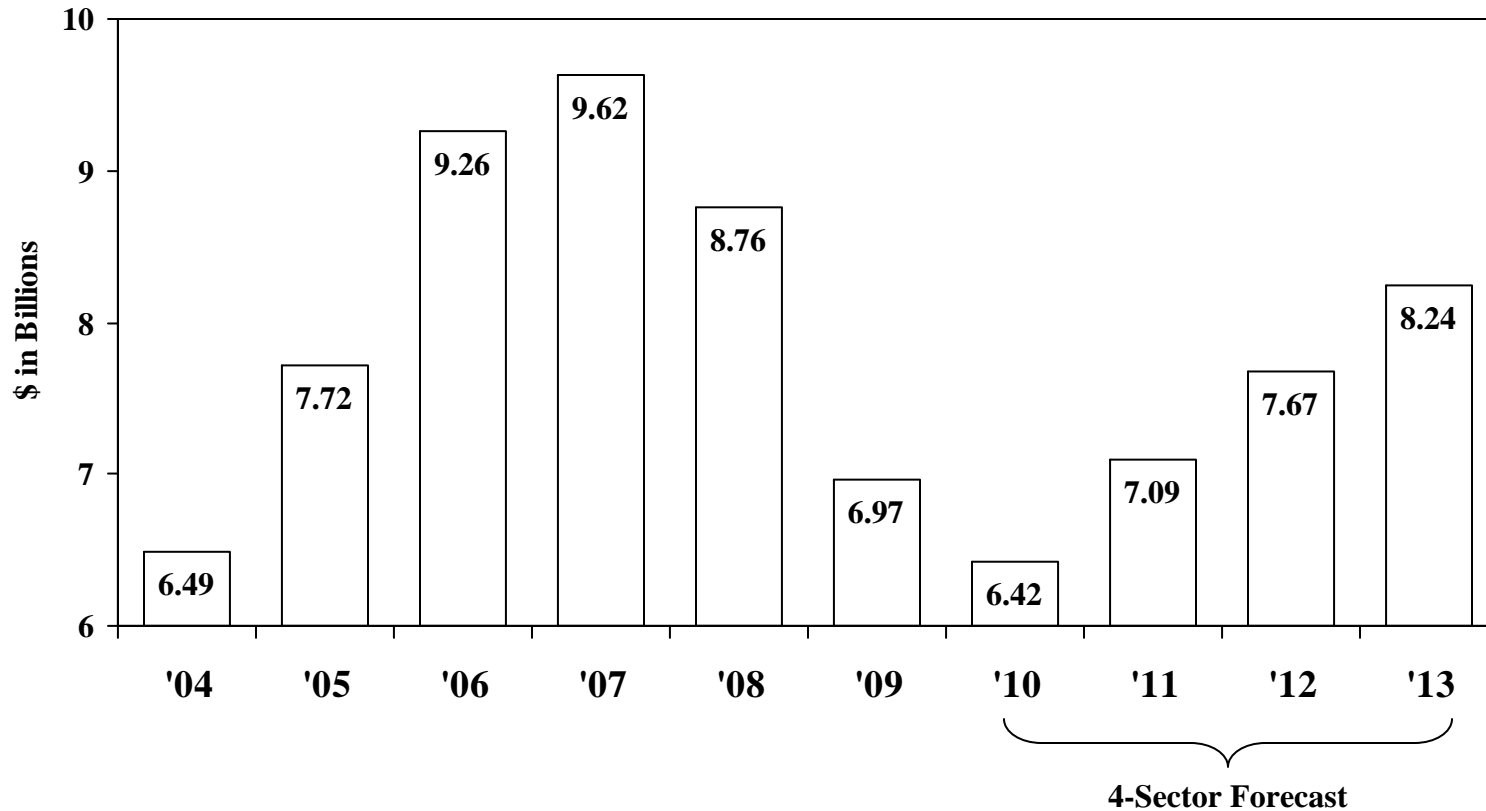


* 4-sector forecast weighted average growth.



'10 & '11 Forecast of \$6.4 B - \$7.0 B is Below '05 Level

- Would Require 10% Annually through '14 to Reach '07



**Includes Urban Revenue Sharing and enacted tax law changes
- excludes balance forward and other one-time revenues.**

Warning and Caveat

- Is it responsible to base a budget on 7.8% estimated growth in FY '11?
- Economic forecasting has limited ability to predict future, especially in unprecedented times

FY2010-FY 2013 Quartile Forecast Worksheet

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
<u>Sales Tax</u>				
JLBC Forecast (10/09)	-7.0%	4.9%	7.9%	8.0%
UA - Low (9/09 revision)	-10.7%	5.0%	6.1%	7.2%
UA - Base (9/09 revision)	-7.4%	7.8%	8.2%	8.1%
FAC (10/09 Survey)	-5.7%	6.2%	6.3%	5.8%
Average:	-7.7%	6.0%	7.1%	7.3%
<u>Individual Income Tax</u>				
JLBC Forecast (10/09)	-8.7%	6.2%	7.0%	7.0%
UA - Low (9/09 revision)	-8.1%	10.0%	-0.2%	8.4%
UA - Base (9/09 revision)	3.4%	20.1%	4.8%	8.3%
FAC (10/09 Survey)	-4.7%	4.7%	8.1%	6.7%
Average:	-4.5%	10.3%	4.9%	7.6%
<u>Corporate Income Tax</u>				
JLBC Forecast (10/09)	-19.8%	14.6%	6.0%	4.2%
UA - Low (9/09 revision)	-14.2%	0.5%	21.9%	13.3%
UA - Base (9/09 revision)	-8.0%	11.7%	18.7%	8.6%
FAC (10/09 Survey)	-19.8%	7.6%	12.8%	10.7%
Average:	-15.5%	8.6%	14.9%	9.2%
Consensus Weighted Average:	-7.2%	7.8%	6.9%	7.6%
JLBC Weighted Average:	-8.7%	6.1%	7.4%	7.3%
UA Low Weighted Average:	-10.0%	6.5%	4.9%	8.2%
UA Base Weighted Average:	-3.4%	13.0%	7.6%	8.2%
FAC Consensus Weighted Average:	-6.5%	5.7%	7.5%	6.5%

How Does New Forecast Affect Budget Shortfall?

New Forecast Raises FY '10 Shortfall to \$2.0 B

	<u>\$ in M</u>
• FY '09 Carryover Shortfall	\$ 478
• FY '10 Budgeted Shortfall after Vetoes	483
• FY '10 Revenue Shortfall – Oct. Forecast	698
• AHCCCS/DHS Caseloads	135
• Mark-Down of Savings Estimates	165
– AHCCCS Fraud, Concession Agreement, Sale/Lease-Back	_____
• Total	\$1,959

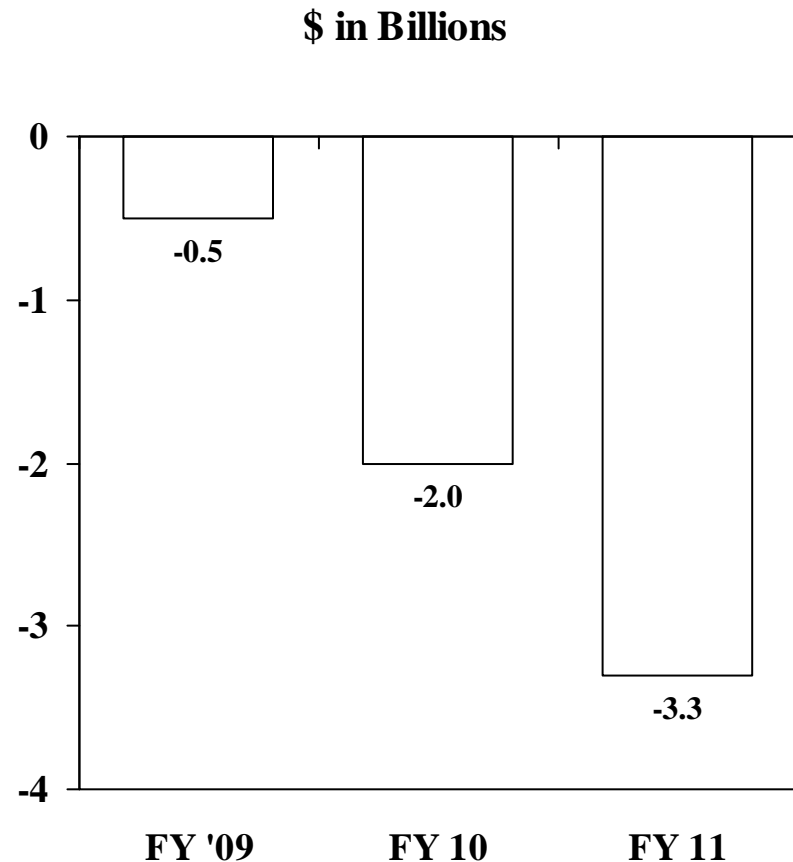
There Are 3 Measures of State's Fiscal Condition

- General Fund Budget Balance
- General Fund Structural Balance
- Operating Fund Balance
 - the actual checkbook

General Fund Balance

- Represents Financial Condition on the “Balance Sheet”

- '09 1st negative year in memory
- '10: vetoes, lagging revenues, '09 carryover
- '11: projection based on current trends
- '11 shortfall assumes no '10 carryover
- Any on-going '10 solution reduces '11

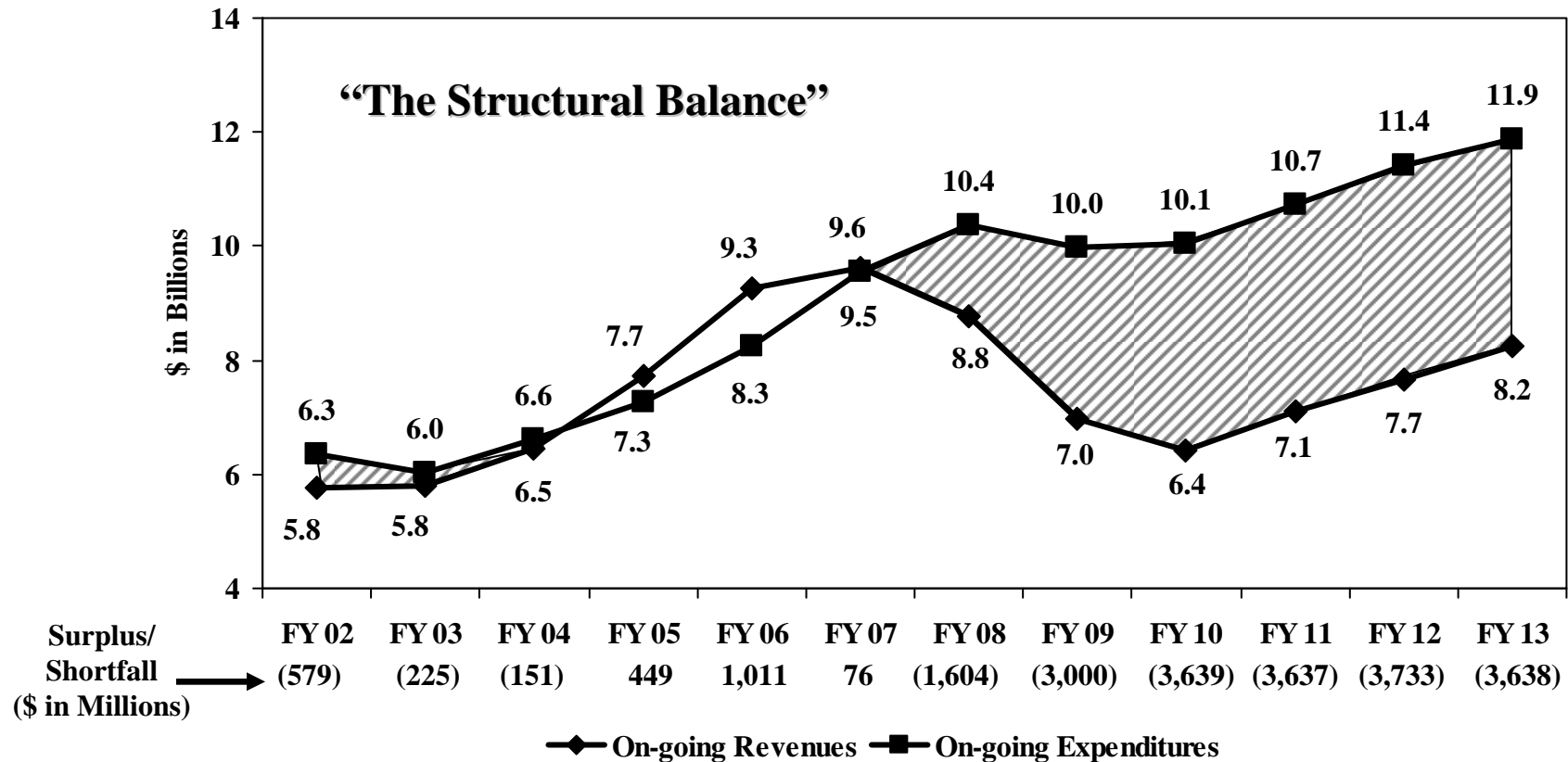


Doesn't State Have A Balanced Budget Requirement?

- Arizona Constitution requires Legislature to provide revenues to “defray” the necessary expenses for each year
- If the state falls short, the Legislature may tax in the following year to make up difference

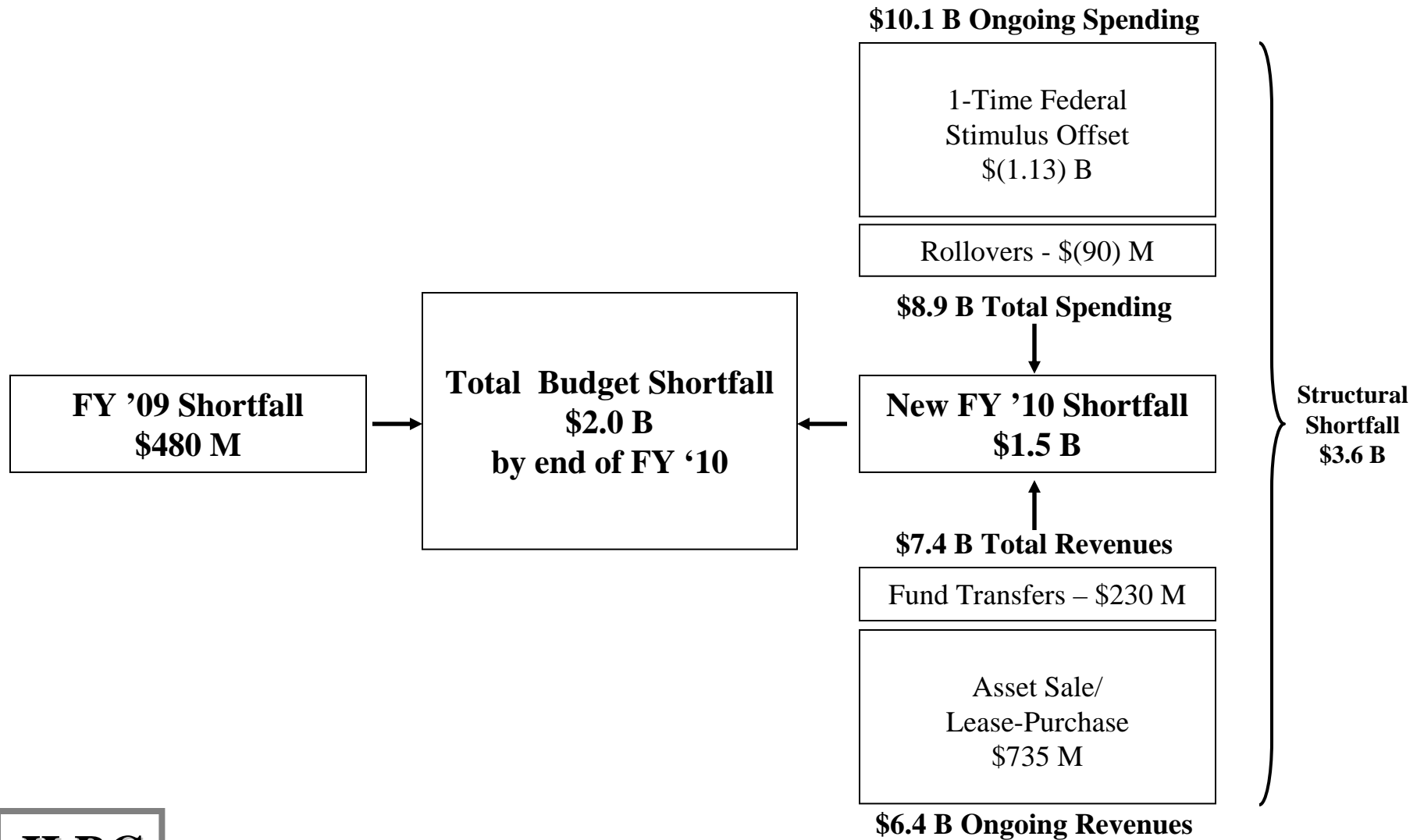
Fiscal Condition Also Measured by On-Going Revenues vs. Spending

- Gap is Filled by One-Time Solutions



*Based on current FY '10 estimates.

The Budget and Structural Shortfalls

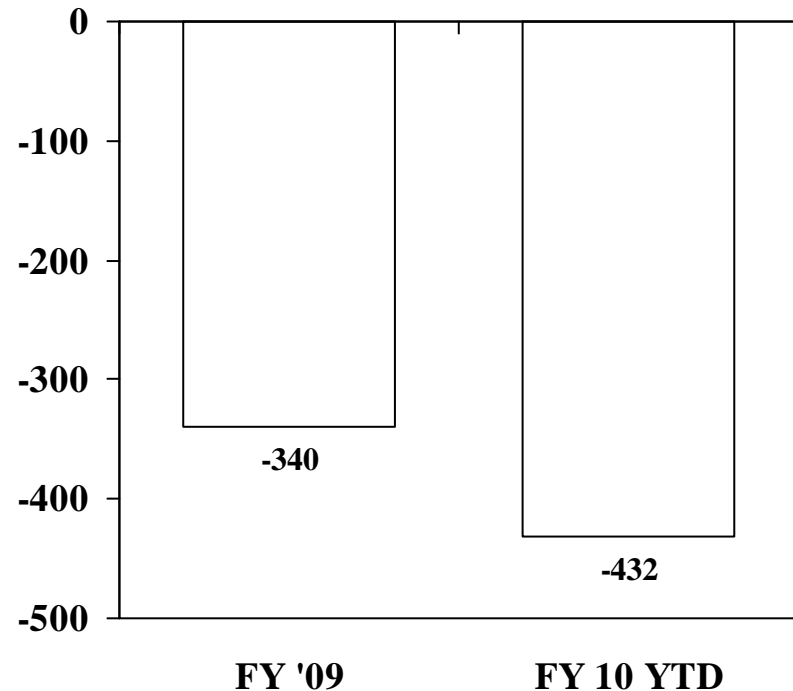


The Operating Fund Balance Went Negative in '09

- 1st Time Since 1930's

- State pays its daily bills from Operating Fund
- Includes \$1.6 B in non-General Fund accounts
- When negative, state borrows daily
- First intrafund, then commercial

Single Highest Daily Shortfall
\$ in Millions



Operating Fund Borrowing is the Last Back-Stop

- State is issuing long-term debt to generate cash for budget-balancing
 - e.g., \$735 M state building leaseback
- The Operating Fund borrowing, however, is overnight debt solely to pay that day's bills
- At some point, banks won't lend anymore – the California experience

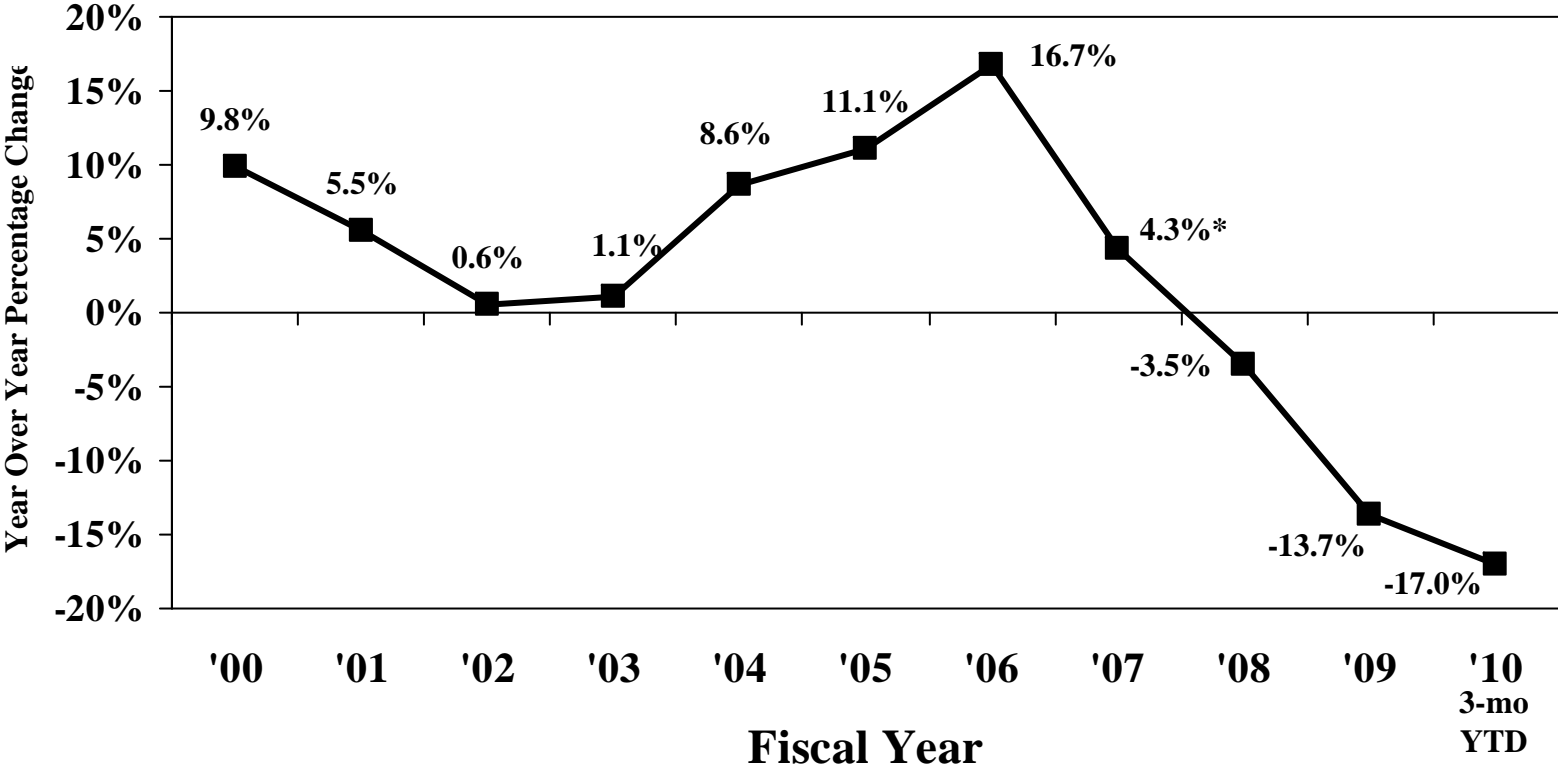
Moody's Shifted Rating Outlook to "Negative"

- Accompanied by Following Observations

- The state has taken some steps to stabilize its fiscal situation
- Statutory limits prevent quick action on shortfalls
- Most balancing measures "are not of a recurring nature"
- "Available reserves have been depleted"
- The state faces the "challenge of addressing ongoing structural imbalance with more limited resources, in an environment of continuing economic weakness"

Sales Tax

Sales Tax Growth Rate



* The '07 increase of 4.3% includes the one-time impact of the revised June estimated payment threshold from \$100,000 to \$1.0 million enacted by the Legislature. Excluding the impact of the one-time change, baseline collections grew by 5.6%



Arizona Sales Tax - Total General Fund Collections

		Year-to-Year	Year-to-Date		
	Collections (\$)	% Change	% Change		
FY 2006	↑	July 2005	347,621,329	16.7%	16.7%
		Aug 2005	334,204,902	16.5%	16.6%
		Sept 2005	343,784,559	17.9%	17.0%
		Oct 2005	344,584,769	17.1%	17.1%
		Nov 2005	334,011,412	15.4%	16.7%
		Dec 2005	341,852,219	18.9%	17.1%
		Jan 2006	420,282,327	17.8%	17.2%
		Feb 2006	330,582,460	16.8%	17.2%
		Mar 2006	345,767,996	18.5%	17.3%
		Apr 2006	384,904,139	15.7%	17.1%
		May 2006	362,497,362	14.8%	16.9%
		↓	June 2006	383,265,378	14.9%
FY 2007	↑	July 2006	390,460,231	12.3%	12.3%
		Aug 2006	353,466,457	5.8%	9.1%
		Sept 2006	379,889,665	10.5%	9.6%
		Oct 2006	376,890,480	9.4%	9.5%
		Nov 2006	365,372,337	9.4%	9.5%
		Dec 2006	362,236,390	6.0%	8.9%
		Jan 2007	439,996,411	4.7%	8.2%
		Feb 2007	359,643,938	8.8%	8.3%
		Mar 2007	353,088,173	2.1%	7.6%
		Apr 2007	398,196,373	3.5%	7.1%
		May 2007	357,610,064	-1.3%	6.3%
		↓	June 2007	320,780,323	-16.3%
FY 2008	↑	July 2007	392,889,822	0.6%	0.6%
		Aug 2007	366,627,555	3.7%	2.1%
		Sept 2007	366,842,873	-3.4%	0.2%
		Oct 2007	373,831,498	-0.8%	0.0%
		Nov 2007	366,084,157	0.2%	0.0%
		Dec 2007	362,105,035	0.0%	0.0%
		Jan 2008	406,881,740	-7.5%	-1.2%
		Feb 2008	342,061,289	-4.9%	-1.7%
		Mar 2008	349,634,579	-1.0%	-1.6%
		Apr 2008	373,838,251	-6.1%	-2.1%
		May 2008	353,973,221	-1.0%	-2.0%
		↓	June 2008	298,794,828	-6.9%
FY 2009	↑	July 2008	356,253,718	-9.3%	-9.3%
		Aug 2008	345,178,741	-5.9%	-7.6%
		Sept 2008	342,275,305	-6.7%	-7.3%
		Oct 2008	337,313,340	-9.8%	-7.9%
		Nov 2008	317,474,089	-13.3%	-9.0%
		Dec 2008	302,821,227	-16.4%	-10.2%
		Jan 2009	357,760,734	-12.1%	-10.5%
		Feb 2009	280,674,594	-17.9%	-11.3%
		Mar 2009	282,169,633	-19.3%	-12.2%
		Apr 2009	299,864,274	-19.8%	-12.9%
		May 2009	278,889,778	-21.2%	-13.7%
		↓	June 2009	255,731,805	-14.4%
FY 2010	↑	July 2009	290,628,634	-18.4%	-18.4%
		Aug 2009	287,604,077	-16.7%	-17.6%
		Sept 2009	288,000,000	-15.9%	-17.0%
		Oct 2009	(prelim est)		
		Nov 2009			
		Dec 2009			
		Jan 2010			
		Feb 2010			
		Mar 2010			
		Apr 2010			
	↓	May 2010			
	↓	June 2010			

Arizona Sales Tax - Retail General Fund Collections

		Year-to-Year Collections (\$)	% Change	Year-to-Date % Change	
FY 2006	↑	July 2005	159,056,661	17.3%	17.3%
		Aug 2005	151,650,858	16.9%	17.1%
		Sept 2005	155,323,150	19.6%	17.9%
		Oct 2005	151,719,291	13.4%	16.8%
		Nov 2005	150,085,277	14.0%	16.2%
		Dec 2005	157,743,736	13.8%	15.8%
		Jan 2006	213,093,761	14.4%	15.5%
		Feb 2006	148,801,215	14.0%	15.4%
		Mar 2006	155,769,534	14.3%	15.2%
		Apr 2006	175,368,144	11.0%	14.8%
		May 2006	169,266,627	14.3%	14.7%
		↓	June 2006	168,160,318	12.4%
FY 2007	↑	July 2006	169,723,491	6.7%	6.7%
		Aug 2006	155,842,572	2.8%	4.8%
		Sept 2006	163,988,894	5.6%	5.0%
		Oct 2006	158,869,642	4.7%	5.0%
		Nov 2006	153,908,793	2.5%	4.5%
		Dec 2006	167,464,043	6.2%	4.8%
		Jan 2007	215,189,656	1.0%	4.1%
		Feb 2007	157,706,055	6.0%	4.3%
		Mar 2007	158,858,656	2.0%	4.0%
		Apr 2007	181,559,289	3.5%	4.0%
		May 2007	177,671,344	5.0%	4.1%
		↓	June 2007	166,994,609	-0.7%
FY 2008	↑	July 2007	168,701,610	-0.6%	-0.6%
		Aug 2007	155,843,067	0.0%	-0.3%
		Sept 2007	157,758,362	-3.8%	-1.5%
		Oct 2007	155,232,586	-2.3%	-1.7%
		Nov 2007	155,481,940	1.0%	-1.2%
		Dec 2007	161,715,960	-3.4%	-1.6%
		Jan 2008	206,954,506	-3.8%	-2.0%
		Feb 2008	141,687,651	-10.2%	-2.9%
		Mar 2008	151,347,983	-4.7%	-3.1%
		Apr 2008	171,895,140	-5.3%	-3.4%
		May 2008	154,399,548	-13.1%	-4.3%
		↓	June 2008	158,533,239	-5.1%
FY 2009	↑	July 2008	151,221,528	-10.4%	-10.4%
		Aug 2008	141,997,515	-8.9%	-9.7%
		Sept 2008	148,418,887	-5.9%	-8.4%
		Oct 2008	142,632,579	-8.1%	-8.4%
		Nov 2008	132,015,121	-15.1%	-9.7%
		Dec 2008	139,180,130	-13.9%	-10.4%
		Jan 2009	178,527,187	-13.7%	-11.0%
		Feb 2009	125,137,464	-11.7%	-11.1%
		Mar 2009	127,627,909	-15.7%	-11.5%
		Apr 2009	141,459,474	-17.7%	-12.2%
		May 2009	133,598,827	-13.5%	-12.3%
		↓	June 2009	140,981,387	-11.1%
FY 2010	↑	July 2009	132,848,837	-12.1%	-12.1%
		Aug 2009	124,372,918	-12.4%	-12.3%
		Sept 2009			
		Oct 2009			
		Nov 2009			
		Dec 2009			
		Jan 2010			
		Feb 2010			
		Mar 2010			
		Apr 2010			
	↓	May 2010			
	June 2010				

Arizona Sales Tax - Contracting General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
FY 2006	↑	July 2005	73,449,566	29.7%	29.7%
		Aug 2005	65,280,791	23.1%	26.5%
		Sept 2005	69,736,836	23.5%	25.5%
		Oct 2005	71,875,989	26.3%	25.7%
		Nov 2005	65,866,408	20.4%	24.6%
		Dec 2005	73,197,845	31.9%	25.8%
		Jan 2006	83,495,930	30.3%	26.6%
		Feb 2006	65,409,736	33.5%	27.3%
		Mar 2006	70,980,348	33.0%	27.9%
		Apr 2006	82,734,326	29.3%	28.1%
		May 2006	76,269,575	24.2%	27.7%
		↓	June 2006	82,977,855	25.2%
FY 2007	↑	July 2006	89,602,967	22.0%	22.0%
		Aug 2006	75,238,759	15.3%	18.8%
		Sept 2006	80,938,291	16.1%	17.9%
		Oct 2006	87,594,136	21.9%	18.9%
		Nov 2006	80,499,919	22.2%	19.5%
		Dec 2006	76,849,517	5.0%	17.0%
		Jan 2007	95,496,438	14.4%	16.6%
		Feb 2007	73,418,261	12.2%	16.1%
		Mar 2007	70,403,512	-0.8%	14.2%
		Apr 2007	81,956,142	-0.9%	12.5%
		May 2007	76,125,717	-0.2%	11.3%
		↓	June 2007	80,475,472	-3.0%
FY 2008	↑	July 2007	84,908,206	-5.2%	-5.2%
		Aug 2007	78,149,544	3.9%	-1.1%
		Sept 2007	75,884,177	-6.2%	-2.8%
		Oct 2007	77,120,496	-12.0%	-5.2%
		Nov 2007	76,543,383	-4.9%	-5.1%
		Dec 2007	76,723,853	-0.2%	-4.4%
		Jan 2008	72,469,751	-24.1%	-7.6%
		Feb 2008	64,593,368	-12.0%	-8.1%
		Mar 2008	59,879,686	-14.9%	-8.7%
		Apr 2008	66,449,725	-18.9%	-9.8%
		May 2008	66,990,187	-12.0%	-10.0%
		↓	June 2008	69,569,046	-13.6%
FY 2009	↑	July 2008	68,881,661	-18.9%	-18.9%
		Aug 2008	65,910,704	-15.7%	-17.3%
		Sept 2008	61,476,833	-19.0%	-17.9%
		Oct 2008	63,339,249	-17.9%	-17.9%
		Nov 2008	61,291,312	-19.9%	-18.3%
		Dec 2008	54,311,200	-29.2%	-20.1%
		Jan 2009	58,954,479	-18.6%	-19.9%
		Feb 2009	41,459,848	-35.8%	-21.6%
		Mar 2009	40,464,401	-32.4%	-22.5%
		Apr 2009	44,382,960	-33.2%	-23.5%
		May 2009	38,522,448	-42.5%	-25.1%
		↓	June 2009	44,002,721	-36.7%
FY 2010	↑	July 2009	43,223,253	-37.2%	-37.2%
		Aug 2009	39,127,079	-40.6%	-38.9%
		Sept 2009			
		Oct 2009			
		Nov 2009			
		Dec 2009			
		Jan 2010			
		Feb 2010			
		Mar 2010			
		Apr 2010			
	↓	May 2010			
	↓	June 2010			

Arizona Sales Tax - Utilities General Fund Collections

		Year-to-Year Collections (\$)	% Change	Year-to-Date % Change		
FY 2006	↑	July 2005	30,123,635	11.5%	11.5%	
		Aug 2005	33,750,711	11.3%	11.4%	
		Sept 2005	35,125,817	10.7%	11.1%	
		Oct 2005	33,780,817	9.9%	10.8%	
		Nov 2005	29,135,783	15.3%	11.6%	
		Dec 2005	22,091,021	8.1%	11.2%	
		Jan 2006	27,326,797	19.4%	12.2%	
		Feb 2006	25,560,400	8.4%	11.8%	
		Mar 2006	22,568,311	7.0%	11.3%	
		Apr 2006	24,117,190	20.1%	12.0%	
		May 2006	22,105,984	10.9%	11.9%	
		↓	June 2006	27,844,657	20.2%	12.6%
FY 2007	↑	July 2006	34,298,139	13.9%	13.9%	
		Aug 2006	35,017,585	3.8%	8.5%	
		Sept 2006	43,094,371	22.7%	13.5%	
		Oct 2006	37,109,678	9.9%	12.6%	
		Nov 2006	31,261,217	7.3%	11.7%	
		Dec 2006	24,939,936	12.9%	11.8%	
		Jan 2007	27,586,109	0.9%	10.4%	
		Feb 2007	32,562,551	27.4%	12.2%	
		Mar 2007	29,526,457	30.8%	13.8%	
		Apr 2007	25,414,142	5.4%	13.1%	
		May 2007	24,034,224	8.7%	12.8%	
		↓	June 2007	29,476,016	5.9%	12.2%
FY 2008	↑	July 2007	38,942,178	13.5%	13.5%	
		Aug 2007	37,039,168	5.8%	9.6%	
		Sept 2007	38,939,736	-9.6%	2.2%	
		Oct 2007	43,658,875	17.6%	6.1%	
		Nov 2007	34,702,176	11.0%	6.9%	
		Dec 2007	28,029,896	12.4%	7.6%	
		Jan 2008	27,510,799	-0.3%	6.7%	
		Feb 2008	35,515,285	9.1%	6.9%	
		Mar 2008	34,338,536	16.3%	7.9%	
		Apr 2008	24,546,221	-3.4%	7.0%	
		May 2008	27,297,353	13.6%	7.4%	
		↓	June 2008	30,641,891	4.0%	7.2%
FY 2009	↑	July 2008	37,561,735	-3.5%	-3.5%	
		Aug 2008	46,879,131	26.6%	11.1%	
		Sept 2008	45,036,032	15.7%	12.7%	
		Oct 2008	40,502,312	-7.2%	7.2%	
		Nov 2008	35,158,491	1.3%	6.1%	
		Dec 2008	27,056,247	-3.5%	4.9%	
		Jan 2009	27,856,644	1.3%	4.5%	
		Feb 2009	31,978,738	-10.0%	2.7%	
		Mar 2009	28,377,783	-17.4%	0.5%	
		Apr 2009	26,572,955	8.3%	1.1%	
		May 2009	26,330,652	-3.5%	0.8%	
		↓	June 2009	29,475,056	-3.8%	0.4%
FY 2010	↑	July 2009	39,433,004	5.0%	5.0%	
		Aug 2009	45,144,745	-3.7%	0.2%	
		Sept 2009				
		Oct 2009				
		Nov 2009				
		Dec 2009				
		Jan 2010				
		Feb 2010				
		Mar 2010				
		Apr 2010				
	↓	May 2010				
	↓	June 2010				

Arizona Sales Tax - Restaurants and Bars General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change		
FY 2006	↑	July 2005	25,760,478	13.4%	13.4%	
		Aug 2005	23,621,671	11.0%	12.3%	
		Sept 2005	24,552,209	15.2%	13.2%	
		Oct 2005	25,332,188	15.2%	13.7%	
		Nov 2005	26,717,800	12.2%	13.4%	
		Dec 2005	26,402,748	18.3%	14.2%	
		Jan 2006	28,524,262	8.5%	13.3%	
		Feb 2006	27,902,255	13.9%	13.3%	
		Mar 2006	29,389,750	9.9%	12.9%	
		Apr 2006	31,522,229	14.5%	13.1%	
		May 2006	30,057,423	8.6%	12.6%	
		↓	June 2006	29,045,199	10.2%	12.4%
FY 2007	↑	July 2006	28,025,509	8.8%	8.8%	
		Aug 2006	25,406,213	7.6%	8.2%	
		Sept 2006	25,474,093	3.8%	6.7%	
		Oct 2006	27,567,943	8.8%	7.3%	
		Nov 2006	32,249,878	20.7%	10.1%	
		Dec 2006	28,295,767	7.2%	9.6%	
		Jan 2007	30,950,667	8.5%	9.4%	
		Feb 2007	30,649,098	9.8%	9.5%	
		Mar 2007	29,694,899	1.0%	8.4%	
		Apr 2007	34,392,336	9.1%	8.5%	
		May 2007	31,957,682	6.3%	8.3%	
		↓	June 2007	29,936,887	3.1%	7.8%
FY 2008	↑	July 2007	29,101,596	3.8%	3.8%	
		Aug 2007	26,935,024	6.0%	4.9%	
		Sept 2007	26,786,010	5.2%	5.0%	
		Oct 2007	28,689,796	4.1%	4.7%	
		Nov 2007	29,377,274	-8.9%	1.6%	
		Dec 2007	30,275,107	7.0%	2.5%	
		Jan 2008	27,452,580	-11.3%	0.3%	
		Feb 2008	29,995,413	-2.1%	0.0%	
		Mar 2008	30,895,077	4.0%	0.5%	
		Apr 2008	34,037,313	-1.0%	0.3%	
		May 2008	30,786,989	-3.7%	-0.1%	
		↓	June 2008	31,854,667	6.4%	0.4%
FY 2009	↑	July 2008	26,987,359	-7.3%	-7.3%	
		Aug 2008	25,927,019	-3.7%	-5.6%	
		Sept 2008	26,558,833	-0.8%	-4.0%	
		Oct 2008	26,485,387	-7.7%	-5.0%	
		Nov 2008	27,624,767	-6.0%	-5.2%	
		Dec 2008	27,609,854	-8.8%	-5.8%	
		Jan 2009	27,811,860	1.3%	-4.8%	
		Feb 2009	27,934,981	-6.9%	-5.1%	
		Mar 2009	29,329,829	-5.1%	-5.1%	
		Apr 2009	31,257,185	-8.2%	-5.5%	
		May 2009	28,180,810	-8.5%	-5.7%	
		↓	June 2009	29,708,010	-6.7%	-5.8%
FY 2010	↑	July 2009	26,111,923	-3.2%	-3.2%	
		Aug 2009	24,537,663	-5.4%	-4.3%	
		Sept 2009				
		Oct 2009				
		Nov 2009				
		Dec 2009				
		Jan 2010				
		Feb 2010				
		Mar 2010				
		Apr 2010				
		May 2010				
		↓	June 2010			

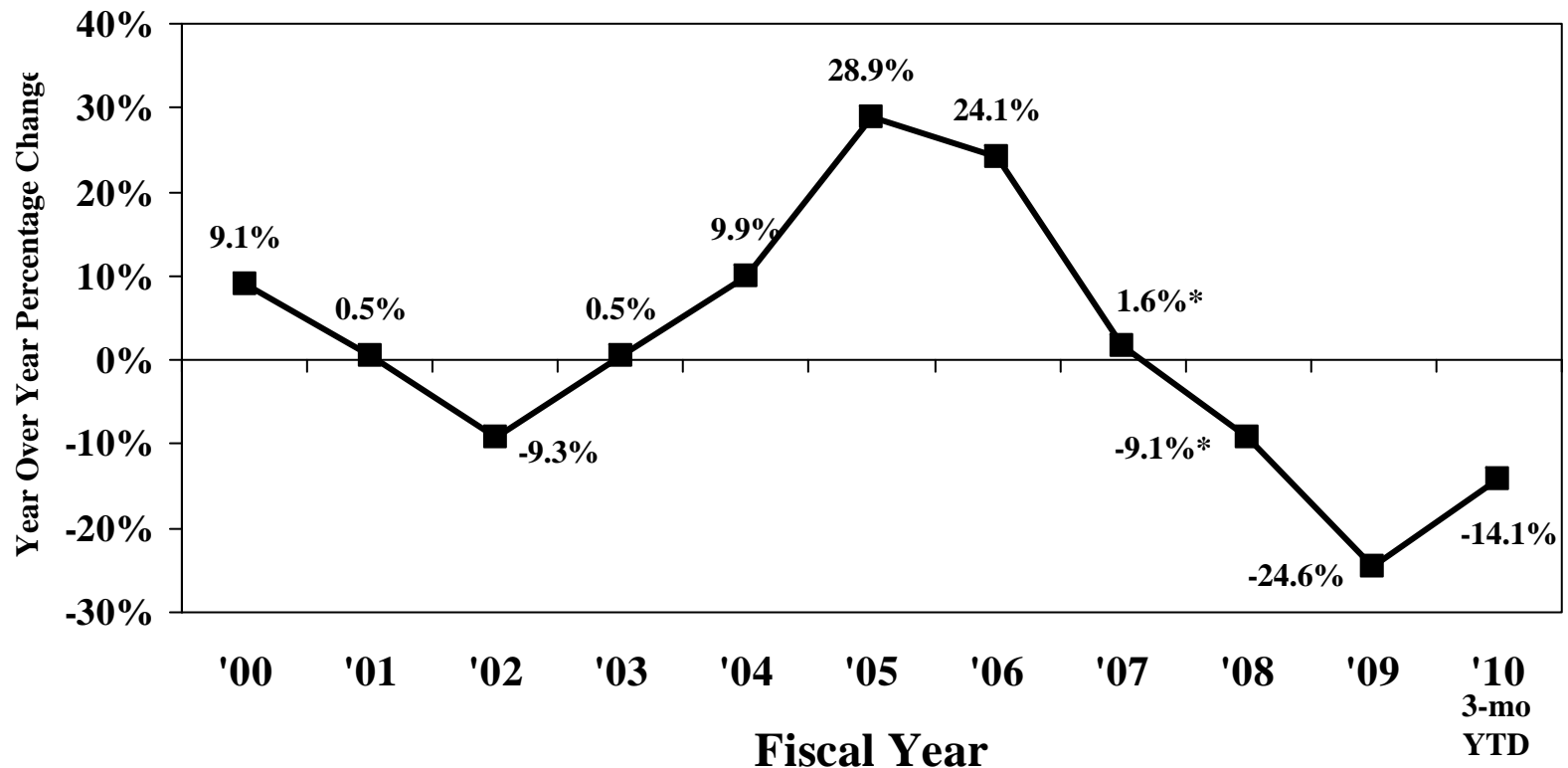
Arizona Use Tax

General Fund Collections

		Year-to-Year	Year-to-Date
	Collections (\$)	% Change	% Change
FY 2006	July 2005	23,872,256	5.9%
	Aug 2005	26,621,874	18.0%
	Sept 2005	25,990,396	16.9%
	Oct 2005	28,124,088	36.5%
	Nov 2005	25,350,591	18.7%
	Dec 2005	25,520,731	30.3%
	Jan 2006	31,316,999	29.8%
	Feb 2006	26,149,998	20.2%
	Mar 2006	26,624,546	42.4%
	Apr 2006	26,326,619	17.8%
	May 2006	21,682,845	0.1%
	June 2006	18,617,865	-15.9%
FY 2007	July 2006	28,987,773	21.4%
	Aug 2006	25,431,547	-4.5%
	Sept 2006	28,561,796	9.9%
	Oct 2006	28,527,152	1.4%
	Nov 2006	27,484,263	8.4%
	Dec 2006	23,756,958	-6.9%
	Jan 2007	31,899,499	1.9%
	Feb 2007	23,123,752	-11.6%
	Mar 2007	22,628,801	-15.0%
	Apr 2007	27,021,534	2.6%
	May 2007	6,153,618	-71.6%
	June 2007	29,434,170	58.1%
FY 2008	July 2007	31,300,389	8.0%
	Aug 2007	29,103,528	14.4%
	Sept 2007	29,437,063	3.1%
	Oct 2007	30,750,858	7.8%
	Nov 2007	30,042,343	9.3%
	Dec 2007	26,487,663	11.5%
	Jan 2008	33,730,459	5.7%
	Feb 2008	27,581,711	19.3%
	Mar 2008	26,927,528	19.0%
	Apr 2008	28,924,084	7.0%
	May 2008	27,402,823	345.3%
	June 2008	19,220,885	-34.7%
FY 2009	July 2008	31,696,678	1.3%
	Aug 2008	30,505,018	4.8%
	Sept 2008	28,148,827	-4.4%
	Oct 2008	29,703,678	-3.4%
	Nov 2008	25,398,587	-15.5%
	Dec 2008	20,945,415	-20.9%
	Jan 2009	32,438,853	-3.8%
	Feb 2009	21,418,330	-22.3%
	Mar 2009	20,507,125	-23.8%
	Apr 2009	19,245,339	-33.5%
	May 2009	19,198,904	-29.9%
	June 2009	13,491,820	-29.8%
FY 2010	July 2009	18,370,135	-42.0%
	Aug 2009	24,958,659	-18.2%
	Sept 2009		
	Oct 2009		
	Nov 2009		
	Dec 2009		
	Jan 2010		
	Feb 2010		
	Mar 2010		
	Apr 2010		
May 2010			
June 2010			

Individual Income Tax

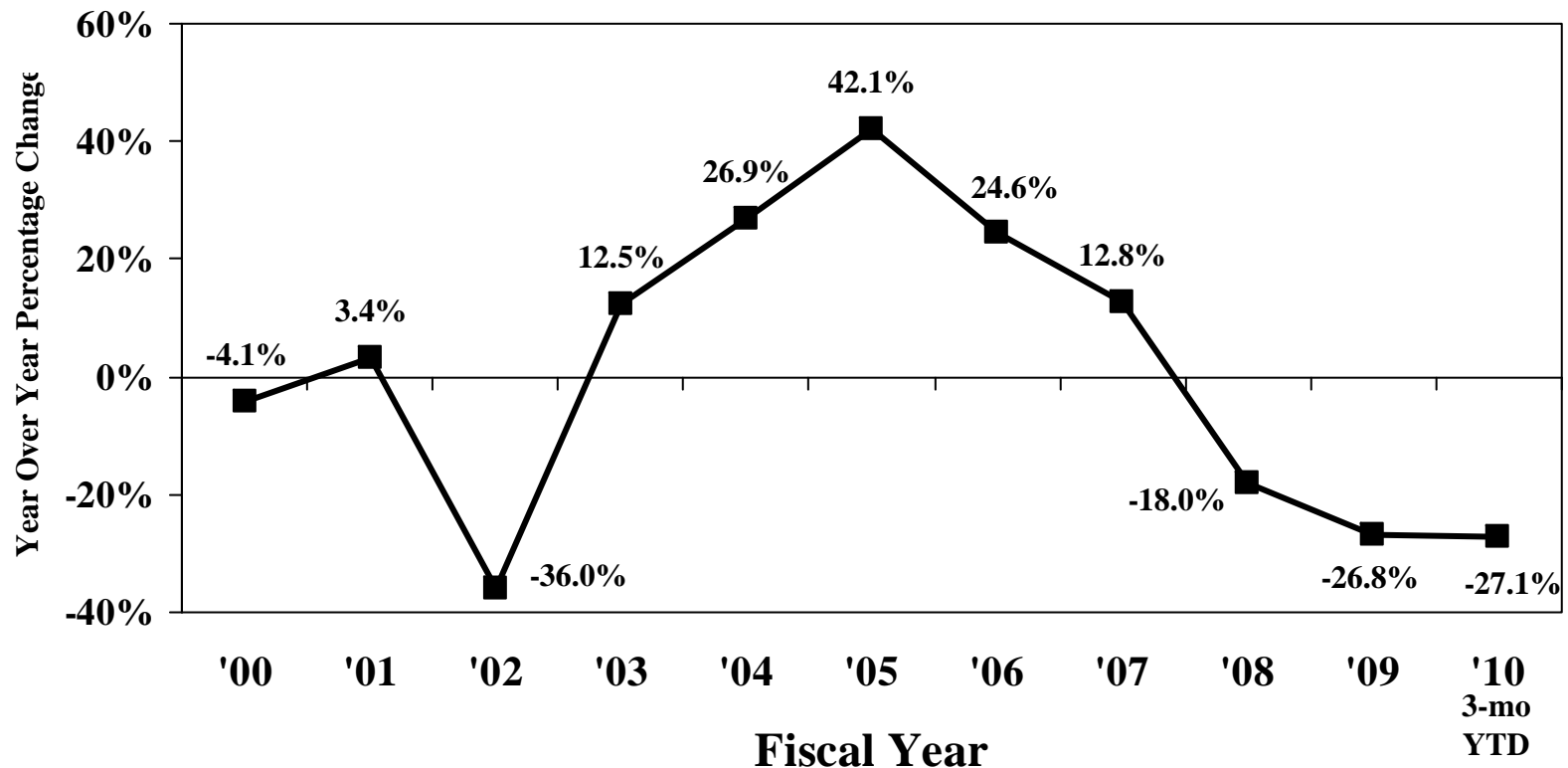
Individual Income Tax Growth Rate



* The '07 and '08 percentages include the impact of the 10% rate reduction passed by the Legislature, and phased in over 2 years beginning in tax year 2006. Excluding the rate reduction, baseline '07 growth was 6.3%, and '08 was (4.1)%.

Corporate Income Tax

Corporate Income Tax Growth Rate



* The '07, '08, '09, and '10 percentages include the impact of tax law changes, including the consolidated reporting credit, and the phase-in of the corporate sales factor enacted in 2005. Excluding these tax law changes, baseline growth for '07 – '09 would be 13.3%, (17.3)%, and (23.2)% respectively.

Economic Indicators

Economic Indicators

NATIONAL

According to the third ("final") estimate of the **U.S. Real Gross Domestic Product (GDP)** for the 2nd quarter of 2009, the nation's economy contracted at an annual rate of (0.7)% during this period. This should be compared with the previous estimate of (1.0)% released last month. The key revision to the GDP estimate was business software spending. Instead of a decline of (11.7)%, as previously estimated, business software investment increased at an annual rate of 1.2%.

The Conference Board's **U.S. Consumer Confidence Index**, a measure based on a survey of 5,000 U.S. households, declined (1.5) points September to a reading of 53.1. At this level, however, the consumer confidence index is still well above the record-low reading of 25.3 in February. The decline in August is attributed to slightly more pessimistic view of current conditions.

The Conference Board's **U.S. Index of Leading Economic Indicators** rose for the fifth consecutive month in August, with a month-over-month increase of 0.6%. The index, which is designed to anticipate economic activity 3 to 6 months in advance, points toward a rebound in economic activity. The August reading of 102.5 was the highest since January 2008. Five of the 10 components that make up the index improved in August. The largest positive contributors were vendor performance, the interest rate spread, and stock prices.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, rose by 0.4% in August. The CPI increase was primarily due to a 9.1% surge in gasoline prices. Compared to the same month last year, the general price level is down (1.4)%. Excluding food and energy, core consumer prices inched up 0.1%. The core CPI has risen 1.4% over the last 12 months. Since core inflation remains contained, the Federal Reserve has opined that it does not currently view the threat of inflation as imminent.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the U.S. increased by 5.8% in July, from \$2.91 billion to \$3.08 billion. July marked the fifth consecutive month with month-over-month increases in semiconductor

sales. In spite of these improvements, sales are still (8.1)% off last year's level.

ARIZONA

While the state continued to report large year-over-year job losses in August, there were also some indications that conditions in the housing market appear to be stabilizing. Home prices are no longer falling, the supply of housing has remained largely unchanged over the last few months, and permitting activity appears to be trending up. Analysts caution, however, that for any improvement to be sustainable, it is imperative that foreclosures decrease and eventually revert to levels observed prior to the collapse of the real estate market.

As reported in last month's issue of *Monthly Fiscal Highlights*, the Federal Reserve Bank's coincident index can also serve as a measure to gauge the current state of the Arizona economy. The index combines four state-level indicators into a single statistic: nonfarm payroll employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wages.

The most recent release of the index suggests that economic activity in Arizona continued its decline in August, albeit at a slower rate than in previous months. The Arizona coincident index fell by (0.4)% in August, a (7.9)% year-over-year decrease. The national index declined by (0.1)% and was (3.4)% lower than in August 2008. The Fed's August release of the index suggests that as many as 10 states in the nation are beginning to experience a slight uptick in economic activity.

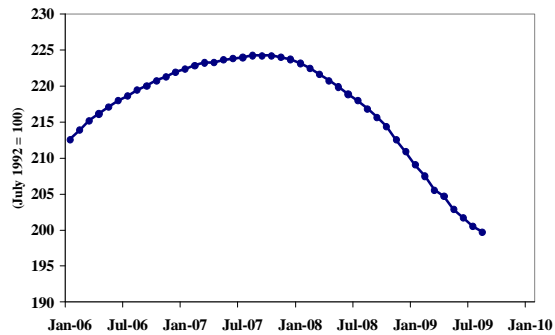
The graph below, which shows the history of the Arizona coincident index, suggests that economic activity in the state has not yet reached its bottom.

"The Arizona coincident index fell by (0.4)% in August, a (7.9)% year-over-year decrease".

Economic Indicators (Continued)

"The goods-producing sector of the economy has shed (17.7)% of its workforce over the last 12 months compared to (5.8)% for service-providing industries.

Arizona Coincident Economic Activity Index



The most recent employment report by the Arizona Department of Commerce shows that the state added 19,700 **nonfarm payroll jobs** in August. The month-over-month gain in employment in August was primarily due to the seasonal hiring of teachers. The average increase in the last 10 years was slightly less than 33,000. Compared to August 2008, nonfarm payroll employment was down by (7.5)%, the nation's second largest percentage decline after Michigan. The state has lost (312,000) jobs since employment peaked in December 2007.

While no sector of the Arizona economy has been able to escape the recession, some industries have been more adversely affected than others. The goods-producing sector of the economy has shed (17.7)% of its workforce over the last 12 months compared to (5.8)% for service-providing industries. Although the service-providing sector of the economy has been less severely impacted, Arizona leads the nation in service-related employment losses by a margin of 1%.

The **construction sector** added 100 new jobs in August. This was the second monthly employment gain in the last two years. The industry employed (26.4)% fewer workers in August than a year ago. This segment of the economy has lost (109,000) jobs since the height of the construction boom in the summer of 2006.

The **manufacturing sector** also added 100 new jobs in August. Most of this gain came from the nondurable goods manufacturing segment of the industry. Compared to the same month last year, manufacturing employment is down by (7.7)%, which translates into a net loss of (13,400) jobs.

The **average weekly hours** of production workers in manufacturing industries is another measure of labor market conditions. Economists consider this measure a leading indicator since "factory hours" tends to lead the business cycle as employers usually adjust work hours before increasing or decreasing the size of their workforce. According to the Department of Commerce, average weekly hours in August decreased by (1.8)% from the previous month. The average work week of 38.1 hours in August is the lowest on record (data is available from January 2001) and (5.0)% below the level recorded one year ago.

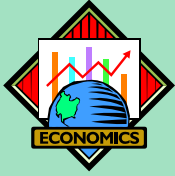
The state's **unemployment rate** stayed essentially flat in August at a reading of 9.1%. The state's unemployment rate in August 2008 was 5.9%. The highest unemployment rate in the state was recorded in Yuma, where 19.1% of its labor force was reportedly out of work. Flagstaff had the lowest unemployment rate in August, with a reading of 7.5%.

The Department of Commerce reported that 32,747 **initial claims for unemployment insurance** were filed in August, an increase of 45.5% over last year. Claims for initial jobless benefits appear to have peaked in April when more than 41,000 individuals filed for unemployment insurance for the first time. For the week ending on September 5, more than 109,000 Arizona residents filed continued claims for jobless benefits, which was more than twice the amount reported one year earlier.

Based on data released by the U.S. Census Bureau, an average of 1,614 building permits were issued each month between June and August 2009. This amount includes an average of 1,494 **single-family residential building permits** authorized and 120 **multi-family permits**. On a month-over-month basis, the number of single-family and multi-family permitting activity increase 0.6%. Year-over-year, however activity in each of these segments decreased (14.1)% and (81.2)%, respectively.

Based on ASU's August real estate report, a total of 9,080 **single-family existing home sales** occurred in August at an average **single-family median resale home price** of \$139,000. The 9,080 sales was (21.0)% below July and 21.0% above levels a year ago. The median resale price in the single family

Economic Indicators (Continued)



segment remained relatively unchanged from the prior month, decreasing by \$(1,000) , or (0.7)%. Relative to a year ago prices have fallen (21.9)%. Since the June 2006 high of \$267,000, prices have fallen (47.9)%.

In the multi-family segment, ASU's reports there were 1,140 **townhouse-condominium median transactions** with an average **sales price** of \$103,500. The total number of units bought and sold represents an increase of 39.9% above levels a year ago, while the year-over-year median resale price decreased (29.5)%.

The **S&P/Case-Shiller Home Price Index** measures the change in housing prices based on repeat sales. In July, the index for the Phoenix metropolitan area increased for the second straight month, measuring 106.66. Month-over-month, the index increased 1.8%, while the year-over-year change was (28.5)%. Relative to peak in June 2006 (227.42), the index is down (53.1)%. For comparison, the 20 metropolitan area index is down (30.1)% from its peak in July 2006.

Utilizing the most recent MLS data available, the **month's supply of housing** increased slightly between July and August. Specifically, at the current rate of existing home sales (on a seasonally adjusted basis), it would take 5.9 months to deplete the current inventory of unsold homes. The comparable figure in August 2008 was 10.2 months. The measure reached a high of 16.7 months in September 2007.

The sharpest and longest recession in postwar history has not only resulted in record-large declines in tax receipts but also led to a surge in the demand for state health and welfare services, evident from the caseload data presented below.

In September, **AHCCCS caseloads** increased to a total of 1,327,237 members, 2.0% above the number of recipients in the previous month. AHCCCS caseloads are currently 17.3% above September 2008 levels. The FY 2010 budget funded a projected June caseload growth of 10.7%, for a total of 1,388,147 members.

There were a reported 84,870 **TANF recipients** in the state in July, which represented a monthly caseload increase of 1.8%. July's year-over-year increase was 7.5%. 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 July, there were a total 925,732 food stamp recipients in the state, an increase of 3.5% over the prior month. Compared to the same month last year, food stamp participation was up by 35.6%. 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** increased by an average of 76 inmates per month between June and August 2009. During the first two months of FY 2010, the departments population increased by an average of 101 inmates per month, below the FY 2010 funded growth of 151 inmates per month.

With the exception of Maricopa County, the state and counties throughout the state typically share the costs of **adult and juvenile probation programs**. Maricopa County, however, has assumed all costs associated with adult and juvenile probation programs. Based on the most recent data, the non-Maricopa probation caseload was 20,137 individuals, or 110 probationers more than the prior month. Year-over-year, however, the probation caseload has decreased by (824) individuals. Maricopa County had 27,199 probationers during the period, which was (1,995) less than the prior month and (3,325) less than a year ago.

Economic Indicators (Continued)

Table 7

ECONOMIC INDICATORS				
Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
- Unemployment Rate	August	9.1%	(0.1)%	3.2%
- Initial Unemployment Insurance Claims	August	32,747	(15.7)%	45.5%
- Non-Farm Employment – Total	August	2.40 million	0.8%	(7.5)%
Manufacturing	August	160,300	0.1%	(7.7)%
Construction	August	139,000	0.1%	(26.4)%
- Average Weekly Hours, Manufacturing	August	38.1	(1.8)%	(5.0)%
- Contracting Tax Receipts (3-month average)	Jun-Aug	\$42.1 million	0.4%	(38.2)%
- Retail Sales Tax Receipts (3-month average)	Jun-Aug	\$132.7 million	(2.3)%	(11.6)%
- Residential Building Permits (3-month moving average)				
Single-unit	Jun-Aug	1,494	0.6%	(14.1)%
Multi-unit	Jun-Aug	120	0.6%	(81.2)%
- Greater Phoenix Existing Home Sales				
Single-Family	August	9,080	(21.0)%	21.0%
Townhouse/Condominium	August	1,140	(22.7)%	39.9%
- Greater Phoenix Median Home Sales Price				
Single-Family	August	\$139,000	(0.7)%	(21.9)%
Townhouse/Condominium	August	\$103,500	(3.8)%	(29.5)%
S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	July	106.66	1.8%	(28.5)%
- Months Supply of Housing, (ARMLS)	August	5.9 months	(0.4) months	(4.3) months
- Phoenix Sky Harbor Air Passengers	July	3.34 million	3.4%	(4.1)%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	June	\$5.61	(8.9)%	(39.9)%
- Arizona Consumer Confidence Index (1985 = 100)	1 st Quarter 2009	44.2	N/A	(58.4)%
- Arizona Coincident Index (July 1992 = 100)	August	199.74	(0.4)%	(7.9)%
- Arizona Personal Income	1 st Quarter 2009	\$211.5 billion	(0.7)%	(0.6)%
- Arizona Population	July 1, 2008	6.50 million	146,759	2.3%
- AHCCCS Recipients	September	1,327,237	2.0%	17.3%
- TANF Recipients	July	84,870	1.8%	7.5%
- SNAP (Food Stamps) Recipients	July	925,732	3.5%	35.6%
- DOC Inmate Growth (3-month average)	Jun-Aug	40,516	76 inmates	1,548 inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	May/July	20,137	110	(824)
Maricopa County	May/July	27,199	(1,995)	(3,325)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	2 nd Quarter 2009	\$12.9 trillion	(0.7)%	(3.8)%
- Consumer Confidence Index (1985 = 100)	September	53.1	(2.6)%	(13.5)%
- Leading Indicators Index (2004 = 100)	Aug	102.5	0.6%	1.9%
- U.S. Semiconductor Billings (3-month moving average)	May-Jul	\$3.08 billion	5.8%	(8.1)%
- Consumer Price Index, SA (1982-84 = 100)	Aug	215.43	0.4%	(1.4)%

JLBC FINANCE ADVISORY COMMITTEE (FAC) MEMBERS

Dan Anderson has served as Assistant Executive Director for Institutional Analysis for Arizona Board of Regents since July 2002. From 1975 through June 2002, Mr. Anderson held various positions at the Arizona Department of Economic Security, with most of his time as Research Administrator. He has been a member of the FAC since its inception.

Dr. Jay Q. Butler is Director of Realty Studies and an Associate Professor of Real Estate in the Morrison School at Arizona State University at the Polytechnic campus. He also holds the Arizona Realtors Professorship in Real Estate. Dr. Butler has been at ASU since 1972. He has been a member of the FAC since 1994.

Brian Cary is Corporate Economist for Salt River Project (SRP). Prior to joining SRP in September 2007, he served as Principal Economist on the JLBC staff for 4 years. Mr. Cary has been producing forecasts and analysis for more than 25 years, mostly focused on the energy and financial sectors. He joined the FAC in 1989.

Tracy L. Clark is Data Integrity Manager for the Arizona Department of Transportation. Previously, he was with Arizona State University as the Associate Director of the JPMorgan Chase Economic Outlook Center. He produced national and local economic forecasts, as well as, gathering forecasts from other economists for Center publications. Mr. Clark has been a member of the FAC since 1989.

Pete Ewen is Chief Economist and Manager, Revenue and Fuel Analysis and Forecast Group at Pinnacle West. He has been with Arizona Public Service/Pinnacle West for 17 years.

Eileen Klein is the Deputy Chief of Staff and Director of the Governor's Office of Strategic Planning and Budgeting (OSPB). Prior to that, Eileen was employed in the private sector as the Chief Operating Officer for Arizona Physicians IPA, a business unit of UnitedHealthcare. Eileen's public service career in Arizona includes her tenure as director of policy at the Arizona House of Representatives, where she served four speakers on policy and state budget matters, as well as her work at the Arizona Office of the Auditor General, where she evaluated the effectiveness and efficiency of state agencies. Eileen has also been a regulatory program manager in the state of Florida and the CEO of a non-profit corporation. Eileen holds an undergraduate degree in French and Business from The Florida State University and a Master of Public Administration degree from Arizona State University.

John C. Lucking is President of ECON-LINC, an economic consulting firm. Dr. Lucking also serves as a director for Sanu Resources Ltd., an international mineral exploration company, and as a trustee for several municipal bond mutual funds. Previously, he served as Chief Economist for Bank One Arizona and as the Executive Director of the Governor's Partnership for Economic Development (GSPED). Dr. Lucking has been a member of the FAC since 1987.

State Treasurer Dean Martin serves as the chief financial officer for the State Treasury in Arizona. He previously served as a State Senator from 2001 to 2007 and was Chairman of the Senate Finance Committee, responsible for legislation related to taxes, retirement, insurance and financial issues. The State Treasurer has been a member of the Finance Advisory Committee since its inception. Mr. Martin has been a member of the FAC since he became State Treasurer in January 2007.

Georganna Meyer is Chief Economist for the Arizona Department of Revenue. She has been a member of the FAC since 1984.

Elliott D. Pollack is President of Elliott D. Pollack and Company in Scottsdale, Arizona, an economic and real estate consulting firm established in 1987. Mr. Pollack served as Chief Economist of Valley National Bank in Arizona for 14 years prior to establishing his consulting firm and is currently a member of the Economic Estimates Commission. He has been a member of the FAC since its inception.

Debra J. Roubik is the Chief Economist and Founder of VisionEcon, a consulting firm. Ms. Roubik began her career as an economist at Chicago's Harris Trust and Savings Bank where she was responsible for the bank's macroeconomic model. She also held the positions of Vice President of Stotler Economics, Manager of Revenue Forecasting for Atchison Topeka & Santa Fe Railway, and Economist for the Arizona Department of Economic Security's Research Administration. Ms. Roubik has been a member of the FAC since 2001.

Martin Shultz is Vice President of Government Affairs for Pinnacle West Capital Corporation. In that role he manages public affairs and government relations for Pinnacle West Capital Corporation and its subsidiaries: Arizona Public Service (APS), APS Energy Services, Pinnacle West Energy Corporation, El Dorado and SunCor. Mr. Shultz has been a member of the FAC since 1984.

Randie Stein joined the Investment Banking firm Stone & Youngberg as a Vice President in the Public Finance Department in September 2004. Ms. Stein has 10 years of experience as a fiscal advisor and Finance Committee analyst in the State Senate and as an economist/budget analyst with the Joint Legislative Budget Committee, and is a former staff director of the School Facilities Board. She has been a member of the FAC since 2005.

Marshall J. Vest is director of the Economic and Business Research Center at the University of Arizona's Eller College of Management. Mr. Vest has headed the College's Forecasting Project for 28 years. He is past-president of the Association for University Economic and Business Research, whose membership includes university-based applied research centers from across the country. Mr. Vest has been a member of the FAC for 28 years.